

ADDRESS BY LIM JIT POH, CHAIRMAN OF SBS TRANSIT LTD AT ITS ANNUAL GENERAL MEETING HELD ON 25 APRIL 2019 AT 10.00 A.M.

My last address at our Annual General Meeting was 10 years ago in 2009. It was shortly after the financial crisis of 2008. My purpose then was to reassure the shareholders that we were financially sound and that we were comfortable with our management practices and pursuits despite the financial and economic crisis. I also said then that unless there was something of importance there would be no need for me to make a special effort to address the gathering. Our intention has always been to talk less and to do more.

2. This year is special. SIAS or Securities Investors Association of Singapore, together with the Singapore Institute of Directors and the Singapore Exchange, has issued a 24-page publication entitled "Guideline on Best Practices for Shareholders Meetings of Listed Companies". To me, these reflect common sense preparation and behaviour of civilised societies at public meetings, be it shareholders meeting, old boys meeting, professional members meetings, social and golf club meetings and so on.

3. At SBS Transit, we rarely encounter rude behaviour. We make it a special effort to look after our shareholders since we meet them only once a year. We used to have our meetings in our premises. As the strength of our shareholders increased, we shifted to a larger venue and a convenient place so that shareholders can attend easily and conveniently. We continue our habit of the board directors and management staff staying back after the meeting to mingle around with our shareholders and to answer questions or clarify doubts that may crop up which in their views do not warrant questioning at the meeting. Often these are personal issues pertaining to the individual shareholders.

4. A lapse of ten years is a reasonable time for me to repeat some of the answers given in the past for the benefit of new shareholders. Let me now deal with the important ones from the investment angle. For a start, SBS Transit, will continue to be a land transport entity with operations only in Singapore. For overseas ventures, we shall leave that to our parent company, ComfortDelGro Corporation Limited.

5. Our specific business areas will continue to be bus and rail, the two most popular land transport modes in Singapore. We will continue to combine these two modes in our reporting due to commercial sensitivities. Let me explain. We need to tender to win bus and train contracts. Without contracts, we will cease to exist. Profit margin is critical in winning. We therefore cannot divulge information and data that will give our competitors an advantage as all our competitors are not publicly listed and hence we have no knowledge of their performance. We cannot possibly compete with a handicap. This question has been asked before and my answer has remained the same. It is still valid and I expect it will continue to remain so. I know all of you understand and appreciate the situation. I would like to believe that this position we have taken has helped us win two out of four contracts in the first open tender exercise under the new Bus Contracting Model.

6. We continue to declare at least 50% of our profit as dividend. We have never failed that even in difficult times. I see no reason why we should deviate from this present policy under the present environment. Of course, if we can afford more we will increase the quantum but it must be sustainable as is the case with our sister company, VICOM.

7. Some of you may now ask since we have a bus contracting model which is not capital intensive, we should be able to revise our dividend payout upwards. But do not assume that we can always be in this comfortable position of having a lion share of the contracts. In 2018, we were still in a borrowing situation, though much reduced.

8. Some of you had asked before why capital expenditure is still so high even with the new bus contracting model where we do not incur expenditure in buying buses. Well, we are still responsible for other capital expenditure items like bus accessories and refurbishment, renovations and equipment for depots, interchanges, new retail spaces and offices, inventories in new bus and rail maintenance tools and equipment to enhance bus and rail reliability although a few of these items are recoverable from the Land Transport Authority through leasing fees. In addition, our rail business is considered Critical Information Infrastructure. Hence we need to step up our investments in computer equipment systems to beef up our cyber security. All these can be substantial too.

9. Last year the figure was \$24.3 million made up of bus CCTV replacements and bus refurbishment as well as renovations and equipment to outfit the new Seletar and Ulu Pandan Depots, both of which started operations in 2018. This year and the next two years, we expect to incur millions of dollars of the order of \$25 million in capital expenditure annually too.

10. Staff is critical in our operations. Not many Singaporeans are prepared to come forward to be Bus Captains or BCs despite huge increases in wages in the past few years. We have programmes to train Singaporeans to be BCs. Another issue is our crew of local BCs is getting older. In fact, about 44% of our BCs are locals and 66% of them are over 50 years old. The average age of our locals is 54 years as compared to 38 years for foreigners.

11. In the case of trains, we need to build up our expertise. Besides local training, we also tie up with overseas institutions like Taipei Rapid Transit Corporation and Hong Kong MTR. These are never ending.

12. Our senior staff are also groomed. We do not believe in poaching from our competitors. As Mindef has the unusual pool of local talents, I treasure the pipeline coming from there. I think we have been fairly successful in this regard. Talent identification, development and grooming are part and parcel of management functions. We are paid to do this. Board has given full support in this direction.

13. We have asked our Deputy Chairman who is also the Managing Director/Group CEO of ComfortDelGro to be the CEO of SBS Transit following the resignation of our last CEO. This is nothing unusual as SBS Transit is our listed subsidiary. Initially, he spends quite a bit of time to manage the day to day operations. It is also good for him to know the business better since he became the Group CEO in May 2017. Of course, we can afford to be in this position as our systems and structure are well in place. However, this will not be a permanent feature.

14. We have already announced the appointment of a Chief Operating Officer (COO) to look after SBS Transit. This person has been with us in the bus business overseas now. Prior to the overseas posting, he was with SBS Transit. Like the previous CEO, he will go through the process of rising from COO to CEO if found suitable. He has to pick up the train business in the process. There is no reason for us to feel that

he cannot cope with it after a spell of some time. This person is part of ComfortDelGro talent pool and was earmarked for the position in the succession plans besides others. We normally try to identify a few persons for each important position as likely candidates.

15. You will also notice that we have a few new directors after we initiated the director renewal process since 2017 AGM. We now have nine directors made up of two females or 22% and with expertise in engineering, accounts, legal, labour movement, and government experience. After today's AGM, with the retirement of one director we shall appoint another new director. With this we shall have three female directors constituting 33% of our board, well ahead of the target set by the Council for Board Diversity of 20% by 2020.

16. The mix of independent directors at about 78% is also well above what is laid down by Code 2018 for a non-independent Chairman. You will notice that as ComfortDelGro is a majority shareholder, it does not control the Board in terms of number. We only have two representatives with me as Non-Independent Chairman and our MD/Group CEO as Non-Independent Deputy Chairman. Such is our style in the board composition.

17. Well, ladies and gentlemen, this is my message today. I will now go to the agenda proper.