CHAIRMAN'S STATEMENT

REVENUES AT A GLANCE

SINGAPORE
S$2,545.9M

UNITED KINGDOM
S$906.3M

AUSTRALIA
S$385.5M

I am very happy to report that we had another successful year. This is not an easy achievement and I am proud that our Management has managed to continue to grow the business despite the very difficult global business environment.

Introduction

The shocking outcome of the Brexit Referendum, the even more shocking United States Presidential Election, the refugee crisis in Europe, the tumultuous political struggle in the Middle East, the build-up of nuclear capabilities in North Korea and the protracted episodes in the East and South China Seas were the major political developments affecting our business in 2016.

In the economic sphere, global growth continued to slow down while productivity declined. Global commerce and trade remained stunted and the cost of doing business rose. Set against this backdrop, protectionism and anti-globalisation measures became the order of the day in many countries.

Commodity prices remained weak while oil prices continued to hold at low levels. Currencies continued to fluctuate with the British Pound taking a beating (-15.3%) after the Brexit result. The Australian Dollar strengthened marginally (+1.4%) while the Chinese Renminbi, now an International Monetary Fund reserved currency in the Special Drawing Rights basket of currencies, dipped (-4.2%) against the Singapore Dollar, our reporting currency.

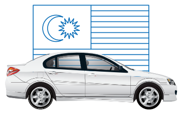
In the field of technology, we are also witnessing the rapid evolution of the Fourth Industrial Revolution as technological advances are moving at breakneck speed and artificial intelligence is becoming a reality.

Amidst such global uncertainty and upheaval, the Group has found it challenging to grow and expand our businesses as much as we would like to. That said, Management has turned in a respectable performance and registered its eighth year of steady growth.

CHINA
S$192.4M

IRELAND
S$17.6M

VIETNAM
S$8.9M



MALAYSIA
S$2.9M

Singapore Transforming

i. Physical

After the celebrations of Singapore's 50th Anniversary of Independence, the Government embarked on a long-term transformation programme and set up the Committee on the Future Economy (CFE) which I reported in my last statement. The Report was released in February 2017 and we will accelerate our undertaking to take into account the seven strategies outlined. We also look forward to schemes to be devised by the Authorities in implementing these strategies.

Tenders for the redevelopment of the Jurong Lake District as the second central business district have been called. Plans are also afoot for the Mandai Makeover and a new Tengah Township. The latter, a new town development, comes after a lapse of 20 years and will feature a forested setting together with some 'smart' elements. It will include Singapore's first car-free town centre as part of the car-lite efforts. All roads will get dedicated walking and cycling paths.

ii. Socio-Economic

The Smart Nation programme, with its various initiatives, is being explored, studied and implemented. Aspects which are directly relevant to us include programmes related to autonomous and driverless vehicles and the car-lite environment infrastructure.

Our population reached 5.61 million as at June 2016. Growth in our economy is expected to slow to a low of between 1% and 3% for a few years as it restructures and matures. The re-employment age will be increased to 67 years old with effect from 1 July 2017. The Government has convened a committee to review the ElderShield Scheme as part of its broader efforts to provide for better retirement adequacy and healthcare assurance as seen in the review of the MediShield Life Scheme and the introduction of the Pioneer Generation Package.

iii. Land Transport

Singapore now has five Mass Rapid Transit (MRT) lines, three Light Rail Transit (LRT) lines, more than 5,000 public buses and 28,000 taxis. In addition, about 7.9 million passenger trips are made daily (3 million on trains, 3.9 million on buses and 1 million on taxis).

The MRT Masterplan which I mentioned in 2008 together with its revision in 2013 is well under way. We started operations on our Downtown Line (DTL) Stage 2 on 27 December 2015. We will be getting ready for the final Stage 3 opening in 2017. By then, all the 34 stations on the DTL will be open to the public.

An announcement has been made that our listed subsidiary, SBS Transit Ltd, together with the other rail operator, will be the only two operators invited to tender for the Thomson-East Coast Line (TEL). The tender is expected to take place in the first quarter of 2017. The Line is set to be completed by 2024 and will first start to operate in 2019 over five stages.

The new Bus Contracting Model (BCM) went into full swing in 2016, with 20% of the existing bus routes opened for public tenders. Terms of the remaining 80% of the existing routes were successfully negotiated between the Land Transport Authority (LTA) and the two incumbent operators. From 1 September 2016 onwards, the Authorities have assumed full revenue risk in all scheduled bus routes.

As part of its expanded role, the Public Transport Council (PTC) has issued its first report to the Minister for Transport on its recommendations on improving the commuter's journey.

To further promote a car-lite society, the Authorities have announced plans to build cycling paths with a target of 700km by 2030. This is also the deadline when the Land Transport Masterplan will be fully implemented with a rail network distance of 360km. A full write-up of our involvement can be found in the Annual Report of our listed subsidiary, SBS Transit.

In a move which helped level the playing field in the taxi/private hire business in Singapore, the Authorities removed the minimum 250km mileage criterion from the Taxi Availability standard with effect from 1 January 2017. It also announced in February 2017 that private hire car drivers from ride-sourcing service operators are now required to obtain a vocational licence under amendments to the Road Traffic Act and to display a decal on their vehicles.

Driverless taxis and autonomous vehicles are on trials. The Park and Ride Scheme ceased to operate from 1 December 2016 after 26 years.

Towards the end of the year, the High Speed Rail Project Agreement between Singapore and Kuala Lumpur was signed. Scheduled for operation by 31 December 2026, the new rail line will operate a distance of 350km (with 15km in Singapore) and eight stations. It is expected to have a travel time of 90 minutes.

The new land transport landscape is indeed exciting and challenging. As a Group, we will continue to gear up as we prepare to take on even more challenges in the new environment.

Corporate Governance

i. Board Diversity

The Diversity Action Committee continued its efforts to increase women representation in the boards of listed companies. In its 2016 report, it said that the percentage had further increased to 9.7% from 9.5% a year ago. It also suggested that the Monetary Authority of Singapore (MAS) strengthen the Code of Corporate Governance (Code) by requesting listed companies disclose their diversity policies, set measurable objectives and make progress reports.

I am pleased to say that we have a very diverse Board in terms of expertise and knowledge (legal, accounting and technology), overseas business experience, top management leadership experience at business, government and grassroot levels, gender, age, and involvement in the labour movement. These are very relevant to the nature of our regulated land transport business. This did not come by chance but is the result of a concerted effort to maintain as diversified a Board as possible.

ii. Code of Corporate Governance

We continued to do well in the Singapore Governance and Transparency Index 2016, a joint initiative by the Centre for Governance, Institutions, and Organisations at the National University of Singapore Business School, Singapore Institute of Directors and CPA Australia. We take pride that the scores of our three listed companies are within the top 7% of the 631 listed companies covered in the Index: ComfortDelGro at 83, SBS Transit at 79 and VICOM Ltd at 88 far exceeded the national average of 49.7. Our respective rankings are 32nd, 41st and 20th.

We also fared well at the ASEAN Corporate Governance Scorecard. This index measures the top 100 companies of each nation. In Singapore, ComfortDelGro is ranked 25th.

On 27 February 2017, MAS announced that it has formed a Corporate Governance Council to review the Code. The last review was in 2012.

iii. Singapore Stock Exchange

Last year, we produced our first Sustainability Report, ahead of regulatory requirements. The Singapore Exchange (SGX) has mandated that all listed companies will have to publish a sustainability report for financial years ending on or after 31 December 2017.

The SGX also commissioned KPMG to conduct an inaugural review of the extent of disclosures of the 85 requirements under the Code of Corporate Governance 2012. Judging from the general findings on remuneration matters, board matters, accountability and audit and shareholders rights and responsibilities, I am confident that we have done well though no specific score has been published for each of the companies.

The SGX announced its restructuring plans to delink the regulatory and supervisory functions from the commercial function. The regulatory function will be placed in a separate subsidiary with a chairman independent of the SGX. This is expected to take place in the second half of 2017.

iv. Audits

I continued my practice of meeting up with our External Auditors together with all the Chairmen of our three Audit and Risk Committees (ARCs) in the absence of Management staff. This is in addition to each of the ARCs meeting with the External Auditors, also in the absence of Management staff. I am pleased to report that our Management staff had continued to extend their full cooperation and assistance to the External Auditors in the course of their work. No serious shortcomings were surfaced.

Our Internal Audit team continued to undertake assignments, both locally and abroad. In the year under review, 32 internal audits were conducted including 14 or 44% on our overseas entities. There were no serious issues that warranted the attention of the Board.

v. Investor Relations and Awards

Our Investor Relations (IR) team continued to have an active year meeting up with our investor representatives and research analysts. Our team also participated in seven investor conferences and non-deal road shows in Singapore, Kuala Lumpur, Taipei, Hong Kong, London and Edinburgh. We held 219 meetings and post-result briefings. These opportunities gave us the platforms to make known our strategies, our operations and our Vision. Feedback gathered from these sessions was also useful to our planning and follow-up activities.

We continue to adopt a transparent and prompt approach when dealing with our investors. Announcements are clearly and accurately disseminated to all Shareholders through the Exchange and on our website.

Sixteen research houses covered our stock. In the course of the year, more than 170 research reports were produced.

In anticipation of large turnouts at our Annual General Meetings (AGMs) as a result of changes to The Companies Act and the Central Provident Fund (CPF) Act, we decided to hold the Meetings at the larger HDB Hub instead of our usual office premises. Advanced notices and reminders were sent out so that Shareholders did not mistakenly proceed to the previous venue. We continued to meet up with our Shareholders after the AGMs sharing some light refreshments with them, attending to their queries and exchanging views with them. Board Directors and Management staff enjoyed these valuable sessions.

Our companies continued to receive awards in their places of work. In particular, VICOM won the Merit Award for Corporate Governance in the Big Cap category at the Securities Investors Association Singapore's (SIAS) Investors' Choice Awards 2016.

Our loyal Shareholders continued to hold our stock with 22% coming from North America, 14% from the United Kingdom (UK), 13% from Asia excluding Singapore and 5% from Europe. These constitute a majority 54% of our shareholdings. The top 20 Shareholders held 43% of our shares.

We remained one of the 30 stocks of the Straits Times Index (STI). In the year under review, the STI outperformed us by about 19%.

Initiated by the industry, a new Singapore Stewardship Principles, with the support of the MAS and the SGX, was launched in November 2016. I am pleased to advise that our IR activities are already in line with these Principles.

vi. Directors' Continuing Education

As part of our Directors' continuing education, several informatory sessions were conducted. A session on the major amendments to The Companies Act was conducted by a leading legal firm while another on Changes to the Regulatory Standards was also held. Other sessions included those on IFRS Convergence, Enhanced Auditors' Report, Sustainability Reporting and Cyber Security: Global Trends and Outlook.

vii. Director Renewals

Starting from 2017 AGMs, one director each from our three listed entities will retire. This represents about 14% of our Group of non-executive Directors. It is a healthy start towards our director renewal process.

Singapore Businesses

We continue to operate in eight business areas in Singapore. These are (i) public transport services (bus and rail), (ii) taxi, (iii) vehicle inspection and non-vehicle testing services, (iv) engineering and diesel sale, (v) car rental, (vi) driving education, (vii) vehicle and outdoor advertising and (viii) insurance broking.

The Scheduled Bus business assumed the new BCM in September 2016. SBS Transit's market share fell but it no longer takes on the revenue risk. The Unscheduled Bus business continued to be a significant player, running most of the major national events in addition to its usual school, corporate and Premium Bus Service contracts.

The Rail business covers the North East Line (NEL), DTL MRT and the Sengkang and Punggol LRT systems. Ridership on all the Lines increased during the year.

Despite strong competition, our Taxi business held its own through its award-winning booking app. New features were added to make booking that much easier for the commuters. As a result, call booking volumes remained strong. Cashless transactions also increased during the year with the return of VISA cards. We continue to assist and support our drivers who are our close working partners. For example, we introduced an assistance fund during the year to help those who find themselves in need of urgent financial assistance as the economy slows. We also reward our loyal customers with attractive, practical and sustainable promotions from time to time. We remain committed to improving our overall service levels to both our drivers and their passengers. To this end, we have made significant investments and continue to be the leading taxi operator with a fleet size of close to 17,000 taxis or 61% of the market as at 31 December 2016.

Our Engineering business serves as a strong support for our taxi business. Our priority is to maintain our fleet of vehicles, ensuring they stay in tip-top condition. Our islandwide branches of workshops also offer convenience to our drivers, and our commitment to workplace efficiency ensures that the downtime for taxi maintenance is minimised. In addition, our drivers are also provided with subsidised diesel. Besides serving our taxi fleet, our engineering arm also services and maintains fleets of large corporations and individuals.

Despite increased competition, our Car Rental business continued to hold its own. Our Driving School won contracts from the Home Team and the Singapore Civil Defence Force, further reinforcing its position as Singapore's leading driving school. It celebrated its 20th year of existence in 2016.

We remain the dominant operator in the Vehicle Inspection industry with a 74.4% market share. We have kept inspection fees unchanged since 2007 and instead focussed on delivering greater value for our customers through productivity improvements. We continue to keep abreast of technological developments in car manufacturing and their pursuant testing needs. Our Non-vehicle Testing business experienced a challenging year as the global economy slowed. A full report of the Vehicle Testing and Non-vehicle Testing sectors appears in the Annual Report of our second listed subsidiary, VICOM.

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Our Outdoor Advertising business covers mainly taxi, bus and rail advertisements. There was increased activity during the year as DTL 2 opened for operations. The creative advertising packages produced continued to attract high patronage.

The Insurance Broking business continued to look after our Group's multi-million dollar insurance premium, both locally and abroad. Effective savings and enhanced coverage have been achieved for our Group.

Despite the competitive environment, we continue to look for growth and improvements.

Overseas Businesses

We operate in six overseas countries: the UK, Ireland, Australia, China, Vietnam and Malaysia. Other than rail, engineering, non-vehicle testing, insurance broking, the remaining five businesses that we run in Singapore, together with the bus station business, operate in the overseas countries.

Towards the end of the year, we signed a Share Sale Agreement to purchase the remaining 49% stake in ComfortDelGro Cabcharge Pty Ltd for S$201.1 million (A$186.0 million), making it a wholly-owned subsidiary of the Group. This is the entity which owns the bus operations in Sydney and Melbourne where we are the leading private bus operator. The sale was completed in February 2017.

i. United Kingdom

The UK continues to be the best performer amongst our overseas operations. Our Bus and Coach businesses there performed commendably but the Taxi Circuit and Private Hire businesses faced great challenges. The fall in the value of the British Pound post-Brexit resulted in a drop in translated profits.

Our Scheduled Bus business, operated through our wholly-owned subsidiary, Metroline, retained its position as the second largest operator in London with a market share of 19.1%. It operated more than 1,740 buses on 108 routes during the year, including 394 environmentally friendly buses like fully electric and hybrids, of which 147 were the iconic 'New Routemaster' double decks. In March 2016, it won the 'Bus Operator of the Year' Award at the London Transport Awards.

Our Coach operations in England and Scotland, including the Inter-City Express Coach operations between Scotland and major English cities continue to perform up to our satisfaction in a very competitive environment.

ii. Ireland

The Intra-City Coach operation in Ireland is doing very well. We run a network of six routes linking four major cities (Cork, Dublin, Galway, and Limerick) as well as direct Dublin Airport express coach services under the 'Irish Citylink' and 'eireagle.com' brands. On-bus sales and website sales are predominant and account for close to 95% of our bookings.

iii. Australia

We operate in four cities: Sydney, Melbourne, Canberra and Perth. We also operate in major cities and regions such as Blue Mountains, Hunter Valley, Geelong, Ballarat and Queanbeyan. We run scheduled bus, chartered bus and school contract services in Sydney and Melbourne. In New South Wales (NSW), we are one of the largest private bus operators with 1,198 buses. Likewise in Victoria, we have 515 buses. We also offer vehicle advertising services in NSW.

In Perth, we run Swan Taxis, the largest taxi circuit in the City with 1,724 vehicles. Perth City is undergoing some changes to the transport scene as a result of the On-demand Transport Industry Reforms introduced by the previous Minister for Transport. We continue to perform satisfactorily in the new environment competing against third-party apps and ride-sharing services.

iv. China

China is our third largest overseas destination. We operate in five business areas in 11 cities – taxi, long-distance bus station, car rental & leasing, vehicle inspection and driving education.

Provision of taxi services continues to be our major business in China with 10,778 vehicles operating in nine cities. We are still the leading operator in Jilin City and Nanning, second in Chengdu and Shenyang, third in Beijing and fourth in Nanjing. The remaining cities with smaller fleets are Shanghai, Suzhou and Tianjin.

Like everywhere else, disruptive technologies have had an impact on the taxi industry in China. The Government has, however, laid down a set of regulations aimed at levelling the playing field with clear definition of taxi age and usage, and residential, driving and security profile of the drivers. It is our hope that these new regulations would provide a fair competitive climate.

Despite the introduction of the high speed rail network, our Bus Station business continued to perform well through innovative marketing and the introduction of new value added services including fuel selling and passenger insurance and app-enabled ticket purchases.

v. Vietnam

Our two taxi companies in Vietnam performed satisfactorily despite the increased competition. With 604 vehicles, we still rank third in Ho Chi Minh City.

vi. Malaysia

The slowdown of the Malaysian economy has posed challenges to our Auto Leasing company which operates 182 vehicles.

Manpower

The cost of manpower continued to rise. In 2016, our Group manpower expense reached S$3.99 million per day, an increase of 3.9% from 2015. While extra efforts have been made to manage this cost, there is a limit to what we can do given that our vehicles still need to be manually operated by human beings. We continue to focus on staff development to service our clients.

We also reviewed and streamlined manpower structures at the various Business Units, enlarging job scopes and further flattening reporting lines. Process reviews were also undertaken to improve productivity and efficiency. Concurrently, senior management bench strength was also beefed up to meet future challenges.

Our staff strength in 2016 stood at 22,048, a drop of 255 from 2015. Part of the decline is due to the transfer of bus captains under the new BCM in Singapore. About 44% of our staff are based overseas. Overall, 28% of our staff are Singaporeans. The other four major nationalities are Malaysians (21%), British (14%), Australians and the People's Republic of China nationals (10% each). Together, they constitute 83% of our total workforce.

Information Technology

We continue to invest significantly in technology and information technology. In 2016, this accounted for about 1.1% of our total revenue, or about S$44.4 million. For example, we invested S$1.5 million in the Mobileye Safety System in Singapore which assists our bus captains in their driving so as to avoid unnecessary accidents. A similar system is being rolled out in our Australian operations in 2017.

Finance

I am very happy to report that we had another successful year. This is not an easy achievement and I am proud that our Management has managed to continue to grow the business despite the very difficult global business environment.

Group total revenue has reached S$4.06 billion in 2016. This is slightly lower than 2015 by 1.3%. Despite the drop in revenue, Group operating profit increased by 2.6% over 2015 to S$462.2 million.

The two leading Business Units, taxi and public transport services, continued to be the top performers. Their combined revenue represents 89.8% of our Group total revenue. This is 0.8 percentage point higher than 2015. However, Group taxi revenue surpassed previous year by 0.7 percentage point, while the Group's public transport services revenue also edged marginally higher compared to 2015 by 0.1 percentage point.

These two businesses also lead in operating profits, contributing close to three-quarters of total Group operating profit.

With weaker foreign currencies prevailing in our overseas operations, overseas total revenue in 2016 was 37.3% of Group total revenue, a slight decline of 2.7 percentage points from 2015. Likewise, overseas total operating profit is also 5.1 percentage points lower than 2015's Group total operating profit at 40.5%.

The Group's profit before tax reached a record of S$466.6 million in 2016. This is 3.2% higher than 2015. Profit attributable to shareholders is also a record at S$317.1 million or 5.0% better than 2015. Earnings per share in 2016 increased by 4.6% to 14.72 cents. Net asset value per share increased to 114.77 cents from 108.60 cents previously. With these sets of figures, returns to both equity and total assets were 13.2% and 7.3% respectively in 2016 compared to 13.3% and 7.1% in 2015.

Capital expenditure in 2016 was S$466.5 million compared to S$669.6 million in 2015. We will expect this expenditure to slow down as a result of the introduction of the new BCM in Singapore in which the Authorities are responsible for the ownership of the buses. However, we will continue to expand in areas where our needs are critical especially in the area of technology.

Our balance sheet continues to be strong and healthy. We maintain this status so as to be able to distribute a reasonable dividend to our Shareholders as well as to be in a comfortable position for future expansion. As at end of 2016, our assets stood at S$5.1 billion, a slight drop of 1.8% from 2015. This has resulted in our total borrowings reduced to S$345.1 million from S$558.6 million in 2015. Our gearing ratio was 10.8% compared to 18.5% in 2015. Our net cash position was S$434.2 million compared to S$229.2 million in 2015.

Your Directors have recommended a higher tax-exempt one-tier final dividend of 6.05 cents per share. This will be subject to Shareholders' approval at our AGM on 26 April 2017. Together with the tax-exempt one-tier interim dividend of 4.25 cents per share paid earlier, the total dividend for 2016 would be 10.30 cents per share. This is 14.4% higher than 2015 and represents 70.1% of our payout. It is also higher than our declared minimum 50% dividend policy. Against the year-end closing price of S$2.47, the yield was 4.2%.

Corporate Social Responsibility

Accompanying this Annual Report is the second edition of our Sustainability Report. It covers all the countries that we operate in compared to the first edition which covered only Singapore operations.

Outlook And Challenges

As I write this Statement, it is clear that the global political and economic environment going forward will be very challenging. How countries react to events happening around the world will determine to a large extent our future business strategy.

In Singapore, we will closely monitor new regulations that may emerge following the release of the Report by the CFE.

CHAIRMAN'S STATEMENT

The evolution of vehicle manufacturing will also affect our business in the years to come. We will keep a keen eye on the development of electric, hybrid and autonomous technologies and the ensuing changes in legislation, which I suspect will take a while as mindsets and attitudes towards such new innovations slowly change.

We are also monitoring developments in technology applications, specifically in the area of land transport. We will continue to invest in new technologies to further improve our service offerings to our customers.

It is inevitable that with changes to the business environment, appropriate manpower may need to be recruited to meet the challenges. This is the challenge that the Human Resource Department needs to anticipate and work closely with the business groups, the relevant government agencies and the labour unions.

Our efforts to continue our overseas investments may need to be intensified. A new strategy may need to evolve in light of new changes and challenges.

Changing Of The Guard

Mr Kua Hong Pak, our Founding Managing Director/Group Chief Executive Officer (MD/Group CEO), has decided to step down on 30 April 2017. He has been at the helm for over 14 years. It has been my fortune to work very closely with him as both of us were directly responsible for the Merger of Comfort Group Limited and DelGro Corporation Limited in March 2003. His hard work, determination, commitment and passion, together with his foresight, have brought ComfortDelGro to its present position. Under his leadership, the Group experienced compound annual growth rates of 5.1% in revenue, 5.8% in operating profit and 4.8% in total assets during the period from 2003 to 2016. It is indeed very rare for a Singapore-based company to venture so successfully overseas in land transport in so short a time.

I wish to congratulate him for his fine efforts. In appreciation of his significant contributions, we have decided to devote a few pages in this Annual Report to reflect and record his achievements.

I am also very happy that Mr Yang Ban Seng, our CEO in the Taxi Division, will be taking over the helm. Ban Seng is not new to the Group having been with Comfort and then ComfortDelGro for over 28 years. I have no doubt that he will bring the Group to new heights in a very challenging and interesting business environment.

Appreciation

In thanking Mr Kua Hong Pak for his many valuable and significant contributions over a period of 14 years, from 2003 to 2017, I also wish to add my grateful appreciation to my fellow Directors for their advice and suggestions over these formative years. We have embarked on a process of director renewals starting with the coming AGM where Mr Tow Heng Tan will be retiring. Heng Tan has been with us since 2002, first with Comfort and then ComfortDelGro. He has been a member of both the Remuneration Committee and the Investment Committee. He was also the Chairman of our Remuneration Committee from 2012 to 2016.

My thanks also go to our hardworking Management staff, many of whom have been with the Group since it formed.

To our Partners, I also wish to express my appreciation for their loyalty, understanding and assistance in the course of the year under very trying circumstances.

To the Regulators and Labour Unions, we look forward to working together to further improve the level of service to our commuters.

To our Commuters, we continue to have your interests at heart. We appreciate your continued patronage. We do not take your relationship with us for granted and will continue to work hard to ensure your journey with us is safe, comfortable and rewarding.

I also wish to thank our faithful and loyal Shareholders for their trust, understanding and cooperation in the course of the year. I see long-term shareholdings remaining in our register of members. We shall continue to do our best and hope for growth in the coming year.

Lim Jit Poh
Chairman
March 2017