

CHAIRMAN'S STATEMENT



INTRODUCTION

The Bus Contracting Model (BCM), introduced in 2016, entered its fourth year of implementation in 2019 with 14 packages made up of negotiated and tendered contracts. As some of the original contracts are coming to an end soon, the Land Transport Authority (LTA) has decided to introduce competition by cluster in the next tender. With this, two packages have been put up for tender simultaneously with tenderers given the option of bidding for either one, or both, of the packages together. The objective is to level the playing field between big and small operators.

In January 2020, the rail network in Singapore expanded with the opening of the Thomson-East Coast Line (TEL). Unlike other Lines before it, the TEL was not tendered as a whole package but had its non-fare revenue carved out as a separate business from operations. This is significant and it is likely to be the model upon which all future Lines are fashioned on.

Reliability of rail performance in Singapore continued to improve by leaps and bounds with the average Mean Kilometres Between Failure (MKBF) exceeding the one million train-km target set by the Minister for Transport. This has been achieved at great financial expense. To ensure equitable sharing among the authorities, operators and commuters, train fares were increased.

In keeping up with advancements in technology, we continue to conduct trials in autonomous vehicles (AV). The Government will also be introducing AVs in selected new towns.

In an attempt to meet the adverse effect of climate change, use of cleaner energy will be introduced in land transport. The Government has set a target of deploying electric vehicles on the road by 2040. To achieve this target, hybrid vehicles will be



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intensely used while at the same time, electric vehicles will be put on the roads for trials.

The unexpected outbreak of the COVID-19 novel coronavirus at the beginning of 2020 will undoubtedly have a negative impact not just on ridership, but the general economy as well.

AUTONOMOUS VEHICLES

A major highlight in 2019 was our active involvement in the three-month long public trial of driverless buses on Sentosa Island with ST Engineering. Operated as an on-demand service, visitors on the island could book a shuttle ride on any of the four autonomous buses to get to popular destinations along the 5.7km route.

In addition, we are operating AVs on Jurong Island in a separate trial, also with ST Engineering. Unlike the vehicles used on Sentosa which have a maximum capacity of 11 passengers, the AVs on Jurong Island are 12-metre long, similar in length to public scheduled buses.

ComfortDelGro, our parent company, together with Inchcape Singapore, the National University of Singapore (NUS) and a French start-up, EasyMile, are also conducting an AV trial for a shuttle service on the NUS campus. They started the trial in July 2019 and it covers a route of 1.6km.

PUBLIC TRANSPORT SERVICES

We remained the largest public bus operator in Singapore with a market share of 61.1%. In 2019, we managed 223 bus routes – one more than in 2018 – and operated about 31,000 trips a day. Our fleet of 3,512 buses were garaged in seven bus depots and one bus park and they operated from 17 bus interchanges and 14 bus terminals.

The inaugural On-Demand Public Bus Services trial, where we operated five bus routes – three in the Joo Koon area and two in the Marina-Downtown area – for the LTA ended in June 2019. Conducted during off-peak hours on weekdays, commuters could book a ride with an app and request to be picked up and dropped off at any bus stop within the defined areas, even if the services did not normally stop at a certain bus stop on their regular routes. Upon the conclusion of the trial, the LTA announced that such bus services were not cost-effective due

to the high technology costs required in scaling up. The three Joo Koon bus services thereafter resumed their regular pre-trial schedules while the two Marina-Downtown bus services merged.

Demand for our rail services continued to grow albeit at a modest rate of 3.9% in 2019. On the 42-km long Downtown Line (DTL), ridership increased by 6.0% to 174 million while demand on the 17-year-old North East Line (NEL) grew marginally by 1.6% or 3.5 million to 219.3 million. For the 28-station Sengkang Punggol Light Rail Transit (SPLRT) systems, average daily ridership stood at 140,456 which is 6.7% or 8,873 higher than in 2018.

For the year under review, DTL operated 4,228 weekly trips or 5.0% lower than 2018 with trains running at a frequency of 2.5 minutes during peak hours and 5.5 minutes during off-peak periods. Likewise, NEL operated 4,029 trips a week or 3.2% lower than the previous year with trains arriving at between 2.25 and 2.5 minutes during peak hours and 5.5 minutes during off-peak hours. On the other hand, the SPLRT systems increased the number of trips operated a week by 12.0% or 1,927 to 17,967 to cater to the increase in ridership demand.

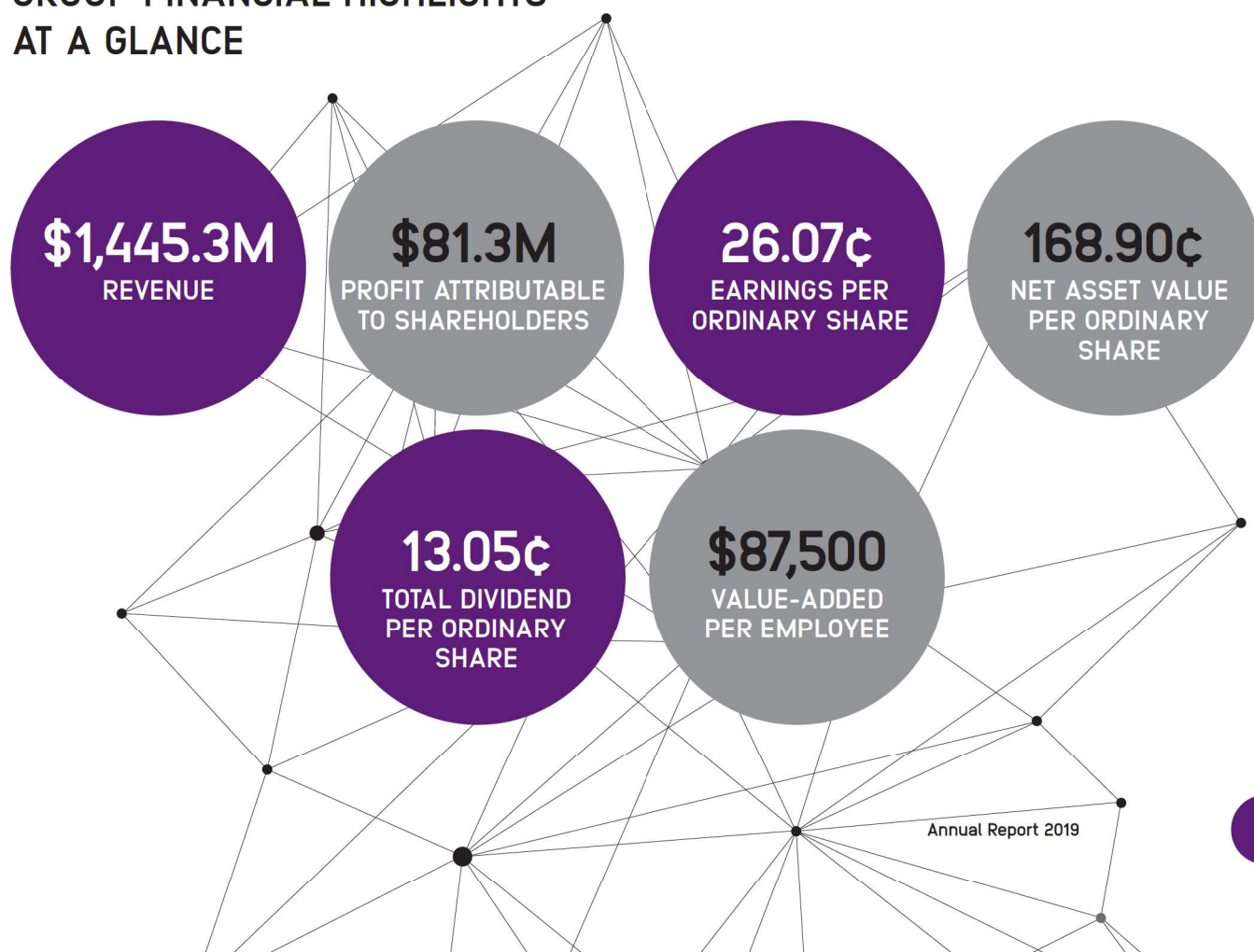
In train service reliability, there were no major disruptions on the NEL and DTL in 2019. There were however 11 instances of delays which were 15.0% lower than the year before. Consequently, NEL achieved an MKBF of 1.38 million train-km

while the DTL clocked 1.14 million train-km, both of which exceeded the one-million target set for 2020 by the Minister for Transport. The SPLRT clocked an MKBF of 251,000 train-km in 2019 compared to the nationwide LRT network's average of 154,000 train-km.

To boost rail reliability, we set up an Integrated Maintenance Diagnostics Centre (IMDC) at the NEL depot. It provides responsive and pre-emptive technical advice for incident recovery and impending failures by bringing together the relevant technical expertise to the Operations Control Centre. Equipped with real-time monitoring, data analytics and anomaly detection capabilities, it is able to pre-empt incipient faults where intervention efforts can be carried out to avoid a service disruption. The DTL depot in Gali Batu will also set up its own IMDC by 2021.

Driven towards achieving rail excellence, we continued to learn and adopt best practices from experienced railway operators from around the world. We held our second annual forum in October 2019 with the Taipei Rapid Transit Corporation (TRTC). TRTC manages Taipei Metro which is reputed to be the most reliable MRT system in the world. In 2018, we had signed a Memorandum of Understanding (MOU) with TRTC to leverage on each other's skills and experiences in operations, maintenance and engineering. Two other MOUs – one with France's RATP Dev and the other with Japan's JR East – were also signed in 2019 with similar outcomes to be achieved through study visits and training stints.

GROUP FINANCIAL HIGHLIGHTS AT A GLANCE



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To focus on new technologies to drive greater efficiency, two new departments – Future Systems and Technology and Rail Development – have been set up respectively in our bus and rail divisions.

The Land Transport Master Plan 2040 (Plan) was unveiled during the year. It is the Government's intention to have a 45-minute city with 20-minute towns. This essentially means that all journeys to the nearest neighbourhood centre using Walk-Cycle-Ride modes of transport will take less than 20 minutes and 9 in 10 peak-period journeys using the same Walk-Cycle-Ride will be completed in less than 45 minutes. The Plan also conveys the policies of "Transport for All" and "Healthy Lives, Safer Journeys".

To this end, the rail network will expand to 360 km by 2030. Bus speeds will improve with 211 km of bus lanes throughout Singapore as well as Transit Priority Corridors. The cycling path network will expand to 1,320 km by 2030. Self-driving bus services will be introduced. By 2040 also, the entire bus and taxi fleet will use cleaner energy. AVs will be deployed together with on-demand dynamically-routed buses in pilot programme in new towns in Punggol, Tengah and the Jurong Innovation District. However, the trial for on-demand bus plans in the busy Central Business District was dropped because of poor participation and higher running costs compared to regular-fixed-route buses.

SUSTAINABILITY

We continued to put in resources in promoting sustainability in all aspects of our business. In environmental sustainability, 79% of our bus fleet is at least Euro 5 compliant. We conducted a six-month trial of 25 hybrid buses for the LTA which started in December 2018. These diesel-hybrid buses were deployed on three bus services and continued to be operated on these routes after the trial ended.

In recognition of our environmental efforts that included installation of solar panels, piping in of NEWater for bus washing and other green initiatives, our Ulu Pandan Bus Depot was conferred the Green Mark Platinum (Super Low Energy) Award by the Building and Construction Authority (BCA) in February 2020.

In the area of safety, we maintained our accident rate of 0.12 per 100,000 km, similar to that of 2018's. Besides instituting safety protocols, policies and procedures, we continued to invest in training and technology to help our Bus Captains (BCs) to be safer drivers. With our entire fleet now fitted with Mobileye, which is an advanced driver assistance system that alerts BCs to an impending collision, the number of head-to-rear accidents has dropped. We are also working with the LTA to install a blinker light sensor system on selected parking lots in our interchanges to reduce the risk of collision by alerting BCs of oncoming or reversing buses. To-date, five interchanges have been fitted with this system and more are being planned for 2020.

We believe that doing business involves more than just the heart. It also involves the soul. For this reason, we launched a community initiative known as the MAGIC CARES Van programme to reach out to the elderly in our community. Partnering a social enterprise, I'm Soul Inc, it employs the sound beam technology and encourages the elderly to make movements and dance to create music. The programme was officially launched by the Minister for Transport on 10 October 2019 and two engagement sessions are being held every week in Toa Payoh and Ang Mo Kio.

A more detailed write up on our sustainability efforts can be found in the Sustainability section of this Annual Report. Our parent company, ComfortDelGro, also produced a more comprehensive Sustainability Report.

RECOGNITION AND AWARDS

Our market capitalisation as at 31 December 2019 was \$1.2 billion – the second time in more than a decade that we have exceeded \$1 billion. SBS Transit was ranked in the 91st spot among Singapore companies; 18 places higher than the year before. We were also recognised as the "Best-Performing Stock for the Transport / Storage / Communications sector" by The Edge Singapore's Billion Dollar Club. SBS Transit was also named by The Straits Times and Statista, a global research firm, one of Singapore's 100 fastest growing companies with revenue growth from 2015 to 2018.

At the Securities Investors Association's 20th Investor Choice Awards 2019, we were Runner-up in the Most Transparent Company, Consumer Discretionary Category.

SBS Transit outperformed the FTSE ST All-Share Index and FTSE ST Mid-Cap Index by 35.2% and 31.1% points respectively.

In March 2019, in recognition of our efforts towards improving rail reliability, the Ministry of Transport awarded NEL the inaugural Challenge Shield for being the "Most reliable MRT Line". NEL and DTL also clinched the top two spots respectively in the "Best Land Transport Operations and Maintenance Initiative" Category while five of our staff were recognised as Outstanding Service Individuals (Public Transport) at the 2019 Land Transport Excellence Award.

At the LTA's Annual Safety Award Convention, our Bus Division was honoured with the "Safe Bus Operator of the Year (Excellence) award" while DTL received the "Safe Rail Line of the Year (Merit) award".

Our employees also gave us good reasons to be proud of them. Among them were Senior Assistant Station Manager, Mr Mohamed Ferdaus Mohamed Yusoff, who had risked his own safety to save a young child from falling five metres down from the top of a moving escalator and Senior BC Saw Cheong Seng who turned in about \$40,000 in cash that had been left behind on his bus.

Efforts by the Government to improve land transport have borne fruit as evidenced by the findings of the Annual Public Transport Customer Satisfaction Survey, conducted between mid-September and early October 2019 with results released in February 2020. The mean satisfaction score was 7.8 out of 10, a slight decline from 7.9 a year earlier. Overall, satisfaction levels rose to 99.4% from 97.9% with bus achieving 99.3% (2018: 98.0%) and mass rapid transit (MRT) 99.5% (2018: 97.8%). The score for MRT service was 7.7 compared to 7.9 in 2018. Rail reliability improved to 7.9 from 7.6. This is a result of the MKBF doubling to 1.32 million train-km from 0.66 million. Presently, all the MRT lines are exceeding the one million mark set by the Minister for Transport. In the case of bus service, the score was maintained at 7.9. Again, the improvement could be due to the implementation of the BCM in 2016.

FARE REVISION

In 2019, public transport fares were higher than the year before. Fares were adjusted upwards by 4.3% from 29 December 2018. This was the first increase in three years implemented by the Public Transport Council (PTC) based on its new fare formula which came into effect in 2018 and will be valid until 2022. Another 7% was increased from 28 December 2019.

As the provision of bus services now comes under the BCM, the fare revision affects only on our rail revenue. With costs continuing to rise due mainly to higher repairs and maintenance, these increases help mitigate some of the cost pressures we continue to face in our rail operations.

We are highly cognisant of the fact that any fare revision will have an impact on needy commuters. As such, we are contributing about \$1.9 million towards the Public Transport Fund to help needy families cope better with the fare increase.

COVID-19

The outbreak of COVID-19 in February 2020 has understandably created panic and anxiety in our community. For the protection of our commuters and employees, we have stepped up the cleaning and disinfection of our premises and vehicles. We have also placed hand sanitisers at the Passenger Service Centres for use by commuters and staff at our premises and have also issued personal-sized ones to all our employees. Our employees also carry out temperature checks twice a day and are constantly reminded to wash their hands with soap regularly. To boost immunity, we also dish out Vitamin C tablets to our staff.

In commuter education, we have put up posters on our premises and are making use of our communication platforms on social media to push out personal hygiene messages.

Our Business Continuity Plans have also been activated as we split our employees into teams to work at different locations. Telecommuting is also an option offered to employees.

Although this is a difficult time, I am heartened to know that it also brought out the best in many individuals who have come forward to cheer our frontliners on with words of appreciation and gifts.

FINANCIAL PERFORMANCE

Group Total Revenue for 2019 increased by 4.5% from \$1,383.6 million to \$1,445.3 million.

In Public Transport Services (bus and rail), revenue increased by 4.4% or \$58.0 million to \$1,383.3 million, which can be attributed mainly to the higher bus service fee coupled with a higher rail fare revenue. The increase in ridership and a higher average fare as a result of the 2018 fare revision contributed to the higher rail fare revenue.

Revenue from Other Commercial Services increased by 6.3% or \$3.7 million to \$62.0 million. The increase came mainly from higher advertising income.

The increase in Group Total Revenue of \$61.7 million was offset by an increase in Group Operating Expenses of 4.3% or \$55.5 million due mainly to higher repairs and maintenance costs, higher depreciation, higher fuel and electricity costs, higher manpower costs and higher other operating costs. As a result, Group Operating Profit increased by \$6.2 million or 6.4% to \$103.5 million.

At the Group level, net profit attributable to shareholders increased by 1.5% from \$80.1 million to \$81.3 million.

Earnings per share was 26.07 cents, 1.4% higher than the 25.72 cents earned previously. As at 31 December 2019, total equity for the Group increased by 5.7% to \$526.7 million due mainly to the profits generated from operations which was offset by the payment of dividends and prior years' adjustment arising from the adoption of SFRS(I) 16.

Your Directors have proposed a tax-exempt one-tier final dividend of 5.90 cents per share. Together with the tax-exempt one-tier interim dividend of 7.15 cents per share paid earlier, the total tax-exempt one-tier dividend to be paid out in 2019 will be 13.05 cents per share, 1.2% higher than the previous year. The dividend payout of 50.0% is in line with our dividend policy of distributing at least half of our profits as dividends. Based on year-end closing price of \$3.83, the dividend yield is 3.4%.

DIRECTORS

I wish to welcome two new Directors – Ms Chua Mui Hoong and Dr Tan Kim Siew – who joined us in 2019. The former is the current Opinion Editor of The Straits Times while the latter is an illustrious retired civil servant and now serves as a Senior Consultant in the Ministry of Finance. With Ms Chua on board, our female director participation rate now stands at 30%, exceeding the 20% target set by the Council for Board Diversity. Numerically we have three female directors out of a board of 10.

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We have been retiring long tenure directors in the last four years as part of our Board Renewal process. SBS Transit will not retire any director at the forthcoming Annual General Meeting (AGM) under its nine-year rule as its lone independent director with more than nine years of service was re-elected at the 2019 AGM.

It is inevitable that with such early acceleration of planned retirement of directors with more than nine years of service at each AGM, and new directors appointed annually, the pace for retirement of long-tenure directors will slow down as it is our intention to have a balance of directors with different years of service to maintain continuity. Now that our succession plans of director renewals have been put in place after four consecutive years of active execution, the slowdown of the pace will allow directors to settle down and consolidate their plans, build on teamwork and board-management relationships.

We have a good mix of skill-sets among our directors in technology, engineering, finance, legal, media, labour movement and governmental relations, the right ingredients for us to continue to move forward in the unique Singapore tripartite style.

Directors have to work as teams. They have to work well with management in mapping strategies and setting directions. They should guide, advise and counsel management and staff with realistic examples and effective networking. The challenge is to ensure that all views of our varied directors are considered and no group-think exists.

Our Directors together with Senior Management held a retreat in July 2019 to review the Group's strategic plans for the future and provided helpful advice, astute guidance and invaluable insights to sharpen the direction and strategies the Group should take for the next few years. It is our plan to convene the retreat once every two years.

We have also established a new Tender Steering Committee at the Board level to offer advice and guidance to the Management on the strategies to adopt and the quality of the proposals for tender submissions.

CODE OF CORPORATE GOVERNANCE (CODE 2018)

In the Annual Governance and Transparency Index Survey 2019 (11th year), SBS Transit improved by three points to 87 and performed significantly better than the average score of 59.3 of the 578 listed companies surveyed. We retained our 40th spot on the list and rank within the top 7% of all the listed companies.

We remained committed to upholding high standards of corporate governance in line with the Code 2018 which took

effect in 2019. Discounting ComfortDelGro's nominees and non-independent Director to the SBS Transit Board, there is only one director out of eight or 13% in the SBS Transit Board with over nine years of service. We should have no difficulty adopting the nine-year rule.

As a requirement under the new Code 2018, the Board and its committees undertook self-evaluation exercises. A fresh set of forms, prepared by external consultants, was used for the first time.

SBS Transit strongly believes that good Corporate Governance makes good business sense. To this end, the Company maintains the highest standards of Corporate Governance, professionalism and integrity as we build an organisation that our Shareholders, Employees, Business Partners, the Authorities and other Stakeholders can trust and be proud of.

The Company is committed and adheres to the Code 2018 issued by the Monetary Authority of Singapore dated 6 August 2018 and ensures that it is upheld throughout the Group. The Company has also adopted a Code of Business Conduct, which sets out the principles and policies upon which the Company's businesses are to be conducted, and implemented a Whistle Blowing Policy which provides a mechanism for Employees to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst protecting the whistleblowers from reprisal within the limits of the law.

THE YEAR AHEAD

The year ahead is expected to be a tough one. As we progress in 2020, it remains unclear how the COVID-19 crisis will turn out in the months ahead but a prolonged outbreak is anticipated. The crisis and the measures to fight it will result in economic slowdown and correspondingly affect ridership on our public transport network. The Government has also downgraded its 2020 economic growth forecast to between - 0.5 and 1.5%, indicating a possible recession due to a weakened outlook after the outbreak of COVID-19.

Electric buses are expected to hit the roads in 2020. We have taken delivery of some of these environmentally friendly buses from the LTA earlier this year and our BCs and engineering staff have been trained to operate them. Our technicians and engineers had also gone overseas to a China manufacturer to learn more about their maintenance in the past year.

In our rail division, we look forward to tenders being called for the operation and maintenance of the Jurong Region Line (JRL) as well as the Cross Island Line (CRL). The 24-km long JRL with

24 stations will be the seventh MRT line and serve the western part of Singapore including the Jurong Lake District, the Jurong Innovation District and the Nanyang Technological University. An elevated line, it is scheduled for opening in three phases starting from 2026. On the other hand, the 50-km long CRL will serve as a critical transport infrastructure that will greatly improve connectivity for commuters across Singapore. As almost half of its more than 30 stations will interchange with other existing MRT lines, it will raise the MRT network resilience. Similar to the JRL, it will be built in three stages with the first phase of 29 km starting in 2020 and scheduled for completion in 2029.

Concurrently, the LTA announced that Hume Station on the DTL is expected to be opened no later than 2025 and works are in progress. The Punggol Coast Station on the NEL is planned for opening in 2023.

APPRECIATION

I would like to take this opportunity to thank Mr Yang Ban Seng, the Executive Deputy Chairman, for his leadership in guiding the Company through this period of transition as its interim Chief Executive Officer (CEO). Ban Seng is concurrently also the Managing Director and Group CEO of ComfortDelGro, the parent company of SBS Transit.

I would like to congratulate Mr Cheng Siak Kian who has been promoted to Acting CEO on 1 March 2020. Siak Kian is no stranger to SBS Transit, having joined its bus division in September 2015 before he was posted to New South Wales, Australia, as CEO of ComfortDelGro's bus business there. He was appointed Chief Operating Officer on 1 July 2019 to assist Ban Seng in the management of the Company. I look forward to Siak Kian's further contributions.

I would also like to extend my appreciation to Management and Staff for all their hard work and unstinting commitment in not only meeting but also rising to the constant challenges of the dynamic public transport industry. I value their dedication and support in making SBS Transit a reliable public transport operator in bus and rail services.

To my fellow Directors, thank you for your invaluable advice, continued guidance and unwavering support.

I would also like to thank the National Transport Workers' Union, the Authorities, and the Grassroots Advisors and Leaders for their cooperation, assistance, understanding and support.

To our Commuters, thank you for your continued support and patronage. We remain committed to improving our services and service standards to enhance your travel experience with us.

Last but by no means least, my appreciation to our Shareholders, many of whom have been with us for a considerable length of time. We thank you for your loyalty and trust and will continue to work hard to give you a fair and reasonable return.

LIM JIT POH ●
Chairman
MARCH 2020

