

**Annual**  
**Report**

**2006**

**SBS Transit Ltd**



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**Our Vision**  
**Moving people in**  
**a safe, reliable and**  
**affordable way.**

**Our Mission**  
**To achieve excellence for**  
**our customers, employees,**  
**shareholders and community.**  
**To this end, we are committed**  
**to delivering safe and reliable**  
**services at affordable prices,**  
**being an employer of choice,**  
**creating significant shareholder**  
**value and becoming a socially**  
**responsible corporate**  
**role model.**

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**To achieve our Vision and Mission, we are guided by the following beliefs:**

**We will**

- **Be driven by our customers' needs**
  - **Strive for excellence in everything we do**
  - **Act with integrity at all times**
  - **Treat people with fairness and respect**
  - **Maintain safety as a top priority**
  - **Collaborate with our partners for a win-win outcome**
  - **Give our shareholders a reasonable return**
-



**Lim Jit Poh**  
Chairman



**2006 will go down in SBS Transit's history as a watershed year.**

**We rolled out a fleet management system and tested out a real-time bus arrival information system. We introduced Singapore's first wheelchair-friendly bus and played host to international guests of the International Monetary Fund and World Bank. We also launched Singapore's first-ever monthly bus pass for all adults.**

Our staff did us proud by garnering 985 Excellent Service Awards (EXSA), giving SBS Transit the largest haul, not just in the land transport category, but among all categories in Singapore.

Equally significant was the fact that we continued to grow rail ridership, ending the year with a maiden profit of \$600,000. Our bus ridership also saw an increase of 2.2%, our first increase in more than 10 years.

Industry-wide, there were also many things that were happening. In October 2006, the Minister for Transport delivered a landmark speech outlining his vision for the next 10 to 15 years. In it, he called for a review of the industry with the objective of making public transport the choice mode of commuters. I immediately responded as Chairman of both SBS Transit, and its parent, ComfortDelGro Corporation Limited, by forwarding a copy of the speech to the Directors of the two Boards and requested that meetings be held to put forth our stand, both as a public transport operator and an investor.

We fully support the Minister's call. I note the public calls for more competition. I also note the cry for centralised and integrated services. These are extreme positions. Each has its own merits. We will need to identify the system gaps which have to be rectified and improve our present arrangements.

As an operator, SBS Transit will need to look at how best we can balance our duties as a service provider to our customers as well as a public-listed company with responsibilities to our shareholders. We will have to see how we can keep up with the changes that are taking place around us while ensuring that the needs of commuters are not compromised. Our overall aim is to provide a safe, reliable and affordable service.

## **OUR BUSINESS PRINCIPLES**

As a public transport service provider, we are always mindful of our responsibilities to our commuters. We balance this with our responsibility as a listed company to our shareholders.

The needs of the commuting public, especially the lower income households, the retirees, the handicapped, young children and school students were not forgotten when a fare adjustment was implemented in October 2006.

The decision to implement a fare increase was undertaken after much deliberation by the Company. Due to the significant cost increases, in particular fuel costs which hit new highs last year, we applied to the Public Transport Council (PTC) for bus and rail fare adjustments. The application was in line with the formula recommended by the Fare Review Mechanism Committee. Based on a change in the Consumer Price Index of 0.5% and the Wage Index of 3.5%, the formula allowed for fares to increase by up to 1.7% in 2006. Our application was approved by the PTC.

Under the revised fare structure, bus and train adult ez-link fares increased marginally by between 1 and 3 cents. Children and student fares and concession passes were not affected by the adjustment. Cash fares remained unchanged.

To ensure that the needy families were not severely impacted, we gave them \$500,000 worth of transport vouchers. In addition, we continued to offer our elderly passengers concessionary travel from 9 am onwards on weekdays and throughout the weekend. In all, the relief package cost us \$4.4 million.

## **COMMITMENT TO SERVICE**

According to the PTC's 2006 Passenger Satisfaction Survey, more commuters were contented with the public transport service in Singapore, with the level of satisfaction hitting 80 per cent, up from 70 per cent in 2005.



**As a leading public transport service operator in Singapore, we have a duty to our customers and ourselves to deliver the best-in-class service and to create a culture of excellence.**

We are glad that commuter satisfaction has grown and we will continue in our relentless efforts to address the three areas which require the greatest improvements – waiting time, travelling time and loading or crowdedness of buses.

As Singapore's largest public bus operator, with an operating fleet of 2,529 buses plying 223 scheduled routes, we continue to find new ways to improve on service. Our \$100 million investment in 200 new air-conditioned low-floor double-deck buses will enable us to replace some of our older buses and expand the fleet to provide more services.

In fact, SBS Transit constantly refers to information gleaned from the PTC surveys, our surveys and customer feedback to improve our bus and train service offerings.

As a leading public transport service operator in Singapore, we have a duty to our customers and ourselves to deliver the best-in-class service and to create a culture of excellence.

At the Board level, we formed a Service Quality Committee in 2006 to demonstrate the Board's commitment towards quality issues. The Committee has put in extra effort to familiarise itself with our operations and held several dialogue sessions with employees to understand their concerns. Visits to the various operational units such as the customer relations centre, bus interchanges and the operations control centres were organised with this purpose in mind. The goal was to improve our overall level of service standards by appreciating operational constraints, staff concerns, and balancing them with customers' expectations.

Many of our staff have taken upon themselves to deliver good customer service each and every day. Their efforts have paid off through the various awards they

received, commendations letters from customers to the Company and inspiring stories in the media.

In 2006, Senior Bus Captain (BC) Ong Sze Err became the only EXSA SuperStar winner in the land transport industry. Significantly, it was the second consecutive year that SBS Transit has won the EXSA SuperStar award.

Many others have also been commended for excellence in service. In all, SBS Transit chalked up a bumper crop of 985 EXSA winners, almost twice that of the previous year.

#### **FINANCIAL RESULTS**

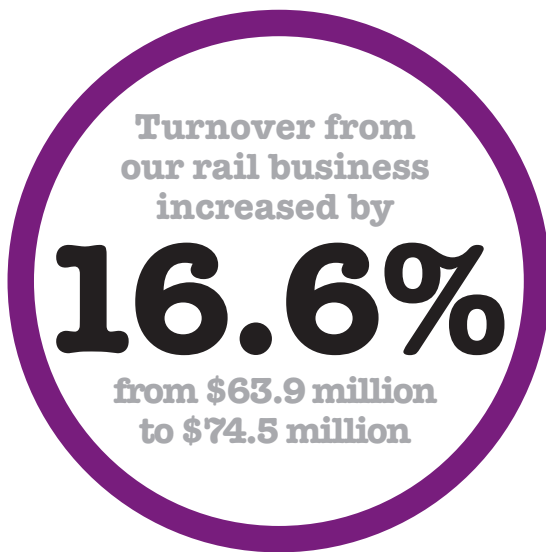
SBS Transit's total turnover in 2006 increased by 6.3% from \$576.3 million in 2005 to \$612.6 million.

Turnover from bus operations increased by 4.2% from \$493.2 million to \$513.9 million. The increase was mainly due to the introduction of new bus services and innovative products like *SeasonPass*, which resulted in a 2.2% growth in ridership to 763.2 million rides in 2006. Operating profit decreased by 18.8% from \$50.7 million to \$41.2 million as a result of the high fuel prices.

Turnover from our rail business increased by 16.6% from \$63.9 million to \$74.5 million. The North-East Line (NEL) contributed \$68 million while the Sengkang Light Rail Transit (LRT) contributed \$5.2 million and the Punggol LRT \$1.3 million. Ridership for NEL and the two LRT systems grew by 15.2% and 17.7% respectively as compared to 2005. For the first time, the rail business turned in an operating profit of \$600,000, reversing an operating loss of \$6.3 million in the previous year.

Business generated from advertisements contributed \$24.2 million in revenue, an increase of 25.8%. Our operating profit from advertisements also rose 21.0% to \$15.7 million in 2006.





Our pre-tax profit increased by 6.4% from \$63.3 million to \$67.3 million. Profit after tax was \$56.1 million, an increase of 8.9% from \$51.5 million in 2005.

Capital expenditure of \$83.9 million increased by \$67.3 million over the previous year due mainly to the renewal of the existing bus fleet.

In 2006, earnings per share was 18.52 cents. This was more than the 17.12 cents in 2005. Net assets per share stood at 90 cents, a drop of 1 cent from 2005. As at 31 December 2006, shareholders' funds dropped by 0.9% to \$271.7 million partly due to dividends which were paid out during the year.

The Directors have proposed a final gross dividend of 6.5 cents per ordinary share and a special gross dividend of 17.0 cents per ordinary share for the approval of the shareholders. Together with the interim dividend of 5.0 cents per ordinary share, the total dividend to be paid out for 2006 will be 28.5 cents per share.

#### **THE YEAR AHEAD**

In the coming year, we plan to introduce more bus services and innovations to boost ridership and meet the different needs of our commuters.

New bus services will continue to be rolled out as we look at offering more niche services as well as new premium bus services. Passengers in wheelchairs can also look forward to more Wheelchair Accessible Bus services going forward.

Providing quality service will continue to be a key focus. Service campaigns to contribute to a more pleasant journey for commuters will be undertaken by both our Bus Captains and fleet management team.

We will also look at enhancing service information for our commuters. We have, for example, started offering

real-time bus arrival information on our website as well as on mobile devices since January 2007.

We are also working closely with the PTC on the implementation details in line with the penalty fee legislation which was approved by Parliament in 2005. This will help discourage commuters from underpayment or nonpayment when using our public transport.

In the rail business, developments along the North East corridor are expected to continue to come up, resulting in a continued growth in ridership. Similarly, advertisement revenue and rental revenue should grow in tandem with the buoyant economy.

#### **APPRECIATION**

I wish to thank management for its hard work and commitment. It has been a challenging year but the team has performed admirably.

I would also like to express my deepest appreciation to my fellow Directors for their continued guidance.

To the National Transport Workers' Union, authorities, advisors and grassroots leaders, thank you for your cooperation and assistance.

To our loyal shareholders, thank you for your understanding and trust in our ability to deliver what has been committed.

And finally, to our customers, thank you for your patronage, cooperation and understanding.

**Lim Jit Poh**  
Chairman

# Financial Highlights

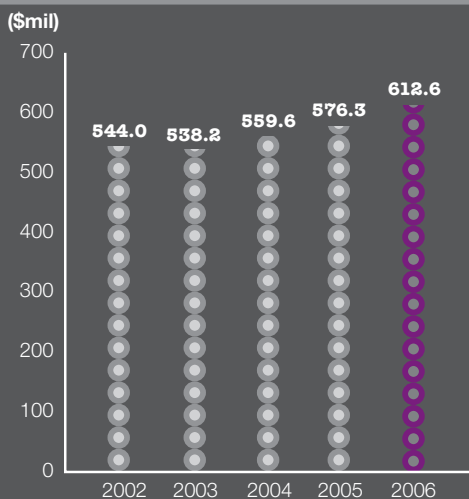
## FINANCIAL SUMMARY

	2002	2003	2004	2005	2006
Turnover (\$'mil)	544.0	538.2	559.6	576.3	612.6
Revenue (\$'mil)	550.1	548.3	572.5	590.3	628.6
Operating profit (\$'mil)	42.2	24.9	52.6	57.2	57.4
Operating expenses (\$'mil)	507.8	570.7	519.9	533.2	571.1
Profit after tax (\$'mil)	34.6	19.0	49.0	51.5	56.1
Issued capital (\$'mil)	74.4	74.4	74.5	75.6	83.4
Capital and reserves (\$'mil)	239.7	244.8	278.7	274.1	271.7
Capital disbursement (\$'mil)	110.7	25.5	10.8	18.4	84.0
Internal funds generated (\$'mil)	92.9	125.0	82.0	80.9	81.6
Earnings per ordinary share (cents)	11.6	6.4	16.4	17.1	18.5
Net asset per ordinary share (cents)	80.5	82.3	93.6	90.6	89.6
Return on shareholders' equity (%)	14.4	7.8	18.7	18.6	20.6
Dividend per ordinary share (cents)	6.3	3.8	25.0	25.0	28.5
Dividend cover (number of times)	2.4	2.2	0.8	0.9	0.8

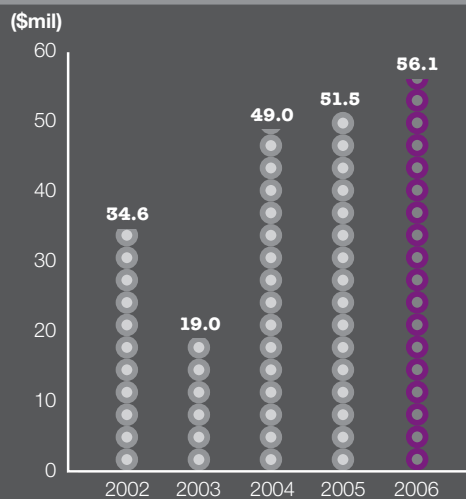
## VALUE-ADDED FOR THE GROUP

	2002		2003		2004		2005		2006	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Suppliers of capital – dividends and term loan interest	20,387	5.4	12,096	3.5	62,139	17.2	61,202	17.2	69,167	18.8
Taxation to the government	17,003	4.5	15,859	4.5	20,851	5.8	22,752	6.4	22,793	6.2
Retained earnings	64,170	17.1	53,705	15.4	13,270	3.7	10,468	2.9	2,661	0.7
Employees – salaries and other staff costs	273,415	73.0	267,008	76.6	264,074	73.3	261,165	73.5	273,221	74.3
<b>Total value-added</b>	<b>374,975</b>	<b>100.0</b>	<b>348,668</b>	<b>100.0</b>	<b>360,334</b>	<b>100.0</b>	<b>355,587</b>	<b>100.0</b>	<b>367,842</b>	<b>100.0</b>
Value-added per employee	45.8		45.5		51.1		50.2		51.4	

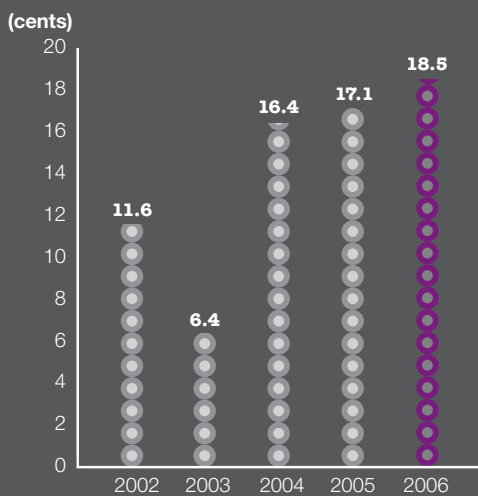
**FIVE-YEAR SUMMARY**



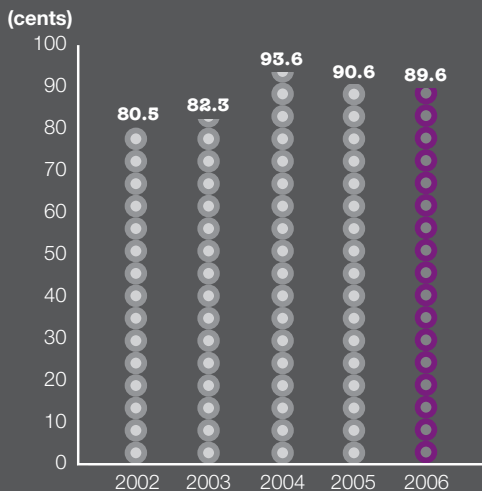
**Turnover**



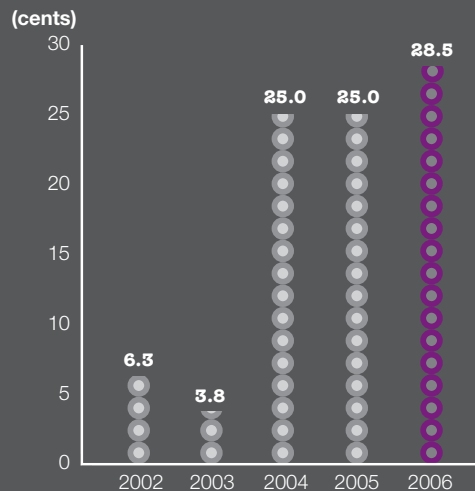
**Profit After Tax**



**Earnings Per Ordinary Share**



**Net Asset Per Ordinary Share**



**Dividend Per Ordinary Share**

**BOARD OF DIRECTORS**

Lim Jit Poh  
*Chairman*

Kua Hong Pak  
*Deputy Chairman*

Ong Boon Leong  
*Executive Director*

Cheong Yip Seng

Chin Harn Tong

John De Payva

Tan Kong Eng

Wee Siew Kim

Wong Chin Huat, David

**AUDIT COMMITTEE**

Wee Siew Kim  
*Chairman*

Chin Harn Tong

Tan Kong Eng

**REMUNERATION COMMITTEE**

Chin Harn Tong  
*Chairman*

John De Payva

Lim Jit Poh

**NOMINATING COMMITTEE**

John De Payva  
*Chairman*

Cheong Yip Seng

Wong Chin Huat, David

**SERVICE QUALITY COMMITTEE**

Wong Chin Huat, David  
*Chairman*

Cheong Yip Seng  
*(Appointed on 11 August 2006)*

John De Payva

Wee Siew Kim

**CORPORATE DIRECTORY**

**Registered Office**

205 Braddell Road  
Singapore 579701

*Mainline* (65) 6284 8866

*Facsimile* (65) 6287 0311

*Email* [crc@sbstransit.com.sg](mailto:crc@sbstransit.com.sg)

*Website* [www.sbstransit.com.sg](http://www.sbstransit.com.sg)

*Company Registration No.* 199206653M

**Company Secretary**

Cheng Pei Juan, Rebecca

**Share Registrar**

B.A.C.S. Private Limited  
63 Cantonment Road  
Singapore 089758

**Auditors**

Deloitte & Touche  
Certified Public Accountants  
6 Shenton Way #32-00  
DBS Building Tower 2  
Singapore 068809

*Partner-in-Charge:*

Kee Cheng Kong, Michael

*Date of appointment:*

8 November 2006

## Board of Directors

**M**r Lim Jit Poh was appointed non-executive Chairman and Director of SBS Transit Ltd in 2003. He is a member of the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited, VICOM Ltd, Ascott Residence Trust Management Limited, China Aviation Oil (Singapore) Corporation Ltd, China Printing & Dyeing Holding Limited and Sky China Petroleum Services Ltd as well as a Director of several listed companies with business interests in stock broking, property trust, hospitality, manufacturing and oil and energy services. Mr Lim is also a director of several unlisted companies under the ownerships of the Singapore Labour Foundation and Temasek Holdings (Private) Limited.

Mr Lim was a former top civil servant and a Fulbright scholar. He was awarded the Public Administration Medal by the Government of Singapore in 1972 and three awards by the National Trades Union

Congress, namely Friend of Labour Award in 1986, Meritorious Service Award in 1990 and Distinguished Service Award in 2000. In 2006, he was also one of the recipients of the Distinguished Science Alumni Award from the National University of Singapore. Mr Lim is a trustee of the Singapore National Employers' Federation.

Mr Lim was a Council Member of the Singapore Chinese Chambers of Commerce and Industry and the National University of Singapore, and a member of the Singapore British Business Council. He was also very active in community work being Chairman of a community centre management committee. Presently, he serves as Vice President of Orchid Country Club and a member of the Board of Management of Pei Chun Public School.

Mr Lim holds a Bachelor of Science (Hons) in Physics from the University of Singapore and a Masters of Education from the University of Oregon, USA.

Mr Lim was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 27 April 2006. He is a non-independent Director of the Company.



**Lim Jit Poh**  
Chairman  
(Non-Executive)

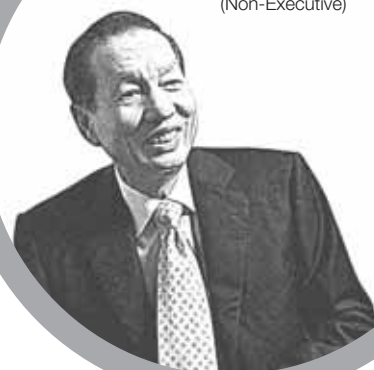
**M**r Kua Hong Pak was appointed a Director of SBS Transit Ltd in 2002. In 2003, he was appointed Deputy Chairman of the Company.

Mr Kua is presently the Managing Director/Group Chief Executive Officer of ComfortDelGro Corporation Limited. Prior to this, he was the President/Chief Executive Officer of Times Publishing Limited from 1989 to 2001.

Mr Kua also serves on the boards of Temasek Holdings (Private) Limited, PSA International Pte Ltd, PSA Corporation Limited, StarHub Ltd, Ringier Print (HK) Limited and Cabcharge Australia Limited. He is also an Honorary Citizen of Shenyang City, China. In recognition of his contributions to community service, he was awarded the Public Service Medal in 1991 and Public Service Star in 1996 by the President of the Republic of Singapore and re-appointed a Justice of the Peace in 2005. He was also awarded a Medal of Commendation by the National Trades Union Congress in 2005.

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

Pursuant to Article 97 of the Company's Articles of Association, Mr Kua will be due for re-election at the forthcoming Annual General Meeting to be held on 26 April 2007. He is a non-independent Director of the Company.



**Kua Hong Pak**  
Deputy Chairman  
(Non-Executive)

## Board of Directors

**M**r Ong Boon Leong was appointed Executive Director of SBS Transit Ltd in 2005.

He first joined DelGro Corporation Limited in 1994 as Senior Manager, Corporate Development where he was responsible for business development, corporate planning and corporate communications. From 1998, he was concurrently appointed Group Chief Financial Officer.

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

Prior to joining the ComfortDelGro Group, Mr Ong served in the Administrative Service with stints in the Ministry of Communications and Ministry of Home Affairs.

He also worked as an Investment Analyst at Standard Chartered Securities Pte Ltd.

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

Mr Ong was last re-elected a Director of the Company pursuant to Article 103 of the Company's Articles of Association at the Annual General Meeting held on 27 April 2006. He is a non-independent Director of the Company.

**Ong Boon Leong**  
Executive Director



**M**r Cheong Yip Seng has been a non-executive Director of SBS Transit Ltd since 1997. He is a member of the Company's Nominating Committee and Service Quality Committee. Mr Cheong was the Editor-in-Chief of the English/Malay Newspapers Division of Singapore Press Holdings Limited from 1987 to 2006. In 2007, he became editorial adviser, SPH.

He is a Member of the National University of Singapore's Board of Trustees. In 1997, Mr Cheong was awarded the ASEAN Award for Information.

Mr Cheong attended the Executive Programme at Stanford Business School and Advanced Management Programme at Harvard Business School.

Pursuant to Article 97 of the Company's Articles of Association, Mr Cheong will be due for re-election at the forthcoming Annual General Meeting to be held on 26 April 2007. He is an independent Director of the Company.

**Cheong Yip Seng**  
Director  
(Non-Executive)



**M**r Chin Harn Tong has been a non-executive Director of SBS Transit Ltd since 1993. He is the Chairman of the Company's Remuneration Committee and a member of the Audit Committee. He is currently also a Director of CityCab Pte Ltd. He had previously been the Secretary, Executive Director and Advisor of NTUC Comfort (1971 - 1986).

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

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

Mr Chin holds a Bachelor of Arts from Nanyang University (1963). In 1970 he was awarded the Colombo Plan Fellowship in Industrial Relations, Australia and was subsequently seconded to the NTUC and was promoted to the Government's Administrative Service.

Mr Chin was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 28 April 2005. He is an independent Director of the Company.

**Chin Harn Tong**  
Director  
(Non-Executive)



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

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

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

Mr De Payva was awarded the Public Star Medal in 1998 and Public Service Star in 2004 by the President of the Republic of Singapore.

Mr De Payva was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 27 April 2006. He is an independent Director of the Company.

**John De Payva**  
Director  
(Non-Executive)



## Board of Directors

**M**r Tan Kong Eng has been a non-executive Director of SBS Transit Ltd since 1992. He was the Managing Director of DelGro Corporation Limited between 1973 and 1994. He is a member of the Company's Audit Committee. Mr Tan retired in 1994 and is currently a Director of Glory & Company Private Limited and Changi Bus Company (Private) Limited.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tan will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 26 April 2007.

He is an independent Director of the Company.

**Tan Kong Eng**  
Director  
(Non-Executive)



**M**r Wee Siew Kim has been a non-executive Director of SBS Transit Ltd since 2003. He is the Chairman of the Company's Audit Committee and member of the Service Quality Committee.

Mr Wee is the Deputy CEO of Singapore Technologies Engineering Ltd. Prior to this, Mr Wee held several positions within Singapore Technologies Engineering and Singapore Technologies Aerospace Ltd, the last being the President of the latter organisation.

Mr Wee is also the Member of Parliament, Ang Mo Kio GRC. He is presently a Director of Singapore British Engineering Pte Ltd, Singapore Technologies Kinetics Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Aerospace Ltd, Singapore Technologies Marine Ltd and Singapore Technologies Dynamics Pte Ltd and Chairman of SAS Components DB.

Mr Wee holds a Bachelor of Science (Aeronautical Engineering) (Hons) from the Imperial College of Science and Technology and Masters in Business Administration from Graduate School of Business, Stanford University.

Pursuant to Article 97 of the Company's Articles of Association, Mr Wee will be due for re-election at the forthcoming Annual General Meeting to be held on 26 April 2007. He is an independent Director of the Company.

**Wee Siew Kim**  
Director  
(Non-Executive)





**M**r Wong Chin Huat, David has been a non-executive Director of SBS Transit Ltd since 1997. He is the Chairman of the Company's Service Quality Committee and a member of the Nominating Committee.

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

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

Mr Wong was awarded the Friend of Labour in 1989, the Meritorious Service Award in 1995 and the Distinguished Service Award in 2001 by the National Trades Union Congress. Mr Wong also received a Certificate of Appreciation by the Singapore Labour Foundation for services rendered as a Director of Pasir Ris Resort Services Pte Ltd in 1989. In 1991, he was awarded the Public Service Star and in 2005, the Public Service Star (Bar) by the President of the Republic of Singapore for community and social services rendered.

Mr Wong holds a LL.B (Hons) from the University of Singapore and a LL.M from the University of London.

Mr Wong was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 27 April 2006. He is a non-independent Director of the Company.



**Wong Chin Huat, David**  
Director  
(Non-Executive)

## Key Management

**M**r Woon Chio Chong joined SBS Transit as Planning Officer on 16 August 1976 and rose through the ranks with stints in Planning and Operations. He was appointed Senior Vice President of Service Development on 1 July 1995 and on 1 July 2000, he assumed his current position of Executive Vice President (Bus Operations). In this position, Mr Woon is responsible for the development of bus routes and the performance of the bus operations to ensure a high standard of service delivery. In addition, he also oversees the introduction of systems such as the Automatic Vehicle Management System and Enhanced Integrated Fare System for the bus operations. Mr Woon holds a Bachelor of Science (Hons) degree in Information Science from the Victoria University of Wellington, New Zealand.

**Woon Chio Chong**  
Executive Vice President  
Bus Operations



**Lim Gim Hong**  
Executive Vice President  
Bus Engineering



**M**r Lim Gim Hong first joined SBS Transit as Engineer on 1 January 1974. Over the years, he was promoted to managerial positions in Engineering and Supplies. He assumed the position of Senior Vice President (Engineering) on 1 July 1995 and headed bus operations as Senior Vice President (Operations) from 1 July 1996 to 30 June 2000. He was appointed to his current position as Executive Vice President (Bus Engineering) on 1 July 2000 and is responsible for bus engineering operations as well as quality assurance and safety. Mr Lim holds a Bachelor of Engineering (Hons) degree from the University of Singapore and Masters of Science (Industrial Engineering) degree from the National University of Singapore.

**M**r Wong Wai Keong joined SBS Transit as Deputy Director, Engineering (Rail) on 1 April 2000. He assumed the position of Director, Engineering (Rail) on 1 October 2001. He was appointed to his current position as Senior Vice President (Rail) on 10 December 2005. Mr Wong was previously with the Mass Rapid Transit Corporation and Land Transport Authority, Singapore between November 1984 to March 2000. Mr Wong holds a Bachelor of Engineering (Hons) degree in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom. He is a Professional Engineer of the Singapore Professional Engineer Board and a Chartered Engineer of the Institute of Electrical and Electronic Engineers, United Kingdom. He was awarded the Public Administration Medal in 1996.

**Wong Wai Keong**  
Senior Vice President  
Rail



**M**s Eng Sok Yong joined SBS Transit as Senior Vice President (Corporate Development) on 21 February 2007. She oversees the departments in the Support Area comprising Finance, Human Resource, Information Technology, Learning and Development, Corporate Communications, Security as well as Rental and Premises department. Prior to joining SBS Transit, Ms Eng was the Group Director of Policy and Planning, Land Transport Authority (LTA). She was in charge of corporate communications, policy development, infrastructure and strategic planning in the LTA. Before this, she was Assistant Director in the Ministry of Trade and Industry, in charge of Singapore's multi-lateral negotiations in the World Trade Organisation. Ms Eng was a Public Service Commission (PSC) Scholar and holds a Master of Science degree from the London School of Economics.

**Eng Sok Yong**  
Senior Vice President  
Corporate Development



**Ang Tun Hoo**  
General Manager  
Bus Operations (East District)



**M**r Ang Tun Hoo joined SBS Transit on 6 December 1976 as an Operations Officer. On 1 July 1994, he was promoted to the corporate rank of Vice President. On 1 March 1998, Mr Ang assumed the position of General Manager, Shanghai Shenxin Bus Ltd, a position which is responsible for setting up and ensuring smooth day-to-day operations of a joint venture bus company at Shanghai. Currently, Mr Ang holds the corporate rank of Senior Vice President and assumed the position of General Manager (East District). Prior to joining SBS Transit, Mr Ang was a Resettlement Officer with the Housing Development Board (HDB). Mr Ang holds a Bachelor of Science (Hons) degree in Chemistry from the Nanyang University. He is a Chartered member of the Chartered Institute of Logistics & Transport Singapore.

**M**r Tan Eng Kok, Ivan joined SBS Transit on 1 March 1996 as Vice President, Corporate Development. He assumed the position of Vice President (Operations) on 8 January 1997 to help re-structure the depots into districts. He subsequently assumed his current position of General Manager (West District) on 1 August 1998. Prior to joining SBS Transit, Mr Tan worked as a Production Engineer and Marketing Engineer in Hewlett Packard and as a Senior Corporate Planning Executive and Market Research Manager in SISIR. Mr Tan holds a Masters of Business Administration degree and a Bachelor of Engineering (Hons) degree in Mechanical Engineering from the National University of Singapore.

**Tan Eng Kok, Ivan**  
General Manager  
Bus Operations (West District)



## Key Management

**M**r Poh Ee Huat joined SBS Transit as Senior Maintenance Engineer on 14 September 1989. He assumed the position of Director, Engineering (Bus) on 1 September 1998, where he was in charge of engineering and supplies operations of the Bus Business. He was also a key member of the NEL project team in securing the NEL/Punggol and Sengkang LRT business and initial set up of Rail Business area. He was appointed General Manager, Fleet Management One on 1 July 2002. With the consolidation of resources of Supplies Department and Standards and Projects section, Mr Poh was appointed to head the new outfit as GM, Engineering and Supplies on 1 June 2006. Prior to joining SBS Transit, Mr Poh was a Project Engineer with the Republic of Singapore Air Force managing the phasing in of Medium lift helicopters and fixed wing jet trainers. Mr Poh holds a Bachelor of Engineering (Hons) degree in Mechanical Engineering and Masters of Science (Industrial Engineering) degree from National University of Singapore.

**Poh Ee Huat**  
General Manager  
Engineering and Supplies



**Sim Wing Yew**  
General Manager  
Fleet Management



**M**r Sim Wing Yew joined SBS Transit as General Manager, Fleet Management Two on 16 September 2002. His duties include ensuring the fleet to meet or exceed all the regulatory and safety standards and also deliver a high performance standard in terms of reliability to support our bus operations. With the consolidation of the two Fleet Management units into one for resource optimisation, Mr Sim was appointed General Manager, Fleet Management, on 1 June 2006. Mr Sim holds a Bachelor of Engineering (Hons) degree in Mechanical and Production Engineering from the Nanyang Technological University, Singapore and a Masters of Business Administration from the University of Hull, United Kingdom.

**M**s Ng Yew Lin, Linda joined Waterbank Properties, a subsidiary of DelGro Corporation Limited, as Manager, Finance and Administration on 19 March 1996. Over the years, she assumed various positions in corporate services (North East Line) of SBS Transit. On 1 October 2001, she was appointed to her current position of Director, Finance. Ms Ng is responsible for the company's financial and statutory reporting, budgeting, financial control and policies. Prior to her stint in SBS Transit, Ms Ng held appointments in Ernst & Young, Singapore Computer Systems Ltd, Tandem Computers International Inc. and Keppel Land Ltd. Ms Ng holds a Bachelor of Accountancy degree from the National University of Singapore.

**Ng Yew Lin, Linda**  
Director  
Finance



**M**s Chan Mui Wah, Daisy is Group Human Resource Officer of ComfortDelGro Corporation Limited, SBS Transit's parent company. She is concurrently the Director of Human Resource of SBS Transit. Ms Chan started her career with the Ministry of Education before moving on to join the Personnel Department at the then Singapore Bus Service (1978) Ltd in 1985. She has also held appointments in the Queensland Corrective Services Commission (Brisbane/Australia) and the Public Service Division, Prime Minister's Office (Singapore). Ms Chan holds a degree in Psychology from the University of Western Australia.



**Chan Mui Wah, Daisy**  
Director  
Human Resource

**M**s Tan I-Lin, Tammy is the Group Corporate Communications Officer of ComfortDelGro Corporation Limited, SBS Transit's parent company. She is covering the duties of the Director of Corporate Communications of SBS Transit. She is responsible for all corporate communications functions including liaising with the media and investment community. Ms Tan, who is also in charge of investor relations, is spokesman for the ComfortDelGro Group. Ms Tan started her career with Singapore Press Holdings in 1995 and held several positions in The Straits Times including Deputy Money Editor and Deputy News Editor. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore.



**Tan I-Lin, Tammy**  
Director  
Corporate Communications

**M**s Lim Bee Hong joined SBS Transit on 18 June 1984. She started as a Personnel Officer and rose through the ranks in the Human Resource Department. On 30 December 1995, she assumed the position of Vice President, Training and Management Services and was appointed to her current position as Director, Learning & Development on 1 July 2001. She is in charge of the organisation excellence initiatives including Singapore Quality Class, People Developer and ISO Quality Management System. She also oversees the Bus Captain Development Centre and Technical Training Centre. Ms Lim holds a Bachelor of Business Administration degree from the National University of Singapore.

**Lim Bee Hong**  
Director  
Learning and Development



**M**s Tan Wee Eng, Angie joined SBS Transit as System Officer on 1 June 1979 and rose through the ranks with in-depth exposure in handling software development, facility management and quality assurance. She assumed the position of Vice President, Information Technology on 1 July 1999 and was appointed to her current position of Director, Information Technology on 14 October 2004. She oversees the Information and Technology functions and applications to support strategic and business needs. Ms Tan holds a Bachelor of Science degree in Mathematics from the Nanyang University.

**Tan Wee Eng, Angie**  
Director  
Information and Technology



# Operations Revi



# ew

**Every day, our buses and trains carry over 2.3 million passenger trips, call at some 1.4 million destination stops and travel more than 580,000 km, a distance that is tantamount to circling the globe 14 times over.**



With a total fleet of  
**2,794**  
buses, we are the  
industry's undisputed  
leader

**92%**  
of our entire bus fleet  
is air-conditioned



### **BUS**

With a total fleet of 2,794 buses commanding about 75% of the scheduled bus market in Singapore, we are the industry's undisputed leader.

During the year under review, our fleet of single and double-deck buses clocked more than 205 million revenue km on a total network spanning 6,552 km. In all, they plied 223 scheduled routes.

Niche services like Fast Forward services – Services 74e and 151e – were launched during the year to cater to strong demand from commuters. First introduced in 2005, Fast Forward services avoid congested roads and stop only at bus stops with high passenger boarding and alighting. As a result, commuters save up to 20% in travel time. Another basic plus

service, the Nite Owl, which caters to pub-crawlers, was reviewed and relaunched in December 2006. There are now eight new Nite Owl services – 1N, 2N, 3N, 4N, 5N, 6N, 7N and 8N – which party-goers can use to get home after a late night out. These services operate from 12 midnight to 4 am on Fridays, Saturdays and on the eve of major public holidays.

To cater to the growing demand for our services, we have also invested in new buses. In 2006, we purchased 50 air-conditioned, low-floor, double-deck buses – over and above the 150 units we had purchased in 2005. In all, we spent \$100 million and have, as a result, been able to roll out five wheelchair-accessible bus (WAB) services – Services 12, 21, 147, 196 and 198 – to cater to the needs of





**The WAB services – Singapore’s first – have been well-received by passengers in wheelchairs with some 1,000 rides made since they were launched in June 2006.**

the physically disabled. The WAB services – Singapore’s first – have been well-received by passengers in wheelchairs with some 1,000 rides made since they were launched in June 2006.

With the bus purchases, we have also been steadily replacing our older, non-air-conditioned buses with air-conditioned ones. As at 31 December 2006, 92% of our entire bus fleet was air-conditioned. The remaining will be gradually replaced as they reach the end of their statutory lifespan.

Our older buses have also not been neglected. We spent \$2 million during the year to refurbish 220 buses by re-upholstering the cushions and replacing floorboards.

To manage our fleet effectively, we have invested in a \$40 million fleet

management system called Automatic Vehicle Management System (AVMS). Here, satellite technology is used to locate our buses and allow for easier communication between the buses and the Operations Control Centre. *(A detailed write-up on the AVMS system can be found on page 32 of this Annual Report)*

Leveraging on the AVMS technology, we were able to offer real-time bus arrival information to the thousands of delegates of the International Monetary Fund (IMF) and World Bank meetings in September 2006. This made for hassle-free travel. In all, 12,000 scheduled trips were made during the 10-day event.

Besides the hardware, we have also been investing in our heartware. Working hand-in-hand with the

Singapore Workforce Development Agency and Central Singapore Community Development Council, we organised several recruitment fairs to attract more Singaporeans to join us as Bus Captains. With a revised Bus Captain (BC) salary scheme, we have been successful in attracting more people to the vocation. In the last 18 months alone, over 4,000 applicants have sent in their resumes – 40% of which were Singaporeans. As a result of our efforts, we were conferred the Job Re-Creation Programme 2006’s “Breakthrough” Award by the National Trades Union Congress, Singapore Workforce Development Agency and the Singapore National Employers’ Federation.

At our five service workshops, we also explored ways to increase

efficiency and productivity. FlexNet, which automatically generates a history of each bus' condition, was introduced to aid in bus repair, maintenance and material management. As a result, the technical team is now better able to track the condition of all our buses, thereby minimising the incidence of bus breakdowns. Indeed, our bus breakdown rate has dropped from 1.8% in 2001 to 1.49% in 2006.

On the customer service front, the Public Transport Council's annual Passenger Satisfaction Survey results showed a 10 percentage point increase in the level of satisfaction for basic bus services to 80%. This has motivated us to do even better and we will continue to work at improving the top three areas

of dissatisfaction – waiting time, travelling time and bus overcrowding.

The Public Transport Council's new Quality of Service (QoS) Standards, which measures bus reliability, loading, safety, provision of information, availability of bus services and integration with other modes of public transport, will also continue to keep us on our toes in meeting commuters' expectations.

During the year, we introduced several new products. For example, in September we rolled out *SeasonPass*, a monthly bus pass which offers unlimited bus travel for just \$98. The response has been overwhelming with 4,000 *SeasonPass* cards issued as of December 2006.

We also tried to inject fun into public transport travel through contests and promotions. In all, we gave out over \$100,000 worth of prizes and goodies during the year. For example, we had a Christmas promotion where rail and bus commuters stood a chance to win a trip to Australia based on the points they had earned for rides taken. This "Ride and Fly" promotion attracted over 40,000 commuters who registered to participate in the auction. Indeed, our marketing efforts have

**On the customer service front, the Public Transport Council's annual Passenger Satisfaction Survey results showed a 10 percentage point increase in the level of satisfaction for basic bus services to 80%.**



shown good results and contributed to a 2.2% growth in ridership – our first increase in more than 10 years.

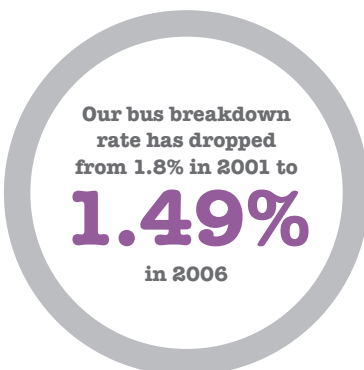
As we continually look at upgrading our services, we have also revamped our website, [www.sbstransit.com.sg](http://www.sbstransit.com.sg), to make it more user-friendly. A whole range of e-services, including downloadable credit-card sized bus timetables and computerised mapping to illustrate a service's route, are now available. We have also included a journey planner on the site to help commuters plan their trips based on cheapest fares, shortest walking distances or fastest travelling times.

Public education was another area of focus during the year. Recognising the role that commuters play, a "Flag the Bus Early" campaign was launched to encourage passengers to be on the lookout for their buses instead of listening to their MP3 players, reading the newspapers or SMS-ing. To raise awareness among commuters, giant hands made of acrylic were installed on 100 selected bus stops around the island and life-sized standees were also put up at all our 16 bus interchanges. We also continued to support the Traffic Police's annual

## **We worked with the Land Transport Authority to install closed circuit TV cameras on some 220 buses for trial purposes. About 300 of our bus and rail staff were directly involved in Singapore's first islandwide emergency exercise on 8 January 2006.**

Road Courtesy Campaign in November where five of our Traffic Inspectors served as spotters for motorists who displayed acts of road courtesy, including giving way to buses.

Security was another key area of focus in 2006. The terrorist attacks on the land transport system in Madrid and London amplified the need for constant vigilance and preparedness. As such, we worked with the Land Transport Authority to install closed circuit TV cameras on some 220 buses for trial purposes. About 300 of our bus and rail staff were directly involved in Singapore's first islandwide emergency exercise on 8 January 2006. Called NorthStar V, the Singapore Civil Defence Force-led exercise was a good test of our



**As a result, our rail operations ended the year with a maiden profit of \$600,000 – sooner than generally expected.**

underground heavy rail system, clocked an average daily ridership of 225,917 while our Light Rail Transit (LRT) systems in Sengkang and Punggol had a combined daily ridership of 34,819.

As a result, our rail operations ended the year with a maiden profit of \$600,000 – sooner than generally expected.

security and crisis management capabilities. The Prime Minister, Mr Lee Hsien Loong, who visited the site, emphasised the importance of such large-scale exercises and commended the participants for their efforts.

With increased demand for services, we have from October 2006, shortened NEL's train service intervals. Commuters now wait just three minutes instead of 3.5 minutes for our trains during weekday morning peak hours, and four minutes instead of five minutes during the evening peak hours.

**RAIL**

Demand for our rail services continued to grow in 2006. Our North East Line (NEL), the world's first fully-automated

NEL, which began operations in 2003, has consistently surpassed service standards set by the Land

Our North East Line clocked an average daily ridership of **225,917**

Our Light Rail Transit systems in Sengkang and Punggol had a combined daily ridership of **34,819**





Transport Authority. Our train service availability averaged 99.8% in 2006, better than the authority's standard of 98%, while our train peak hour schedule adherence averaged 98.8% – higher than the standard of 95%. In an independent audit of our NEL and LRT Safety Management System, the TUV Rheinland Group gave us the thumbs up for our safety processes.

In January 2006, we started revenue operations at the Buangkok station, bringing the total number of stations open for revenue operations to 15. As anticipated, ridership at Buangkok station remains low at less than 2,000 each day. The last station along the NEL, Woodleigh, remains closed given the scarcity of housing developments in its vicinity.

Our crisis management skills were put to the test in July 2006 when one of our southbound trains stalled in the tunnel due to a loss of traction power caused by the dislodgement of the overhead catenary system. Four NEL stations – HarbourFront, Outram Park, Chinatown and Clarke Quay – had to be shut down as a result. In all, 200 staff from our rail and bus operations

were activated including 77 Goodwill Ambassadors who were deployed to the affected stations to help with crowd control and to re-direct passengers to our 39 free shuttle bus services.

In terms of promoting safety, we continued to focus on escalator safety for the elderly and mothers with very young children. Ms Quan Yifeng, a popular television host, was appointed our Safety Ambassador for the second consecutive year. Besides conducting safety briefings for residents at the NEL stations, she is also featured in posters encouraging the elderly to use the lifts as a safety measure. Safety signs are

**Our train service availability averaged 99.8% in 2006, better than the authority's standard of 98%, while our train peak hour schedule adherence averaged 98.8% – higher than the standard of 95%.**

also strategically placed around the escalators and at the landings. These efforts have paid off as there were no significant safety-related incidents occurring in our NEL stations in 2006.

As an added measure, we have also employed part-time customer service assistants to render assistance during peak seasons like Lunar New Year and Christmas periods to help with traffic control.

**OUTDOOR  
ADVERTISING**

Moove Media, which is the advertising arm of our parent company, ComfortDelGro Corporation, continued to capture the attention of both advertisers and the public with its innovative advertising initiatives.

**Moove Media introduced the Concept Bus in 2006. Here, buses are modelled to look like pubs and even aeroplanes. The Nokia Music Mobile, for example, had white sofas and stools, padded ceilings and a bar counter.**

For the IMF-World Bank meetings, it executed the eye-catching “4 million smiles” advertisements on the exterior of several double-deck buses that greeted international delegates to Singapore.

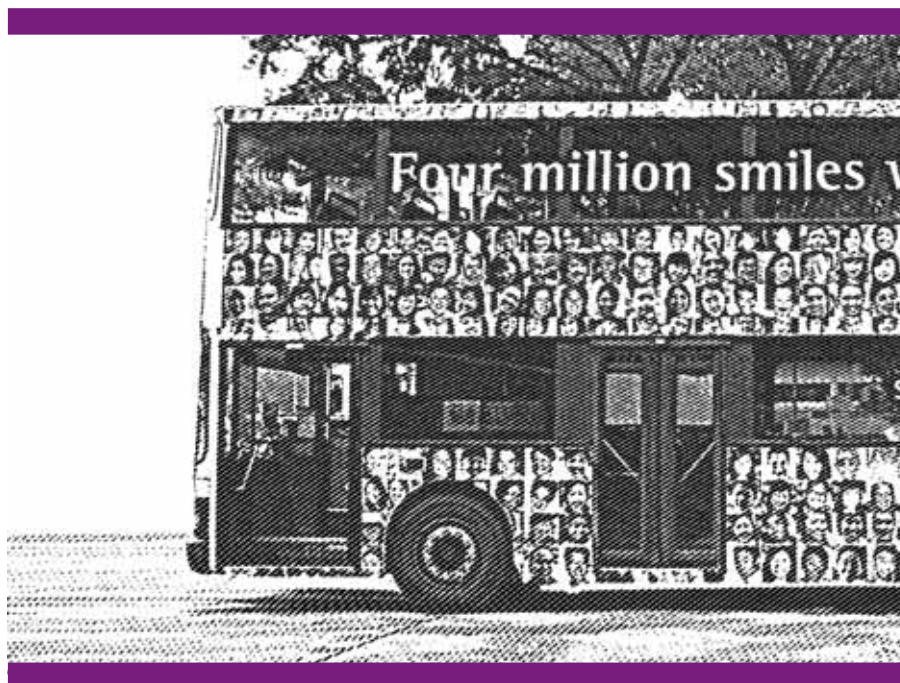
It also introduced the Concept Bus in 2006. Here, buses are modelled to look like pubs and even aeroplanes. The Nokia Music Mobile, for example, had white sofas and stools, padded ceilings and a bar counter.

As a fitting tribute to the creative brains behind these initiatives, Moove Media’s Chief Executive Officer, Mrs Jayne Kwek, was named one of Singapore’s top 20 advertising and creative personalities by Marketing magazine.

**OUR PEOPLE**

Training is a cornerstone of our service culture which equips our staff in meeting customers’ expectations for better service.

In 2006, we developed and customised a programme – ‘Provide GEMS Service’ – in-house for BCs to go the extra mile for customers. The programme was first conducted for BCs involved in the IMF-World Bank meetings. Encouraged by the positive results it yielded, this programme



will be rolled out to all frontline staff in 2007.

With passenger safety as a priority for us, the importance of adopting a safe attitude was reinforced to our BCs through a 'Think Safety – Top on Priority' workshop. Technicians too received training on a regular basis. Other than vehicle maintenance, technicians were also kept up-to-date with the latest technology trends including complex electronic systems which use Global Positioning on board the buses. This will pave the way for them to become Route Masters or even Station Managers further down the road as part of career development.

As a People Developer Company since March 1999, SBS Transit provided a total of 15,137 training places to our 7,312 employees in 2006. This translated into an average of 56.7 training hours per staff.

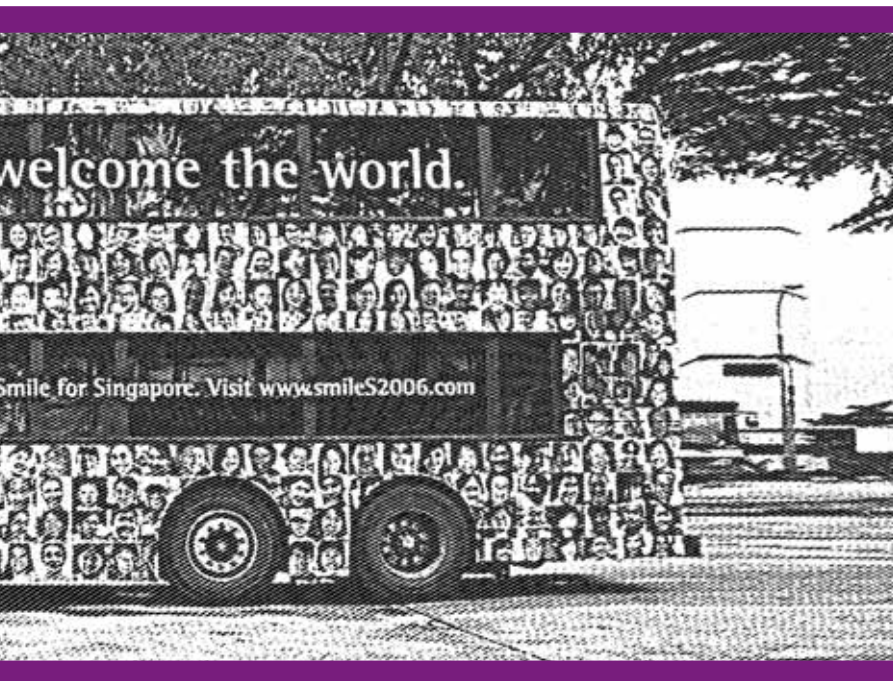
For our efforts in staff development, SBS Transit received the Lifelong Learner Corporate Award (Employability) 2006, making us the first public transport company to be accorded this honour. The award was organised by MediaCorp Radio and co-partnered by Singapore Workforce Development Agency, SPRING Singapore and National Trades Union Congress.

**For our efforts in staff development, SBS Transit received the Lifelong Learner Corporate Award (Employability) 2006, making us the first public transport company to be accorded this honour.**

On an individual level, our staff also did us proud by garnering several awards.

In the national Excellent Service Award (EXSA), Senior Bus Captain Ong Sze Err became the second SBS Transit staff in a row to win the SuperStar award. Significantly, he was the only SuperStar winner in the Land Transport category. In all, SBS Transit had 985 EXSA winners, which is the highest among all companies in Singapore.

In the area of jobs retraining, Bus Captains Lau Kim Chye and Tan Ah Geok were honoured for their efforts in learning and re-training with the Model Workers' Award.



**Giving back to the  
community we operate in  
is an important aspect of  
our corporate culture.**

And for their selfless acts, Bus Captains, Mohd Ali Bin Maiden and Tiew Eng Lee were honoured by Deputy Prime Minister and Minister for Home Affairs, Mr Wong Kan Seng, for playing a vital role in the arrest of an illegal immigrant at the Woodlands Checkpoint where they were on duty.

Besides these external awards, SBS Transit also held its internal Special Tribute and Recognition Award (STAR) for 22 staff. The STARs were awarded \$500 cash, a 22K Gold star pendant and a star collar pin each as recognition of their service excellence to customers.

A firm believer of the old adage: Healthy Bodies, Healthy Minds, we organised activities such as bowling, basketball, badminton, cross-country

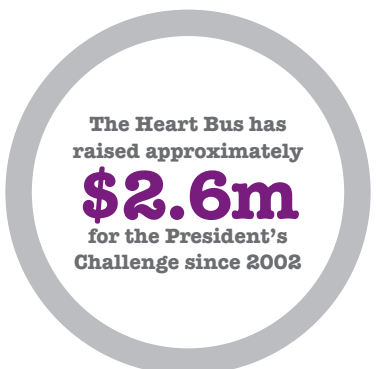
cum leisure walks, lunch time talks, and health screenings for our staff. As a result, we won the Health Promotion Board's Silver "Helping Employee Achieve Life-Time Health" Award for the second year running.

The family members of our staff were not forgotten. In 2006, SBS Transit presented 18 scholarships to the children of our staff for their polytechnic and university education. Four retirement ceremonies were also organised for 91 retirees to recognise their dedication and contributions to the Company.

**CORPORATE SOCIAL  
RESPONSIBILITY**

Giving back to the community we operate in is an important aspect of our corporate culture.

In 2006, our iconic Heart Bus raised more than \$460,000 for the President's Challenge with the amount donated to five charities namely the Community Chest, Moral Home for Disabled, The Helping Hand, Bukit Ho Swee Family Service Centre and Singapore Autism School. With this latest contribution, the Heart Bus has raised approximately \$2.6 million for the President's Challenge since 2002.







Besides cash, we have also made many in-kind sponsorships in aid of the community. For example, we loaned a bus to the National Council Against Drug Abuse and the Central Narcotics Bureau for use as a mobile exhibition centre to promote anti-drug messages to schools. We also supported the Singapore Environment Council's Green Transport Week which encouraged motorists to commute by public transport. As an incentive, free drinks were given away to commuters at selected bus interchanges and NEL stations.

One of the biggest events of the year was our 8th annual "Thank You Commuters Day" which we held in conjunction with the World Cup. A 44-hour carnival was held at the open field near the Buangkok station where a 200-inch projection screen was set up for the benefit of residents

of the area. In addition to the food and fun, a charity flea market with items donated by staff was also held in support of the Handicaps Welfare Association and the Society for the Physically Disabled.

**One of the biggest events of the year was our 8th annual "Thank You Commuters Day" which we held in conjunction with the World Cup.**




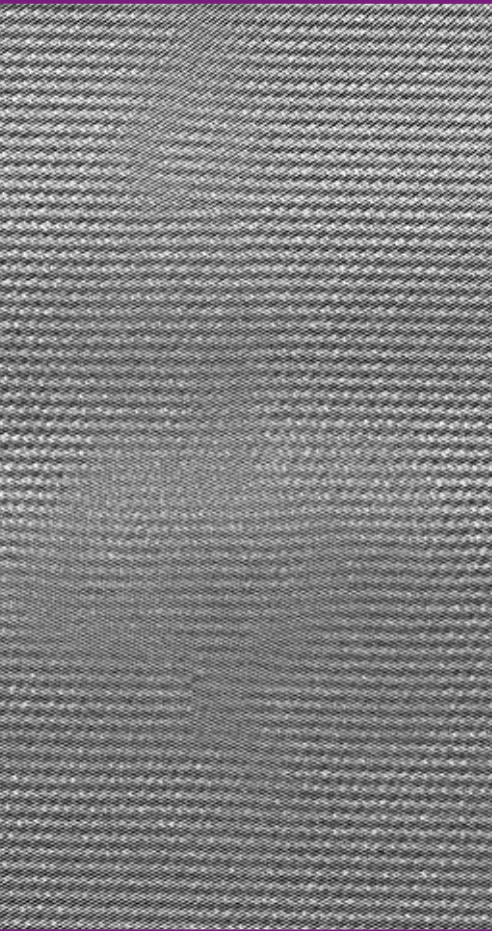
## HARNESSING TECHNOLOGY

Little arrows running around on a screen may not mean anything to most people, but to the chaps at SBS Transit's Operations Control Centre (OCC), they mean everything.

Part of the Automatic Vehicle Management System (AVMS), the arrows represent all 2,529 SBS Transit buses travelling on the roads. This real-time fleet management system, installed at a cost of \$40 million, enables automatic vehicle location monitoring and communication between buses and the OCC.

The system, which was in the final stages of implementation as at the end of 2006, enables the OCC to "tell" where traffic jams are and how to redirect buses so that bunching is minimised. It also allows each and every incident and breakdown that occurs to be reported – making it easier for management to zoom in on problem areas. This is especially important given that our buses carry more than 2.1 million passenger trips every day, plying a total of 223 scheduled routes and calling at 1.4 million bus stops islandwide.

One such occurrence took place in December 2006 when a passenger car caught fire along Nicoll Highway and rendered the road totally impassable. The OCC proceeded to divert four bus services plying through the Highway to an alternative route using AVMS. These affected services travelled along a diverted route with the guidance



**A distinct benefit of AVMS to commuters lies in its capability to provide bus arrival information in real time through an intelligent route information system**

of the OCC and subsequently reconnected along their regular routes. As a result, commuters on board did not have to spend hours stuck in a jam and commuters at bus stops further down the route were not kept waiting for an extended period of time.

The AVMS also has the capability to track down the exact location of a particular bus while it is on the move. This is especially useful when there is an incident on board such as a customer underpaying or refusing to pay the fare. Here, the system enables Bus Captains to communicate immediately with the OCC instead of having to stop the bus to make the call using a handphone. Our patrol cars and motorcycles are also equipped with AVMS equipment and can be deployed immediately to assist the Bus Captains if the need arises.

From an operations perspective, the AVMS is a boon in helping to monitor each bus route to improve adherence to schedule. Bus Captains receive instructions on whether to speed up or slow down, depending on their scheduled frequency and how far apart the buses are from one another. This will help reduce waiting time caused by adverse traffic conditions.

A distinct benefit of AVMS to commuters lies in its capability to provide bus arrival information in real time through an intelligent route information system (*iris*). International delegates who attended the International Monetary Fund (IMF)-World Bank meetings held in September 2006 had the opportunity to try out this service. The bus arrival information for the 12,000 chartered bus trips was screened live on six plasma screens strategically located at the meeting venues at the Suntec International Convention & Exhibition Centre, making travel that much easier for the delegates.

In January 2007, we introduced *iris* to the general commuting public through the Internet, as well as by General Packet Radio Service. This service puts commuters in better control of their journey time as they now know when their next and subsequent buses are arriving at their bus stops. Minimising anxiety caused by unknown waiting time, *iris* contributes to our efforts in enhancing customer service.

## INTRODUCTION

As a land transport provider with a vision of moving people in a safe, reliable and affordable way, SBS Transit has always been committed to maintaining and upholding the highest standards of corporate governance to enhance and safeguard the best interest of all its stakeholders. As a further commitment towards enhancing corporate transparency and promoting good corporate governance practices amongst its employees, we have adopted the Code of Business Conduct of our parent company ComfortDelGro, which sets out the principles and policies upon which its businesses will be regulated, taking into account the applicable laws and regulations. To enhance the effectiveness of the Code of Business Conduct, and to prevent the occurrence of unethical conduct or behaviour, we have adopted the policy on Whistle Blowing of our parent company. Here, the aim is to stop any activity that runs contrary to the interests of the Company and to effect disciplinary actions against those found guilty of inappropriate or illegal behaviour.

This report sets out the corporate governance practices that were in place during the year with specific reference to the Code of Corporate Governance 2005.

## BOARD OF DIRECTORS

### Principle 1 – The Board's Conduct of its Affairs

At the helm in the decision making process of the Group is the Board of Directors. The Board is headed by the non-executive Chairman, Mr Lim Jit Poh and is responsible for:

- (i) Guiding the strategic directions and goals of the Company;
- (ii) Putting in place appropriate and adequate systems of internal control, risk management processes and financial authority limits;
- (iii) Monitoring financial performance, approving annual budget, major capital and operating expenditures, and acquisition and disposal of significant investments; and
- (iv) Monitoring managerial performance.

The Board has delegated the day-to-day management and running of the Company to the management headed by the Executive Director, Mr Ong Boon Leong, while reserving certain key issues and policies for its approval.

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision making, three committees had been formed namely, the Audit Committee (AC), the Nominating Committee (NC), and the Remuneration Committee (RC). Each committee is governed and regulated by its own terms of reference which sets out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which the committee is to operate and how decisions are to be taken. Ad-hoc committees are also formed to look at specific issues from time to time.

In addition, a new Board Committee known as Service Quality Committee was also formed on 1 January 2006 to assist the Company in enhancing its quality of service to its commuters and to oversee the communication framework and handling of feedback for both the bus and rail services.

To tie in with the requirement for quarterly and full-year reporting, and the approval of the Company's Annual Budget, a total of four scheduled Board meetings are held in each financial year. The quarterly and full-year Board meetings are held within 45 days after the end of each quarter and the financial year (as the case may be). The Company's Annual Budget is approved at the Board meeting for the third quarter's results. Ad-hoc Board meetings are also held from time to time as and when the need arises.

In order to assist Directors in planning their attendance at Board and Committee meetings, meeting dates for each year are scheduled in advance in consultation with the Directors.

The attendance of the Directors at the Board and Committee meetings for financial year 2006 and the frequency of such meetings is set out below:

Name	SBS Transit Board		Audit Committee		Nominating Committee		Remuneration Committee		Service Quality Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held#	No. of Meetings Attended
Lim Jit Poh	6	6	-	-	1	1*	3	3	-	-
Kua Hong Pak	6	6	-	-	1	1*	3	3*	-	-
Ong Boon Leong	6	6	-	-	-	-	-	-	3	3*
Cheong Yip Seng	6	5	-	-	1	-	-	-	3	-+
Chin Harn Tong	6	6	4	4	-	-	3	3	-	-
John De Payva	6	5	-	-	1	1	3	3	3	3
Tan Kong Eng	6	6	4	4	-	-	-	-	-	-
Wee Siew Kim	6	5	4	4	-	-	-	-	3	3
Wong Chin Huat, David	6	6	-	-	1	1	-	-	3	3

\* Attended meetings by invitation of the Committee.

# Includes two dialogue sessions with frontline staff.

+ Appointed on 11 August 2006.

For expediency, Board meetings are also supplemented by circulated resolutions complete with Board papers. Directors are free to seek clarifications and explanations from management on the Board papers.

To facilitate the convening of urgent ad-hoc Board meetings, the Articles of Association of the Company also provide for the meetings to be convened via teleconferencing and videoconferencing.

Regular presentations are held to enable Directors to familiarise themselves with the Company's businesses. Directors are also furnished regularly with analyst reports, updates on corporate governance practices, and articles relating to changes in laws relevant to the Company's businesses and operating environments.

Directors are free to request for sponsorship from the Company to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors.

The Board reviews the adequacy of the internal controls and financial authority limits to ensure that while there is delegation of authority, there are sufficient checks and balances in place to monitor such delegation.

### **Principle 2 – Board Composition and Guidance**

The Board presently comprises nine Directors, of whom only one Director is an executive of the Company. Of the eight remaining non-executive Directors, five of them are considered by the NC to be independent.

The NC, having reviewed the composition of the Board, is satisfied that the present size of the Board is effective for decision making. The NC is also satisfied that the Board comprising of Directors with a variety of skills, core competencies, expertise and working experience from various industries, is effective and has the competencies to discharge its duties and responsibilities. The voicing of different views is common and management is open in its dealings with the Board.

### **Principle 3 – Chairman and Executive Director**

The Chairman and the Executive Director have separate and distinct roles. The Chairman is responsible for the effective functioning of the Board while the Executive Director is responsible for the day-to-day operations of the Company. The Executive Director reports to the Deputy Chairman. The Chairman, Deputy Chairman and the Executive Director are not related to one another.

The proceedings of the Board are conducted by the Chairman who ensures that sufficient time is allocated for consideration of each item on the agenda and equal opportunities are given to each Director to express his views. Board agenda is prepared by the Company Secretary in consultation with the Executive Director, Deputy Chairman and Chairman. Board papers are vetted by the Executive Director and approved by the

Deputy Chairman prior to being despatched in advance to the Directors.

### **Principle 4 – Board Membership**

The NC comprises three non-executive Directors, of whom two, including the Chairman are independent. The Chairman of the NC is not associated with any substantial shareholder. The Company Secretary is the Secretary to the NC.

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

The roles and responsibilities of the NC are to, *inter alia*:

- (i) Develop and maintain a formal and transparent process for the nomination of Directors to the Board;
- (ii) Evaluate the effectiveness of the Board as a whole and contributions of each Director;
- (iii) Identify the skills, expertise and capabilities needed for the effective functioning of the Board;
- (iv) Re-nominate Directors for re-election at Annual General Meetings; and
- (v) Evaluate and determine the independence of each Director.

The Articles of Association of the Company provide that one third of the Directors, including the Managing Director, are subject to retirement by rotation every year and Directors appointed during the year will be subject to re-election at the Annual General Meeting immediately following his appointment. For the forthcoming Annual General Meeting, Mr Kua Hong Pak, Mr Cheong Yip Seng and Mr Wee Siew Kim are due for re-election pursuant to Article 97 and Mr Tan Kong Eng is due for re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50.

From time to time, new directors may be identified for appointment to the Board whereupon the NC will evaluate and assess their suitability, based on their qualifications, working experiences and expertise, to determine if they are able to fit into the overall competency matrix of the Company's Board before recommending them to the Board for its approval.

The NC subscribes to the view that while it is important for Directors to devote sufficient time and attention to the affairs of the Company, the issue of multiple board representations should be left to the judgment and discretion of each Director. To focus on Directors' attendance at Board meetings per se may not be an adequate evaluation of the contribution of Directors. Instead, their abilities to provide strategic networking to enhance the business of the Company, availability for guidance and advice outside the scope of formal Board meetings and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors. While the NC will not stipulate the maximum number of boards each Director

should be involved in, the NC will continue to monitor the contributions and the performance of each Director and to assess whether each Director has devoted sufficient time and attention to the affairs of the Group.

As a policy, the Executive Director, being an executive of the Company, will have to seek the approval of the Chairman before accepting any directorships of companies not within the ComfortDelGro Group. In considering whether or not to grant the approval, the Chairman will consider the time commitment of the Executive Director, and whether the new external directorships will provide strategic fit and networking to the businesses of the Company. The Chairman will also ensure that the Executive Director will not accept appointments to the boards of competitors.

### **Principle 5 – Board Performance**

The effectiveness of the Board is monitored by the NC annually in terms of overall performance and growth of the Company, achieving an adequate return for shareholders, preventing conflicts of interest and balancing the competing demands of the Company. In evaluating the contributions and performance of each individual Director, factors taken into consideration include, *inter alia*, attendance at Board meetings and activities, contributions in specialist areas and maintenance of independence.

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

### **Principle 6 – Access to Information**

In addition to the Annual Budget which is submitted to the Board for approval, comprehensive quarterly and annual financial statements and reports are also submitted to the Board for approval prior to being released to the Singapore Exchange Securities Trading Limited (SGX).

The Board has full access to the senior management team and the Company Secretary. The Company Secretary has defined roles and responsibilities and attends the Board and Committee meetings of the Company.

Should there be a need to obtain independent professional advice on matters relating to the businesses of the Group or issues affecting the duties of the Directors, the Company will arrange for the appointment of the relevant professional advisers at its own cost.

## **REMUNERATION MATTERS**

### **Principle 7 – Procedures for Developing Remuneration Policies**

The RC was formed to provide the Board with an independent assessment and review of Directors' remuneration. The RC also reviews from time to time the remuneration framework and strategy for executive compensation.

The RC comprises three non-executive Directors, of whom two including the Chairman, are independent. The members of the RC are also independent of management and free from any business or other relationships, which may materially interfere with the exercise of independent judgment. The Company Secretary is the Secretary to the RC.

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

- (i) Review and recommend to the Board the remuneration framework for compensation for each Director and ensure that the level of remuneration offered is appropriate to the level of contribution. The RC also reviews the remunerations of senior management to ensure that the overall remuneration package is attractive to retain and motivate key executives;
- (ii) Recommend a formal and transparent process for determining Directors' fees for non-executive Directors of the Company; and
- (iii) Approve the participants and determine the quantum of options to be granted under the SBS Transit Share Option Scheme and to administer the Scheme.

### **Principle 8 – Level and Mix of Remuneration**

The remuneration packages of key executives of the Company comprised both fixed and variable components. The variable component, in the form of year-end performance bonuses and stock options, form a significant proportion of the remuneration packages and is dependent upon the profitability of the Company and individual performance. Subject to market conditions and the operating environment, the Company is working towards achieving ratios of fixed to variable component of total compensation package of 70:30 for rank and file employees, 60:40 for middle management staff and 50:50 for top management staff. The Company believes that a high proportion of performance related component will ensure greater alignment of interests of the executives with those of shareholders.

The structure for the payment of Directors' fees for non-executive Directors is based on a framework comprising basic fees and additional fees for serving on Board committees and also for undertaking additional services for the Company. The fees are subject to approval of shareholders at the Annual General Meeting.

The non-executive Directors of the Company are appointed pursuant to, and hold office in accordance with, the Articles of Association. They are eligible for and have

been granted options under the SBS Transit Share Option Scheme.

#### **Principle 9 – Disclosure of Remuneration**

The remuneration of the Directors and the key executives of the Company (who are also not Directors) for the financial year 2006 are found on page 78 of this Annual Report.

Further information on the SBS Transit Share Option Scheme can be found on pages 44 to 46 of this Annual Report.

During the financial year 2006, no key executive was an immediate family member of any Director of the Company.

### **ACCOUNTABILITY AND AUDIT**

#### **Principle 10 – Accountability**

During financial year 2006, the Company released its quarterly and full-year results within 45 days from the end of each quarter or financial year as the case may be.

#### **Principle 11 – Audit Committee**

The Company's AC comprises three non-executive Directors, all of whom are independent. The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities.

The roles of the AC include the following:

- (i) Review the effectiveness of the Company's internal audit function, internal controls, including financial, operational, compliance and risk management;
- (ii) Review the quarterly and annual financial statements, and also significant accounting and reporting issues and their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance and recommend to the Board the acceptance of such financial statements;
- (iii) Review the scope and results of the audits undertaken by the internal and external auditors, including non-audit services performed by external auditors to ensure that there is a balance between maintenance of objectivity and cost effectiveness;
- (iv) Review interested person transactions;
- (v) Recommend the appointment, re-appointment and removal of the external auditors at the Annual General Meeting and review the fees due to them;
- (vi) Review the audit plans of the internal and external auditors; and
- (vii) Review the effectiveness of the Company's whistle blowing policy which has been put in place for staff to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters and thereupon to ensure that an independent investigation of such matters and appropriate follow-up actions are taken.

In the performance of its duties, the AC has explicit authority to investigate into the affairs falling within its terms of reference, full access to and cooperation from management, discretion to invite any Director to attend its meetings and reasonable resources to enable it to discharge its duties properly.

During the financial year, the AC also met with the external and internal auditors without the presence of management. The AC has reviewed the independence of the external auditors, Deloitte & Touche, including the scope of non-audit services performed, and has confirmed that the external auditors are independent.

#### **Principle 12 – Internal Controls**

The Company has well-established internal controls and compliance functions. These include:

##### **(i) Financial Authority Limits**

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, direct investments, revenue tender participation, and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to heads of departments, with the Board retaining the ultimate authority. Any expenditure exceeding the highest authority limit delegated is referred to the Board for approval.

##### **(ii) Budgetary Control**

A robust and challenging Annual Budget is prepared and approved by the Board prior to the commencement of each new financial year. Variations between actual and budgeted performance are reviewed and justifications provided, if material. This is done on a quarterly basis. Specific approvals are also required for unbudgeted expenditures exceeding a relevant threshold. In addition, the capital expenditure budget is approved in principle by the Board when the Annual Budget is approved. Each capital expenditure spending is still subject to rigorous justification and review in accordance with the Company's financial authority limits. Also, tight control is implemented on hiring through headcount budgets.

##### **(iii) Investment Proposals and Business Opportunities**

To ensure that the rate of return on any new investment or business opportunity is commensurate with the risk exposure taken, apart from undertaking a detailed feasibility study, the new investment opportunity is evaluated by management in terms of (a) return on investment; (b) pay back period; (c) cash flow generation; (d) potential for internal and external growth; (e) investment climate; and (f) political stability.

### (iv) Operational Risk

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

A key operating risk is the safety and security of our passengers, our staff and the public. Managing this risk is the cornerstone of the Company's safety and security plan. Safety awareness programmes are promoted to instill a safety and security conscious culture in our staff at all levels. Safety audits are conducted regularly as part of our management and review programme in ensuring that safety standards are maintained at a high level. The Company also works closely with the relevant authorities to ensure the security of our bus and train services and that facilities are not compromised. Regular exercises are carried out internally as well as with external agencies. Security guards are also engaged to patrol our facilities and members of the public are encouraged to look out for suspicious objects or people.

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

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

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

### (v) Business Continuity Planning

The Company has also embarked on Business Continuity Management (BCM) planning to address its business continuity in the event of major disasters affecting its operations. Business continuity plans were

developed by the various Business Areas under the guidance of the BCM Committee.

### (vi) Financial Risk

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

Further details of the financial risks and how the Company manages them are set out on page 87 of this Annual Report.

In the course of their audit, the internal and external auditors also highlight to the Company areas where there are deficiencies or weaknesses of internal controls. Material deficiencies and weaknesses will be highlighted to the AC together with a response from management as to how these could be overcome.

### Principle 13 – Internal Audit

The internal audit function of the Company is performed by the Internal Audit Department of its holding company comprising a team of seven staff and headed by the Group Internal Audit Officer. She reports functionally to the Chairman of the AC. The Company Secretary is the Secretary of the AC.

The Internal Audit Department provides an independent and objective evaluation of the internal control systems and corporate governance processes of the Group in accordance with the audit plan as approved by the AC and recommends improvements, where necessary.

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

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

## COMMUNICATIONS WITH SHAREHOLDERS

### Principle 14 – Regular, Effective and Fair Communications with Shareholders

The Company has in place a framework that regularly communicates pertinent and relevant information to shareholders, gathers views and addresses shareholders' concerns. Communication with shareholders is conducted through announcements to the SGX and press releases,



press and media briefings after the announcement of the full-year's results and the posting of announcements and releases on the Company's website.

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

As part of a programme of investor relations, the Group's Investor Relations Team together with senior management, meet with major institutional and retail investors on a regular basis.

#### **Principle 15 – Shareholders Participation at Annual General Meeting**

The Articles of Association of the Company provides for voting in person at Annual General Meetings of the Company. The Chairman of the various Board Committees as well as the external auditors are present to address questions raised by shareholders at the Annual General Meetings.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions.

#### **DEALINGS IN SECURITIES**

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

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

#### **INTERESTED PERSON TRANSACTION**

##### **LISTING MANUAL – RULE 907**

	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)
Name of Interested Person	<b>\$'MIL</b>

<b>ComfortDelGro Corporation Limited and associates</b>	<b>7.7</b>
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The aggregate value of the above transactions does not include the aggregate value of \$2.7 million from the renewal of the Licence Agreements disclosed in the Introductory Document of the Company dated 3 December 1997. These transactions relate to leasing charges paid to DelGro Corporation Limited for the use of the premises.

The Company does not have any shareholders' mandate for interested person transactions.

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# Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company as at 31 December 2006.

## 1 DIRECTORS

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

Lim Jit Poh (*Chairman*)  
 Kua Hong Pak (*Deputy Chairman*)  
 Ong Boon Leong (*Executive Director*)  
 Cheong Yip Seng  
 Chin Harn Tong  
 John De Payva  
 Tan Kong Eng  
 Wee Siew Kim  
 Wong Chin Huat, David

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned below.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Directors and companies in which interests are held	SHAREHOLDINGS REGISTERED IN NAME OF DIRECTOR			SHAREHOLDINGS IN WHICH DIRECTORS ARE DEEMED TO HAVE INTEREST		
	At 1 January 2006	At 31 December 2006	At 21 January 2007	At 1 January 2006	At 31 December 2006	At 21 January 2007
<b>Interest in the Company</b>						
(a) Ordinary shares						
Lim Jit Poh	-	50,000	50,000	-	-	-
Kua Hong Pak	150,000	150,000	150,000	-	-	-
Ong Boon Leong	280,000	64,500	64,500	-	-	-
Cheong Yip Seng	85,000	120,000	120,000	-	-	-
Chin Harn Tong	100,000	130,000	130,000	-	-	-
Tan Kong Eng	134,800	164,800	164,800	691,548	691,548	691,548
Wee Siew Kim	155,000	155,000	155,000	-	-	-
Wong Chin Huat, David	120,000	100,000	100,000	-	-	-

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Directors and companies in which interests are held	SHAREHOLDINGS REGISTERED IN NAME OF DIRECTOR			SHAREHOLDINGS IN WHICH DIRECTORS ARE DEEMED TO HAVE INTEREST		
	At 1 January 2006	At 31 December 2006	At 21 January 2007	At 1 January 2006	At 31 December 2006	At 21 January 2007
<b>Interest in the Company</b>						
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	200,000	250,000	250,000	-	-	-
Kua Hong Pak	180,000	270,000	270,000	-	-	-
Ong Boon Leong	350,000	315,000	315,000	-	-	-
Cheong Yip Seng	100,000	115,000	115,000	-	-	-
Chin Harn Tong	110,000	145,000	145,000	-	-	-
John De Payva	135,000	200,000	200,000	-	-	-
Tan Kong Eng	80,000	100,000	100,000	-	-	-
Wee Siew Kim	100,000	165,000	165,000	-	-	-
Wong Chin Huat, David	110,000	100,000	100,000	-	-	-
<b>Interest in ultimate holding company, ComfortDelGro Corporation Limited</b>						
(a) Ordinary shares						
Lim Jit Poh	44,425	44,425	44,425	-	-	-
Kua Hong Pak	1,624,530	1,624,530	1,624,530	-	-	-
Ong Boon Leong	401,362	696,870	696,870	-	-	-
Cheong Yip Seng	-	-	-	-	-	30,000
Tan Kong Eng	64,162	64,162	64,162	9,244,095	9,244,095	9,244,095
Wong Chin Huat, David	200,000	100,000	100,000	-	-	-
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	400,000	600,000	600,000	-	-	-
Kua Hong Pak	2,400,000	3,600,000	3,600,000	-	-	-
Ong Boon Leong	820,508	675,000	675,000	-	-	-
Wong Chin Huat, David	200,000	300,000	300,000	-	-	-

# Report of the Directors

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Directors and companies in which interests are held	SHAREHOLDINGS REGISTERED IN NAME OF DIRECTOR			SHAREHOLDINGS IN WHICH DIRECTORS ARE DEEMED TO HAVE INTEREST		
	At 1 January 2006	At 31 December 2006	At 21 January 2007	At 1 January 2006	At 31 December 2006	At 21 January 2007
<b>Interest in related company, VICOM Ltd</b>						
(a) Ordinary shares						
Lim Jit Poh	30,000	190,000	190,000	-	-	-
Cheong Yip Seng	10,000	10,000	10,000	-	-	-
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	160,000	-	-	-	-	-
Kua Hong Pak	54,000	54,000	54,000	-	-	-

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

## 5 SHARE OPTIONS

### A) SBS Transit Share Option Scheme ("SSOS")

- a) The SSOS in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company on 9 June 2000. The SSOS is administered by the Remuneration Committee comprising Messrs Chin Harn Tong, John De Payva and Lim Jit Poh.
- b) The SSOS provides the Company with a means whereby (i) employees of the Company and its subsidiary of the rank of Executive and above, and (ii) certain categories of persons who are not employees but who work closely with the Company and its subsidiary, are given an opportunity to participate in the equity of the Company. A person who is a controlling shareholder of the Company or an associate (as defined in the Singapore Exchange Securities Trading Listing Manual) of a controlling shareholder of the Company is not eligible to participate in the SSOS.

## 5 SHARE OPTIONS (CONT'D)

### A) SBS Transit Share Option Scheme ("SSOS") (CONT'D)

- c) Under the SSOS, an option entitles the option holder to subscribe for a specific number of new ordinary shares at a subscription price determined with reference to the market price of the shares at the time of the grant of the option. The subscription price and/or number of shares comprised in an option may be adjusted in certain events under the rules of the SSOS. Additionally, in the case of incentive options, depending on the extent to which set performance targets are met, the subscription price of such options may be adjusted by a discount of up to 20% at the end of an incentive period. Such options may also be cancelled if the targets are not met. The consideration for the grant of an option is \$1.00. The option may be exercised at any time after the first anniversary of, or in the case of incentive options, after the second anniversary of, the date of grant but before the tenth anniversary (fifth anniversary for options granted to non-executive Directors) of the date of grant of that option or such shorter period as determined by the Remuneration Committee. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Company, subject to certain exceptions at the discretion of the Remuneration Committee.
- d) Participants of the SSOS are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary or otherwise.
- e) Particulars of unissued shares under options granted pursuant to the SSOS, options exercised and cancelled/lapsed during the financial year, and options outstanding as at 31 December 2006 are as follows:

Date of grant	Outstanding at 1 January 2006	NUMBER OF OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES				Outstanding at 31 December 2006	Subscription price per share	Expiry date
		Granted	Exercised	Cancelled/ Lapsed				
26 September 2000	273,000	-	53,000	8,000	212,000	\$1.59	26 September 2010	
6 September 2001	356,000	-	71,000	14,000	271,000	\$1.60	6 September 2011	
22 August 2003	423,000	-	53,000	-	370,000	\$1.29	22 August 2013	
10 December 2003	370,000	-	120,000	5,000	245,000	\$1.22	10 December 2013	
19 July 2004	1,033,750	-	431,250	11,250	591,250	\$1.60	19 July 2014	
19 July 2004	190,000	-	110,000	-	80,000	\$1.60	19 July 2009	
24 February 2005	1,046,250	-	-	26,250	1,020,000	\$2.29	24 February 2015	
24 February 2005	290,000	-	95,000	-	195,000	\$2.29	24 February 2010	
28 July 2005	1,152,500	-	-	33,750	1,118,750	\$2.23	28 July 2015	
28 July 2005	267,500	-	-	-	267,500	\$2.23	28 July 2010	
18 November 2005	1,141,250	-	-	33,750	1,107,500	\$2.16	18 November 2015	
18 November 2005	267,500	-	-	-	267,500	\$2.16	18 November 2010	
13 July 2006	-	2,432,000	-	35,000	2,397,000	\$2.15	13 July 2016	
13 July 2006	-	535,000	-	-	535,000	\$2.15	13 July 2011	
	6,810,750	2,967,000	933,250	167,000	8,677,500			

The options outstanding as at 31 December 2006 includes 115,750 options granted to former employees of the Company, who have been granted an extension of time from their respective dates of cessation of employment, by the Remuneration Committee to exercise their outstanding options.

# Report of the Directors

## 5 SHARE OPTIONS (CONT'D)

### A) SBS Transit Share Option Scheme ("SSOS") (CONT'D)

- f) Details of the SSOS options granted to Directors of the Company during the financial year and since the commencement of the SSOS up to 31 December 2006 were as follows:

Director	NUMBER OF OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES			
	Granted during the financial year ended 31 December 2006	Aggregate options granted since the commencement of scheme to 31 December 2006	Aggregate options exercised since the commencement of scheme to 31 December 2006	Aggregate options outstanding as at 31 December 2006
Lim Jit Poh	100,000	480,000	230,000	250,000
Kua Hong Pak	90,000	420,000	150,000	270,000
Ong Boon Leong	90,000	720,000	405,000	315,000
Cheong Yip Seng	50,000	305,000	190,000	115,000
Chin Harn Tong	65,000	275,000	130,000	145,000
John De Payva	65,000	300,000	100,000	200,000
Tan Kong Eng	50,000	260,000	160,000	100,000
Wee Siew Kim	65,000	320,000	155,000	165,000
Wong Chin Huat, David	50,000	280,000	180,000	100,000

The terms of the options granted to the Directors during the financial year are disclosed in paragraph 5 (A) (c) above.

- g) None of the options granted under the SSOS included a discount feature to the market price of the shares at the time of grant. None of the options granted were incentive options. No participants to the SSOS are controlling shareholders of the Company and their associates.
- h) None of the Directors or employees of the Company and its subsidiary received 5% or more of the total number of options available under the SSOS, for the financial year ended 31 December 2006.
- B) Except as disclosed above,
- a) during the financial year:
- i) there were no other options granted to any person to take up unissued shares in the Company or any corporation in the Group; and
  - ii) no shares of the Company or any corporation in the Group were issued by virtue of the exercise of an option to take up unissued shares.
- b) at the end of the financial year, there were no other unissued shares of the Company or any corporation in the Group under option.



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## 6 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises three non-executive and independent Directors:

Wee Siew Kim (*Chairman*)  
Chin Harn Tong  
Tan Kong Eng

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50.

In performing its functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the scope and results of their respective audits. The Audit Committee has reviewed the independence of the auditors, Messrs Deloitte & Touche, including the scope of the non-audit services performed and confirmed that the auditors are independent.

In addition, the Audit Committee reviewed the financial statements of the Group and the Company before their submission to the Board of Directors of the Company.

The Audit Committee has recommended to the Board of Directors, the nomination of Deloitte & Touche for re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

**LIM JIT POH**

*Chairman*

**KUA HONG PAK**

*Deputy Chairman*

Singapore  
13 February 2007

# **Independent Auditors' Report**

to the members of SBS Transit Ltd

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We have audited the accompanying financial statements of SBS Transit Ltd (the Company) and its subsidiary (the Group) which comprise the balance sheets of the Group and the Company as at 31 December 2006, the profit and loss statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 91.

## **Directors' Responsibility**

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and the Singapore Companies Act, Cap. 50 (the "Act"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion,

- a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## **DELOITTE & TOUCHE**

*Certified Public Accountants*

## **KEE CHENG KONG, MICHAEL**

*Partner*

Appointed on 8 November 2006

Singapore

13 February 2007

# Balance Sheets

31 December 2006

	Note	THE GROUP		THE COMPANY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Short-term deposits and bank balances	5	<b>26,896</b>	19,451	<b>26,896</b>	19,451
Held-for-trading investments	6	<b>148,082</b>	208,321	<b>148,082</b>	208,321
Available-for-sale investments	7	<b>13,739</b>	2,996	<b>13,739</b>	2,996
Trade receivables	8	<b>8,790</b>	3,834	<b>8,790</b>	3,834
Other receivables and prepayments	9	<b>21,241</b>	19,646	<b>21,241</b>	19,646
Hedging instruments	12	<b>71</b>	-	<b>71</b>	-
Inventories		<b>14,374</b>	11,567	<b>14,374</b>	11,567
Total current assets		<b>233,193</b>	265,815	<b>233,193</b>	265,815
<b>Non-current assets</b>					
Subsidiary	10	-	-	-	-
Associate	11	<b>4,135</b>	2,533	<b>1,286</b>	1,026
Available-for-sale investments	7	<b>35,586</b>	54,103	<b>35,586</b>	54,103
Hedging instruments	12	<b>37</b>	70	<b>37</b>	70
Vehicles, premises and equipment	13	<b>221,718</b>	162,565	<b>221,718</b>	162,565
Total non-current assets		<b>261,476</b>	219,271	<b>258,627</b>	217,764
<b>Total assets</b>		<b>494,669</b>	485,086	<b>491,820</b>	483,579

# Balance Sheets

31 December 2006

	Note	THE GROUP		THE COMPANY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	14	<b>141,811</b>	123,621	<b>141,811</b>	123,621
Hedging instruments	12	-	12	-	12
Fuel price equalisation account		<b>34,075</b>	34,075	<b>34,075</b>	34,075
Provision for claims	15	<b>9,263</b>	7,767	<b>9,263</b>	7,767
Income tax payable		<b>10,344</b>	15,384	<b>10,344</b>	15,384
Total current liabilities		<b>195,493</b>	180,859	<b>195,493</b>	180,859
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	<b>15,766</b>	18,499	<b>15,766</b>	18,499
Provision for service benefits and long service awards	17	<b>11,668</b>	11,613	<b>11,668</b>	11,613
Total non-current liabilities		<b>27,434</b>	30,112	<b>27,434</b>	30,112
<b>Capital and reserves</b>					
Share capital	18	<b>83,371</b>	75,611	<b>83,371</b>	75,611
Capital reserves	19	<b>951</b>	6,593	<b>951</b>	6,593
Accumulated profits		<b>187,420</b>	191,911	<b>184,571</b>	190,404
Total equity		<b>271,742</b>	274,115	<b>268,893</b>	272,608
<b>Total liabilities and equity</b>		<b>494,669</b>	485,086	<b>491,820</b>	483,579

See accompanying notes to the financial statements.

# Consolidated Profit and Loss Statement

year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
<b>Turnover</b>	20	<b>612,564</b>	576,284
Other operating income	21	<b>15,988</b>	14,042
<b>Revenue</b>		<b>628,552</b>	590,326
Staff costs	22	<b>(273,221)</b>	(261,165)
Repairs and maintenance		<b>(74,806)</b>	(71,158)
Energy and fuel costs		<b>(121,479)</b>	(101,211)
Premises costs		<b>(27,614)</b>	(29,170)
Depreciation expense		<b>(24,754)</b>	(24,657)
Other operating expenses		<b>(49,254)</b>	(45,811)
Total operating expenses		<b>(571,128)</b>	(533,172)
<b>Operating profit</b>	23	<b>57,424</b>	57,154
Net income from investments	24	<b>8,515</b>	6,611
Finance costs	25	-	(687)
Share of profit in associate	11	<b>1,342</b>	178
<b>Profit before taxation</b>		<b>67,281</b>	63,256
Taxation	26	<b>(11,148)</b>	(11,720)
<b>Profit attributable to shareholders</b>		<b>56,133</b>	51,536
Earnings per share (in cents):			
Basic	27	<b>18.52</b>	17.12
Diluted	27	<b>18.48</b>	17.07

See accompanying notes to the financial statements.

# Consolidated Statement of Changes in Equity

year ended 31 December 2006

	ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	Share capital (Note 18) \$'000	Capital reserves (Note 19) \$'000	Accumulated profits \$'000	Total equity \$'000
Balance at 1 January 2005	74,456	2,941	203,813	281,210
Loss on available-for-sale investments recognised directly in equity	-	(1,608)	-	(1,608)
Net profit for the year	-	-	51,536	51,536
Total recognised income and expense for the year	-	(1,608)	51,536	49,928
Recognition of share-based payments	-	51	-	51
Exercise of share options	1,155	5,209	-	6,364
Payment of dividends (Note 32)	-	-	(63,443)	(63,443)
Others	-	-	5	5
Balance at 31 December 2005	75,611	6,593	191,911	274,115
Gain on available-for-sale investments recognised directly in equity	-	252	-	252
Realised loss transferred to profit or loss on disposal of available-for-sale investments	-	113	-	113
Net profit for the year	-	-	56,133	56,133
Total recognised income and expense for the year	-	365	56,133	56,498
Adjustment arising from abolition of par value of shares (Note 18)	6,246	(6,246)	-	-
Recognition of share-based payments	-	258	-	258
Exercise of share options	1,514	(18)	-	1,496
Payment of dividends (Note 32)	-	-	(60,653)	(60,653)
Others	-	(1)	29	28
Balance at 31 December 2006	83,371	951	187,420	271,742

See accompanying notes to the financial statements.

# Consolidated Cash Flow Statement

year ended 31 December 2006

	2006 \$'000	2005 \$'000
<b>Operating activities</b>		
Profit before taxation	<b>67,281</b>	63,256
Adjustments for:		
Depreciation expense	<b>24,754</b>	24,657
Share-based payment expense	<b>258</b>	51
Gain on disposal of held-for-trading investments	<b>(182)</b>	(678)
Net (gain) loss on fair value changes of held-for-trading investments	<b>(88)</b>	1,073
Net gain on fair value changes of energy hedging instruments	<b>(23)</b>	-
Loss on disposal of available-for-sale investments	<b>73</b>	-
(Gain) Loss on disposal of vehicles and equipment	<b>(398)</b>	18
Interest expense	<b>-</b>	687
Interest income	<b>(8,761)</b>	(7,120)
Provision for service benefits and long service awards	<b>683</b>	339
Share of profit in associate	<b>(1,342)</b>	(178)
	<b>82,255</b>	82,105
Payment of service benefits and long service awards	<b>(628)</b>	(1,248)
Operating profit before working capital changes	<b>81,627</b>	80,857
Trade receivables	<b>(4,956)</b>	(304)
Other receivables and prepayments	<b>(1,839)</b>	(8,143)
Inventories	<b>(2,807)</b>	(852)
Held-for-trading investments	<b>60,531</b>	7,153
Trade payables	<b>18,190</b>	9,085
Provision for claims	<b>1,496</b>	377
Cash generated from operations	<b>152,242</b>	88,173
Income tax paid	<b>(18,921)</b>	(11,409)
Net cash from operating activities	<b>133,321</b>	76,764

# Consolidated Cash Flow Statement

year ended 31 December 2006

	2006 \$'000	2005 \$'000
<b>Investing activities</b>		
Interest received	9,095	6,667
Proceeds from disposal of:		
Vehicles and equipment	442	64
Available-for-sale investments	7,927	-
Proceeds from (Payment on) transfer of:		
Equipment to ultimate holding company	1	1
Premises from immediate holding company	-	(1,800)
Equipment from ultimate holding company	(3)	-
Equipment from related companies	-	(1)
Purchase of:		
Vehicles and equipment	(83,949)	(16,626)
Available-for-sale investments	-	(18,000)
Additional interest in associate	(260)	-
Net cash used in investing activities	<b>(66,747)</b>	(29,695)
<b>Financing activities</b>		
Proceeds from share issue	1,496	6,364
Interest paid	-	(1,197)
Dividend paid	(60,653)	(63,443)
Redemption of loan	-	(50,000)
Others	28	5
Net cash used in financing activities	<b>(59,129)</b>	(108,271)
Net increase (decrease) in cash and cash equivalents	<b>7,445</b>	(61,202)
Cash and cash equivalents at beginning of year	<b>19,451</b>	80,653
<b>Cash and cash equivalents at end of year</b> (Note 5)	<b>26,896</b>	19,451

See accompanying notes to the financial statements.



# Notes to the Financial Statements

31 December 2006

## 1 GENERAL

The Company (Registration No. 199206653M) is incorporated in Singapore with its registered office and principal place of business at 205 Braddell Road, Singapore 579701. The Company is listed on the Official List of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of the provision of public transport services, namely bus and rail services. The subsidiary is currently inactive.

The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The consolidated financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company as at 31 December 2006 were authorised for issue by the Board of Directors on 13 February 2007.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards (“FRSs”).

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2006. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for current or prior years.

### ***New and revised FRSs and INT FRSs issued at the date of authorisation of the financial statements but not yet effective***

The Directors anticipate that the adoption of the new and revised FRSs, INT FRSs and amendments to FRSs in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

**BASIS OF CONSOLIDATION** – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary) made up to 31 December of each financial year. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

# Notes to the Financial Statements

31 December 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**BUSINESS COMBINATIONS** – The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

**FINANCIAL INSTRUMENTS** – Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Financial assets

#### *Cash and cash equivalents*

Cash and cash equivalents comprise bank balances and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### *Investments*

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Investments are classified into the following specified categories: held-for-trading investments at fair value through profit or loss ("FVTPL") and available-for-sale investments. The classification depends on the nature and purpose of investment and is determined at the time of initial recognition.

a) *Financial assets at fair value through profit or loss ("FVTPL")*

Held-for-trading investments are classified as FVTPL where it has been acquired principally for the purpose of selling in the near future. Hedging instruments that are not designated for a hedge relationship and/or are ineffective in a hedge relationship are classified as FVTPL. Financial assets that are classified as FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

b) *Available-for-sale investments*

Certain investments held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the period.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### ***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

### **Financial liabilities and equity instruments**

#### ***Classification as debt or equity***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### ***Trade and other payables***

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

# Notes to the Financial Statements

31 December 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **Hedging instruments and hedge accounting**

The Group enters into a variety of hedging instruments to manage its exposure to fuel price, interest rate and foreign exchange rate risk. The Group uses hedging instruments such as forwards and options, to manage these risks. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy (see Note 31).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates its hedging instruments as either fair value hedges or cash flow hedges.

The fair value of hedging instrument is classified as a non-current asset or a non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. Hedges of fuel price risk are designated as fair value hedges. Hedges of foreign currency risk of a firm commitment exceeding one year are designated as fair value hedges.

Note 12 contains details of the fair values of the hedging instruments.

#### *a) Fair value hedge*

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

#### *b) Cash flow hedge*

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

**LEASES** – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

### ***The Group as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**INVENTORIES** – Inventories consist mainly of parts, accessories and consumable stores required for the operation and maintenance of vehicles and certain equipment. Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

**VEHICLES, PREMISES AND EQUIPMENT** – Vehicles, premises and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Capital projects comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised impairment loss. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commence when the assets are available for use.

Depreciation is charged so as to write off the cost of the assets, other than capital projects in progress, over the estimated useful lives on a straight-line method, on the following bases:

	<b>Number of years</b>
Buses	12
Bus grooming and other accessories (classified under buses)	5 to 8
Leasehold land and buildings	over terms of leases which are 4 to 28 years
Computers and automated equipment	1 to 6
Workshop machinery, tools and equipment	3 to 5
Motor vehicles	5
Furniture, fittings and equipment	7

# Notes to the Financial Statements

31 December 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The estimated useful lives, residual values (where expected to be significant) and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

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

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

**ASSOCIATES** – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**IMPAIRMENT OF ASSETS** – At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, if any, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement.

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

**PROVISIONS** – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

In the year when the actual diesel price and electricity tariff are above the reference diesel price and electricity tariff, the fuel price equalisation account previously set up can be drawn down in full or in part subject to:

- a) the amount to be drawn down is limited to the extent that the balance outstanding in the fuel price equalisation account after draw down, is at or above that year’s fuel consumption using the reference diesel price and electricity tariff; or
- b) upon an application by the Company and subject to the approval by PTC.

**PROVISION FOR CLAIMS** – Claims for accident, public liability and others are provided in the financial statements based on the claims outstanding and the estimated amounts payable. It represents the Directors’ best estimate of the expenditure required to settle the Group’s obligation.

# Notes to the Financial Statements

31 December 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**SERVICE BENEFITS** – These comprise the following:

- a) Retirement benefits – Under the Collective Agreement entered into by the Company with the Union, a retirement benefit subject to a maximum of \$3,000 is payable to a retiring employee on or after attaining the age of 62 years and on completion of at least five years of service. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.
- b) Long service awards – Staff serving more than 15 years are entitled to long service awards of \$250 for 15 years of service, \$350 for 20 years, \$500 for 25 years and \$700 for 30 years. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.

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

- c) Apart from the retirement benefits described in (a) above, the Company participates in a defined contribution retirement benefit plan managed by the Singapore Government (“Singapore Central Provident Fund”). Payments made to the plan are charged as an expense as they fall due.
- d) Employee leave entitlements – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.
- e) Share-based payments – The Company issues equity-settled share-based payments to certain employees and directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**GOVERNMENT GRANTS** – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant in arriving at the carrying amount of the asset.

Government grants in relation to expenses incurred are recognised as other operating income in the period in which they become receivable.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**REVENUE RECOGNITION** – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from rendering of services, that are short durations, is recognised when services are completed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

**BORROWING COSTS** – Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

**INCOME TAX** – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rate (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

# Notes to the Financial Statements

31 December 2006

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**FOREIGN CURRENCY TRANSACTIONS** – The financial statements of each entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts and options (please see above for details of the Group's accounting policies in respect of such hedging instruments).

## 3 KEY SOURCES OF ESTIMATION UNCERTAINTY

### **Critical judgements in applying the Group's accounting policies**

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### **Provisions**

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that the Group and the Company will be required to settle that obligation.

### 3 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

#### a) *Claims*

Claims for property damage and personal injury are provided in the financial statements based on the claims outstanding as of the end of the financial year and estimated amounts payable. The past claims history and payment trend are used as a basis to estimate the amounts in which the Company will have to pay to third parties for such claims. As at 31 December 2006, the provision for claims is \$9,263,000 (2005 : \$7,767,000) (Note 15).

#### b) *Insurance premium*

The Company has undertaken personal injury insurance to cover its liability for injury to third party where claims are in excess of \$15,000. The insurance premium payable is based on an agreed minimum sum payable in advance and an additional amount payable should the incurred claims per bus exceed the minimum amount as stipulated in the insurance policy for that year. The Company had in the previous financial years incurred additional premium payable as the insurance claims per bus had exceeded the minimum stipulated amount. Accordingly, based on the past history of incurred claims per bus for each of the policy year, an estimate of the liability is made. As at 31 December 2006, the provision for insurance premium for the period from 1999 to 2006 included in trade payables (Note 14) is \$20,428,000 (2005 : \$17,347,000).

#### c) *Retirement benefits*

Retirement benefit subject to a maximum of \$3,000 is payable to a retiring employee on or after attaining the age of 62 years and on completion of at least five years of service. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at balance sheet date of 2.95% to 3.13% (2005 : 2.72% to 3.54%) and after taking into account an estimated attrition rate. The estimated attrition rate used is based on management's best estimate of the Company's attrition rate, based on past experience. As at 31 December 2006, the provision for retirement benefits is \$8,742,000 (2005 : \$8,888,000) (Note 17).

#### d) *Long service awards*

Staff with more than 15 years of service is entitled to long service awards of \$250 for 15 years of services, \$350 for 20 years, \$500 for 25 years and \$700 for 30 years. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at balance sheet date of 2.95% to 3.13% (2005 : 2.72% to 3.54%) and after taking into account an estimated attrition rate. The estimated attrition rate used is based on management's best estimate of the Company's attrition rate, based on past experience. As at 31 December 2006, the provision for long service awards is \$2,926,000 (2005 : \$2,725,000) (Note 17).

#### **Unquoted investments**

The fair values of unquoted debt securities are obtained from market makers (dealers) of the debt securities. The prices represent the dealers' price of similar debt securities at the last market day of the financial year. As at 31 December 2006, the fair value of the unquoted investments is \$157,614,000 (2005 : \$214,306,000).

#### **Useful lives of vehicles, premises and equipment**

As described in Note 2, the Group reviews the estimated useful lives of vehicles, premises and equipment at the end of each annual reporting period. During the financial year, the Directors of the Group determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no revision is required.

# Notes to the Financial Statements

31 December 2006

## 4 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of DelGro Corporation Limited, incorporated in Singapore. The Company's ultimate holding company is ComfortDelGro Corporation Limited, incorporated in Singapore. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Group's transactions and arrangements are with related parties and other members of the ultimate holding company's group of companies and the effects of these on the basis determined between the parties are reflected in these financial statements.

Significant intercompany and related party transactions during the financial year, other than those disclosed elsewhere in the notes to the financial statements are as follows:

	THE GROUP	
	2006 \$'000	2005 \$'000
Purchases of inventories from a related company	<b>28,844</b>	27,392
Rental expense from:		
Immediate holding company	<b>2,735</b>	3,136
Related company	<b>56</b>	-
Purchase of goods and services from:		
Ultimate holding company	<b>2,139</b>	2,085
Related companies	<b>869</b>	1,054
Associate of the ultimate holding company	<b>80</b>	78
Transfer of vehicles, premises and equipment from:		
Ultimate holding company	<b>3</b>	-
Immediate holding company	-	1,800
Related company	<b>57</b>	1
Sales of goods and services to:		
Ultimate holding company	<b>(109)</b>	(97)
Related companies	<b>(5,219)</b>	(3,569)
Transfer of vehicles and equipment to:		
Ultimate holding company	-	(2)
Related companies	-	(1)
Rental income from related company	<b>(146)</b>	-

The amounts outstanding are unsecured, interest-free and are repayable on demand, unless otherwise stated. No guarantees have been given or received.

No expense has been recognised in the financial year for bad and doubtful debts in respect of the amounts owed by related companies.

## 5 SHORT-TERM DEPOSITS AND BANK BALANCES

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Cash and bank balances (Note 31b)	3,330	3,008
Time deposits (Note 31b)	23,566	16,443
Total	26,896	19,451

## 6 HELD-FOR-TRADING INVESTMENTS

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
a) Quoted investments, at fair value:		
Bonds in corporations	3,442	9,871
b) Unquoted investments, at fair value:		
Bonds in corporations	8,279	14,918
Notes in corporations	136,361	183,532
Total	148,082	208,321

Quoted investments' fair values are based on closing market prices on the last market day of the financial year.

The basis of which the fair values of unquoted investments are determined is stated in Note 3. Additional information is presented in Note 31(b).

# Notes to the Financial Statements

31 December 2006

## 7 AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
a) Quoted investments at fair value:		
Bonds in corporations	<b>36,351</b>	41,243
b) Unquoted investments at fair value:		
Bonds in corporations	-	2,996
Notes in corporations	<b>12,974</b>	12,860
Total	<b>49,325</b>	57,099
Analysed as:		
Current	<b>13,739</b>	2,996
Non-current	<b>35,586</b>	54,103
	<b>49,325</b>	57,099

Quoted instruments' fair values are based on closing market prices on the last market day of the financial year.

The basis of which the fair values of unquoted investments are determined is stated in Note 3. Additional information is presented in Note 31(b).

## 8 TRADE RECEIVABLES

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Associate (Note 11)	<b>2,703</b>	2
Related companies (Note 4)	<b>4</b>	4
Outside parties	<b>6,143</b>	3,927
	<b>8,850</b>	3,933
Provision for doubtful trade receivables from outside parties	<b>(60)</b>	(99)
Net	<b>8,790</b>	3,834

The amounts outstanding are interest-free and the average credit period is 7 to 45 days (2005 : 7 to 45 days).

The provision for doubtful trade receivables from outside parties has been determined by reference to past default experience.

## 9 OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Receivables from:				
Ultimate holding company (Note 4)	7	110	7	110
Immediate holding company (Note 4)	71	71	71	71
Subsidiary (Note 10)	-	-	16	16
Associate (Note 11)	164	147	164	147
Related companies (Note 4)	645	638	645	638
Total	887	966	903	982
Provision for doubtful receivables from subsidiary	-	-	(16)	(16)
Net	887	966	887	966
Downpayments for the purchase of vehicles, premises and equipment	11,273	9,513	11,273	9,513
Prepayments	5,293	4,606	5,293	4,606
Interest receivable	1,441	1,685	1,441	1,685
Staff advances	296	374	296	374
Security deposits:				
Immediate holding company (Note 4)	833	1,526	833	1,526
Outside parties	458	476	458	476
Others	760	500	760	500
Net	21,241	19,646	21,241	19,646

The receivables from associate are interest-free, unsecured and are repayable within the next 12 months.

## 10 SUBSIDIARY

The Company has investments in unquoted equity shares representing 100% (2005 : 100%) equity interest in Moneria Pte Ltd, incorporated in Singapore. The cost of investment in the subsidiary is \$2.00 (2005 : \$2.00).

The subsidiary's role is to assume the rights and obligations under certain leases and related agreements previously entered into by a related company. The subsidiary is currently inactive and is not audited.

## 11 ASSOCIATE

	THE GROUP		THE COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	1,286	1,026	1,286	1,026
Add: Share of post-acquisition reserves	2,849	1,507	-	-
Total	4,135	2,533	1,286	1,026

# Notes to the Financial Statements

31 December 2006

## 11 ASSOCIATE (CONT'D)

a) Details of the associate is as follows:

Associate	Principal activity	Country of incorporation/ operations	Cost of investment		Group's effective interest	
			2006 \$'000	2005 \$'000	2006 %	2005 %
Transit Link Pte Ltd	Provide support services to the transport operators in Singapore	Singapore	1,286	1,026	50	33 <sup>1</sup> / <sub>3</sub>

During the financial year, Transit Link Pte Ltd earned a service fee of \$12,370,000 (2005 : \$10,934,000) from the Company.

The associate is audited by PricewaterhouseCoopers, Singapore. For the purpose of applying the equity method of accounting, the management accounts of the company for the year ended 31 December 2006 have been used.

On 23 November 2006, the Group acquired additional equity interests of 16.7% for a consideration of \$260,000, including direct attributable costs of acquisition. The excess of the net fair value of the associate's assets, liabilities and contingent liabilities attributable to this additional equity interest acquired over the cost of the investment was \$1,128,000. Accordingly, a negative goodwill of \$1,128,000 was recognised as income and included in the determination of the Group's share of associate's profit for the year.

b) Summarised financial information in respect of the Group's associate is set out below:

	2006 \$'000	2005 \$'000
Total assets	31,494	38,326
Total liabilities	(23,223)	(30,726)
Net assets	8,271	7,600
Group's share of associate's net assets	4,135	2,533
Revenue	5,387	4,830
Profit for the year	641	536
Group's share of associate's profit for the year	1,342	178



## 12 HEDGING INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
At fair values:		
Fuel hedges	23	-
Foreign currency exchange options	-	(12)
Interest rate swaps	85	70
	<b>108</b>	58
Analysed as:		
Current assets	71	-
Non-current assets	37	70
Current liabilities	-	(12)
	<b>108</b>	58

At balance sheet date, the total notional amount of outstanding hedging instruments to which the Group and the Company are committed are as follows:

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Foreign currency exchange options	-	9,978
Interest rate swaps	10,000	10,000
Fuel hedges	18,923	-

In 2006, the Group and the Company had fuel hedges to hedge against fuel price movements. These arrangements were designed to address fuel price exposure for the financial year 2007.

In 2005, the Group and the Company had foreign currency exchange options to purchase up to United States \$6,000,000 as a hedge against exchange movements on future purchase of fuel. These arrangements were designed to address exchange exposures for the financial year 2006. There are no foreign currency exchange options outstanding as at 31 December 2006.

The Group and the Company use interest rate swaps to manage their exposure by swapping a proportion of their investments from fixed rates to floating rates. The Company has two contracts with nominal value of \$5,000,000 each, totalling \$10,000,000, which swap payments of fixed interest at rates of 2.725% and 3.180% per annum respectively for floating interest receipts at 3 basis points plus 3-month SGD Swap Offer Rate and 4 basis points plus 6-month SGD Swap Offer Rate respectively for periods up to 2008.

These amounts are based on market prices for equivalent instruments at the balance sheet date. Additional information is presented in Note 31(b).

# Notes to the Financial Statements

31 December 2006

## 13 VEHICLES, PREMISES AND EQUIPMENT

	Buses \$'000	Leasehold land \$'000	Leasehold buildings \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital projects in progress \$'000	Total \$'000
<b>The Group and the Company</b>									
Cost:									
At 1 January 2005	688,185	16,642	53,510	56,819	14,332	4,091	10,491	24,002	868,072
Additions	30	-	-	238	721	65	129	15,443	16,626
Disposals	(4,124)	-	-	(2,128)	(868)	(272)	(1,305)	-	(8,697)
Net transfers from (to) related companies	-	-	1,800	3	-	-	(9)	-	1,794
Reclassifications	4,138	-	-	2	(2)	-	-	(4,138)	-
At 31 December 2005	688,229	16,642	55,310	54,934	14,183	3,884	9,306	35,307	877,795
Additions	50,082	-	466	357	824	53	364	31,803	83,949
Disposals	(2,086)	-	-	(375)	(154)	(187)	(192)	-	(2,994)
Net transfers to related companies	-	-	-	(4)	-	-	(14)	-	(18)
Reclassifications	5,344	-	30	2	-	239	(2)	(5,613)	-
At 31 December 2006	741,569	16,642	55,806	54,914	14,853	3,989	9,462	61,497	958,732
Accumulated depreciation:									
At 1 January 2005	627,927	1,589	16,755	32,488	10,882	3,503	6,050	-	699,194
Depreciation	10,779	594	2,485	8,018	1,383	299	1,099	-	24,657
Disposals	(4,124)	-	-	(2,127)	(849)	(272)	(1,243)	-	(8,615)
Net transfers from (to) related companies	-	-	-	2	-	-	(8)	-	(6)
At 31 December 2005	634,582	2,183	19,240	38,381	11,416	3,530	5,898	-	715,230
Depreciation	11,517	594	2,541	7,473	1,373	186	1,070	-	24,754
Disposals	(2,052)	-	-	(374)	(150)	(186)	(188)	-	(2,950)
Net transfers to related companies	-	-	-	(4)	-	-	(16)	-	(20)
Reclassifications	(239)	-	-	2	-	239	(2)	-	-
At 31 December 2006	643,808	2,777	21,781	45,478	12,639	3,769	6,762	-	737,014
Carrying amount:									
At 31 December 2006	97,761	13,865	34,025	9,436	2,214	220	2,700	61,497	221,718
At 31 December 2005	53,647	14,459	36,070	16,553	2,767	354	3,408	35,307	162,565

Note:

- a) During the financial year, government grants amounting to \$1,337,000 (2005 : \$NIL) has been received from the government authorities to purchase certain assets. The grants received/receivable have been offset against the cost of the assets acquired to derive the carrying amount in accordance with the Group's accounting policy.

### 13 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

- b) Included under Buses are total cost of \$221,536,000 (2005 : \$221,536,000) and carrying amount of \$28,628,000 (2005 : \$34,851,000) which are the subject of five cross border leasing transactions. The Group's and the Company's legal obligations under these transactions have been legally defeased (See Note 29).
- c) Details of leasehold land and buildings of the Group and the Company are as follows:

Location	Approximate land area	Tenure	Usage
No. 28 Soon Lee Road Singapore	26,670 sq m	30 years from 1 April 2000	Bus depot
No. 550 Bukit Batok Street 23 Singapore	52,187 sq m	30 years from 1 January 1983	Bus depot
No. 4 Defu Ave 1 Singapore	74,236 sq m	30 years from 1 January 1983	Bus depot
No. 1470 Bedok North Ave 4 Singapore	62,220 sq m	Under Temporary Occupation License Issued by Land Authority of Singapore	Bus depot
No. 2A Ayer Rajah Crescent Singapore	17,939 sq m	Under Temporary Occupation License Issued by Land Authority of Singapore	Bus park
No. 15 Ang Mo Kio Street 63 Singapore	63,953 sq m	15 years from 1 March 1994	Bus depot

### 14 TRADE PAYABLES

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Payables to:		
Ultimate holding company (Note 4)	754	280
Immediate holding company (Note 4)	414	304
Related companies (Note 4)	8,169	4,236
Associate (Note 11)	-	1,958
Outside parties	13,519	22,952
Accruals	115,712	89,809
Deferred income	835	289
Deposit and advance payments received from customers	1,358	880
Others	1,050	2,913
Total	141,811	123,621

# Notes to the Financial Statements

31 December 2006

## 14 TRADE PAYABLES (CONT'D)

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The amounts outstanding are interest-free and the average credit period is 30 days (2005 : 30 days).

Included in the balance due to outside parties for the Group and the Company as at 31 December 2005, was an amount of \$8,443,000 representing the current amount due to the Land Transport Authority of Singapore ("LTA") arising from the acquisition of certain on-board bus equipment in 2002.

Additional information is presented in Note 31(b).

## 15 PROVISION FOR CLAIMS

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
At beginning of year	7,767	7,390
Charge to profit and loss	3,597	3,085
Payments	(2,101)	(2,708)
At end of year	9,263	7,767

The provision for claims represents the estimated amount which the Group and the Company will have to pay to outside parties for accidents involving buses and rail (Note 3).

## 16 DEFERRED TAX LIABILITIES

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
At beginning of year	18,499	19,818
Charge (Credit) to profit and loss (Note 26)	2,437	(1,319)
Over provision in prior years	(5,170)	-
At end of year	15,766	18,499
The balance comprises the tax effects of:		
Excess of tax written down value over carrying amount	26,407	22,846
Provision for fuel equalisation	(6,815)	(6,815)
Other items	(3,826)	2,468
Net	15,766	18,499

## 17 PROVISION FOR SERVICE BENEFITS AND LONG SERVICE AWARDS

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
At beginning of year	11,613	12,522
Charge to profit and loss	683	339
Payments	(628)	(1,248)
At end of year	11,668	11,613
The balance comprises provision for:		
Retirement benefits	8,742	8,888
Long service awards	2,926	2,725
	11,668	11,613

## 18 SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2006 Number ('000) of ordinary shares	2005	2006 \$'000	2005 \$'000
Issued and paid up:				
At beginning of year	302,443	297,823	75,611	74,456
Transfer from share premium account (Note 19)	-	-	5,446	-
Transfer from capital redemption reserve account (Note 19)	-	-	800	-
Transfer from share option reserve on exercise of share options (Note 19)	-	-	18	-
Exercise of share options	933	4,620	1,496	1,155
At end of year	303,376	302,443	83,371	75,611

Details of the outstanding share options of the Company as at the end of the financial year are set out in Note 22(b).

The Company has one class of ordinary shares which carry no right to fixed income.

As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished. Consequently, the amounts standing to the credit of the Company's share premium account and capital redemption reserve account have been transferred to the Company's share capital account in the current year.

# Notes to the Financial Statements

31 December 2006

## 19 CAPITAL RESERVES

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Share premium:		
At beginning of year	5,446	233
Arising during the year	-	5,209
Transfer to share capital account (Note 18)	(5,446)	-
Transfer from share option reserve	-	4
At end of year	-	5,446
Capital redemption reserve:		
At beginning of year	800	800
Transfer to share capital account (Note 18)	(800)	-
At end of year	-	800
Share option reserve:		
At beginning of year	175	128
Recognition of share-based payments	258	51
Transfer to share premium	-	(4)
Transfer to share capital on exercise of share options (Note 18)	(18)	-
Transfer to accumulated profits	(1)	-
At end of year	414	175
Revaluation reserve:		
At beginning of year	172	1,780
Gain (Loss) on available-for-sale investments	252	(1,608)
Realised loss transferred to profit or loss on disposal of available-for-sale investments	113	-
At end of year	537	172
Net	951	6,593

## 20 TURNOVER

Turnover comprises the following amounts:

	THE GROUP	
	2006 \$'000	2005 \$'000
Transport services:		
Bus	513,912	493,188
Rail	74,475	63,875
Advertisements	24,177	19,221
Total	612,564	576,284

## 21 OTHER OPERATING INCOME

	THE GROUP	
	2006 \$'000	2005 \$'000
Accident claims recovered	409	664
Diesel commission	2,427	2,326
Handling fee income from associate	1,704	1,483
Licence fee income from associate	-	83
Rental income	5,846	4,633
Government grant	71	-
Bus pass income	796	-
Income from roadshows	1,301	-
Others	3,434	4,853
Total	15,988	14,042

# Notes to the Financial Statements

31 December 2006

## 22 STAFF COSTS

- a) Included in staff costs are:  
i) Directors' remuneration

The Group Remuneration Band	Salary %	Bonuses %	Others %	Total compensation %
<b>2006</b>				
(\$500,000 - \$749,999) Ong Boon Leong	47	45	8	100
2005				
(\$500,000 - \$749,999) Ong Boon Leong	48	43	9	100

The remuneration of all the other non-executive Directors is below \$250,000 and comprised entirely of Directors' fees (Note 23).

The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and the Group.

- ii) Key executives' remuneration

The Group Remuneration Band	Salary %	Bonuses %	Others %	Total compensation %
<b>2006</b>				
(\$250,000 - \$499,999) No. of executives: 2	63	27	10	100
(Below \$250,000) No. of executives: 1	70	30	-	100
2005				
(\$250,000 - \$499,999) No. of executives: 3	61	25	14	100

The remuneration of key executives is determined by the Remuneration Committee having regard to the performance of individuals and the Group.

	THE GROUP	
	2006 \$'000	2005 \$'000
iii) Cost of contribution to Central Provident Fund	20,171	20,674



## 22 STAFF COSTS (CONT'D)

### b) Share-based payments

#### **Equity-settled share option scheme**

The Company has a share option scheme for employees of the Company and its subsidiary of the rank of Executive and above, and certain categories of persons who are not employees but who work closely with the Company and its subsidiary. The scheme is administered by the Remuneration Committee. Options are exercisable at a subscription price determined with reference to the market price of the shares at the time of grant of the options. The vesting period is one year. If the options remain unexercised after a period of 10 years (five years for non-executive Directors) from the date of the grant, the options expire. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Company, subject to certain exceptions at the discretion of the Remuneration Committee.

Details of the share options outstanding during the year are as follows:

	THE GROUP			
	2006		2005	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at the beginning of the year	6,810,750	1.94	7,494,250	1.42
Granted during the year	2,967,000	2.15	4,413,750	2.23
Cancelled/Lapsed during the year	(167,000)	2.05	(477,750)	1.93
Exercised during the year	(933,250)	1.60	(4,619,500)	1.38
Outstanding at the end of the year	8,677,500	2.05	6,810,750	1.94
Exercisable at the end of the year	5,745,500	2.00	2,645,750	1.50

The weighted average share price at the date of exercise for share options during the year was \$2.37 (2005 : \$2.25). The options outstanding at the end of the year have a weighted average remaining contractual life of 7.67 years (2005 : 8.02 years). For further details on the exercise prices of the options outstanding at the end of the year, please refer to the Report of the Directors.

During the financial year, options were granted on 13 July 2006 (2005 : 24 February, 28 July and 18 November). The estimated fair value of the options granted on that date was \$0.10. (2005 : \$0.09, \$0.06 and \$0.05 respectively).

# Notes to the Financial Statements

31 December 2006

## 22 STAFF COSTS (CONT'D)

### b) Share-based payments (CONT'D)

These fair values for share options granted during the year were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006	2005
Weighted average share price	<b>\$2.15</b>	\$2.24
Weighted average exercise price	<b>\$2.15</b>	\$2.23
Expected volatility	<b>23.93%</b>	20.11%
Expected life (years)	<b>4.64</b>	4.63
Risk free rate	<b>3.37%</b>	2.52%
Expected dividend yield	<b>11.63%</b>	11.35%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of \$258,000 (2005 : \$51,000) related to equity-settled share-based payment transactions (included in staff costs) during the year.

## 23 OPERATING PROFIT

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	THE GROUP	
	2006 \$'000	2005 \$'000
Proposed Directors' fees	<b>302</b>	280
Cost of inventories recognised in repairs and maintenance expense	<b>56,441</b>	54,123
Foreign currency exchange adjustment gain, arising from operations	<b>(32)</b>	(98)
Gain on fair value changes of energy hedging instruments	<b>(23)</b>	-
(Gain) Loss on disposal of vehicles and equipment	<b>(398)</b>	18
Legal fees paid to a firm of which a Director is a member	-	11
Provision for claims	<b>3,597</b>	3,085
Provision for service benefits and long service awards	<b>683</b>	339
Audit fees:		
Paid to auditors of the Company	<b>116</b>	113
Non-audit fees:		
Paid to auditors of the Company	<b>25</b>	26
Paid to other auditors	-	10

## 24 NET INCOME FROM INVESTMENTS

	THE GROUP	
	2006 \$'000	2005 \$'000
Interest income:		
Bonds	1,980	2,109
Time deposits	1,198	829
Notes	5,509	4,112
Fair value gain on interest rate swaps	16	70
Interest rate swaps	58	-
Other investment income:		
Gain on disposal of held-for-trading investments	182	678
Loss on disposal of available-for-sale investments	(73)	-
Gain (Loss) arising from changes in fair values of held-for-trading investments	88	(1,073)
Foreign currency exchange adjustment loss	(443)	(114)
Total	8,515	6,611

## 25 FINANCE COSTS

	THE GROUP	
	2006 \$'000	2005 \$'000
Interest expense on borrowings	-	687

## 26 TAXATION

	THE GROUP	
	2006 \$'000	2005 \$'000
Current taxation	9,994	13,039
Deferred tax (Note 16)	2,437	(1,319)
	12,431	11,720
Under (Over) provision in prior years:		
Current tax	3,887	-
Deferred tax (Note 16)	(5,170)	-
	11,148	11,720

# Notes to the Financial Statements

31 December 2006

## 26 TAXATION (CONT'D)

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 20% (2005 : 20%) to profit before taxation as a result of the following differences:

	THE GROUP	
	2006 \$'000	2005 \$'000
Profit before taxation	<b>67,281</b>	63,256
Less: Share of profit in associate	<b>(1,342)</b>	(178)
	<b>65,939</b>	63,078
Taxation charge at statutory rate of 20%	<b>13,188</b>	12,615
Non-allowable (taxable) items	<b>29</b>	(149)
Under (Over) provision in prior years:		
Current tax	<b>3,887</b>	-
Deferred tax (Note 16)	<b>(5,170)</b>	-
Tax-exempt income	<b>(11)</b>	(11)
Other items	<b>(775)</b>	(735)
	<b>11,148</b>	11,720

## 27 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2006	2005
Profit attributable to shareholders of the Company (\$'000)	<b>56,133</b>	51,536
Weighted average number of ordinary shares in issue ('000)	<b>303,032</b>	301,040
Basic earnings per share (in cents)	<b>18.52</b>	17.12

## 27 EARNINGS PER SHARE (CONT'D)

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

	2006	2005
Profit attributable to shareholders of the Company (\$'000)	<b>56,133</b>	51,536
Weighted average number of ordinary shares in issue ('000)	<b>303,032</b>	301,040
Adjustments for share options ('000)	<b>755</b>	819
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	<b>303,787</b>	301,859
Diluted earnings per share (in cents)	<b>18.48</b>	17.07

## 28 BUSINESS SEGMENT INFORMATION

The Group operates principally in Singapore.

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

- a) Bus : Income is generated through bus fare collections.
- b) Rail : Income is generated through rail fare collections.
- c) Advertisements : Income is generated through advertisements on the buses, trains and at Mass Rapid Transit ("MRT") and Light Rail Transit ("LRT") stations.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

# Notes to the Financial Statements

31 December 2006

## 28 BUSINESS SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and vehicles, premises and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire vehicles, premises and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

Associate: Income from associate is not allocated as it is not specifically attributable to business segments, and correspondingly the investment in associate is not included as segment assets of the business segments.

	Bus \$'000	Rail \$'000	Advertisements \$'000	Total \$'000
<b>2006</b>				
<b>TURNOVER</b>	513,912	74,475	24,177	612,564
<b>RESULTS</b>				
Segment results	41,184	(4,006)	15,673	52,851
Net income from investments				8,515
Other income				4,573
Share of profit in associate				1,342
Profit before taxation				67,281
Taxation				(11,148)
Profit after taxation				56,133
<b>OTHER INFORMATION</b>				
Additions of vehicles, premises and equipment	80,289	1,041	2,619	83,949
Depreciation expense	23,662	908	184	24,754
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets	246,104	12,659	8,192	266,955
Investment in associate				4,135
Unallocated corporate assets				223,579
Consolidated total assets				494,669
<b>LIABILITIES</b>				
Segment liabilities	173,327	17,516	2,517	193,360
Unallocated corporate liabilities				29,567
Consolidated total liabilities				222,927

## 28 BUSINESS SEGMENT INFORMATION (CONT'D)

	Bus \$'000	Rail \$'000	Advertisements \$'000	Total \$'000
<b>2005</b>				
<b>TURNOVER</b>	493,188	63,875	19,221	576,284
<b>RESULTS</b>				
Segment results	50,708	(10,506)	12,955	53,157
Net income from investments				6,611
Finance costs				(687)
Other income				3,997
Share of profit in associate				178
Profit before taxation				63,256
Taxation				(11,720)
Profit after taxation				51,536
<b>OTHER INFORMATION</b>				
Additions of vehicles, premises and equipment	16,112	503	11	16,626
Depreciation expense	23,582	1,008	67	24,657
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets	184,397	8,122	3,718	196,237
Investment in associate				2,533
Unallocated corporate assets				286,316
Consolidated total assets				485,086
<b>LIABILITIES</b>				
Segment liabilities	156,440	15,407	1,457	173,304
Unallocated corporate liabilities				37,667
Consolidated total liabilities				210,971

## 29 CONTINGENT LIABILITIES - UNSECURED

As at 31 December 2006, the Group and the Company have contingent liabilities totalling \$9,541,000 (2005 : \$11,698,000) in respect of cross border leasing transactions, under which they have legally defeased all their liabilities under the leases except for the risk of having to pay off this amount to counterparties should they cause the collapse of these leasing arrangements. The management is not aware of any conditions that will cause the Group and the Company to initiate the collapse of these leasing arrangements.

## 30 COMMITMENTS

As at 31 December 2006, the Group and the Company have the following commitments:

- a) Capital commitments contracted for but not provided for in the financial statements:

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Purchase of vehicles and equipment	48,600	67,113

# Notes to the Financial Statements

31 December 2006

## 30 COMMITMENTS (CONT'D)

- b) Operating lease commitments:

### The Group and the Company as lessee

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Minimum lease payment under operating leases included in the profit and loss statement (net of rebates)	<b>6,166</b>	7,304

At balance sheet date, commitments in respect of the non-cancellable operating lease which fall due are as follows:

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Within one year	<b>5,687</b>	6,165
In the second to fifth year inclusive	<b>13,989</b>	16,628
After five years	<b>3,048</b>	6,097
Total	<b>22,724</b>	28,890

Operating lease payments represents rentals payable by the Group and the Company for office premises and bus depots. Leases are negotiated for an average term of 30 years and rental is fixed for an average of one year.

### The Group and the Company as lessor

The Group and the Company rent out part of their bus spaces and floor areas at bus depots and train stations under operating leases. Property rental and licence fee income earned during the year was \$5,729,000 (2005 : \$4,716,000). The properties are managed and maintained by the Company.

At balance sheet date, the Group and the Company contracted with tenants for the following future minimum lease payments:

	THE GROUP AND THE COMPANY	
	2006 \$'000	2005 \$'000
Within one year	<b>4,977</b>	3,580
In the second to fifth year inclusive	<b>6,302</b>	3,053
Total	<b>11,279</b>	6,633



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### 31 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

#### a) Financial risks and management

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

#### **Foreign currency exchange rate risk**

The Group is exposed to currency risk as a result of its purchases of buses, spare parts, fuel and any other purchases where the currency denomination differs from its functional currency (Singapore dollars). Its main exposures include United States Dollars, Swedish Kroners, Euros and Sterling Pounds. The Group manages its foreign currency exposure through active currency management using hedging instruments such as forwards or options where necessary.

#### **Interest rate risk**

The Group's primary interest rate risk relates to its investments in fixed income securities and deposits. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk.

#### **Credit risk**

The Group has minimal credit risk arising from its public transport operations. Majority of its commuters use the contactless smart card where cash is collected upfront. Credit risk from advertisements is controlled via upfront deposits, strict credit terms and regular monitoring of advertisers' financial standing. It enters into treasury transactions only with creditworthy institutions and seeks to invest in quality investee companies. Almost all of its fixed income investments are above investment grade of at least BBB-rated as assigned by international credit-rating agencies. There is no significant concentration of credit risk.

#### **Liquidity risk**

The Group regularly reviews its liquidity position comprising free cash flows from its operations and credit lines from banks to ensure its ability to access funding at any time with the best possible rates.

#### **Fuel price risk**

Fuel, comprising diesel and electricity, is part of the operating cost of the Group. The Group seeks to hedge its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

#### **Fair values of financial assets and financial liabilities**

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

# Notes to the Financial Statements

31 December 2006

## 31 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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

	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate at year end %
<b>The Group and the Company</b>					
<b>2006</b>					
<b>Financial Assets</b>					
Cash and bank balances:					
In functional currency:					
Interest-bearing	548	-	-	548	2.05
Non-interest-bearing	2,488	-	-	2,488	-
In non-functional currencies:					
MYR	28	-	-	28	-
USD	188	-	-	188	3.62 - 4.08
EURO	39	-	-	39	0.00 - 2.74
GBP	32	-	-	32	0.00 - 4.33
Others	7	-	-	7	-
Total	3,330	-	-	3,330	
Time deposits:					
In functional currency	23,566	-	-	23,566	3.25 - 3.31

Short-term deposits and cash and bank balances comprise bank deposits with an original maturity of three months or less. The carrying amounts of these financial assets approximate their fair values. The average remaining tenor for short-term deposits is 0.28 months.

	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate at year end %
Held-for-trading investments:					
Bonds in functional currency	11,721	-	-	11,721	3.13 - 3.57
Notes in functional currency	136,361	-	-	136,361	3.37 - 3.81
Total	148,082	-	-	148,082	
Available-for-sale investments:					
Bonds in functional currency	10,759	9,848	15,744	36,351	2.31 - 4.84
Notes in functional currency	2,980	9,994	-	12,974	2.77 - 3.72
Total	13,739	19,842	15,744	49,325	
Hedging instruments:					
In functional currency	48	37	-	85	-
In non-functional currency:					
USD	23	-	-	23	-
Total	71	37	-	108	
<b>Financial Liabilities</b>					
Trade payables:					
In functional currency	132,202	-	-	132,202	-
In non-functional currencies:					
SEK	1,046	-	-	1,046	-
USD	8,033	-	-	8,033	-
EURO	315	-	-	315	-
GBP	150	-	-	150	-
YEN	59	-	-	59	-
Others	6	-	-	6	-
Total	141,811	-	-	141,811	

**31 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND LIABILITIES (CONT'D)**

	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate at year end %
<b>The Group and the Company</b>					
<b>2005</b>					
<b>Financial Assets</b>					
Cash and bank balances:					
In functional currency:					
Interest-bearing	405	-	-	405	1.19 - 1.75
Non-interest-bearing	2,435	-	-	2,435	-
In non-functional currencies:					
SEK	53	-	-	53	-
USD	42	-	-	42	-
EURO	29	-	-	29	-
GBP	24	-	-	24	-
Others	20	-	-	20	-
Total	3,008	-	-	3,008	
Time deposits:					
In functional currency	16,443	-	-	16,443	3.00 - 3.13

Short-term deposits and cash and bank balances comprise bank deposits with an original maturity of three months or less. The carrying amounts of these financial assets approximate their fair values. The average remaining tenor for short-term deposits is 0.25 months.

	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate at year end %
Held-for-trading investments:					
Bonds in functional currency	24,789	-	-	24,789	2.29 - 3.11
Notes in functional currency	183,532	-	-	183,532	1.85 - 3.55
Total	208,321	-	-	208,321	
Available-for-sale investments:					
Bonds in functional currency	2,996	25,522	15,721	44,239	2.30 - 4.84
Notes in functional currency	-	12,860	-	12,860	2.77 - 3.26
Total	2,996	38,382	15,721	57,099	
Hedging instruments:					
In functional currency	-	70	-	70	-
In non-functional currency:					
USD	(12)	-	-	(12)	-
Total	(12)	70	-	58	
<b>Financial Liabilities</b>					
Trade payables:					
In functional currency	122,060	-	-	122,060	-
In non-functional currencies:					
SEK	785	-	-	785	-
USD	459	-	-	459	-
EURO	187	-	-	187	-
GBP	122	-	-	122	-
Others	8	-	-	8	-
Total	123,621	-	-	123,621	

# Notes to the Financial Statements

31 December 2006

## 32 DIVIDENDS

- a) During the financial year, the Company paid dividends as follows:

	2006 \$'000	2005 \$'000
Final dividend less tax in respect of the previous financial year:		
– 5.00 cents (2005 : 6.25 cents) per ordinary share less tax	<b>12,130</b>	15,102
Special dividend less tax in respect of the previous financial year:		
– 15.00 cents (2005 : 15.00 cents) per ordinary share less tax	<b>36,391</b>	36,245
Interim dividend less tax in respect of the current financial year:		
– 5.00 cents (2005 : 5.00 cents) per ordinary share less tax	<b>12,132</b>	12,096
<b>Total</b>	<b>60,653</b>	63,443

- b) Subsequent to the balance sheet date, the Directors of the Company recommend that for the financial year ended 31 December 2006,
- i) a final dividend be paid at 6.50 cents per ordinary share less tax on the ordinary shares of the Company totalling \$15,776,000; and
  - ii) a special dividend be paid at 17.00 cents per ordinary share less tax on the ordinary shares of the Company totalling \$41,259,000.

The dividends are subject to approval by shareholders at the forthcoming Annual General Meeting of the Company and hence the proposed dividends have not been accrued as a liability for the current financial year.

## 33 LICENCE CONDITION FOR RAIL SERVICES

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

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

- a) The licence is for an initial period of 30 years commencing 15 January 2003. The Company may apply to LTA to renew the licence for a further 30 years or any other period and upon terms and conditions as LTA may impose.
- b) An annual licence fee computed based on 0.5% of the total annual fare and non-fare revenue, net of goods and services tax, is payable to LTA for the first 10 years. LTA may retain or modify the basis for the purpose of calculating the licence fee thereafter.
- c) The Company and LTA shall jointly review the viability on the fifth anniversary of the date of the LC or such other period as may be agreed in writing between the Company and LTA. In such review, LTA shall determine the dates and time of the Company's purchase of the operating assets of the Licensed Systems and the amount is based on the net book value as recorded in the latest audited accounts of LTA.

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### **33 LICENCE CONDITION FOR RAIL SERVICES** (CONT'D)

- d) The Company may apply in writing to LTA for a grant to replace any eligible operating assets computed based on the difference between the purchase cost of the new assets and the purchase cost of the operating assets to be replaced.

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

### **34 RECLASSIFICATIONS AND COMPARATIVE FIGURES**

In the previous financial year, cash flows arising from held-for-trading investments were classified under net cash used in investing activities. In the current financial year, cash flows arising from held-for-trading investments are included under cash flows from operating activities. This reclassification was made to be consistent with the cash flow statement of the ultimate holding company. Comparative figures have been adjusted to conform with the current year's presentation.

## **Statement of Directors**

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In the opinion of the Directors, the consolidated financial statements of the Group and the balance sheet of the Company set out on pages 49 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, and of the results, changes in equity and the cash flows of the Group for the financial year ended on that date and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

**LIM JIT POH**

*Chairman*

**KUA HONG PAK**

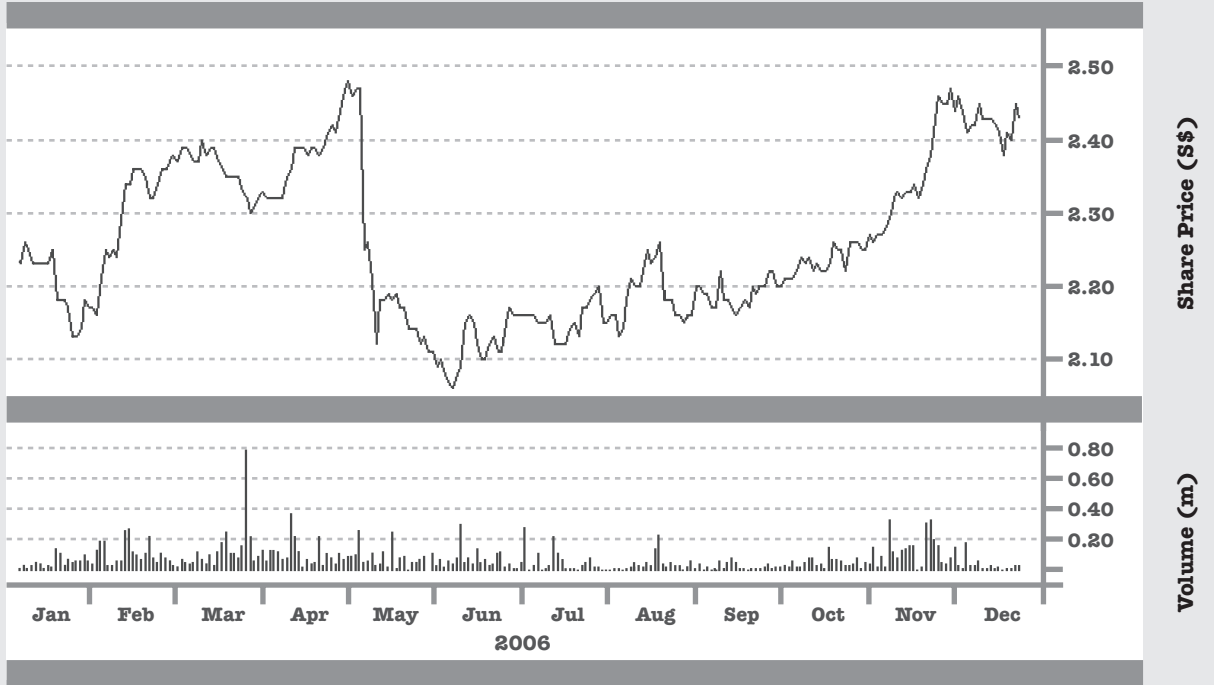
*Deputy Chairman*

Singapore

13 February 2007

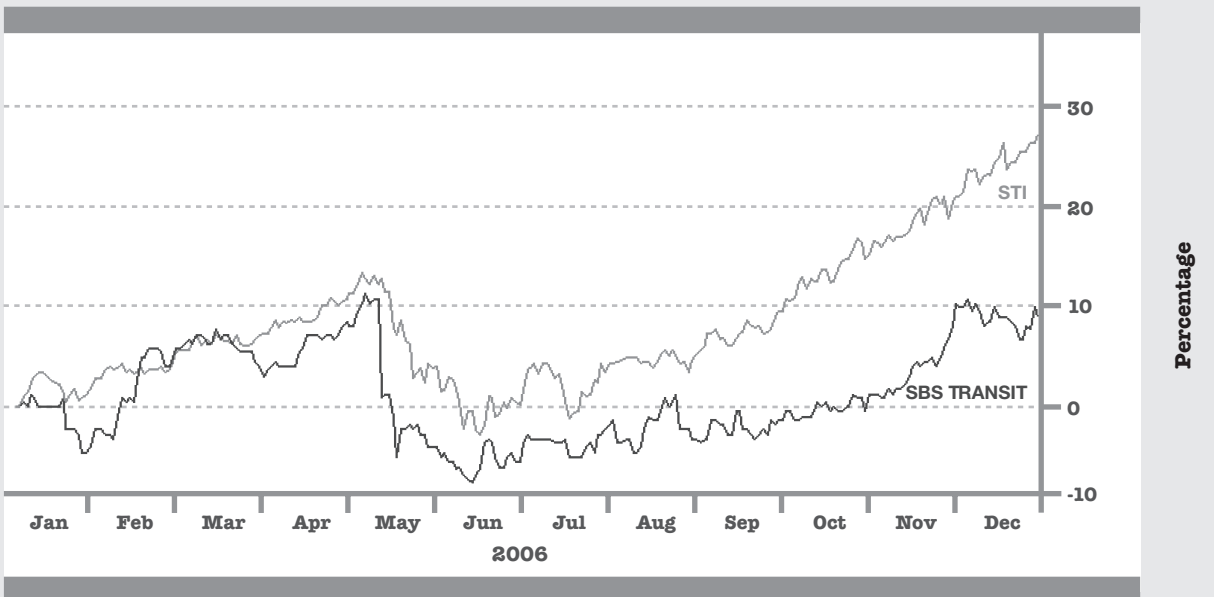
# Share Price Movement Chart

**SBS Transit's Share Price Movement And Volume Turnover**



Source: Bloomberg L.P.

**Comparison of Performance of SBS Transit's Share Price And The Straits Times Index (STI)**



Source: Bloomberg L.P.

## Shareholding Statistics

as at 1 March 2007

<b>SHARE CAPITAL</b>	:	S\$84,083,360.46
<b>NO. OF SHARES ISSUED</b>	:	303,719,516
<b>CLASS OF SHARES</b>	:	Ordinary shares with equal voting rights
<b>VOTING RIGHTS</b>	:	1 vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2,040	10.00	672,664	0.22
1,000 - 10,000	18,039	88.40	27,622,427	9.09
10,001 - 1,000,000	318	1.56	13,781,883	4.54
1,000,001 & Above	9	0.04	261,642,542	86.15
<b>TOTAL</b>	<b>20,406</b>	<b>100.00</b>	<b>303,719,516</b>	<b>100.00</b>

Top Twenty Shareholders	No. of Shares	%
DelGro Corporation Limited	228,369,512	75.19
DBS Nominees Pte Ltd	11,171,200	3.68
United Overseas Bank Nominees Pte Ltd	6,895,580	2.27
HSBC (Singapore) Nominees Pte Ltd	5,455,200	1.80
Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,109,000	1.02
Raffles Nominees Pte Ltd	1,933,250	0.64
OCBC Nominees Singapore Private Limited	1,745,300	0.57
Citibank Nominees Singapore Pte Ltd	1,687,000	0.55
The Asia Life Assurance Society Ltd - Par Fund	1,276,500	0.42
Changi Bus Company (Private) Limited	691,548	0.23
NTUC Thrift & Loan Co-operative Limited	600,000	0.20
Tan Kay Yeong	457,000	0.15
The Asia Insurance Company Limited - Fund Account	390,000	0.13
The Asia Life Assurance Society Ltd - Non-Par Fund	377,000	0.12
Lim Gim Hong	360,000	0.12
Ong Boon Leong	289,500	0.10
Tang Wee Loke	211,000	0.07
UOB Kay Hian Pte Ltd	174,500	0.06
Tan Kong Eng	164,800	0.05
Wee Siew Kim	155,000	0.05
<b>TOTAL</b>	<b>265,512,890</b>	<b>87.42</b>



**SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholders)**

	DIRECT INTEREST		DEEMED INTEREST	
	No. of Shares	%	No. of Shares	%
DelGro Corporation Limited	228,369,512	75.19	-	-
ComfortDelGro Corporation Limited	-	-	228,369,512	75.19

As at 1 March 2007, approximately 24.20% of the issued ordinary shares of SBS Transit Ltd is in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

# Notice of Annual General Meeting

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## **SBS TRANSIT LTD**

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 199206653M)

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701 on Thursday, 26 April 2007 at 3.00 p.m. for the purpose of transacting the following business:

### **ORDINARY BUSINESS:**

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2006 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a final dividend of 6.5 cents per ordinary share less income tax and a special dividend of 17.0 cents per ordinary share less income tax in respect of the financial year ended 31 December 2006. (Resolution 2)
3. To approve the payment of Directors' fees of S\$301,945 for the financial year ended 31 December 2006. (FY2005: \$280,000) (Resolution 3)
4. To re-elect Mr Kua Hong Pak, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 4)
5. To re-elect Mr Cheong Yip Seng, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 5)
6. To re-elect Mr Wee Siew Kim, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 6)
7. To re-appoint Mr Tan Kong Eng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. (Resolution 7)
8. To re-appoint Messrs Deloitte & Touche as Auditors and authorise the Directors to fix their remuneration. (Resolution 8)

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**SPECIAL BUSINESS:**

9. To consider and, if thought fit, to pass the following resolutions with or without modifications as Ordinary Resolutions:

A. "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued shares in the capital of the Company;

(b) for the purpose of determining the aggregate number of shares that may be issued under paragraph (a) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding at the time this Resolution is passed, and (ii) any subsequent consolidation or subdivision of shares; and

(c) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is the earlier."

(Resolution 9)

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

(Resolution 10)

# Notice of Annual General Meeting

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## BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed from 16 May 2007 to 17 May 2007 (both dates inclusive) for the purposes of determining shareholders' entitlements to the proposed final dividend of 6.5 cents per ordinary share less income tax and special dividend of 17.0 cents per ordinary share less income tax for the financial year ended 31 December 2006.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 15 May 2007 will be registered before shareholders' entitlements to the final and special dividends are determined. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares as at 5.00 p.m. on 15 May 2007 will be entitled to the proposed final and special dividends.

The final and special dividends, if approved by the shareholders at the Fourteenth Annual General Meeting of the Company, will be paid on 28 May 2007.

By Order of the Board

## CHENG PEI JUAN, REBECCA

*Company Secretary*  
Singapore  
27 March 2007

## NOTES:

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

## ADDITIONAL INFORMATION ON ORDINARY BUSINESS

Mr Wee Siew Kim is the Chairman of the Audit Committee and Mr Tan Kong Eng is a member of the Audit Committee. They are considered Independent Directors of the Company. If re-elected, Mr Wee Siew Kim and Mr Tan Kong Eng will continue as the Chairman and member of the Audit Committee respectively.

## EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

Resolution 9 is to empower the Directors (from the passing of Resolution 9 until the next Annual General Meeting) to issue shares in the capital of the Company up to a number not exceeding in aggregate 50% of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders does not exceed 20% of the issued shares in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the number of issued shares in the capital of the Company when Resolution 9 is passed, after adjusting for the conversion or exercise of any convertible securities and share options that have been issued or granted and which are outstanding when Resolution 9 is passed, and any subsequent consolidation or subdivision of shares.

Resolution 10 is to authorise the Directors to issue shares upon the exercise of options in accordance with the SBS Transit Share Option Scheme. This scheme was approved by shareholders at the Extraordinary General Meeting held on 9 June 2000 and has a maximum duration of 10 years. The aggregate number of shares over which the Committee may grant options under the scheme for its entire duration is limited to 15% of the issued ordinary shares in the capital of the Company from time to time.

# SBS TRANSIT LTD

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 199206653M)

## PROXY FORM ANNUAL GENERAL MEETING

### IMPORTANT

1. For investors who have used their CPF monies to buy SBS Transit Ltd shares, this Summary Report/Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who intend to exercise the voting rights attached to their SBS Transit Ltd shares purchased using their CPF monies are requested to contact their respective CPF Approved Nominees.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

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

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

and/or (delete as appropriate)

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as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on Thursday, 26 April 2007 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTIONS	FOR*	AGAINST*
1.	Adoption of Directors' Report and Audited Financial Statements		
2.	Declaration of Final and Special Dividends		
3.	Approval of Directors' fees		
4.	Re-election of Mr Kua Hong Pak as Director		
5.	Re-election of Mr Cheong Yip Seng as Director		
6.	Re-election of Mr Wee Siew Kim as Director		
7.	Re-appointment of Mr Tan Kong Eng as Director under Section 153(6) of the Companies Act, Cap. 50		
8.	Re-appointment of Auditors and authorising Directors to fix their remuneration		
9.	General authority to issue shares		
10.	Authority to issue shares pursuant to exercise of options		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

**TOTAL NUMBER OF SHARES HELD**

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

#### NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time set for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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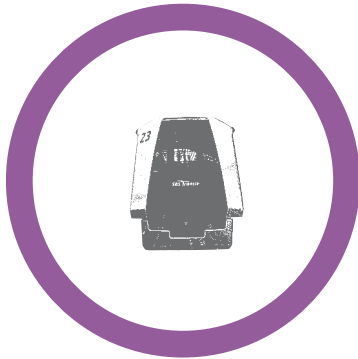
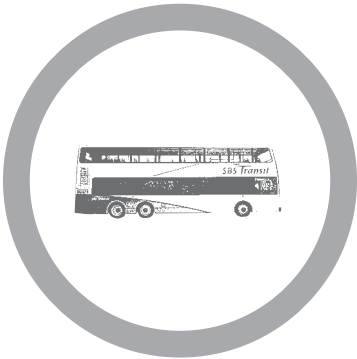
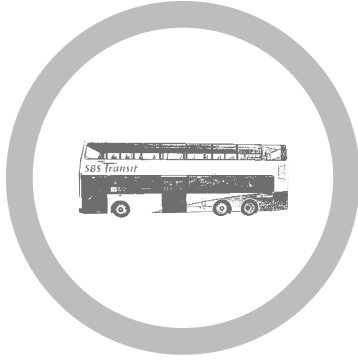
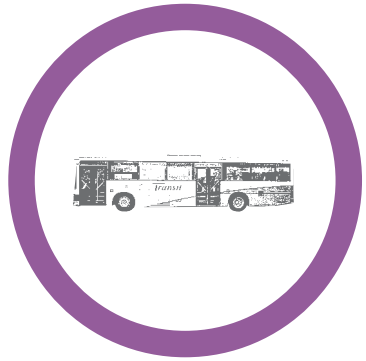
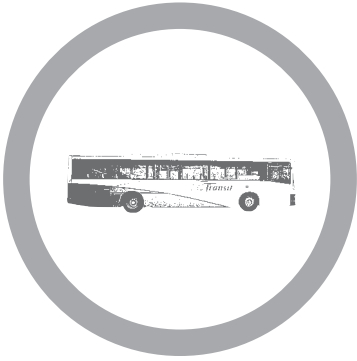
**The Company Secretary  
SBS Transit Ltd  
205 Braddell Road  
Singapore 579701**

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**Raindance**



**SBS Transit**

A member of COMFORTDELGRO

**SBS Transit Ltd**

205 Braddell Road  
Singapore 579701

**Mainline** (65) 6284 8866

**Facsimile** (65) 6287 0311

**Website** [www.sbstransit.com.sg](http://www.sbstransit.com.sg)

Company Registration No. 199206653M