CHAIRMAN'S STATEMENT

We have been involved in a total of three autonomous vehicle (AV) trials in Singapore. In July 2019, we launched our third trial with EasyMile of France in the National University of Singapore and it is operating well.

INTRODUCTION

The trade war between the United States of America (USA) and the People's Republic of China (PRC), which started in July 2018, continued through 2019. Despite a Phase One agreement in the beginning of 2020, there are still issues that may emerge as both parties enter into the next phase of negotiations. Uncertainty is a nightmare that will have grave consequences on the global economy, currency and political divide. We are now in an extremely volatile situation. Our businesses have been adversely affected.

The much hoped for peaceful resolution in the Korean Peninsular did not take place. For most part of the year, the Brexit crisis in the United Kingdom (UK) hung on a balance and only saw some resolution at the end of 2019 when the Conservative Party won the General Elections with a handsome majority. Finally, 3½ years after the Brexit Referendum, the UK had ceased to be a member of the European Union (EU) from 1 February 2020. Most of Asia remains peaceful although protracted unrest continued to plague Hong Kong.

The consequence of all these happenings is that our three operating foreign currencies of Sterling Pound (£), Australian Dollar (A$) and Chinese Renminbi (RMB) were affected when compared against our reporting currency, the Singapore Dollar (S$). The variations of the average rates for the year were as follows:

	2019	2018	Variance
£1	S$1.7413	S$1.8003	-3.3%
1 RMB	S$0.1975	S$0.2041	-3.2%
A$1	S$0.9484	S$1.0083	-5.9%

The emergence of the rapidly spreading COVID-19 in the beginning of 2020 is also likely to have effect on the global economy. My hope is that it will not be a repeat of the Severe Acute Respiratory Syndrome (SARS) that we had badly experienced in 2003.

LAND TRANSPORT

Interest levels in electric vehicles (EVs) remained high. In PRC, which has the largest number of EVs, the Authorities have decided that when taxis have to be replaced, they have to use EVs. Subsidies have been granted to purchase these vehicles. However, not many drivers are keen to drive them because of a shortage of charging stations and the need to charge batteries frequently. There are cases of vehicles which are equipped with transferable batteries. Even that is not popular.

For the same reasons, EVs are also not popular in Singapore even though there are plans to expand the number of charging stations. The Minister for the Environment and Water Resources has also reflected on the lack of charging stations and has suggested that hydrogen could be a better bet in the longer term compared to EVs from a carbon footprint perspective.

In another development, the Singapore Government had appointed a team of US consultants to assess the feasibility of importing hydrogen for downstream use, ranging from vehicle fuelling to power generation. There are now more manufacturers who have jumped on the hydrogen bandwagon so we can expect more developments in this area going forward.

In the 2020 Singapore Budget approved in February, the Government has announced incentives for EVs to be introduced in an effort to promote cleaner energy by 2040. In this respect, internal combustion engine vehicles will be phased out and more charging points will be installed islandwide.

We have been involved in a total of three autonomous vehicle (AV) trials in Singapore. In July 2019, we launched our third trial with EasyMile of France in the National University of Singapore and it is operating well. We have also been operating two others in Sentosa and Jurong Island. The AV trial at Sentosa ended in November 2019. Meanwhile, the Singapore Government had decided to designate the whole of western Singapore as a testbed for AVs. With this expansion, there will be 1,000km of public roads for companies to conduct tests.

The Singapore Authorities have repeatedly emphasised the fact that the rail business in Singapore is incurring huge losses by the two operators and that the Government is spending and will continue to spend large sums of money in rail development and upgrading. The latest is an announcement by the Government to set up a S$30 million rail staff development fund.

To help mitigate the high cost of running the rail network in Singapore, fares were raised by 7% with effect from 28 December 2019. The last increase was in December 2018 at 4.3%. These came after three consecutive years of reductions in 2015, 2016 and 2017.

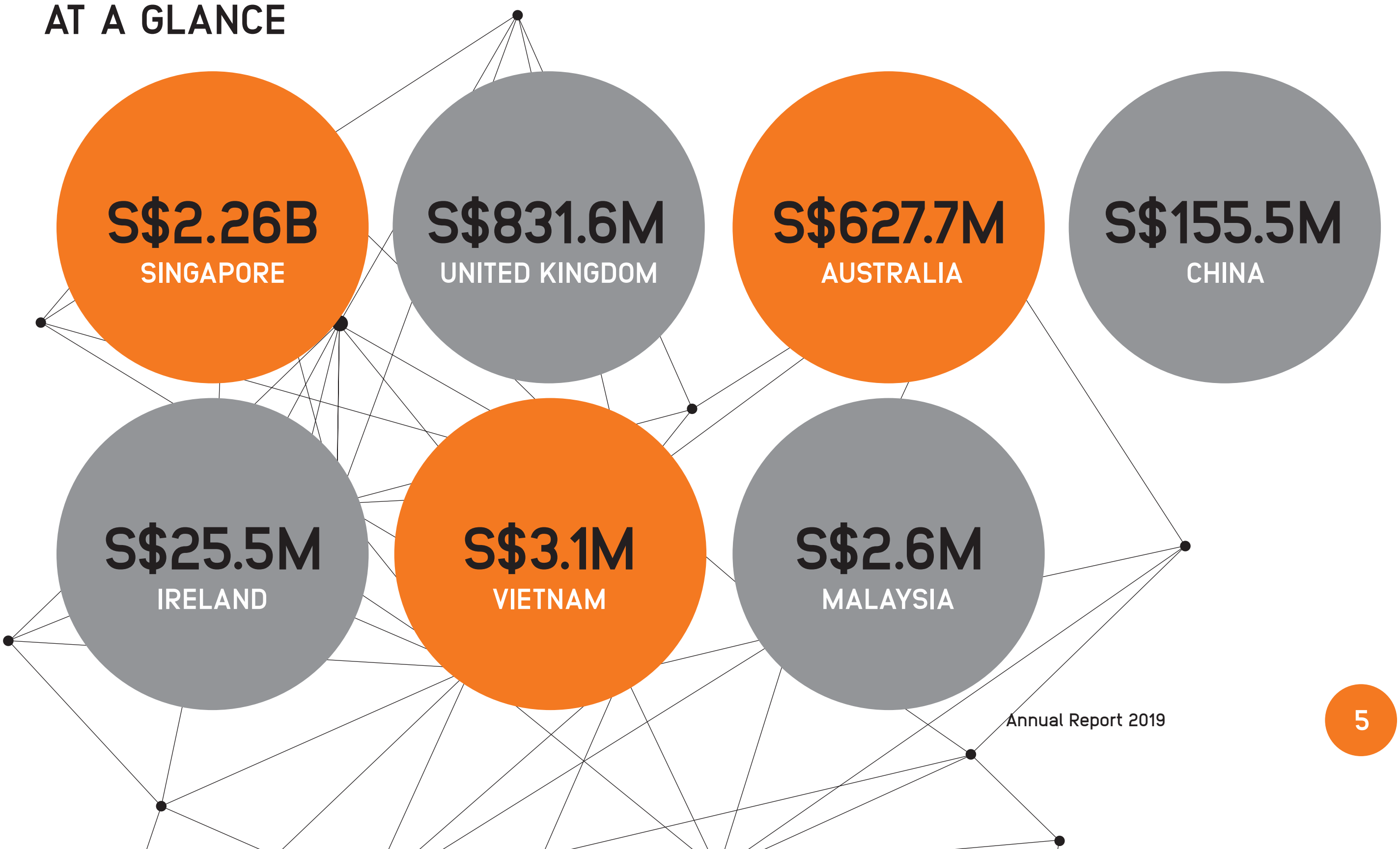
Efforts by the Government to improve land transport have borne fruit as evidenced by the findings of the Annual Public Transport Customer Satisfaction Survey, conducted between mid-September and early-October 2019 with results released in February 2020. The mean satisfaction score was 7.8 out of 10, 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 Mean Kilometres Between Failure (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 Bus Contracting Model in 2016.

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 360km by 2030. Bus speeds will improve with 211km of bus lanes throughout Singapore as well as Transit Priority Corridors. The cycling path network will expand to 1,320km by 2030, thanks to a S$1 billion Islandwide Cycling Network Programme. 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 such as 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.

The Land Transport Authority (LTA) also streamlined rules for taxi firms and private hire companies. The Point-to-Point Passenger Transport Industry Act (Act) proposes to issue two operating licences: one for street-hail services and the other for ride-hail services. A street-hail service refers to a typical taxi ride excluding those that are booked. Booking service, either via a taxi operator or a private-hire car provider, falls under the ride-hail service. The Act also proposes to expand the regulatory scope of the Public Transport Council (PTC) to cover fares set by the ride-hailing operators as hitherto PTC

REVENUE AT A GLANCE



only regulated bus and train fares. Thus far, taxi fares have not been regulated although taxi companies are required to keep the PTC informed of any fare adjustments. The Act is likely to be effective from September 2020.

The LTA will be spending more than S$130 million on a trial to see if diesel-electric hybrid and battery-powered public buses are feasible as it works towards a 2040-target to have cleaner energy sources. The study sample is 50 hybrid and 60 pure electric buses. This is a small scale trial for the public bus population of 5,400 buses. The hybrid buses were deployed in late-2018 while the electric buses are slated to come onstream in 2020.

CORPORATE GOVERNANCE

(i) Code of Corporate Governance (Code 2018)

In the Annual Governance and Transparency Index Survey 2019 (11th year), our three listed companies continued to score well with ComfortDelGro Corporation Ltd improving by three points to 103, VICOM Ltd by one point to 101 and SBS Transit Ltd by three points to 87 while the average score of the 578 listed companies surveyed is 59.3, an improvement of three points from last year. While VICOM and SBS Transit retained their respective positions at 17th and 40th rankings, ComfortDelGro did better by rising to the 14th spot from 17th previously. Our three companies are still within the top 7% of all the listed companies.

We remain committed to upholding high standards of corporate governance in line with the Code 2018 which took effect in 2019. On the nine-year rule for independent directors which is effective 2022, four out of nine Directors or 44% in the ComfortDelGro Board have more than nine years of service. Discounting ComfortDelGro's nominees and non-independent Directors to the SBS Transit and VICOM Boards, there is only one Director out of eight or 13% in the SBS Transit Board and two out of seven or 29% in the VICOM 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.

ComfortDelGro strongly believes that good Corporate Governance makes good business sense. To this end, the Group 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 Group 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 Group has also adopted a Code of Business Conduct, which sets out the principles and policies upon which the Group'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.

(ii) Singapore Stock Exchange (SGX)

Out of 716 listed companies on the SGX as at 31 December 2019, our three listed companies, in terms of market capitalisation, were ranked as ComfortDelGro 33rd, SBS Transit 91st and VICOM 125th with market capitalisation of S$5.2 billion, S$1.2 billion and S$685.2 million respectively. All three companies showed improvements in both ranking and market capitalisation.

We continued to enjoy the fast-track approval for certain corporate actions such as prioritised clearance for selected corporate-action submissions (circulars, request for waiver and applications for share placement). So do our other two listed companies. This privilege is extended to companies with good corporate governance practices and compliance track records.

SGX is expected to increase its regulatory presence to strengthen investor confidence and deter wrongdoings. There will be three fronts: increasing regulatory presence, raising standards, and calibrating rules for effectiveness. In early January 2020, SGX announced that quarterly reporting would cease to apply with effect from 7 February 2020. Consequently, we shall not release our first and third quarters results scheduled in May 2020 and November 2020 respectively.

(iii) Council for Board Diversity

In its latest progress report for the first half of 2019, the Council for Board Diversity stated that listed companies continued to add women directors to their boards. The proportion of the top 100 primary-listed SGX companies with flower power rose by 1% point to 16.2% as at the end of the year. Forty-two of these companies had achieved the first-tier target of at least 20% of women on boards. ComfortDelGro and SBS Transit are two of these companies. Though VICOM had also achieved the target, it is not included in the report as it does not belong to the top 100 companies. Female representation in our three companies was high at 30% for ComfortDelGro, SBS Transit and VICOM. Numerically, we have three female Directors per Board.

(iv) Singapore Institute of Directors (SID)

The Singapore Board of Directors Survey 2019, which was conducted between May and June 2019, saw a total of 127 responses, representing a response rate of nearly 20%. This series of surveys is conducted once every two years. The major findings of the 2019 Survey are classified into seven sections as (i) environment, (ii) board structure and directorship, (iii) board practices, (iv) strategy and execution, (v) remuneration and talent management, (vi) audit and finance and (vii) shareholder rights and responsibilities.

We are in line with most of these findings especially on increased concerns over cyber security, changing customer needs and technology changes. We however disagree with the survey in one aspect: that the remuneration of our Internal Audit Head, who reports to the Audit and Risk Committee (ARC) Chair, be decided by the ARC Chair. We believe his remuneration should be reviewed by the Remuneration Committee (RC) like all senior staff for consistency. We also do not communicate with Shareholders via webcasts though this is becoming popular among 13% of the companies surveyed. We continue to use the findings to benchmark our non-executive Directors' fees. We also continue to disclose our Directors' fees on a named basis. Strategy discussions are held both during and outside board meetings. The latter is held once every two years. Talent management is reviewed by the RC.

(v) Corporate Awards

VICOM clinched three awards at the 20th Securities Investors Association (Singapore) Investors' Choice Awards. These are Singapore Corporate Governance Mid-cap category: Winner; Shareholder Communication Excellence Mid-cap category: Runner-up and Most Transparent Company Consumer Discretionary Services category: Runner-up. SBS Transit also clinched the Most Transparent Company Consumer Discretionary Services category: Runner-up.

In addition, the Chief Financial Officer (CFO) of VICOM, Mary Lee, won the 'Best CFO Award' for Mid-cap category in the Singapore Corporate Awards 2019.

(vi) Audit and Risk Committee (ARC)

I continued my practice of meeting up with the External Auditors and the three Chairpersons of our three ARCs in the absence of Management. No major issues surfaced. Management continued to render the necessary assistance and cooperation to the External Auditors in the discharge of their responsibilities and duties.

In 2019, the Internal Audit Unit conducted 31 internal audits including three ad-hoc investigations/support jobs. Fifteen of the reports or 48% were confined to overseas entities.

(vii) Investor Relations (IR)

Our IR Unit continues to be busy in engaging fund managers, analysts and equity sales personnel. In 2019, a total of 130 meetings was held with the various parties together with nine investor conferences and non-deal roadshows in Singapore, Kuala Lumpur (KL), Bangkok and Hong Kong. In 2019, 13 research houses tracked our stock and some 120 reports were issued.

Major issues raised included concerns on operating loss in the rail business and the declining taxi fleet in Singapore. We shared that disruptions to the taxi business in China, the UK and Australia by tech apps and private hire entities continued to pose significant risks to the taxi portfolio; operating margins in our bus business have also come under threat as a result of open tenders which are called at the end of contractual periods; and the likely impact of Brexit on our businesses.

Our personal approach to meeting and sharing our thoughts with Shareholders yearly at the Annual General Meetings (AGMs) continues to be effective, helpful and useful. We continue to be prompt and transparent in all our announcements. In 2019, we also had sessions with retail investors.

We are one of the 30 stocks in the Straits Times Index (ST Index). Our share price outperformed the ST Index and the FTSE ST All-Share Index by margins of 5.7% and 4.1% points respectively. Dividend yields of the 30 component stocks of the ST Index range from 1.1% to 5.5% in 2019 with an average of 3.6%. Our figure of 4.5% places us in the 7th position.

In addition, we have been included as an index component of the Dow Jones Sustainability Index Asia Pacific. This Index tracks the stock performance of the world's leading companies in environmental, social and governance (ESG) performance and is seen as the gold standard in sustainability benchmarking. We are one of 148 companies in the Region and one out of five Singapore companies. In the last quarter of 2019, we have been included in the FTSE Value-Stocks Asean Index. We are one of 11 stocks from Singapore out of 50 in the Index drawn from Singapore, Indonesia, Malaysia, Philippines and Thailand stock exchanges. These inclusions reflect our standing in the investing community and put heavy responsibilities on Management.

(viii) Directors

We will continue to have one Director each retired at the AGMs of ComfortDelGro and VICOM in April 2020. With that, we shall have three Directors in ComfortDelGro and two in VICOM with more than nine years of service. SBS Transit will not retire any Director at the forthcoming AGM under its nine-year rule in April 2020. As such, there will be two Directors with more than nine years of service still remaining on its Board.

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.

My task to assemble teams of knowledgeable Directors for our three listed Boards is almost completed. We have a good mix of skill-sets among our Directors in business, technology, finance, labour movement and governmental relations, the right ingredients for us to continue to move forward in the unique Singapore tripartite style. This diversity has also included three female Directors per Board and we have already achieved the target set by the Council for Board Diversity.

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.

SINGAPORE BUSINESSES

We continued to operate in eight business areas in Singapore in 2019 although our car rental operations now include a new offering: private hire. The eight areas were (i) Public Transport Services (Bus and Rail), (ii) Taxi, (iii) Car Rental and Private Hire, (iv) Engineering and Sale of Fuel, (v) Driving Education, (vi) Vehicle Testing and Non-Vehicle Testing Services, (vii) Vehicle and Outdoor Advertising and (viii) Insurance Broking.

In Scheduled Bus, we operated 223 services with 3,233 scheduled buses out of a holding fleet of 3,512 buses in 2019. This is about 61% of the market share. We operate about 31,000 bus trips per weekday.

The LTA has decided to open expiring bus routes for tenders via clusters instead of packages, as was the case in earlier tenders. In the first exercise under the new system, two packages out of the present 14 are out for bidding concurrently. The two packages are presently not run by us. We will submit our tender bids.

We continue to operate rail networks totalling 83km. This represents about 36% of current operating network. Weekly, we operate 4,029 trips under the North East Line, 4,228 trips under the Downtown Line and 17,967 trips under the Sengkang-Punggol Light Rail Transit systems. We carry 1.22 million passengers daily. A more detailed write-up appears in our listed subsidiary, SBS Transit's, Annual Report.

Activities under Unscheduled Bus cover Premium Bus Services licensed by the LTA, event bus charters and trips conducted for schools, companies and organisations. We continue to run five Premium Bus Services and seven school contracts. Large contracts, besides the major events, are with Shell Eastern Petroleum, SingHealth and National University of Singapore. With our two acquisitions in 2018, we now have 368 buses and place us in the leading position, ahead of our next rival which has about 250 buses.

Our leading position in Taxi continued with close to 60% of the market share. Overall, the taxi population had declined by 9.9% to 18,542 by the end of the year. Among the taxi operators, we enjoyed the lowest unhired rate of a low single digit which was about three times less compared to the overall market unhired rate. We continued to improve our phone booking app notwithstanding the keen competition from ride hailing apps. Dynamic fare pricing, additional payment modes and digital marketing elements were incorporated into the booking app to enhance our competitiveness and better customer experience. We experienced a single digit reduction in our total successful bookings in 2019 although there was an increase in the number of bookings per vehicle as a result of a reduced fleet. To further build up our technological capabilities, we set up two offshore software development centres in Chennai (India) and Yangon (Myanmar) to supplement our local resources. We are also accelerating the transition to electric hybrid vehicles for a more efficient fleet and a cleaner environment.

A new policy of levelling the playing field between private-hire vehicles and traditional taxis is expected to be put in place in September 2020 when the Point-to-Point Passenger Transport Industry Act comes into effect. This is already explained in the earlier part of my Statement under Land Transport.

The Car Rental business continues to have its own corporate niche clients. We have expanded this portfolio with a private hire arm which caters to those drivers who wish to drive approved private-hire vehicles instead of taxis.

Engineering has stepped up its sale of petrol since diesel sale has declined as we phase out the diesel vehicles. In-house engineering services are also declining as a result of a smaller taxi fleet but this is compensated with an increase in private sector vehicles and new private-hire vehicles.

Driving Education continues to do well. With its site tenure given a longer lease by the Singapore Land Authority, it underwent extensive renovation and enhancement works at the training site. Construction of the Simulator Centre was completed to house motorcar simulators, motorcycle simulators and instructor consoles. We have a fleet of 163 motorcars (manual and auto) and 83 motorcycles of different classes.

In Vehicle Testing, we continued to be the leader in the industry with a share of about 74% of the market. The Non-Vehicle Testing continued to face challenges in sectors which are slowing down. We are renovating our newly acquired premises for expansion. More details of these two businesses can be found in our listed subsidiary, VICOM's, Annual Report.

Vehicle and Outdoor Advertising, while continuing to do well to support the loss-making rail business, will be facing challenges as the Authorities have announced that non-fare revenue entities will be carved out of fare revenue activities. A precedent has been set with the opening of the Thomson-East Coast Line where this business was separately tendered.

The Insurance Broking business was also affected by the reduced taxi fleet. Our Group overall coverage was however enhanced and premiums reduced due to the installation of safety features in our vehicles and other risk management initiatives. In 2019, it assumed a wider responsibility with oversight in all our businesses, both locally and abroad, after we made it into our wholly-owned entity. Claim units in our various locations have also been streamlined.

The year under review has been generally good for our Singapore businesses. While we continue to face keen competition in the delivery of taxi services, we are hopeful that the Point-to-Point Passenger Transport Industry Act will level the playing field. There is scope for us to expand in the Unscheduled Bus business as well as the Private Hire business as we step up our technological efforts. The Rail business continues to be a challenge. We shall, however, make preparations to bid for the new lines that will be tendered in 2020. We do not rule out the possibility of seeking an overseas experienced rail operator to partner with us since we are, compared to our Bus business, comparatively new in the rail aspect.

OVERSEAS BUSINESSES

(A) DEVELOPMENTS

In 2019, we had six major business areas overseas. Except for Rail, Insurance Broking, and Vehicle Testing, all other business interests in Singapore are carried out overseas like (i) Public Transport Services (only bus and coach), (ii) Taxi and Taxi Circuit,

(iii) Car Rental and Private Hire, (iv) Driving Education and (v) Vehicle and Outdoor Advertising. In addition, we operate Non-Emergency Patient Transport Services in Australia – something we currently do not operate in Singapore. We also have a small testing laboratory in KL (Malaysia) for Non-Vehicle Testing Services. The number of overseas countries remained unchanged at six with Australia, the UK, PRC, Vietnam, Malaysia and Ireland, in order of the size of our investment.

Investments in Malaysia and Vietnam continued to be difficult and small. After a record expansion in Australia in 2018, we made another in early 2019: B & E Blanch with 48 buses/coaches and three depots in the North Coast of New South Wales (NSW) was acquired for A$28.3 million. We also acquired two school routes in Gladstone, Queensland, to increase our market share there.

In the light of deregulations of the taxi industry in Melbourne and Perth, we proceeded to expand our fleets in these two locations. It is our hope that with the change of the business model in these two Australian cities, we will be able to bring our experience and expertise in Singapore to bear since they are now operating with a model similar to Singapore.

Australia is now our largest overseas investment destination overtaking the UK. Opportunities to do more are still available. We are accelerating our corporate restructuring and development activities so as to bring shareholder value to our huge investments.

(B) OPERATIONS

(i) Australia

We continue to operate four business interests in Australia. These are (i) Scheduled and Unscheduled Bus, (ii) Taxi and Taxi Circuit, (iii) Non-Emergency Patient Transport Services and (iv) Vehicle Advertising. We are present in NSW, Victoria, Northern Territory, Queensland, Western Australia and Australian Capital Territory.

Our Scheduled and Unscheduled Bus business is doing well with 2,575 vehicles and 3,264 drivers (2,475 permanent and 789 casual). This is about 73% of Singapore's fleet. It has overtaken our UK operations in terms of size by about 62%. Its activities, besides scheduled routes, are also in school contracts and charter services. We are one of the leading private bus operators in Australia.

2019 was a year of consolidation after the massive acquisitions of 2018. We also completed one acquisition in early-2019 and this too has been consolidated. Activities around integration commenced and continue in areas such as branding, legal, finance and tax, systems, synergies and savings and organisation development.

The Taxi and Taxi Circuit business faced some challenges as we proceeded to expand our fleets in Melbourne and Perth post-deregulation. High targets have been set for Management to achieve. The initial teething problems and issues, expected as a result of a change in the business model, should be overcome with assistance and help from the experienced Singapore operations. This is where the Group's international expertise serves as a definite strength.

The Non-Emergency Patient Transport business has won a few contracts. It should grow in the three cities (Melbourne, Perth and Sydney) where it operates. Should other state governments privatise this aspect of the business, the Group would be in a better position to compete. Meanwhile, our Management is exploring with Authorities in locations where we have a presence.

The Vehicle Advertising business is doing well with the large fleets of our buses in the various locations.

(ii) United Kingdom

We have four business interests in Scheduled Bus, Coach, Taxi Circuit and Private Hire. We are in five cities: Aberdeen, Cardiff, Glasgow, Liverpool and London.

In the Scheduled Bus business, we continue to see strong and aggressive competition in London with operators undercutting margins to secure contracts. We operate 94 routes with 1,591 buses and have a driver strength of 4,220 coming from 73 countries, although the majority is British (65%). About 25% of the drivers are Non-British EU nationals so Brexit may have an impact on future recruitment. In terms of routes, we hold the distinction of operating two which run entirely on EVs. London's fleet size is about 46% of Singapore's fleet size.

The Group enjoys 17.2% of the London market share. We rank third with Go-Ahead Group plc (British Company) as first with 24.2% of the market share. Arriva plc (German Company) is second with 18.0%. Those behind us are Stagecoach Group plc (British Company), the RATP Group (French Company), Abellio UK (Dutch Company) and Tower Transit (Australian Company).

Our Coach business continues to do well as a whole. We have these services in London, Wales and Scotland together with an inter-city service between Scotland and London. In London, operating under the trade name of Westbus, we cater to inbound tourism. We also have some school and college work. The Scotland to London inter-city operations, operated from Glasgow, continue to do well but the newly acquired Wales operation, based in Cardiff, is facing some challenges.

The Taxi Circuit business continues to face tough challenges with a huge number of private-hire vehicles and third-party apps competing in the already tight market. We continue to have three taxi circuits in Aberdeen, Liverpool and London. Our small Private Hire business in London lacks scale but it complements our Taxi Circuit business. It too is facing a tough time.

One thing that appears clear after Brexit is that the age of austerity within the UK Government is over as all political parties had come up with large spending plans in their campaigns for the General Elections in December 2019. This should be positive for businesses with the proviso that the plans are affordable. We expect some form of certainty as a result of the Conservative Party winning handsomely at the General Elections.

(iii) People's Republic of China

The Group has four business interests in China: Taxi, Bus Station, Car Rental and Driving Education. We are present in nine cities: Beijing, Chengdu, Guangzhou, Jilin City, Nanjing, Nanning, Shanghai, Shenyang, and Suzhou.

Our biggest business portfolio is Taxi which we operate in eight cities, save Guangzhou. We have 11,417 taxi licences – which means our China fleet is now larger than our Singapore fleet. Our utilisation rate is 96% or 10,997 licences and the business remains profitable with an acceptable margin as private hire vehicles are strictly controlled by the Authorities. We are still a major overseas taxi operator with leading position in Shenyang, Nanning and Jilin City. We are second in rank in Chengdu, third in Beijing and fourth in Nanjing.

The Bus Station business in Guangzhou continues to do well. It is continuously being challenged by the opening of new high speed rail lines. Car Rental business for individuals is facing challenges compared to our earlier years of dealing with corporates. We intend to wind down this business which is in Chengdu only. The Driving Education business is also not faring that well. The new school in Nanjing is performing satisfactorily but the old school in Chengdu continues to face new challenges as rules are changed repeatedly and there is fear that the Authorities may take back the premises.

Overall, the operating climate in China is tough. Earlier advantages of coming to do business in China are fast disappearing. We need to be alert and spot on when opportunities arise. We also need to take more calculated risks compared to other developed countries.

(iv) Ireland

The Irish Coach operation, with its headquarters in Galway, continued to do very well, carrying over one million passengers in 2019. The operation has five routes serving such towns and cities as Dublin, Galway, Cock, Limerick, Clifden and Athlone.

(v) ASEAN: Vietnam and Malaysia

Our operations in KL (Malaysia) and Ho Chi Minh City (Vietnam) are still small. The former in Car Leasing business is performing satisfactorily but the latter in Taxi business is facing challenges with the abundance of private-hire vehicles and an uncontrolled set of business regulations. If the situation in Vietnam persists, there is a very strong possibility that the Group may exit the business like the first taxi company which was liquidated in 2019.

MANPOWER

Our global manpower strength in 2019 was 24,329. There is a decrease of 368 staff from 2018. The average staff cost per day was S$4.73 million which is 4.23% higher than 2018. The Group has a good mix of nationalities with large numbers coming from countries where we have investments. Singapore, the Group Headquarters, has 57% of the Group's staff strength. The Group's largest overseas investment destination, Australia, has 16% while the UK/Ireland and China constitute 24% and 3% respectively. In terms of nationality, we have a global mix including 30% Singaporeans, 20% Malaysians, 15% Australians, 10% British and 7% PRC nationals. These five nationalities take up 82% of the Group's total staff strength. About 43% of the Group's workforce continues to be based out of Singapore, closely in line with the Group's overseas revenue.

With massive investments in Australia spreading over the entire Australian Continent, we have created a new position designated as Australian Head. This is similar to the China Head position which we created previously to manage our operations in all the Chinese cities. In addition, four staff were recruited to augment our Senior Management pool. These are intended for the Business Development and Transformation Office, Singapore Taxi, ComfortDelGro Bus as well as the replacement for the Group CFO who retired earlier in the year. We expect to recuit more senior staff to improve our Management strength.

INFORMATION TECHNOLOGY (IT)

As we embark on our digital transformation journey, a significant IT investment was spent on digital initiatives to introduce new services, expand our digital touchpoints with customers and enhance customer experience. In addition to enhancing the user interface to make taxi booking seamless and fast, we introduced new functionality in our taxi booking app which included card-on-file support for credit/ATM cards, dynamic pricing and instant redemption of loyalty points.

A new operating model to serve commuters better using on-demand bus services was trialled in Australia and Singapore. Robotic Processing Automation (RPA) is being piloted in Human Resource to automate the employee onboarding process and more use cases to drive operational efficiencies have been identified for the next phase of RPA implementation.

The Group has been following best practices in IT security closely. Recommended security controls are being reviewed regularly and control measures have been put in place where applicable. We also subscribe to an independent external security rating service that monitors and assesses our cyber security posture.

The Group has adopted cloud-first strategy in implementing digital solutions and leveraged on cloud technology to modernise and optimise existing IT systems to increase operational efficiency while driving business agility. The Group has also initiated projects that utilise data science to drive efficiency by cutting down maintenance costs through predictive analytics.

Our efforts to continue investing in IT resulted in total operating expenditure of S$34.7 million in 2019. This is 15% more than 2018. Capital expenditure for 2019 was S$30.3 million which is also 15% higher than 2018. The total expenditure in IT in 2019 was S$65.0 million. This is 15% more than 2018. It represents 1.7% of our Group Total Revenue.

FINANCE

Group Total Revenue in 2019 was S$3,905.7 million, 2.6% higher than 2018. This is indeed remarkable under such adverse disrupted business conditions, coupled with the weakness in foreign currencies against our reported currency. Group Total Operating Profit was S$415.8 million, 5.2% lower than 2018, due mainly to additional expenses incurred in building up our manpower in areas which are new and where we lack. There is also the inevitable higher spend and investment in IT for business improvements and sustainability. Unsuccessful tender bids in new markets also contributed to the increased expenditure. Group Operating Profit margin declined by a quantum of 0.9% point to 10.6%. This is still attractive in present business circumstances. It will be a challenge to maintain this margin.

Overseas Total Revenue was 42.1% of Group Total Revenue. This is 1.0% point higher than 2018. Primarily, the increase was due to the massive acquisitions made in Australia in 2018. Overseas Total Operating Profit was 33.7%, 1.9% points lower than 2018.

The bulk of the Group Total Revenue was derived from Public Transport Service (Bus, Coach and Rail) contributing about 74% of Group Total Revenue. Contribution from the Taxi sector was next with 17% of Group Total Revenue. These two sectors contributed 91% of Group Total Revenue. To be expected, the Public Transport Service sector contributed 54% of Group Total Operating Profit while the Taxi sector contributed 25%. When combined, these two major sectors contributed 79% of Group Total Operating Profit.

Group Profit Before Tax in 2019 was S$406.6 million. Unfortunately this was 7.4% lower than 2018. Consequently, Profit Attributable to Shareholders declined by 12.6% to S$265.1 million. This is still a meaningful figure viewed against the difficult business conditions and environment under which we operate in the various parts of the world whose currencies are weakening against our reporting currency.

Earnings per share for 2019 was 12.24 cents. This is still a decent figure compared to 2018's 14.01 cents. The net asset value per share was 119.80 cents. This is 0.7% lower than the previous year. Returns to both equity and total assets were 10.2% and 6.1% respectively (2018: 11.6% and 7.2%). In such adverse and hostile environment, these figures are reasonable.

Capital expenditure in 2019 was S$506.7 million. This is far higher than the 2018's figure of S$352.8 million. The main reason is the accelerated replacements of diesel taxis in Singapore by hybrid taxis to take advantage of the tax incentive.

The balance sheet continued to look strong and healthy. Group Total Assets grew to S$5.4 billion, a rise of 4.7%. Group Total borrowings and Lease liabilities from financial institutions had increased to S$634.2 million. The Group is now in a net debt position of S$40.0 million compared to a net cash position of S$16.2 million in 2018 resulting in a net gearing ratio of 1.3%. The Group gross gearing ratio position is 21.1%.

Despite the lower earnings in 2019, the Board of Directors is pleased to recommend a final tax-exempt one-tier dividend of 5.29 cents per share. If approved by Shareholders at the AGM on 24 April 2020, the total dividend for the year 2019 would be 9.79 cents per share. This is comparable to that paid in 2018 of 10.50 cents.

The dividend payment in 2019 represents 80.0% of our profit (2018: 75.0%). This is far higher than our declared policy of paying at least 50% of our profit as dividend. Against the year-end closing price of S$2.38, the yield is 4.1%. This is acceptable in the present low bank interest environment.

SUSTAINABILITY REPORTING

In 2019, a Group level Enterprise Risk Management (ERM) exercise was conducted. Several top-tier risks were identified, including (i) Competition Risk, (ii) Technology Exploitation Risk and (iii) Cyber Risk. ComfortDelGro Corporation Headquarters also conducted a one-week off-site exercise to validate its Business Continuity Plan (BCP). We also embarked on a Group ERM framework review for our three listed companies, where an external consultant was engaged to evaluate our risk governance, structure and processes.

In the area of sustainability, we strengthened our governance by establishing a Sustainability Steering Committee under the chairmanship of Managing Director/Group Chief Executive Officer (MD/Group CEO). In the Environmental domain, we aim to halve our Greenhouse Gas emission intensity from the 2015 level by 2030. In the Social domain, we have set a target of zero fatality for both road and workplace safety. In the Governance domain, our responsibility encompasses governance and anti-corruption as well as data privacy and fair practices for our supply chain partners.

A separate and more detailed sustainability report is being produced to accompany this annual report. It is our fifth report.

TRANSFORMATION OFFICE

The Transformation Office has adopted "Mobility Comes to Life" as the strategic vision that will guide our transformation journey. Central to the strategic vision are the dual concepts of "Physical Mobility" and "Digital Mobility". In order for the Transformation Office to drive the transformation journey, several key initiatives were launched in 2019. These include (i) Project Zest, a digital masterplan that aims to bundle all our services under a single app called ZEST and (ii) ComfortDelGro Ventures, a corporate venture fund that was set up to identify strategic investments to support the Group's business transformation.

We have invested in three companies: (i) Ministry of Movement (SWAT), (ii) Foretellix and (iii) Haulio. SWAT is a demand response transport technology provider based in Singapore. Foretellix is an AV safety testing and compliance technology company based in Israel. Haulio is a container trucking technology company incubated by the Port of Singapore Authority, and based in Singapore. In parallel, our Car Rental Business Unit is collaborating with Haulio to start a vehicle leasing programme to rent trucks directly to drivers.

With trials in autonomous buses in Singapore, together with our investments in SWAT and Foretellix, it is our plan that trials in autonomous taxis will be next to complete our entire ecosystem in managing AVs.

The Transformation Office is also involved in other projects across various Business Units to support the Group's transformation journey. These projects can be categorised into four broad areas as (i) business and revenue models, (ii) operations and processes, (iii) technology and intellectual property and (iv) eco-system and partnerships.

COVID-19

The outbreak of COVID-19 in January 2020 has understandably created panic and anxiety in the global community. For the protection of our commuters and employees, we have stepped up the cleaning and disinfection of our premises and vehicles.

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

The Group has also pooled our collective resources during these difficult times to source for items like masks and disinfectants which are critical for our frontline and backend staff. For example, we had shipped over 150,000 surgical masks and 30,000 gloves from Singapore in mid-January 2020 to help supplement dwindling supplies in our China operations. As the outbreak worsened around the world, we worked collectively to source for supplies for all our operations.

With regards to our cabbies, we have extended financial aid in the form of rental rebates to them during these difficult times. In Singapore, for example, we have announced a S$19 million relief package to help cabbies who have seen demand drop significantly. We continue to monitor the unfolding situation and stand ready to do more to assist where needed.

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.

OUTLOOK

The outlook for 2020 and beyond continues to be challenging with disruptors getting more aggressive and the political situation uncertain and unpredictable. Global Taxi business will continually be challenged by private-hire vehicles and tech apps. In some countries, the playing field is quite level and in others it is still uncertain. Singapore will be facing the implementation of the new Point-to-Point Passenger Transport Industry Act in 2020.

Competition in the global Bus business is likely to intensify with margins being slashed. We have to meet this inevitable challenge. Our expertise in tendering has to be strengthened.

Our transformation journey will need to be more focussed. More talent has to be recruited to undertake the tasks mapped out in the journey.

We shall continue to explore new business destinations. Acquisitions will continue to be our emphasis.

APPRECIATION

MD/Group CEO, Mr Yang Ban Seng continues to discharge his responsibilities and duties well. Not only has he to manage the existing businesses, he has to expand and transform the enterprise at the same time. This is a tall order under present difficult operating environment. The Group is facing tough and challenging times.

Continuing our director succession plans initiated four years ago, Mr Ong Ah Heng, a Director who has been with us since 1999 under the Comfort Group, will retire at the forthcoming AGM in April 2020. On behalf of the Board of Directors and Management, I wish to thank him wholeheartedly for his many years of pioneering, valuable and significant contributions especially in the important area of Labour-Management relations. We are deeply grateful for his guidance in the area of Labour-Management relations especially in areas like collective agreements. This has resulted in an undisrupted working atmosphere over the decades.

I wish to thank Management and Staff, both locally and abroad, and led by Ban Seng, for their untiring efforts and extremely hard and dedicated work in performing their duties under harsh conditions. This was especially so for our colleagues in Australia, who had to face the unprecedented and prolonged bushfires in late-2019 and early-2020. In an attempt to assist firefighting efforts and support families with immediate housing and living needs, we set up the ComfortDelGro Corporation Australia We Care Fund with an initial amount of A$250,000. Our employees who have had to evacuate or have lost their homes as a result of the fires are eligible for individual grants. To those in the UK, we empathise their concern over the issue of Brexit. To those in China, we continue to hope for the speedy end of the COVID-19 outbreak. We hope everyone of our staff keeps safe and healthy.

Together we will continue to deliver safe, prompt, reliable and affordable services. Our efforts will not be complete without the sincere assistance and cooperation of the various Trade Unions, Regulators and other Stakeholders. My deepest appreciation to all.

With all that we are doing, I am hopeful that we will be adequately prepared for the challenges and tasks ahead. I am also confident that we will continue to deliver quality services to the people and communities we serve.

LIM JIT POH
Chairman
MARCH 2020