ANG MO KIO
RENJONG BUANGKOK
BAKAU
THANGGAM
TONGKANG
RUMBIA
COMPASSVALE
MERIDIAN
RANGGUNG BISHAN
BEDOK EUNOS PASIR RIS
HARBOURFRONT
OASIS
TAMPINES
FARRER PARK
LITTLE INDIA
OUTRAM PARK
HOUGANG
FERNVALE
RIVIERA
KOVAN
KANGKAR
FARMWAY
CORAL EDGE
KADALOOR
BUKIT MERAH
JURONG EAST
CLARKE QUAY
SENGKANG
CLEMENTI
POTONG PASIR
LAYAR TOA PAYOH
BOON LAY
COVE
CHINATOWN
PUNGGOL
BOON KENG SERANGOON
DHOBY GHAUT

SBS Transit Ltd
Annual Report
07

CONTENTS

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.

OUR BELIEFS

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

SBS TRANSIT'S TURNOVER IN 2007 INCREASED BY

6.6%

FROM $612.6 MILLION TO $653.3 MILLION

PUBLIC TRANSPORT, AS THE NAME IMPLIES, IS A SERVICE TO THE COMMUNITY. A LISTED PUBLIC TRANSPORT OPERATOR IS A RARE CREATURE – BALANCING THE NEEDS OF THE COMMUTERS IT SERVES WITH THOSE OF THE SHAREHOLDERS

it reports to within the framework of the relevant authorities.

SBS Transit is one such creature. We have worked hard at serving Singaporeans, introducing new services and implementing new technologies whilst ensuring that shareholders are reasonably rewarded every year. It has not been easy but I believe that we have done well so far.

HIGHLIGHTS OF THE YEAR

In fulfilling our responsibilities to our commuters, we introduced many firsts during the year. We rolled out, for example, our real-time bus arrival information system which enables commuters to find out when the next bus is arriving by checking the Internet or using their mobile phones. We also created 30 "mobile hotspots" in partnership with Nokia by introducing WiFi on our buses.

In terms of routes, we continued our strategy of introducing new routes and services. During the year, we launched a series of Premium Services which are special, super-fast services with a strict "no-standing" policy. The 21 services that SBS Transit has launched so far have been doing well and we are looking at introducing more.

In our fleet renewal programme, we rolled out the region's first environmentally friendly, Euro IV buses that come equipped with wheelchair-accessible features. We have since placed an order for another 400 of these buses at a total cost of $144 million as part of our fleet renewal programme – over and above the $135 million that we have invested in new buses over the last two years.

In our rail operations, we continued to experience strong growth in ridership as more developments come up along the North East corridor. In fact, due to rising demand, we opened two Light Rail Transit (LRT) stations – Oasis and Farmway – during the year.

BUSINESS PRINCIPLE

With significant cost increases in areas like fuel, manpower and the Goods and Services Tax (GST), it was difficult for us to keep fares unchanged in 2007. The decision to request for a fare revision was not one that we took lightly as we were keenly aware of the impact on the commuting public, no matter how small the increase would be.

IN ALL, WE EXTENDED $5.12 MILLION WORTH IN ASSISTANCE SCHEMES

Under the new fare structure, adult ez-link bus fares increased marginally by between 1 and 2 cents. Cash fares, children and student fares, student concession passes as well as rail fares remained unchanged. As a result, one in three of our commuters was not affected by the fare revision.

To minimise the impact of the increase on the needy, we contributed $500,000 worth of transport vouchers to lower income groups and continued to offer senior citizens concessionary travel from 9am onwards on weekdays and throughout the weekends. In all, we extended $5.12 million worth in assistance schemes.

As a result, the net increase in fares was 1.52%. The fare increase was notably lower than the 2 percentage-point increase in GST which we continue to absorb. In fact, we have been absorbing GST since its introduction in 1994 – making us one of the few companies to do so. In all, over $250 million has been absorbed.

MAKING A DIFFERENCE

As a leading public transport service provider in Singapore, we owe it to our customers and ourselves to deliver the best-in-class service and to create a culture of excellence. We continue to invest in efforts to enhance our systems and processes to deliver better customer satisfaction.

This commitment has not gone unnoticed. For the third consecutive year, an SBS Transit staff received the highest accolade at the national Excellent Service Awards (EXSA) ceremony. Senior Bus Captain Hoy Man Lin pipped the competition to win the Superstar title in the land transport category. In all, 1,523 SBS Transit staff received the national award, representing a 60% increase over 2006.

SBS Transit is not just about service and reliability. As a responsible corporate citizen, we are constantly looking at ways to give back to the community and to protect the environment that we operate in.

In support of the Government's pro-family policy, we gave the "I Love Children Foundation" a double-deck bus which has since been transformed into a mobile resource centre to encourage couples to have children. We also provided the National Library Board with a bus that has doubled up as a mobile library to serve the reading needs of the less mobile. In addition to sponsoring buses, we have also been generous with our cash, giving away more than $100,000 to various charities and worthwhile community causes.

In our community outreach efforts, we conducted more than 70 educational programmes last year, reaching out to 60,000 or 12% of the cohort of primary and secondary school pupils in Singapore. From sharing safety tips to conducting tours of our facilities, we aimed to generate understanding and support towards our efforts in promoting public transport.

Doing our part for the environment, we reuse, recycle and reduce our resources where possible. For instance, we have a system to collect and recycle water that is used to wash the exterior of our buses at our depots. The used water is then filtered and reused again without compromising our cleaning standards. We have also started a paper recycling programme in our offices and will continue to steer more initiatives to inculcate an environmentally friendly culture among our people.

FINANCIAL RESULTS

SBS Transit's turnover in 2007 increased by 6.6% from $612.6 million to $653.3 million.

Turnover from bus operations alone increased by 4.2% from $513.9 million to $535.4 million. This was achieved on the back of a 4.3% increase in ridership to close to 800 million due mainly to the introduction of several new bus services and population growth. Operating profit for bus operations however decreased by 35.6% from $42.7 million to $27.5 million as a result of higher repairs and maintenance cost, higher depreciation, higher staff costs and high fuel prices.

Turnover from our rail business increased by 17.6% from $74.5 million to $87.6 million. Ridership for the North East Line and the two LRT systems grew by 18.1% and 9.9% respectively as compared to 2006. As a result, the rail business, including rental and advertising income, posted a profit of $9.5 million – a huge increase over the $600,000 it achieved in 2006.

Business generated from advertisements contributed $30.2 million in revenue, an increase of 25%. Operating profit also rose 16.8% to $18.3 million in 2007.

At Group level, our pre-tax profit decreased by 11.6% from $67.3 million to $59.5 million while profit after tax fell by 10.9% to $50 million.

Earnings per share was 16.37 cents, 2.15 cents less than the 18.52 cents in 2006. Net asset value per ordinary share stood at 77 cents, a drop of 13 cents from 2006. As at 31 December 2007, shareholders' funds dropped by 13.3% to $235.5 million, partly due to the payment of ordinary and special dividends made during the year.

The Directors have proposed a final tax-exempt dividend of 3.25 cents per ordinary share for the approval of the shareholders. Together with the net interim dividend of 4.92 cents per ordinary share, and the net special dividend of 6.56 cents per ordinary share, the total net dividend to be paid out for 2007 will be 14.73 cents per share.

TURNOVER FROM BUS OPERATIONS ALONE INCREASED BY 4.2%

THE YEAR AHEAD

The outcome of the Land Transport Review, which was announced by the Minister for Transport in January 2008, is an exciting one. It speaks of bold moves aimed at increasing the use of public transport by making it more efficient, more convenient and more attractive to commuters. Notably, the Authorities will take over the central planning of bus routes and introduce contestability among public transport operators in both the bus and rail sectors. We believe that these sweeping changes will not only create many exciting new opportunities for us but also grow the land transport pie significantly. We await details of the proposed changes and are optimistic about the future.

Indeed, moving forward, we expect bus and rail riderships to continue to grow. New services, both basic and premium, will continue to be introduced in response to commuters' demands.

At the same time, we will work harder to enhance our service delivery standards to meet the Public Transport Council's Quality of Service Standards. In 2008, we are expected to operate 80% of our services on a scheduled headway of 12 minutes and thereafter, 10 minutes in 2009.

As we grow our fleet, the challenge for us will be getting more Bus Captains to join us. Increasingly, it has become more difficult to attract workers to join this profession. The Ministry of Manpower's relaxation on

THE RAIL BUSINESS, INCLUDING RENTAL AND ADVERTISING INCOME, POSTED A PROFIT OF $9.5 MILLION

INDEED, MOVING FORWARD, WE EXPECT BUS AND RAIL RIDERSHIPS TO CONTINUE TO GROW. NEW SERVICES, BOTH BASIC AND PREMIUM, WILL CONTINUE TO BE INTRODUCED IN RESPONSE TO COMMUTERS' DEMANDS

non-traditional sources of manpower has enabled us to cast our nets further afield. We will, for instance, be expecting our first batch of Bus Captains from China in early-2008.

The volatility of fuel prices is expected to continue in 2008. Coupled with inflationary pressures and the uncertainties in the US economy, we are cautious in our outlook and expect the ride ahead to be a bumpy one. In spite of this, we will do what we can to improve efficiency and contain our expenses.

APPRECIATION

I wish to thank management and staff for their hard work and commitment. In particular, I would like to place on record my sincere appreciation to Mr Ong Boon Leong, the former Executive Director, for his dedicated leadership. I wish Boon Leong, who has left us for a higher calling, the best in his endeavours. The transition in leadership to Mr Gan Juay Kiat who has taken over the helm as Chief Operating Officer, has been smooth in spite of a challenging year. For this, I wish to place on record my appreciation to the Deputy Chairman, Mr Kua Hong Pak.

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

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

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

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

LIM JIT POH
Chairman

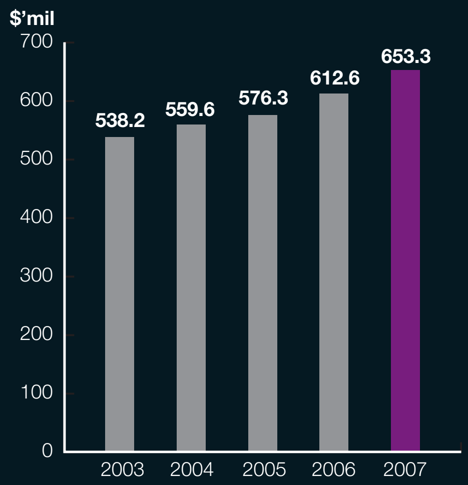
FINANCIAL SUMMARY

	2003	2004	2005	2006	2007
Turnover ($'mil)	538.2	559.6	576.3	612.6	653.3
Revenue ($'mil)	548.3	572.5	590.3	628.6	670.0
Operating profit ($'mil)	24.9	52.6	57.2	57.4	53.4
Operating expenses ($'mil)	570.7	519.9	533.2	571.1	616.7
Profit after tax ($'mil)	19.0	49.0	51.5	56.1	50.0
Issued capital ($'mil)	74.4	74.5	75.6	83.4	91.3
Capital and reserves ($'mil)	244.8	278.7	274.1	271.7	235.5
Capital disbursement ($'mil)	25.5	10.8	18.4	84.0	64.5
Internal funds generated ($'mil)	125.0	82.0	80.9	81.6	86.5
Earnings per ordinary share (cents)	6.4	16.4	17.1	18.5	16.3
Net asset value per ordinary share (cents)	82.3	93.6	90.6	89.6	76.7
Return on shareholders' equity (%)	7.8	18.7	18.6	20.6	19.7
Net dividend per ordinary share (cents)	3.0	20.0	20.0	23.3	14.7
Dividend cover (number of times)	2.2	0.8	0.9	0.8	1.1

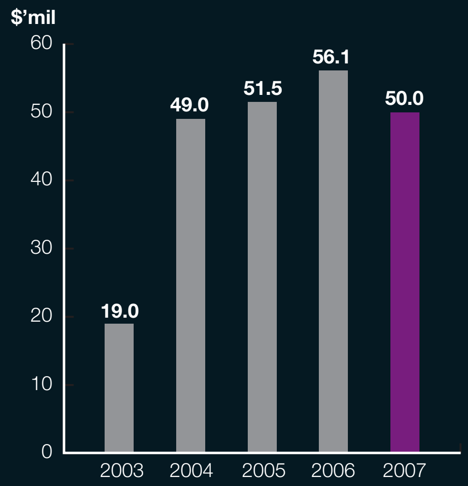
VALUE-ADDED FOR THE GROUP

	2003		2004		2005		2006		2007	
	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%
Suppliers of capital – dividends and term loan interest	12,096	3.5	62,139	17.2	61,202	17.2	69,167	18.8	45,229	11.7
Taxation to the government	15,859	4.5	20,851	5.8	22,752	6.4	22,793	6.2	21,513	5.6
Retained earnings	53,705	15.4	13,270	3.7	10,468	2.9	2,661	0.7	37,649	9.8
Employees – salaries and other staff costs	267,008	76.6	264,074	73.3	261,165	73.5	273,221	74.3	280,819	72.9
Total value-added	**348,668**	**100.0**	**360,334**	**100.0**	**355,587**	**100.0**	**367,842**	**100.0**	**385,210**	**100.0**
Value-added per employee ($'000)	45.5		51.1		50.2		51.4		53.5	

FIVE-YEAR SUMMARY

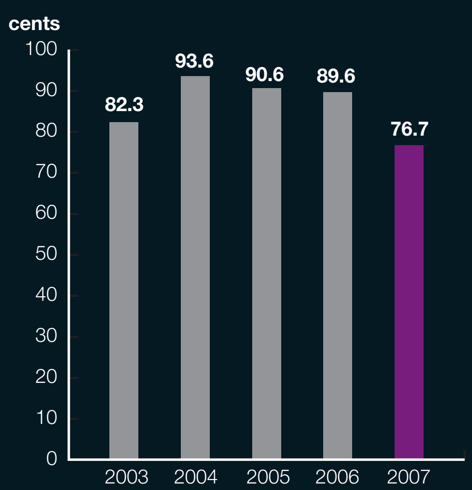


Turnover



Profit After Tax

Earnings Per Ordinary Share



Net Asset Value Per Ordinary Share

Net Dividend Per Ordinary Share

BOARD OF DIRECTORS

LIM JIT POH
Chairman

KUA HONG PAK
Deputy Chairman

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

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
Website: http://www.sbstransit.com.sg
Company Registration Number: 199206653M

COMPANY SECRETARY
Chan Wan Tak, Wendy

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

Mr Lim Jit Poh was appointed non-executive Chairman and Director of SBS Transit Ltd in 2003. He is a member of the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited, 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.

In his previous employment as Executive Director of two public-listed companies, Mr Lim had been directly involved in negotiations with business partners and relevant authorities on various joint venture projects in the ASEAN region as well as in China, Hong Kong, United Kingdom, Australia and Mauritius. He was also involved in the management of these operations. Mr Lim was a Council Member of the Singapore Chinese Chamber 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 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 Master of Education from the University of Oregon, USA.

Pursuant to Article 97 of the Company's Articles of Association, Mr Lim will be due for re-election at the forthcoming Annual General Meeting to be held on 30 April 2008. He is a non-independent Director of the Company.

LIM JIT POH
Chairman
(Non-Executive)

Mr Kua Hong Pak was appointed the Executive 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 where he managed its Singapore and overseas operations in the United States, United Kingdom, China, Japan, Hong Kong and Australia.

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

Mr Kua 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 26 April 2007. He is a non-independent Director of the Company.

KUA HONG PAK
Deputy Chairman
(Non-Executive)

Mr Cheong Yip Seng has been a non-executive Director of SBS Transit Ltd since 1997. He is an independent Director of the Company. Mr Cheong is a member of the Company's Nominating Committee and Service Quality Committee. He 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 April 2007, he was appointed Chairman of the Advisory Council on the Impact of New Media on Society. He is also a member of the Board of the Building and Construction Authority.

Mr Cheong was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 26 April 2007.

Mr Chin Harn Tong has been a non-executive Director of SBS Transit Ltd since 1993. He is an independent Director of the Company. Mr Chin is the Chairman of the Company's Remuneration Committee and a member of the Audit Committee. He is 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 Award 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.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chin will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 30 April 2008.

CHEONG YIP SENG
Director
(Non-Executive & Independent)

CHIN HARN TONG
Director
(Non-Executive & Independent)

Mr John De Payva has been a non-executive Director of SBS Transit Ltd since 1999. He is an independent Director of the Company. Mr De Payva 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 Foodfare 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.

Pursuant to Article 97 of the Company's Articles of Association, Mr De Payva will be due for re-election at the forthcoming Annual General Meeting to be held on 30 April 2008.

Mr Tan Kong Eng has been a non-executive Director of SBS Transit Ltd since 1992. He is an independent Director of the Company. Mr Tan was the Managing Director of DelGro Corporation Limited between 1973 to 1994. He is a member of the Company's Audit Committee. He 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 30 April 2008.

JOHN DE PAYVA
Director
(Non-Executive & Independent)

TAN KONG ENG
Director
(Non-Executive & Independent)

Mr Wee Siew Kim has been a non-executive Director of SBS Transit Ltd since 2003. He is an independent Director of the Company. Mr Wee 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 organization.

Mr Wee is also the Member of Parliament for Ang Mo Kio GRC. He is presently Chairman of Singapore British Engineering Pte Ltd, SAS Components DB, STSE Engineering Services Pte Ltd and a Director of Singapore Technologies Kinetics Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Aerospace Ltd, Singapore Technologies Marine Ltd, Singapore Technologies Dynamics Pte Ltd, Changi Airport International (CAI) and Basketball Enterprises Singapore Pte Ltd (BES).

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

Mr Wee 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 26 April 2007.

Mr 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 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. He also serves as a member of the Public Service Commission and the Singapore Labour Foundation.

Mr Wong was awarded the Friend of Labour Award 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 from 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.

WEE SIEW KIM
Director
(Non-Executive &
Independent)

WONG CHIN HUAT, DAVID
Director
(Non-Executive)

GAN JUAY KIAT
Chief Operating Officer

Mr Gan Juay Kiat was appointed Chief Operating Officer of SBS Transit on 28 April 2007. He started his career in the Singapore Armed Forces where he held several senior command and staff appointments. He moved on to join General Electric Company as a Divisional Director. Mr Gan later joined Time Publishing Limited in business development, corporate planning and was appointed Senior Vice President (Retail & Distribution). Prior to joining the Group, he was Chief Corporate Officer at the Ascott Group and Senior Vice President (Corporate Planning) at CapitaLand Limited. He was a President's Scholar and SAF (UK) Scholar in 1976. He holds a Bachelor of Arts (Engineering Tripos) from the University of Cambridge.

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

Mr Lim Gim Hong first joined SBS Transit as an 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 the 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) from the University of Singapore and a Master of Science (Industrial Engineering) from the National University of Singapore.

WONG WAI KEONG
Senior Vice President
Rail

Mr 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 and March 2000. Mr Wong holds a Bachelor of Engineering (Hons) 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.

Ms 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, Security as well as Rental and Premises. 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 from the London School of Economics.

ENG SOK YONG
Senior Vice President
Corporate Development

TAN I-LIN, TAMMY
Vice President (Special Grade)
Corporate Communications

Ms Tan I-Lin, Tammy is Vice President of Corporate Communications of SBS Transit. She is also the Group Corporate Communications Officer and Spokesman for ComfortDelGro Corporation Limited, SBS Transit's parent company. She is responsible for all corporate communications functions including liaising with the media and investment community. Ms Tan is also in charge of investor relations. She 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 Science (Hons) from the National University of Singapore.

OPERATIONS REVIEW

New buses rolled out. New services introduced. New technologies implemented. That, in essence, summed up 2007 for SBS Transit.

Already the leader in the public bus sector, SBS Transit continued to build on its pole position by introducing many new services during the year. It not only rolled out new routes but also introduced new value-added services aimed at making public transport travel more efficient and more convenient. In the rail sector, it continued to grow ridership and opened new stations to cater to rising demand.

WITH A TOTAL FLEET OF 2,830 BUSES, SBS TRANSIT IS THE INDUSTRY'S UNDISPUTED LEADER

BUS

With a total fleet of 2,830 buses, commanding about 75% of the scheduled bus market in Singapore, SBS Transit is the industry's undisputed leader. In 2007, it carried a record 2.2 million passenger trips a day, up from 2.1 million in 2006.

One major reason for the rise in ridership has been the introduction of 23 new services during the year. Of these, 21 were premium services which cater to a niche group of commuters who are willing to pay for a more direct and comfortable ride to their destinations. These services offer commuters faster connections from their homes in the suburbs to their offices in the Central Business District or to the shops in the main retail belt – the Orchard Road/Suntec City area. Unlike the other public bus services, commuters on these premium services are guaranteed seats in an air-conditioned setting.

In addition to the premium services, two basic services – Services 5 and 175 – made their debut to cater to new travel demands.

For passengers-in-wheelchairs, we rolled out another seven services – Services 2, 7, 51, 72, 76, 80 and 143 – bringing the total number of wheelchair accessible bus services to 12. These services were selected in consultation with the Land Transport Authority (LTA) and voluntary welfare organisations. On average, more than 400 rides were taken by passengers-in-wheelchairs every month.

With increased demand for our services, we continued to invest in new buses. Under our fleet renewal programme, we brought in Singapore's first environmentally friendly, Euro IV bus that is also equipped to ferry two wheelchair-bound passengers at any one time. Low-floor and zero-stepped, these single-decked buses are also designed with extra headroom and legroom to cater to the needs of both the young and the old. The roll-out of the first batch of 100 of these buses will continue into 2008 when another 400 will also be delivered – over and above the 200 new double-deck buses that were purchased in 2006. In total, our investment in new buses in the last few years has cost us some $280 million.

THE YEAR ALSO SAW US MAKING HISTORY WITH THE LAUNCH OF OUR REAL-TIME BUS ARRIVAL INFORMATION SYSTEM, THE INTELLIGENT ROUTE INFORMATION SYSTEM, OR *IRIS* FOR SHORT. WITH THIS SYSTEM, COMMUTERS CAN FIND OUT WHEN THEIR NEXT TWO BUSES WILL ARRIVE AT THEIR BUS STOP BY CHECKING THE INTERNET, OR ON THEIR MOBILE PHONES OR MOBILE DATA DEVICES

As a result of the fleet renewal programme, many of our older, non-air-conditioned buses have been replaced. As at the end of 2007, 94% of our vehicles are air-conditioned, up from 92% a year ago.

New buses should dock at new interchanges. In line with this philosophy, our third air-conditioned bus interchange was officially opened in Ang Mo Kio in 2007. Seamlessly integrated with the Ang Mo Kio Hub and the rail station, this air-conditioned interchange provides commuters with a more convenient and comfortable traveling and shopping experience. In time to come, the Government will be developing more of these interchanges as announced in the Land Transport Review.

The year also saw us making history with the launch of our real-time bus arrival information system, the Intelligent Route Information System, or *iris* for short. With this system, commuters can find out when their next two buses will arrive at their bus stop by checking the Internet, or on their mobile phones or mobile data devices. With this information, commuters are in better control of their time and this helps minimise unwarranted anxieties. Currently, the iris website attracts over 660,000 hits and 180,000 smses each month.

We also introduced a "Ride and Redeem" rewards programme where commuters earned points for their travel and exchanged them for treats offered by our partners. In total, over $320,000 worth of prizes were given to commuters who travelled with us.

As part of our commitment to provide our commuters with a pleasant travelling experience, we partnered the National Environment Agency to organise a campaign focussed on helping to keep our buses and interchanges clean. Commuters who helped by not littering on our premises were rewarded with complimentary bus travel vouchers. Internally, our interchanges vied with each other for the cleanest interchange award.

We also continued on our public education programmes during the year. Our "Move to the Rear" campaign was launched in February 2007 to encourage commuters to move to the back of the bus. A voice playback system was put on trial on 56 buses and if assessed to be effective, will be implemented across the fleet.

The full-day bus lane scheme was extended to five locations during the year while a new trial was implemented to test the viability of the linear bus stop. On our part, we organised a campaign to encourage motorists to give way to buses exiting bus bays. We partnered McDonald's which rendered its support by putting up our posters at its seven drive-through outlets. The restaurant also helped to distribute 25,000 air fresheners that were specially produced for this two-month long campaign. In addition, some 300 petrol vouchers sponsored by Caltex were given to motorists who practiced courtesy by giving way to our buses.

As a result of our various efforts, the LTA's inaugural survey on passenger satisfaction found that eight in 10 respondents were satisfied with the public transport service in Singapore.

The Public Transport Council also released its results of the public transport operators' performance in relation to the Quality of Service Standards. With an older fleet that

DEMAND FOR OUR RAIL SERVICES GREW RAPIDLY IN 2007 WITH AVERAGE DAILY RIDERSHIP HITTING A RECORD 304,900

averaged about 12.6 years old, we found it a challenge to meet the standards specified for the bus breakdown rate in six out of nine months. As a result, we have fast forwarded our fleet replacement programme and stepped up our maintenance efforts to meet the new standards.

RAIL

Demand for our rail services grew rapidly in 2007 with average daily ridership hitting a record 304,900. Average daily ridership on our North East Line increased by 18.1% to 266,900 while our two Light Rail Transit (LRT) systems – Sengkang and Punggol – had a collective average daily ridership of over 38,000, 9.9% up from the previous year.

To meet the rising demand for rail services, two new stations were opened during the year – Oasis on the Punggol East Loop and Farmway on the Sengkang West Loop.

As a result of the growth in demand, our rail business, including rental and advertising income, posted a record profit of $9.5 million, up from $600,000 previously.

As we work on increasing ridership, we have also paid close attention to the quality of service delivered. Our rail operations continued to consistently surpass the levels stipulated in the License Condition set by the LTA. For instance, in train service availability, we achieved 99.93% on average as compared to the prescribed standard of 98%. In train service schedule adherence at the terminal stations,

we clocked an average of 99.02% against the standard of 95%. Not surprisingly, our strong performance record has earned us a strong reputation with many overseas public transport authorities, transit system operators and transport consultants visiting our operations during the year.

In the area of security, we continue to step up efforts to keep our stations and trains safe. All strategic locations are now monitored by closed-circuit televisions with over 200 additional cameras installed during the year. Concurrently, nine additional security officers have been added to the team to enhance rail security coverage.

We also relaunched our community safety and evacuation exercise. Participants were briefed on emergency evacuation procedures as well as given an insight into daily train operations.

Over at our bus operations, security was stepped up with 10 additional security officers being deployed to the interchanges during peak hours. To ensure effective security management, a Security Department was also officially set up to oversee transit security matters for both bus and rail operations.

OUTDOOR ADVERTISING

Moove Media, the advertising arm of our parent company, ComfortDelGro Corporation Limited, continued to lead the market with its innovative ideas and initiatives for 2007.

It was the first to launch Singapore's first WiFi-enabled bus. As a result, commuters could, for the very first time, surf the Internet while on the move and enjoy a digitally enriched travelling experience. It also introduced glittery, Hollywood-style lights on our buses as part of a new advertising campaign.

Moove Media also introduced the world's first 24-frame advertisement display in our NEL tunnels, simulating the experience of watching a movie in a moving cinema. Using state-of-the-art technology from South Korea, Moove Media was able to synchronise the images

MOOVE MEDIA INTRODUCED THE WORLD'S FIRST 24-FRAME ADVERTISEMENT DISPLAY IN OUR NEL TUNNELS, SIMULATING THE EXPERIENCE OF WATCHING A MOVIE IN A MOVING CINEMA

AT THE NATIONAL LEVEL, WE ARE ALSO BEING RECOGNISED FOR OUR EFFORTS. IN 2007, 1,523 OF OUR BUS CAPTAINS WON THE NATIONAL EXCELLENT SERVICE AWARDS – A 60% INCREASE OVER THE NUMBER OF WINNERS THE YEAR BEFORE

on screen with the train's speed so as to turn the train's windows into movie screens.

These innovative ideas boosted Moove Media's revenue by a-quarter to $30.2 million in 2007.

OUR PEOPLE

Training and retraining is an important part of life at SBS Transit.

For the year, we continued to focus on developing a service mindset for our Bus Captains. In line with this, we stepped up our customised "Provide GEMS Service" programme for all our 5,200 Bus Captains. Incorporating our customer service standards, it uses role-playing techniques to educate Bus Captains on the best way to react in difficult circumstances. As at 31 December 2007, more than 3,400 Bus Captains have completed the programme.

Our continual investments in customer service training are bearing results as more of our Bus Captains are receiving recognition for going the extra mile for customers. Indeed, the number of compliments that Bus Captains have been receiving is on the rise. Five years ago, for every 10 complaints received, we received four compliments on average. Today, we receive 7.2 compliments for every 10 complaints received.

At the national level, we are also being recognised for our efforts. In 2007, 1,523 of our Bus Captains won the national Excellent Service Awards (EXSA) – a 60% increase over the number of winners the year before. Significantly, we scored a hat trick when Senior Bus Captain Hoy Man Lin received the Superstar Award, the highest accolade for service excellence, for the third year running. He joins the two Superstars before him – Chua Aik Ngwen and Ong Sze Err – who won the award in the past two consecutive years.

The actions of Senior Bus Captain Salehudin Hashim also attracted the attention of the Minister in Charge of Muslim Affairs and the Minister for the Environment and Water Resources, Mr Yaacob Ibrahim. The Minister was so impressed by Salehudin's many kind and considerate acts that he extended an invitation to the Senior Bus Captain and his wife to the Istana for a Hari Raya celebration.

But it is not always happy news. In recent times, there has been an increasing number of incidents where assaults have been made on our Bus Captains. In an attempt to stem this brutish behaviour, we launched a campaign in June with the support of the Singapore Police Force. As a result, the number of assaults declined by 66% in the second half of the year compared to the first six months.

In other aspects of safety, we have invested in the Vigil System to train our Bus Captains on safe driving techniques. This system makes use of video cameras and sensors to provide an objective assessment of an individual's driving performance. With it, we have also embarked on a Driving Proficiency Certification programme for our Bus Captains to ensure that their driving standards are maintained. This programme, which started in December 2007, is the first of its kind in Singapore and some 280 Bus Captains have been successfully certified as at 31 December.

In all, 13,015 training places were provided for our employees in 2007, translating to an average of 54 training hours per staff.

CORPORATE SOCIAL RESPONSIBILITY

SBS Transit is not just about service and reliability. We have shown repeatedly that we have a heart too.

For the year, we contributed over $100,000 in cash sponsorships towards several charitable and community causes. We also gave generously in-kind. For instance, we provided the "I Love Children Foundation" with a double-deck bus which was converted to a mobile resource centre to encourage couples to have children. A bus was also provided to the National Library Board and they have since transformed it into a mobile library. We also constantly offered up our bus interchanges and NEL stations to charity groups that needed a venue for flag days and health screenings.

We also reached out to the community through an extensive community programme. School talks were organised with specific messages tailored to suit the different age groups. For example, we focussed on safety messages for the lower primary pupils. To inject fun into these programmes, we organised quizzes and art competitions as well. In all, we conducted over 70 sessions that reached out to some 60,000 students, which is about 12% of the primary and secondary school student cohort in Singapore.

A significant event that many commuters look forward to each year is our "Thank You Commuters Day". Last year, we partnered SPH Buzz and SPH UnionWorks to organise a one-day adventure styled after the "Amazing Race". Known as "Buzz My Day", it saw 250 teams racing with each other to get to their various destinations on our buses and trains. They also had to complete various assigned tasks in the shortest time to improve their chances of winning the top prizes which included luxury watches, cameras, hampers and even SeasonPasses that offer unlimited rides on our buses.

Our community efforts also extend to the environment. We pushed ahead with several measures and initiatives that reflect our commitment to reduce, reuse and recycle our resources where possible. For instance at the depots, we collect, filter and recycle water that is used to wash the exterior of our buses without compromising the cleaning standards. In our offices, we have paper recycling bins where waste papers and paper products are collected and sent to a recycling company to be reduced into paper pulp. Increasingly, we will continue to implement new initiatives to inculcate an environmentally friendly culture in our workplace.

FOR THE YEAR, WE CONTRIBUTED OVER
$100,000 IN CASH
SPONSORSHIPS TOWARDS SEVERAL
CHARITABLE AND COMMUNITY CAUSES

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 our 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 or illegal conduct or behaviour, we have adopted the policy of Whistle Blowing of our parent company. Here, the aim is to stop any activity that is against 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 ("Code").

BOARD OF DIRECTORS

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

At the helm in the decision making process of the Company 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 (up to 27 April 2007), and Chief Operating Officer, Mr Gan Juay Kiat (from 28 April 2007 onwards), 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, four committees had been formed namely, the Audit Committee ("AC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Service Quality Committee. 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.

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 each financial year. The quarterly and full-year Board meetings are held about 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 convened 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 the 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 2007 and the frequency of such meetings are set out below:

	SBS Transit Board		Audit Committee		Nominating Committee		Remuneration Committee		Service Quality Committee	
Name	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	1	–	–	–	–	3	1*	–	–
Cheong Yip Seng	6	4	–	–	1	1	–	–	3	2
Chin Harn Tong	6	6	4	4	–	–	3	3	–	–
John De Payva	6	6	–	–	1	1	3	2	3	3
Tan Kong Eng	6	6	4	4	–	–	–	–	–	–
Wee Siew Kim	6	4	4	4	–	–	–	–	3	1
Wong Chin Huat, David	6	6	–	–	1	1	–	–	3	3

* *Attended meetings by invitation of the Committee*
\# *Includes dialogue sessions with frontline staff*
\+ *Resigned on 27 April 2007*

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 provides 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 eight non-executive Directors (Executive Director, Mr Ong Boon Leong resigned on 27 April 2007). Of the eight non-executive Directors, five of them are considered by the NC to be independent. This composition exceeds the Code's requirement of at least one third of the Board of Directors to comprise independent Directors.

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 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.

The profiles of the Directors are found in the write-up on Board of Directors in this Annual Report.

***Principle 3* – Chairman and Chief Operating Officer**

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

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 Chief Operating Officer, Deputy Chairman and Chairman. Board papers are vetted by the Chief Operating Officer 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 provides that one third of the Directors (who have been longest in office since their appointment or re-election), including the Managing Director, are subject to retirement by rotation every year and Director(s) 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 Lim Jit Poh and Mr John De Payva are due for re-election pursuant to Article 97, and Mr Chin Harn Tong and Mr Tan Kong Eng are 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 judgement and discretion of each Director. To focus on Directors' attendance at Board meetings per se may not be an adequate evaluation of the contributions of 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 Company.

As a policy, the Chief Operating Officer, 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 Chief Operating Officer, 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 Chief Operating Officer 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 Company 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 judgement. 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 remuneration 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 on 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 2007 is found on page 63 of this Annual Report.

Further information on the SBS Transit Share Option Scheme can be found on pages 34 to 36 of this Annual Report.

During the financial year 2007, no key executive was an immediate family member of any Director of the Company.

ACCOUNTABILITY AND AUDIT

***Principle 10* – Accountability**

During financial year 2007, the Company released its quarterly and full-year results about 45 days from the end of each quarter or financial year (as the case may be). An accompanying negative assurance statement is also issued by the Board in the quarterly results announcement to confirm that nothing has come to their attention that may render the results to be false or misleading.

***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 or 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 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 on hiring is implemented through headcount budgets.

(iii) Investment Proposals and Business Opportunities

To ensure that the rate of return on any new investment or business opportunity commensurates 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 that the security of our bus and train services as well as 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 persons.

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 favorably 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 put in place Business Continuity Management ("BCM") plan 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. It is the Company's policy not to participate in speculative financial instruments. 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 71 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 four 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 Company 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 regularly updated website @ www.sbstransit.com.sg. Investors may send in their requests or queries through the feedback form provided on the 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 all 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 the investor relations programme, 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 Meetings**

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.

FINANCIAL STATEMENTS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007.

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)*
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:

	Shareholdings registered in name of Director			Shareholdings in which Directors are deemed to have interest		
Name of Directors and companies in which interests are held	At 1 January 2007	At 31 December 2007	At 21 January 2008	At 1 January 2007	At 31 December 2007	At 21 January 2008
Interest in the Company						
(a) Ordinary shares						
Lim Jit Poh	50,000	200,000	200,000	-	-	-
Kua Hong Pak	150,000	-	-	-	-	-
Cheong Yip Seng	120,000	185,000	185,000	-	-	-
Chin Harn Tong	130,000	210,000	210,000	-	-	-
Tan Kong Eng	164,800	214,800	214,800	691,548	691,548	691,548
Wee Siew Kim	155,000	55,000	55,000	-	-	-
Wong Chin Huat, David	100,000	150,000	150,000	-	-	-
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	250,000	200,000	200,000	-	-	-
Kua Hong Pak	270,000	360,000	360,000	-	-	-
Cheong Yip Seng	115,000	100,000	100,000	-	-	-
Chin Harn Tong	145,000	130,000	130,000	-	-	-
John De Payva	200,000	230,000	230,000	-	-	-
Tan Kong Eng	100,000	100,000	100,000	-	-	-
Wee Siew Kim	165,000	130,000	130,000	-	-	-
Wong Chin Huat, David	100,000	115,000	115,000	-	-	-

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 2007	At 31 December 2007	At 21 January 2008	At 1 January 2007	At 31 December 2007	At 21 January 2008
Interest in ultimate holding company, ComfortDelGro Corporation Limited						
(a) Ordinary shares						
Lim Jit Poh	44,425	44,425	44,425	-	-	-
Kua Hong Pak	1,624,530	2,824,530	2,824,530	-	-	-
Tan Kong Eng	64,162	64,162	64,162	9,244,095	9,244,095	9,244,095
Wong Chin Huat, David	100,000	100,000	100,000	-	-	-
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	600,000	800,000	800,000	-	-	-
Kua Hong Pak	3,600,000	3,600,000	3,600,000	-	-	-
Wong Chin Huat, David	300,000	350,000	350,000	-	-	-
Interest in related company, VICOM Ltd						
(a) Ordinary shares						
Lim Jit Poh	190,000	190,000	190,000	-	-	-
Cheong Yip Seng	10,000	10,000	10,000	-	-	-
(b) Options to subscribe for ordinary shares						
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 2007 are as follows:

		Number of options to subscribe for ordinary shares					
Date of grant	Outstanding at 1 January 2007	Granted	Exercised	Cancelled/ Lapsed	Outstanding at 31 December 2007	Subscription price per share	Expiry date
26 September 2000	212,000	-	(70,000)	-	142,000	$1.59	26 September 2010
6 September 2001	271,000	-	(86,000)	-	185,000	$1.60	6 September 2011
22 August 2003	370,000	-	(270,000)	-	100,000	$1.29	22 August 2013
10 December 2003	245,000	-	(195,000)	-	50,000	$1.22	10 December 2013
19 July 2004	591,250	-	(306,250)	-	285,000	$1.60	19 July 2014
19 July 2004	80,000	-	(35,000)	-	45,000	$1.60	19 July 2009
24 February 2005	1,020,000	-	(468,750)	-	551,250	$2.29	24 February 2015
24 February 2005	195,000	-	(115,000)	-	80,000	$2.29	24 February 2010
28 July 2005	1,118,750	-	(594,750)	-	524,000	$2.23	28 July 2015
28 July 2005	267,500	-	(190,000)	-	77,500	$2.23	28 July 2010
18 November 2005	1,107,500	-	(650,000)	-	457,500	$2.16	18 November 2015
18 November 2005	267,500	-	(190,000)	-	77,500	$2.16	18 November 2010
13 July 2006	2,397,000	-	(677,500)	(112,000)	1,607,500	$2.15	13 July 2016
13 July 2006	535,000	-	-	-	535,000	$2.15	13 July 2011
22 June 2007	-	2,380,000	-	(55,000)	2,325,000	$3.40	22 June 2017
22 June 2007	-	550,000	-	-	550,000	$3.40	22 June 2012
	8,677,500	2,930,000	(3,848,250)	(167,000)	7,592,250		

The options outstanding as at 31 December 2007 includes 48,750 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.

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 2007 were as follows:

Director	Number of options to subscribe for ordinary shares			
	Granted during the financial year ended 31 December 2007	Aggregate options granted since the commencement of scheme to 31 December 2007	Aggregate options exercised since the commencement of scheme to 31 December 2007	Aggregate options outstanding as at 31 December 2007
Lim Jit Poh	100,000	580,000	380,000	200,000
Kua Hong Pak	90,000	510,000	150,000	360,000
Cheong Yip Seng	50,000	355,000	255,000	100,000
Chin Harn Tong	65,000	340,000	210,000	130,000
John De Payva	65,000	365,000	135,000	230,000
Tan Kong Eng	50,000	310,000	210,000	100,000
Wee Siew Kim	65,000	385,000	255,000	130,000
Wong Chin Huat, David	65,000	345,000	230,000	115,000

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 its associate.

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 2007.

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.

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, 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
15 February 2008

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 2007, 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 39 to 75.

Directors' Responsibility
The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. 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 2007 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
15 February 2008

BALANCE SHEETS

31 December 2007

	Note	The Group 2007 $'000	The Group 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
ASSETS					
Current assets					
Short-term deposits and bank balances	5	42,726	26,896	42,726	26,896
Held-for-trading investments	6	73,759	148,082	73,759	148,082
Available-for-sale investments	7	15,003	13,739	15,003	13,739
Trade receivables	8	10,448	8,790	10,448	8,790
Other receivables and prepayments	9	23,330	21,241	23,330	21,241
Hedging instruments	10	-	71	-	71
Inventories		21,639	14,374	21,639	14,374
Total current assets		186,905	233,193	186,905	233,193
Non-current assets					
Subsidiary	11	-	-	-	-
Associate	12	964	4,135	1,280	1,286
Available-for-sale investments	7	20,420	35,586	20,420	35,586
Hedging instruments	10	-	37	-	37
Vehicles, premises and equipment	13	251,487	221,718	251,487	221,718
Total non-current assets		272,871	261,476	273,187	258,627
Total assets		459,776	494,669	460,092	491,820
LIABILITIES AND EQUITY					
Current liabilities					
Hedging instruments	10	25	-	25	-
Trade payables	14	139,012	140,445	139,012	140,445
Deposits received – current portion	15	1,027	1,366	1,027	1,366
Provision for claims	16	9,786	9,263	9,786	9,263
Fuel price equalisation account		34,075	34,075	34,075	34,075
Income tax payable		11,017	10,344	11,017	10,344
Total current liabilities		194,942	195,493	194,942	195,493
Non-current liabilities					
Deposits received	15	1,469	-	1,469	-
Deferred tax liabilities	17	17,271	15,766	17,271	15,766
Provision for service benefits and long service awards	18	10,556	11,668	10,556	11,668
Total non-current liabilities		29,296	27,434	29,296	27,434
Capital and reserves					
Share capital	19	91,324	83,371	91,324	83,371
Capital reserves	20	954	951	954	951
Accumulated profits		143,260	187,420	143,576	184,571
Total equity		235,538	271,742	235,854	268,893
Total liabilities and equity		459,776	494,669	460,092	491,820

See accompanying notes to the financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Turnover	21	653,260	612,564
Other operating income	22	16,782	15,988
Revenue		670,042	628,552
Staff costs	23	(280,819)	(273,221)
Repairs and maintenance		(91,097)	(74,806)
Energy and fuel costs		(129,005)	(121,479)
Premises costs		(27,393)	(27,614)
Depreciation expense		(34,605)	(24,754)
Other operating expenses		(53,767)	(49,254)
Total operating expenses		(616,686)	(571,128)
Operating profit	24	53,356	57,424
Net income from investments	25	5,840	8,515
Share of profit in associate	12	284	1,342
Profit before taxation		59,480	67,281
Taxation	26	(9,458)	(11,148)
Profit attributable to shareholders		50,022	56,133
Earnings per share (in cents):			
Basic	27	16.37	18.52
Diluted	27	16.29	18.48

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 December 2007

	Attributable to shareholders of the Company			
	Share capital (Note 19) $'000	Capital reserves (Note 20) $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2006	75,611	6,593	191,911	274,115
Fair value gain on available-for-sale investments	-	252	-	252
Net 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 19)	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
Fair value loss on available-for-sale investments	-	(112)	-	(112)
Net realised gain transferred to profit or loss on disposal of available-for-sale investments	-	(2)	-	(2)
Net profit for the year	-	-	50,022	50,022
Total recognised income and expense for the year	-	(114)	50,022	49,908
Recognition of share-based payments	-	335	-	335
Exercise of share options	7,953	(216)	-	7,737
Payment of dividends (Note 32)	-	-	(94,220)	(94,220)
Others	-	(2)	38	36
Balance at 31 December 2007	91,324	954	143,260	235,538

See accompanying notes to the financial statements.

	2007 $'000	2006 $'000
Operating activities		
Profit before taxation	59,480	67,281
Adjustments for:		
Depreciation expense	34,605	24,754
Share-based payment expense	335	258
Net gain on disposal of held-for-trading investments	(28)	(182)
Net loss (gain) on fair value changes of held-for-trading investments	161	(88)
Net loss (gain) on fair value changes of energy hedging instruments	23	(23)
Net loss on disposal of available-for-sale investments	-	73
Net gain on disposal of vehicles and equipment	(688)	(398)
Interest income	(6,041)	(8,761)
(Write-back of) Provision for service benefits and long service awards	(422)	683
Others	6	-
Share of profit in associate	(284)	(1,342)
	87,147	82,255
Payment of service benefits and long service awards	(690)	(628)
Operating cash flows before movements in working capital	86,457	81,627
Trade receivables	(1,658)	(4,956)
Other receivables and prepayments	(2,323)	(1,839)
Inventories	(7,265)	(2,807)
Held-for-trading investments	74,143	60,531
Trade payables	(1,433)	17,712
Deposit received	1,130	478
Provision for claims	523	1,496
Cash generated from operations	149,574	152,242
Income tax paid	(7,280)	(18,921)
Net cash from operating activities	142,294	133,321

	2007 $'000	2006 $'000
Investing activities		
Interest received	6,293	9,095
Dividend received from associate	3,449	-
Proceeds from disposal of:		
Vehicles, premises and equipment	786	442
Available-for-sale investments	13,927	7,927
Proceeds from (Payment on) transfer of:		
Equipment to ultimate holding company	-	1
Equipment from ultimate holding company	-	(3)
Purchase of:		
Vehicles, premises and equipment	(64,472)	(83,949)
Additional interest in associate	-	(260)
Net cash used in investing activities	(40,017)	(66,747)
Financing activities		
Proceeds from share issue	7,737	1,496
Dividend paid	(94,220)	(60,653)
Others	36	28
Net cash used in financing activities	(86,447)	(59,129)
Net increase in cash and cash equivalents	15,830	7,445
Cash and cash equivalents at beginning of year	26,896	19,451
Cash and cash equivalents at end of year (Note 5)	42,726	26,896

See accompanying notes to the financial statements.

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 2007 and the balance sheet of the Company as at 31 December 2007 were authorised for issue by the Board of Directors on 15 February 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been 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") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007. 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 the current or prior years except as disclosed below and in the notes to the financial statements.

FRS 107 – *Financial Instruments: Disclosures and Amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures*

The Group has adopted FRS 107 with effect from annual periods beginning on or after 1 January 2007. The new Standard has resulted in an expansion of the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (see Note 31) as required by the amendments to FRS 1 which are effective from annual periods beginning on or after 1 January 2007.

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

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 an entity 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 provision for impairment in net recoverable value that has been recognised in the profit and loss statement.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

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 the 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 provision for impairment, 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.

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 provision for impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provision for impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of provision for impairment at each balance sheet date. Financial assets are reduced by the provision for impairment 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 reduced by the provision for impairment.

The carrying amount of the financial asset is reduced by the provision for impairment directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other 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 provision for impairment decreases and the decrease can be related objectively to an event occurring after the provision for impairment was recognised, the previously recognised provision for impairment is reversed through profit or loss to the extent the carrying amount of the investment at the date the provision for impairment is reversed does not exceed what the amortised cost would have been had the provision for 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Note 10 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.

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.

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

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

Capital projects comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. 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:

	Number of years
Buses	12
Bus grooming and other accessories (classified under buses)	5 to 8
Leasehold land and buildings	over terms of leases which are between 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

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 provision for 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 provision 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF ASSETS – At each balance sheet date, the Group reviews the carrying amounts of its tangible assets, if any, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (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.

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. A provision for impairment is recognised immediately in the profit and loss statement.

Where provision for impairment 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 provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of a provision for impairment 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 best estimate of the expenditure required to settle the Group's obligation.

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 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 the 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.

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 of a short duration, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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.

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, the Group 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. The Group 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 has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

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 2007, the provision for claims is $9,786,000 (2006 : $9,263,000) (Note 16).

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 2007, the provision for insurance premium for the period from 1999 to 2007 included in trade payables (Note 14) is $23,282,000 (2006 : $20,428,000).

c) *Retirement benefits*

Retirement benefits 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 1.70% to 3.28% (2006 : 2.95% to 3.13%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Company's attrition rate, based on past experience. As at 31 December 2007, the provision for retirement benefits is $8,016,000 (2006 : $8,742,000) (Note 18).

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 1.70% to 3.28% (2006 : 2.95% to 3.13%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Company's attrition rate, based on past experience. As at 31 December 2007, the provision for long service awards is $2,540,000 (2006 : $2,926,000) (Note 18).

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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 2007, the fair value of the unquoted investments is $83,771,000 (2006 : $157,614,000).

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 Group determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no revision is required. The carrying value of vehicles, premises and equipment at the balance sheet date is disclosed in Note 13.

4 HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY 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.

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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	
	2007 $'000	2006 $'000
Purchases of inventories from a related company	36,117	28,844
Rental expense from:		
Immediate holding company	2,800	2,735
Related companies	62	56
Purchase of goods and services from:		
Ultimate holding company	2,300	2,139
Related companies	850	869
Associate of the ultimate holding company	263	80
Firm of which a director is a member	51	-
Transfer of vehicles, premises and equipment from:		
Ultimate holding company	-	3
Related company	-	57
Sales of goods and services to:		
Ultimate holding company	(93)	(109)
Related companies	(2,213)	(5,219)
Rental income from related companies	(149)	(146)

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	
	2007 $'000	2006 $'000
Cash and bank balances	7,936	3,330
Time deposits	34,790	23,566
Total	42,726	26,896

6 HELD-FOR-TRADING INVESTMENTS

	The Group and the Company	
	2007 $'000	2006 $'000
a) Quoted investments, at fair value:		
Bonds in corporations	-	3,442
b) Unquoted investments, at fair value:		
Bonds in corporations	-	8,279
Notes in corporations	73,759	136,361
Total	73,759	148,082

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(c).

7 AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2007 $'000	2006 $'000
a) Quoted investments, at fair value:		
Bonds in corporations	25,411	36,351
b) Unquoted investments, at fair value:		
Notes in corporations	10,012	12,974
Total	35,423	49,325
Analysed as:		
Current	15,003	13,739
Non-current	20,420	35,586
	35,423	49,325

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(c).

8 TRADE RECEIVABLES

	The Group and the Company	
	2007 **$'000**	2006 $'000
Associate (Note 12)	3,712	2,703
Related companies (Note 4)	4	4
Outside parties	6,819	6,143
	10,535	8,850
Allowance for doubtful trade receivables from outside parties	(87)	(60)
Net	10,448	8,790

The amounts outstanding are interest-free and the average credit period is 7 to 45 days (2006 : 7 to 45 days).

Allowance has been made for estimated irrecoverable amounts which has been determined by reference to past default experience.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, there is no further credit provision required in excess of the allowance for doubtful trade receivables.

9 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
Receivables from:				
Ultimate holding company (Note 4)	6	7	6	7
Immediate holding company (Note 4)	-	71	-	71
Subsidiary (Note 11)	-	-	16	16
Associate (Note 12)	192	164	192	164
Related companies (Note 4)	1,017	645	1,017	645
Total	1,215	887	1,231	903
Allowance for doubtful receivables from subsidiary	-	-	(16)	(16)
Net	1,215	887	1,215	887
Downpayments for the purchase of vehicles, premises and equipment	13,708	11,273	13,708	11,273
Prepayments	4,688	5,293	4,688	5,293
Interest receivable	1,207	1,441	1,207	1,441
Staff advances	271	296	271	296
Security deposits:				
Immediate holding company (Note 4)	833	833	833	833
Outside parties	457	458	457	458
Others	951	760	951	760
Net	23,330	21,241	23,330	21,241

Allowance for doubtful receivables is based on the assessment of the recoverability of the receivables.

The receivables from associate are interest-free, unsecured and are repayable on demand.

10 HEDGING INSTRUMENTS

	The Group and the Company			
	2007		2006	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
At fair values:				
Fuel hedges	-	-	23	-
Interest rate swaps	-	25	85	-
	-	25	108	-
Analysed as:				
Current	-	25	71	-
Non-current	-	-	37	-
	-	25	108	-

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	
	2007 $'000	2006 $'000
Interest rate swaps	10,000	10,000
Fuel hedges	-	18,923

In 2007 and 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. There are no fuel hedges outstanding as at 31 December 2007.

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.

11 SUBSIDIARY

The Company has investments in unquoted equity shares representing 100% (2006 : 100%) equity interest in Monteria Pte Ltd, incorporated in Singapore. The cost of investment in the subsidiary is $2.00 (2006 : $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.

12 ASSOCIATE

	The Group		The Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Unquoted equity shares, at cost	535	1,286	1,280	1,286
Add: Share of post-acquisition reserves	429	2,849	-	-
Total	964	4,135	1,280	1,286

a) Details of the associate is as follows:

Associate	Principal activity	Country of incorporation/ operations	Cost of investment		Group's effective interest	
			2007 $'000	2006 $'000	**2007 %**	2006 %
Transit Link Pte Ltd	Provide support services to the transport operators in Singapore	Singapore	1,280	1,286	50	50

During the financial year, Transit Link Pte Ltd earned a service fee of $11,899,000 (2006 : $12,370,000) 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 2007 have been used.

In 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 in 2006.

During the financial year, the Group received gross dividends of $4,311,000 (2006: Nil) from the associate, out of which $745,000 (2006: Nil) were declared out of pre-acquisition reserves.

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

	2007 $'000	2006 $'000
Total assets	38,619	31,494
Total liabilities	(36,691)	(23,223)
Net assets	1,928	8,271
Group's share of associate's net assets	964	4,135
Revenue	5,741	5,387
Profit for the year	557	641
Group's share of associate's profit for the year	284	1,342

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
The Group and the Company									
Cost:									
At 1 January 2006	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
Additions	3,392	-	-	822	957	150	128	59,023	64,472
Disposals	(26,805)	-	(86)	(745)	(225)	(416)	(157)	-	(28,434)
Net transfers to related companies	-	-	-	(88)	-	-	(4)	-	(92)
Reclassifications	64,370	-	-	43,004	421	254	(70)	(107,979)	-
At 31 December 2007	782,526	16,642	55,720	97,907	16,006	3,977	9,359	12,541	994,678
Accumulated depreciation:									
At 1 January 2006	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
Depreciation	17,603	594	2,644	11,602	992	128	1,042	-	34,605
Disposals	(26,805)	-	-	(745)	(224)	(412)	(150)	-	(28,336)
Net transfers to related companies	-	-	-	(88)	-	-	(4)	-	(92)
Reclassifications	(248)	-	-	(6)	14	254	(14)	-	-
At 31 December 2007	634,358	3,371	24,425	56,241	13,421	3,739	7,636	-	743,191
Carrying amount:									
At 31 December 2007	148,168	13,271	31,295	41,666	2,585	238	1,723	12,541	251,487
At 31 December 2006	97,761	13,865	34,025	9,436	2,214	220	2,700	61,497	221,718

Note:

a) During the financial year, government grants amounting to $808,000 (2006 : $1,337,000) 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.

b) Included under Buses with total costs of $161,636,000 (2006 : $221,536,000) and carrying amount of $22,336,000 (2006 : $28,628,000) which are the subject of four (2006: five) cross border leasing transactions. The Group's and the Company's legal obligations under these transactions have been legally defeased (See Note 29).

13 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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	Bus depot
No. 2A Ayer Rajah Crescent Singapore	17,939 sq m	Under Temporary Occupation License	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	
	2007 $'000	2006 $'000
Payables to:		
Ultimate holding company (Note 4)	419	754
Immediate holding company (Note 4)	237	414
Related companies (Note 4)	5,284	8,161
Outside parties	21,761	14,569
Accruals	110,738	115,712
Deferred income	573	835
Total	139,012	140,445

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 (2006 : 30 days).

Additional information is presented in Note 31(c).

15 DEPOSITS RECEIVED

	The Group and the Company	
	2007 $'000	2006 $'000
Deposits received from stallholders and tenderers	2,496	1,366
Less: Due within 12 months	(1,027)	(1,366)
Due after 12 months	1,469	-

Deposits received from stallholders and tenderers in respect of leases of stalls and shoplots, are repayable on demand upon termination of the lease agreements. Deposits that are not expected to be repaid within the next twelve months after the balance sheet date based on past trend of termination of lease agreements are presented as a non-current liability. The carrying amount of the deposits approximates their fair value.

16 PROVISION FOR CLAIMS

	The Group and the Company	
	2007 $'000	2006 $'000
At beginning of year	9,263	7,767
Charge to profit and loss	3,270	3,597
Payments	(2,747)	(2,101)
At end of year	9,786	9,263

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 services (Note 3).

17 DEFERRED TAX LIABILITIES

	The Group and the Company	
	2007 $'000	2006 $'000
At beginning of year	15,766	18,499
Charge to profit and loss (Note 26)	2,652	2,437
Over provision in prior years	-	(5,170)
Changes in tax rates	(1,147)	-
At end of year	17,271	15,766
The balance comprises the tax effects of:		
Excess of tax written down value over carrying amount	26,881	26,407
Provision for fuel equalisation	(6,133)	(6,815)
Other items	(3,477)	(3,826)
Net	17,271	15,766

18 PROVISION FOR SERVICE BENEFITS AND LONG SERVICE AWARDS

	The Group and the Company	
	2007 $'000	2006 $'000
At beginning of year	11,668	11,613
(Write-back of) Charge to profit and loss	(422)	683
Payments	(690)	(628)
At end of year	10,556	11,668
The balance comprises provision for:		
Retirement benefits	8,016	8,742
Long service awards	2,540	2,926
	10,556	11,668

19 SHARE CAPITAL

	The Group and the Company			
	2007	2006	**2007**	2006
	Number ('000) of ordinary shares		**$'000**	$'000
Issued and paid up:				
At beginning of year	303,376	302,443	83,371	75,611
Transfer from share premium account (Note 20)	-	-	-	5,446
Transfer from capital redemption reserve account (Note 20)	-	-	-	800
Exercise of share options	3,848	933	7,953	1,514
At end of year	307,224	303,376	91,324	83,371

Details of the outstanding share options of the Company as at the end of the financial year are set out in Note 23(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 2006.

20 CAPITAL RESERVES

	The Group and the Company	
	2007 $'000	2006 $'000
Share premium:		
At beginning of year	-	5,446
Transfer to share capital account (Note 19)	-	(5,446)
At end of year	-	-
Capital redemption reserve:		
At beginning of year	-	800
Transfer to share capital account (Note 19)	-	(800)
At end of year	-	-
Share option reserve:		
At beginning of year	414	175
Recognition of share-based payments	335	258
Transfer to share capital on exercise of share options (Note 19)	(216)	(18)
Transfer to accumulated profits	(2)	(1)
At end of year	531	414
Revaluation reserve:		
At beginning of year	537	172
(Loss) Gain on available-for-sale investments	(112)	252
Realised (gain) loss transferred to profit or loss on disposal of available-for-sale investments	(2)	113
At end of year	423	537
Net	954	951

21 TURNOVER

Turnover comprises the following amounts:

	The Group	
	2007 $'000	2006 $'000
Transport services:		
Bus	535,421	513,912
Rail	87,619	74,475
Advertisements	30,220	24,177
Total	653,260	612,564

22 OTHER OPERATING INCOME

	The Group	
	2007 $'000	2006 $'000
Rental income	6,551	5,846
Handling fee income from associate (Note 12)	2,001	1,704
Income from roadshows	1,584	1,301
Diesel commission	1,196	2,427
Maintenance of SCDF Equipment	1,071	1,013
Bus pass income	755	796
Accident claims recovered	726	409
Government grant	219	71
Others	2,679	2,421
Total	16,782	15,988

23 STAFF COSTS

a) Included in staff costs are:

i) Directors' remuneration

	The Group			
Remuneration band	Salary %	Bonus %	Others %	Total compensation %
2007				
(Below $250,000)				
Ong Boon Leong*	86	-	14	100
2006				
($500,000 - $749,999)				
Ong Boon Leong	47	45	8	100

* Director for period from 1 January to 27 April 2007.

The remuneration of all the other non-executive Directors is below $250,000 and comprised entirely of Directors' fees (Note 24).

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 %	Bonus %	Others %	Total compensation %
2007				
($250,000 - $499,999)				
No. of executives : 5	61	31	8	100
2006				
($250,000 - $499,999)				
No. of executives : 2	63	27	10	100
(Below $250,000)				
No. of executives : 1	70	30	-	100

23 STAFF COSTS (CONT'D)

a) Included in staff costs are (CONT'D):

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

		The Group	
		2007 $'000	2006 $'000
iii)	Cost of contribution to Central Provident Fund	22,578	20,171

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			
	2007		2006	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	8,677,500	2.05	6,810,750	1.94
Granted during the year	2,930,000	3.40	2,967,000	2.15
Cancelled/Lapsed during the year	(167,000)	2.56	(167,000)	2.05
Exercised during the year	(3,848,250)	2.01	(933,250)	1.60
Outstanding at the end of the year	7,592,250	2.58	8,677,500	2.05
Exercisable at the end of the year	4,717,250	2.08	5,745,500	2.00

The weighted average share price at the date of exercise for share options during the year was $3.08 (2006 : $2.37). The options outstanding at the end of the year have a weighted average remaining contractual life of 7.39 years (2006 : 7.67 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 22 June 2007 (2006 : 13 July 2006). The estimated fair value of the options granted on that date was $0.13 (2006 : $0.10).

23 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:

	2007	2006
Weighted average share price	$3.36	$2.15
Weighted average exercise price	$3.40	$2.15
Expected volatility	19.08%	23.93%
Expected life (years)	2.81	4.64
Risk free rate	2.51%	3.37%
Expected dividend yield	9.97%	11.63%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years (2006: 1.5 years). The expected life used in the model has been adjusted, based on the best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of $335,000 (2006 : $258,000) related to equity-settled share-based payment transactions (included in staff costs) during the year.

24 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	
	2007 $'000	2006 $'000
Proposed Directors' fees	313	302
Cost of inventories recognised in repairs and maintenance expense	70,948	56,441
Foreign currency exchange adjustment gain, arising from operations	(313)	(32)
Net loss (gain) on fair value changes of energy hedging instruments	23	(23)
Net gain on disposal of vehicles and equipment	(688)	(398)
Provision for claims	3,270	3,597
(Write-back of) Provision for service benefits and long service awards	(422)	683
Audit fees:		
Paid to auditors of the Company	120	116
Non-audit fees:		
Paid to auditors of the Company	26	25
Professional fee paid to a firm of which a director is a member	51	-

25 NET INCOME FROM INVESTMENTS

	The Group	
	2007	2006
	$'000	$'000
Interest income:		
Bonds	1,388	1,980
Time deposits	1,154	1,198
Notes	3,607	5,509
Fair value (loss) gain on interest rate swaps	(111)	16
Interest rate swaps	3	58
Other investment income:		
Net gain on disposal of held-for-trading investments	28	182
Net loss on disposal of available-for-sale investments	-	(73)
Net (loss) gain on fair value changes of held-for-trading investments	(161)	88
Foreign currency exchange adjustment loss	(68)	(443)
Total	5,840	8,515

26 TAXATION

	The Group	
	2007	2006
	$'000	$'000
Current taxation	7,953	9,994
Deferred tax (Note 17)	1,505	2,437
	9,458	12,431
Under (Over) provision in prior years:		
Current tax	-	3,887
Deferred tax (Note 17)	-	(5,170)
	9,458	11,148

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 18% (2006 : 20%) to profit before taxation as a result of the following differences:

	The Group	
	2007	2006
	$'000	$'000
Profit before taxation	59,480	67,281
Less: Share of profit in associate	(284)	(1,342)
	59,196	65,939
Taxation charge at statutory rate	10,655	13,188
Non-allowable items	438	29
Effect of changes in tax rate	(1,147)	-
Under (Over) provision in prior years:		
Current tax	-	3,887
Deferred tax (Note 17)	-	(5,170)
Tax-exempt income	(27)	(11)
Other items	(461)	(775)
	9,458	11,148

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:

	2007	2006
Profit attributable to shareholders of the Company ($'000)	50,022	56,133
Weighted average number of ordinary shares in issue ('000)	305,574	303,032
Basic earnings per share (in cents)	16.37	18.52

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 and Directors. 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.

	2007	2006
Profit attributable to shareholders of the Company ($'000)	50,022	56,133
Weighted average number of ordinary shares in issue ('000)	305,574	303,032
Adjustments for share options ('000)	1,495	755
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	307,069	303,787
Diluted earnings per share (in cents)	16.29	18.48

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.

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.

28 BUSINESS SEGMENT INFORMATION (CONT'D)

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
2007				
TURNOVER	535,421	87,619	30,220	653,260
RESULTS				
Segment results	27,515	7,533	18,308	53,356
Net income from investments				5,840
Share of profit in associate				284
Profit before taxation				59,480
Taxation				(9,458)
Profit after taxation				50,022
OTHER INFORMATION				
Additions of vehicles, premises and equipment	59,195	375	4,902	64,472
Depreciation expense	32,896	945	764	34,605
BALANCE SHEET				
ASSETS				
Segment assets	279,612	16,307	12,562	308,481
Investment in associate				964
Unallocated corporate assets				150,331
Consolidated total assets				459,776
LIABILITIES				
Segment liabilities	165,459	21,660	3,557	190,676
Unallocated corporate liabilities				33,562
Consolidated total liabilities				224,238

28 BUSINESS SEGMENT INFORMATION (CONT'D)

	Bus $'000	Rail $'000	Advertisements $'000	Total $'000
2006				
TURNOVER	513,912	74,475	24,177	612,564
RESULTS				
Segment results	42,741	(990)	15,673	57,424
Net income from investments				8,515
Share of profit in associate				1,342
Profit before taxation				67,281
Taxation				(11,148)
Profit after taxation				56,133
OTHER INFORMATION				
Additions of vehicles, premises and equipment	80,289	1,041	2,619	83,949
Depreciation expense	23,662	908	184	24,754
BALANCE SHEET				
ASSETS				
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
LIABILITIES				
Segment liabilities	173,327	17,516	2,517	193,360
Unallocated corporate liabilities				29,567
Consolidated total liabilities				222,927

29 CONTINGENT LIABILITIES – UNSECURED

As at 31 December 2007, the Group and the Company have contingent liabilities totalling $7,862,000 (2006 : $9,541,000) 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 Group and the Company are not aware of any conditions that will cause them to initiate the collapse of these leasing arrangements.

30 COMMITMENTS

As at 31 December 2007, 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	
	2007 $'000	2006 $'000
Purchase of vehicles, premises and equipment	116,630	48,600

30 COMMITMENTS (CONT'D)

b) Operating lease commitments:

The Group and the Company as lessee

	The Group and the Company	
	2007 $'000	2006 $'000
Minimum lease payment under operating leases included in the profit and loss statement (net of rebates)	6,318	6,166

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

	The Group and the Company	
	2007 $'000	2006 $'000
Within one year	6,332	5,687
In the second to fifth year inclusive	17,852	13,989
After five years	-	3,048
Total	24,184	22,724

Operating lease payments represent 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 under non-cancellable leases during the year was $6,411,000 (2006 : $5,729,000). 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	
	2007 $'000	2006 $'000
Within one year	7,233	4,977
In the second to fifth year inclusive	7,287	6,302
Total	14,520	11,279

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

a) Financial risks, management policies and objectives

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. It is the Group's policy not to participate in speculative financial instruments. The Group 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 Dollar). Its exposures include United States Dollar ("USD"), Swedish Kroner ("SEK"), Euro ("EUR"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Sterling Pound ("GBP"). The Group manages its foreign currency exposure through active currency management using hedging instruments such as forwards or options where necessary.

Foreign currency sensitivity

Based on sensitivity analysis performed, the exposure to changes in foreign exchange rates is minimal and hence the resulting impact on profit and loss and equity of the Group is insignificant.

Interest rate risk

The Group's primary interest rate risk relates to 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. Further details of the interest rate swaps can be found in Note 10.

Summary quantitative data of the Group's interest-bearing financial instruments are disclosed in Section (c) of this note.

Interest rate sensitivity

Based on sensitivity analysis performed at balance sheet date, the exposure to changes in interest rates is minimal and hence the resulting impact on the profit and loss and equity of the Group is insignificant.

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 arose mainly from advertisement revenue and is controlled via upfront deposits or strict credit terms and regular monitoring of advertisers' financial standing. The Group also 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. In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The carrying value of financial assets represents the maximum credit risk exposure of the Group.

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, 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.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

b) Capital risk management policies and objectives

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. The gross and net gearing of the Group and its implication on weighted average cost of capital are monitored in deciding the optimal capital structure. The objectives and policies determine the Group's decisions on the amount of dividend payment to shareholder as well as the sources of capital, be it equity or debt.

c) 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 %
The Group and the Company					
2007					
Financial Assets					
Cash and bank balances:					
In functional currency:					
Interest-bearing	4,141	-	-	4,141	0.05 - 0.25
Non-interest-bearing	3,142	-	-	3,142	-
In non-functional currencies:					
MYR	37	-	-	37	-
USD	132	-	-	132	1.42 - 2.49
EUR	367	-	-	367	3.04
GBP	47	-	-	47	4.53
JPY	52	-	-	52	0.04
SEK	18	-	-	18	-
Total	7,936	-	-	7,936	
Time deposits:					
In functional currency	34,790	-	-	34,790	2.125 - 2.130

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 tenure for short-term deposits is 0.63 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:					
Notes in functional currency	73,759	-	-	73,759	2.58 - 3.88
Available-for-sale investments:					
Bonds in functional currency	4,991	20,420	-	25,411	2.73 - 4.84
Notes in functional currency	10,012	-	-	10,012	2.01 - 3.18
Total	15,003	20,420	-	35,423	

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

	Within 1 year $'000	Within 2 to 5 years $'000	Beyond 5 years $'000	Total $'000	Effective interest rate at year end %
Financial Liabilities					
Trade payables:					
In functional currency	124,540	-	-	124,540	-
In non-functional currencies:					
SEK	1,732	-	-	1,732	-
USD	11,200	-	-	11,200	-
EUR	841	-	-	841	-
GBP	416	-	-	416	-
JPY	243	-	-	243	-
Others	40	-	-	40	-
Total	139,012	-	-	139,012	
Hedging instruments:					
In functional currency	25	-	-	25	-
2006					
Financial Assets					
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
EUR	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 tenure for short-term deposits is 0.28 months.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

	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	
Financial Liabilities					
Trade payables:					
In functional currency	130,836	-	-	130,836	-
In non-functional currencies:					
SEK	1,046	-	-	1,046	-
USD	8,033	-	-	8,033	-
EUR	315	-	-	315	-
GBP	150	-	-	150	-
JPY	59	-	-	59	-
Others	6	-	-	6	-
Total	140,445	-	-	140,445	

32 DIVIDENDS

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

	2007 $'000	2006 $'000
Final dividend less tax in respect of the previous financial year:		
– 6.50 cents (2006 : 5.00 cents) per ordinary share less tax	16,313	12,130
Special dividend less tax in respect of the previous financial year:		
– 17.00 cents (2006 : 15.00 cents) per ordinary share less tax	42,663	36,391
Interim dividend less tax in respect of the current financial year:		
– 6.00 cents (2006 : 5.00 cents) per ordinary share less tax	15,090	12,132
Special dividend less tax in respect of the current financial year:		
– 8.00 cents (2006 : Nil cents) per ordinary share less tax	20,154	-
Total	94,220	60,653

b) Subsequent to the balance sheet date, the Directors of the Company recommend that a final tax-exempt (one-tier) dividend be paid at 3.25 cents per ordinary share on the ordinary shares of the Company totalling $9,985,000 for the financial year ended 31 December 2007.

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 this 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.

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.

In the opinion of the Directors, the consolidated financial statements of the Group and the balance sheet of the Company set out on pages 39 to 75 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 2007, 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.

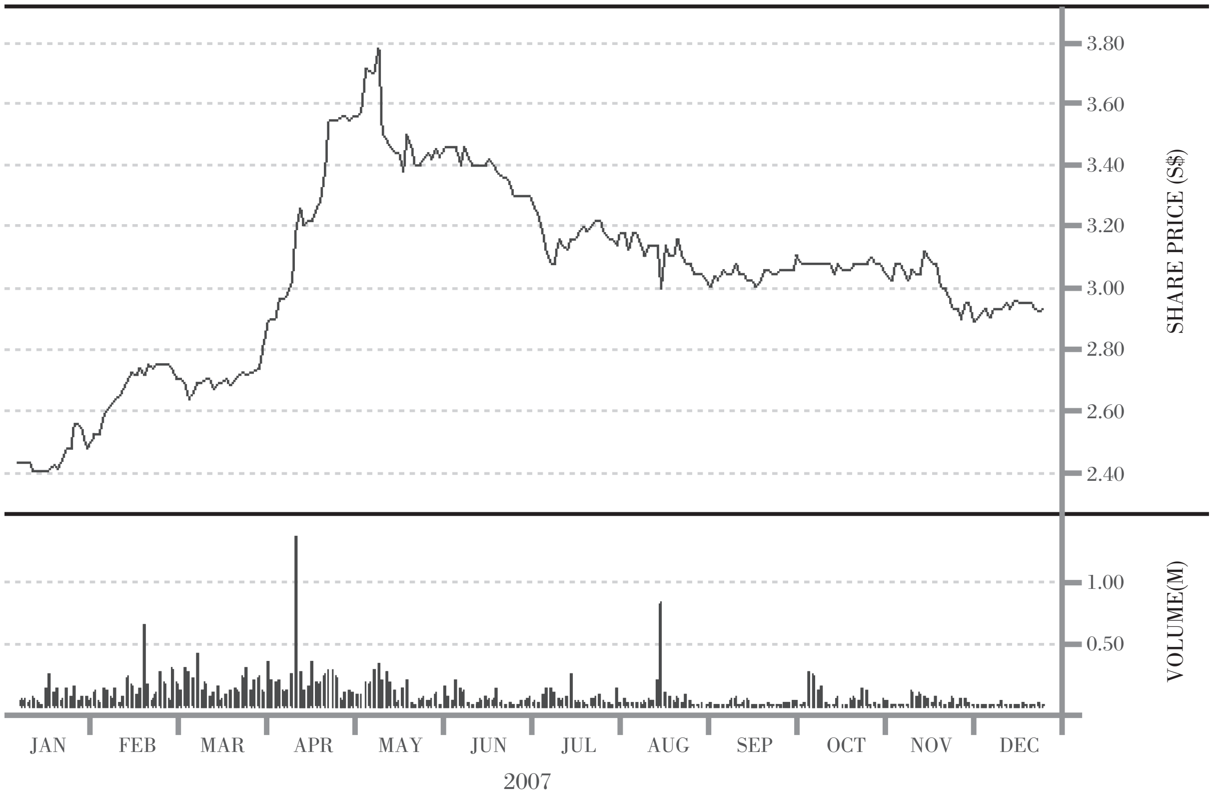
ON BEHALF OF THE DIRECTORS

LIM JIT POH
Chairman

KUA HONG PAK
Deputy Chairman

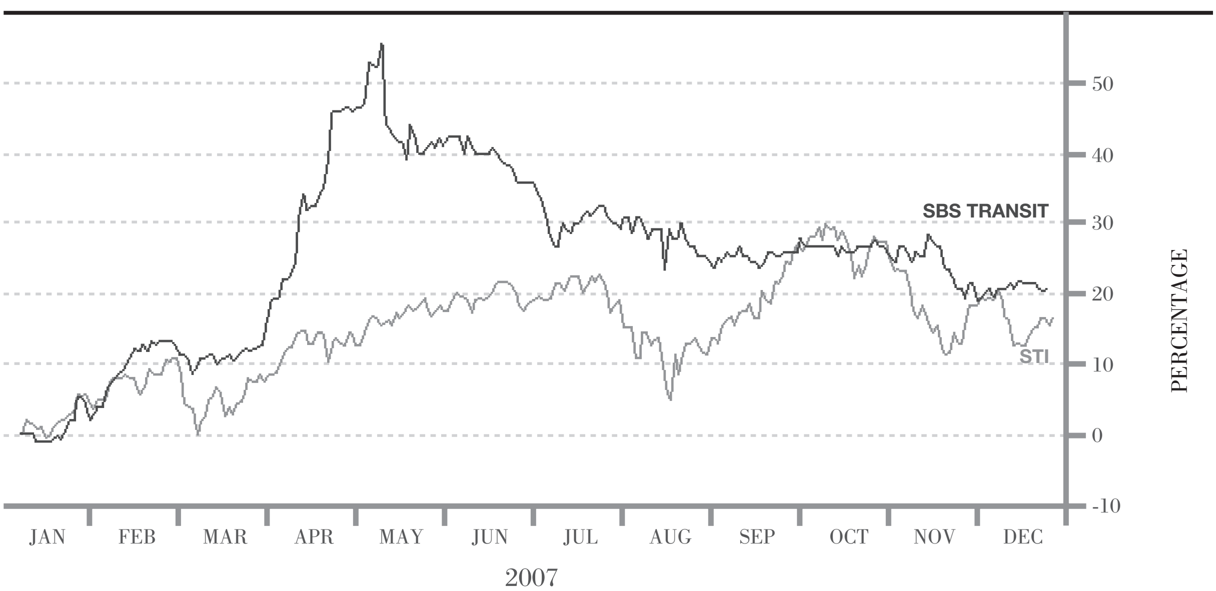
Singapore
15 February 2008

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.

SHARE CAPITAL : S$91,324,677.96
NO. OF SHARES ISSUED : 307,341,766
CLASS OF SHARES : Ordinary shares with equal voting rights
VOTING RIGHTS : 1 vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	2,033	10.03	662,015	0.22
1,000 – 10,000	17,889	88.30	27,577,613	8.97
10,001 – 1,000,000	331	1.63	16,246,962	5.29
1,000,001 & above	7	0.04	262,855,176	85.52
TOTAL	20,260	100.00	307,341,766	100.00

Top Twenty Shareholders	No. of Shares	%
DelGro Corporation Limited	231,160,012	75.21
DBS Nominees Pte Ltd	11,244,400	3.65
United Overseas Bank Nominees (Pte) Ltd	8,400,064	2.73
HSBC (Singapore) Nominees Pte Ltd	5,962,000	1.94
Citibank Nominees Singapore Pte Ltd	3,242,200	1.05
OCBC Nominees Singapore Pte Ltd	1,570,000	0.51
TM Asia Life Singapore Ltd – Par Fund	1,276,500	0.42
Changi Bus Company (Private) Limited	691,548	0.23
Royal Bank Of Canada (Asia) Limited	650,000	0.21
Raffles Nominees Pte Ltd	510,700	0.17
NTUC Thrift & Loan Co-operative Limited	448,500	0.15
Tan Kay Yeong	422,000	0.14
TM Asia Insurance Singapore Ltd – Fund Account	390,000	0.13
TM Asia Life Singapore Ltd – Non-Par Fund	377,000	0.12
Woon Chio Chong	275,000	0.09
CIMB-GK Securities Pte. Ltd.	261,314	0.09
Morgan Stanley Asia (Singapore) Securities Pte Ltd	258,500	0.08
Lim Gim Hong	249,500	0.08
Loh Hon Seng Vincent	225,000	0.07
Tan Kong Eng	214,800	0.07
TOTAL	267,829,038	87.14

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

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
DelGro Corporation Limited	231,160,012	75.21	-	-
ComfortDelGro Corporation Limited	-	-	231,160,012	75.21

As at 3 March 2008, approximately 24.15% 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.

SBS TRANSIT LTD
(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199206653M)

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701 on Wednesday, 30 April 2008 at 10.00 a.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 2007 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a tax-exempt (one-tier) final dividend of 3.25 cents per ordinary share in respect of the financial year ended 31 December 2007. (Resolution 2)

3. To approve the payment of Directors' fees of S$313,000 for the financial year ended 31 December 2007. (FY2006: S$301,945). (Resolution 3)

4. To re-elect Mr Lim Jit Poh, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 4)

5. To re-elect Mr John De Payva, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 5)

6. To re-appoint Mr Chin Harn Tong 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 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)

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 total number of issued shares in the capital of the Company excluding treasury shares, 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 10% of the total number of issued shares in the capital of the Company excluding treasury shares;

(b) for the purpose of determining the aggregate number of shares that may be issued under paragraph (a) above, the total number of issued shares excluding treasury shares, shall be based on the total number of issued shares in the capital of the Company, excluding treasury shares, 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 bonus issue, 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 number of issued shares in the capital of the Company excluding treasury shares, from time to time." (Resolution 10)

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 14 May 2008 to 15 May 2008 (both dates inclusive) for the purposes of determining Shareholders' entitlements to the proposed tax-exempt (one-tier) final dividend of 3.25 cents per ordinary share for the financial year ended 31 December 2007.

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 13 May 2008 will be registered before Shareholders' entitlements to the final dividend is 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 13 May 2008 will rank for the proposed final dividend.

The final dividend, if approved by the Shareholders at the Fifteenth Annual General Meeting of the Company, will be paid on 28 May 2008.

By Order of the Board

CHAN WAN TAK, WENDY
Company Secretary
Singapore
31 March 2008

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 Chin Harn Tong and Mr Tan Kong Eng are members of the Audit Committee. They are considered independent Directors of the Company. If re-elected, Mr Chin Harn Tong and Mr Tan Kong Eng will continue as the members of the Audit Committee.

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 total number of issued shares in the capital of the Company excluding treasury shares, of which the aggregate number of shares to be issued other than on a pro-rata basis to Shareholders does not exceed 10% of the total number of issued shares in the capital of the Company excluding treasury shares. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares will be calculated based on the total number of issued shares in the capital of the Company excluding treasury shares 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 bonus issue, 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 excluding treasury shares, from time to time.

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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)

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 Wednesday, 30 April 2008 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 Dividend		
3.	Approval of Directors' fees		
4.	Re-election of Mr Lim Jit Poh as Director		
5.	Re-election of Mr John De Payva as Director		
6.	Re-appointment of Mr Chin Harn Tong as Director under Section 153(6) of the Companies Act, Cap. 50		
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 _________________ 2008

TOTAL NUMBER OF SHARES HELD

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. 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.

Fold along this line

Affix postage stamp

The Company Secretary
SBS Transit Ltd
205 Braddell Road
Singapore 579701

This flap for sealing

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SBS Transit
A member of ComfortDelGro

SBS Transit Ltd

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Singapore 579701

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Company Registration No. 199206653M