REVENUES AT A GLANCE

SINGAPORE
S$2,483.3M

UNITED KINGDOM
S$855.2M

AUSTRALIA
S$423.6M

CHINA
S$179.2M

IRELAND
S$20.2M

VIETNAM
S$6.8M

MALAYSIA
S$2.6M

INTRODUCTION

2017 was a difficult year on many fronts. The key word to describe the challenges we, as a Group, faced is 'DISRUPTION'. There were many types of disruption ranging from political to business, shareholding to company, Board and Management. But perhaps, the most critical to our land transport business and business model were technology and vehicle manufacturing.

Politically, the installation of President Donald Trump in the United States of America (USA) and the heated rhetoric between him and North Korean Leader Kim Jong Un over the nuclear activities in Peninsula Korea have given rise to geopolitical disruption. Mirroring this in the field of technology advances is how artificial intelligence has hastened the Fourth Industrial Revolution.

Disruption in the way we do our business has also taken place as demands by Institutional Shareholders grow. There is a global movement towards greater emphasis on environment, social responsibility and corporate governance (ESG) issues rather than the earlier concept of just corporate social responsibility. We have embraced this and have issued our third standalone Sustainability Report which comes with this Annual Report. In terms of board composition, management structure and personnel, demands by the Authorities, Regulators and the investing community have also caused disruption.

Specific to the nature of our land transport business, disruption has come in the form of ride-hailing apps as well as the advent of new vehicle technologies like hybrid, electric and autonomous vehicles.

Despite these disruptive elements, the business community as a whole managed to enjoy another good year in 2017 with global economic recovery well under way. All eyes are on the speed at which technological advancements and artificial intelligence progresses for it will change the way many industries operate — ours in particular.

LAND TRANSPORT

In our land transport sector, electric vehicles or EVs are making headlines following the adoption of the Paris Climate Accord. The EV path is unfolding fast with governments and carmakers making plans to cut down emission standards. Britain had announced its policy to ban petrol and diesel vehicles by 2040 as part of its efforts to reduce pollution and carbon emissions. China has targeted to have new EV car sales of 10% in 2019 and 12% by 2020 and at least 25% by 2025 in order to cap the carbon emissions by 2030.

Established car manufacturers had announced ambitious plans for the production of EVs and the concurrent phase out of diesel vehicles starting from 2019. EV technology has improved with the battery life span lengthened. Charging infrastructure is also being developed. Costs are getting lower. EVs are also being experimented in Singapore.

Autonomous vehicles or AVs continue to be experimented and tested. The USA has just released its first guidance on the future of this type of vehicles — Vision for Safety 2.0, which focusses on the benefits of driverless technology and calls for the lightest possible regulatory touch in testing the technology.

Meanwhile, disruption continues to prevail in the taxi industry. Ride-hailing apps, backed by their multi-billion-dollar investors, continue to compete aggressively. The December 2017 landmark court decision by the European Court of Justice defining Uber Technologies Inc. as a transport company rather than a digital service provider will hopefully level the playing field in countries where we are operating — including Singapore.

Some form of stability is likely to be achieved in the fast emerging private hire sector in Singapore as the Government lays down some regulations on qualifications of drivers and identification of vehicles being used. Likewise, China and the United Kingdom (UK) also laid down some meaningful and workable guidelines.

With the newly introduced Bus Contracting Model (BCM) in full operation and more mass rapid transit (MRT) lines coming on stream in Singapore, the number of taxis in the market started to decline while the private hire vehicle number showed some signs of stability. Competition for taxi drivers has intensified with attractive financial incentives being offered by the ride-hailing apps. We have lost drivers to these new apps. We expect this fluid situation to continue until the taxi population reaches a steady state. When that happens, taxis and private hire vehicles will then co-exist side by side. We continue to maintain our share of the taxi market although it is now a slightly smaller pie. Nonetheless, a customer satisfaction survey by the Public Transport Council (PTC) showed that taxis achieved marked improvements last year.

Under the new BCM in Singapore, we won the third and fourth bus contracts out of four tendered. In the rail segment, we lost the Thomson-East Coast Line tender by a hefty margin of 30% to a state-owned enterprise.

In the annual Public Transport Customer Satisfaction Survey released by the PTC in Singapore in February 2018, commuters' satisfaction levels dipped in 2017 to 94.5 percent, from 96.4 percent previously, due mainly to the fall in satisfaction levels with MRT services.

The Land Transport Authority (LTA) in Singapore plans to have cashless in-fare collections by 2020. In rail reliability, the Mean Kilometre Between Failure (MKBF[1]) target has been set at a higher level from 300,000 train-km in 2017 to 1 million train-km by 2020. New and lower fares for rail in 2018 were announced by the PTC with incentives for early morning train rides after two successful trials. Hybrid buses will be on the road soon. AVs will also soon be on trial in three selected new towns for the 'first' and 'last' mile transport. Vehicle growth rate was reduced to zero percent in February 2018 compared to the previous rate of 0.25 percent. The next review will be in 2020. Singapore is fast heading towards becoming a car-lite society.

CORPORATE GOVERNANCE

(i) Terms of Reference of Mandated Committees

A thorough review of the terms of reference of our three mandated committees (Audit and Risk Committee, Remuneration Committee and Nominating Committee) was undertaken following the appointment of a new Group Chief Executive Officer in May 2017. The review took reference from the corporate governance guides published by the Singapore Institute of Directors (SID). One important outcome of the review is to get independent directors to be more involved in talent management and succession planning as this subject is becoming very crucial in the face of future direction and development of the Group.

(ii) Code of Corporate Governance ('Code')

In my last statement, I mentioned that the Monetary Authority of Singapore had announced in February 2017 the formation of a Corporate Governance Council to review the Code. In January 2018, the Council issued a consultation paper outlining its proposals to shift some of the major points from the Code to the Singapore Stock Exchange (SGX) Listing Rules. A new point pertains to the tenure of independent directors. It is now recommended that directors who have been on the board for nine or more years be classified as non-independent. The revised Code is expected to be launched in the second half of 2018.

In the Singapore Governance and Transparency Index 2017, a joint initiative by the Centre for Governance, Institutions and Organisations at the National University of Singapore Business School, SID, and CPA Australia, all our three listed companies continued to move up in the rankings. Out of 606 listed companies studied in 2017, we ranked in the top 6% (2016: top 7%). Our listed subsidiary, VICOM Ltd, is the best with a ranking of 16th. This is followed by ComfortDelGro Corporation Limited and the other listed subsidiary, SBS Transit Ltd, in 25th and 32nd positions respectively. Their respective scores of 95, 89 and 86 far exceed the overall average score of 52.3 which itself is an improvement from the average score of 49.7 in 2016.

(iii) Diversity Action Committee

In the latest report of the Diversity Action Committee (DAC), the percentage of female directorships in listed companies has increased to 10.8%, a rise of 0.9 percentage points. But the People's Action Party's Women's Wing has moved

[1] MKBF refers to the mean km travelled between delays of more than five minutes.

the goalpost further, and set a target of 20% by 2020 and 30% by 2030. DAC also has its targets of 20% by 2020, 25% by 2025 and 30% by 2030. With Ms Lilian Tham Ee Mern's appointment, we now have two female Directors on the Board which translates into a 22% representation — higher than the DAC's target of 20% in 2020. We also have two female directors out of nine Directors in VICOM representing 22% while SBS Transit has two out of 10 or 20%.

I intend to increase the number of female directorships to three per board. Concurrently, I am also toying with the idea of bringing people rich in human capital as this is the element that we should try to have within our boards in view of the importance of this aspect in our future workforce.

In short, our board profile should comprise people in leadership positions at the tripartite levels of government, labour and industry. It should also comprise expertise, know-how, experience and understanding of accounts and finance, legal knowledge, information technology, engineering and human capital. Such will be our policy guidelines in the constitution of our three listed boards.

(iv) Singapore Stock Exchange

The call for quarterly reporting to be abolished has gained ground. It was introduced in 2003 in an attempt to promote transparency and corporate governance. In January 2018, SGX issued a consultation paper on the subject. The intention seems to be a tweak to the present practice with companies having a market capitalisation of at least S$150 million continuing with the present reporting practice compared to S$75 million now. There are also suggestions to simplify reporting for the first and third quarters. Our three listed companies will continue to report quarterly results.

In January 2018, the SGX announced that listing of dual-class shares would be introduced, probably in June 2018, after it issued a consultation paper earlier. Another consultation paper on implementation will be released soon.

Shareholders are demanding that Annual General Meetings (AGM) be spread out instead of clustering around a fixed period so that they can attend more of them. Trading hours have changed with a lunch break re-introduced between 12 noon and 1pm after its stoppage for six years in 2011. Guidelines on the handling of confidential information and dealings in securities were released jointly by SGX together with The Association of Banks in Singapore, the Institute of Singapore Chartered Accountants, the Law Society of Singapore and the SID.

(v) Audit and Risk Committees

I continue my annual practice of meeting up with our External Auditors with the three Chairmen of our three Audit and Risk Committees (ARCs) in the absence of Management. It is my strong belief that as Chairman of the Group, I should deliberately not be represented in these Committees. Each of the three Committees also had their own private meetings with the Auditors without the presence of Management. As in the past years, the External Auditors mentioned the full co-operation of the Management staff and their requests for support and assistance were provided speedily without hesitation.

As International Financial Reporting Standards (IFRS) will be introduced in 2018, we continue to have special sessions for our Directors and Management staff on this subject. Changes in the legal sphere were also briefed by experts to our Directors and key senior staff in the course of 2017.

Our Group Internal Audit Head who had been with the Group for 36 years retired in 2017. With the assistance and approval of the ARC, a new head was recruited.

In 2017, 32 internal audits were conducted. Of these, 18 or 56% were confined to overseas entities signalling the importance of our overseas operations. The overseas locations covered in 2017 included China, the UK, Ireland and Perth. Generally, the outcome of the internal audit is satisfactory.

(vi) Investor Relations and Awards

Our Investor Relations (IR) team continued to have another busy year. With disruption in the industry, investors and funds are keeping close tabs on developments within the Group. The announcement of our intended tie-up with Uber in an alliance deal also attracted wide attention as it would be the first time that we would be entering the private hire market in a big way.

The IR team continued to meet up with representatives of many funds and the 16 research houses which cover our stock. In the latter case, they produced more than 180 reports in 2017. Our team also participated in six investor conferences and non-deal road shows in Singapore, Kuala Lumpur and Hong Kong. On these occasions, our team had good discussions on our strategies and vision, as well as our operations. Feedback from these active Stakeholders has been very useful to us in formulating our detailed plans and activities.

In the process, we are presenting to the Shareholders at the 2018 AGM our proposed share buy-back and the share performance schemes. The former is to enhance the value of our shares while the latter is to provide incentives to our talented and committed staff. Both have to be in step with each other. The proposed share performance scheme is purposely designed to seek a small 2% of the paid up capital over a 10-year period. It shall have no significant dilutive effect on the existing shareholdings. I hope Shareholders will give us the necessary support, encouragement and approval to proceed.

Our approach to our Shareholders and investing public continues to be transparent and prompt. We post announcements on the SGX without fail. Media releases are also issued for major or significant announcements and these are also put up on our websites. On the latter, I am pleased to report that in the inaugural survey undertaken by the Investor Relations Professionals Association and the EQS Group on 711 SGX-listed company websites, we were placed in comparatively high positions with

SBS Transit at 29th, VICOM 32nd and ComfortDelGro 36th. These rankings place us in the top 5% of the surveyed websites. All three websites are being updated and improved versions are either already launched or due to be launched soon.

At the 18th Securities Investors Association Singapore (SIAS) Investors' Choice Award 2017, our two listed subsidiaries, SBS Transit and VICOM, won the Transparency Award for the Mid- and Small-Cap category.

Our loyal Institutional Shareholders continued to own a significant portion of our shareholdings with 17% coming from USA, 15% from the UK, 12% from Asia and 6% from Europe. These numbers made up a total of 50% of our shareholdings. The top 20 Shareholders held 44% of our shares.

We listened to useful advice and suggestions from these Shareholders in their annual letters on investing for long-term benefits and emphasising on ESG issues. We also noted their satisfaction on our dividend policy which we shall maintain.

We continued to be one of the 30 component stocks of the Straits Times Index (STI). Unfortunately, our share price performance in 2017 fell against the STI compared to past years. The main cause is perhaps the technological disruption to our traditional taxi business. Despite the poorer share performance, our dividend yield of 5.25% as at the end of 2017 remains good. We are currently in the fifth position and outrank the average of the 30 stocks in the STI of 3.36%.

(vii) Directors

With disruption in business environment, the Group's process of planned director renewal and profile took on greater urgency. Initiated from the 2017 AGM where one director each from our three boards retired, the same pattern will take place at the 2018 AGM where two directors each from our two subsidiary boards and one from the parent company will retire. New directors to be appointed after the respective AGMs, will be those moulded along our intended profile described earlier.

Along with the changes, Directors are also kept updated on training courses organised by SID as well as in-house sessions conducted on specific topics needed by the Group.

SINGAPORE BUSINESSES

In 2017, we continued to have eight business interests in Singapore. These are (i) public transport services (bus and rail), (ii) taxi, (iii) engineering, and sale of diesel and petrol, (iv) vehicle testing and non-vehicle testing services, (v) car rental, (vi) driving education, (vii) vehicle and outdoor advertising and (viii) insurance broking.

The Scheduled Bus business had its full year of operations under the new BCM in which we do not have to assume revenue risk. We have already concluded negotiations with the LTA and will be transiting to the New Rail Financing Framework in which we shall not be taking the revenue risk. A more detailed report of our Public Transport Services appears in our listed subsidiary SBS Transit's Annual Report.

In Unscheduled Bus business, we continued to win most of the major event bus charters like the National Day Rally and Standard Chartered Marathon. At the time of writing, we have just been awarded a large Shell Eastern Petroleum (Pte) Ltd contract to provide bus transportation services in Bukom for 10 years. Together with the likely acquisitions of a few small companies, we aim to be a significant private bus company running the LTA's approved premium bus services, corporate and school contracts as well as other major public contracts. We hope to be the leader in this domain.

We continued to command about 62% of total Taxi market in Singapore, maintaining our leadership position. However, the fast expanded private hire business together with the gradual opening of more MRT lines is eroding part of the overall taxi market volume. These are the threats to the taxi industry.

The decline in our Engineering business as a result of a reduced Taxi fleet may be offset by an expected increase in vehicles from the Private Hire business in 2018 if the alliance is approved. Our Car Rental business continued to thrive in its niche market. Driving Education continued to perform well. Our Vehicle Advertising fared reasonably well but restrictions on the space on the buses that is permitted for advertising may erode some margins. Insurance Broking continued with its excellent efforts to reduce the Group insurance premium and at the same time enhance its benefits. At the end of 2017, we decided to buy over the 51% stake not owned by us thereby making it our wholly-owned subsidiary.

The Vehicle Testing business continued to enjoy its leading market share of close to 75%. But Non-Vehicle Testing business continued to face its share of challenges in sectors where there is a decline in commitments like oil & gas, and construction. In the year under review, it ventured into a project of glass inspection in the external facades of Gold Tower and Silver Tower, Cluster 1, in Dubai. A full report of our Vehicle Testing and Non-Vehicle Testing appears in our listed subsidiary VICOM's Annual Report.

We shall continue to look for growth in Singapore businesses. Managing our resources and experimenting with new approaches to improve our business outcomes and treating our hirer partners with understanding, care, concern and fairness shall be our major tasks in the years ahead.

OVERSEAS BUSINESSES

We also operate the same number of eight business areas overseas like Singapore. The difference is that we operate a Bus Station business overseas but not the Insurance Broking business. We continue to operate in six overseas countries in the UK, Australia, China, Ireland, Vietnam and Malaysia in order of size.

In the year under review, we bought over the minority stakes of our partners in ComfortDelGro Cabcharge Pty Ltd and CityFleet Networks Limited thereby making them wholly-owned subsidiaries. The former owns the bus operations in Australia while the latter owns the taxi circuit, private hire and coach service in the UK.

	2017	2016	Variance
1 GBP	S$1.7984	S$1.7760	+ 1.26%
1 AUD	S$1.0430	S$1.0455	- 0.24%
1 RMB	S$0.2047	S$0.2087	- 1.92%

At the time of writing, we had also bought into Metro WA Taxi Management Pty Ltd in Perth. This entity owns taxis in Perth. We have therefore extended beyond a taxi call centre. We also acquired another 217 taxi licences and vehicles in Shenyang, China in February 2018, bringing the fleet size there to 1,508. In the same month, we also entered into an agreement to buy a fleet of 117 buses and coaches across four depots in South Wales in our effort to extend this aspect of the business outside of London. Our efforts to expand further will be accelerated in the coming years with a new strategy as described under "The Next Steps".

At the same time, we also took advantage of the changes in the market to consolidate and combine our two taxi business interests in Ho Chi Minh City, Vietnam.

On the currency front, our three major trading currencies — the Great British Pound (GBP), Australian Dollar (AUD) and Chinese Renminbi (RMB) — remained relatively unchanged compared to the previous year. The GBP continued to fluctuate because of the unsettlement in the outcome of Brexit.

(i) United Kingdom

Our Scheduled Bus business in London continued to do well. Operating under the trade name of Metroline Limited, it continued to assume its second position among large scheduled bus operators in London. It operated 97 routes with 1,689 buses and 4,504 drivers drawn from 70 nationalities in 2017.

We continued to trial some electric buses built by BYD Co Ltd. This experience has helped us to win a single deck electric bus operation in one route which will begin service in June 2018.

Transport for London (TfL) produced a five-year business plan for the new Mayor. The business plan envisages a very tight funding position as it is premised on the Mayor's electoral promise to freeze fares in nominal terms over his term of office and the Central Government's decision to remove the operational subsidy from TfL completely by April 2018.

The Taxi Circuit and Private Hire businesses faced great challenges largely due to the prevalence of ride-hailing apps. We ceased operations in Edinburgh during the year. We are now left with three taxi circuits in London, Liverpool and Aberdeen.

The Coach business had a reasonably good year. Besides operating Coach services in London and Scotland, we also have inter-city coach operations between Scotland and some major English cities.

(ii) Australia

We had another successful year in Australia in 2017. We continued to run Scheduled Bus, Chartered Bus and School Contracts in Sydney and Melbourne where we are the leading private bus operators. We also operate in other Regional Cities like Hunter Valley, Blue Mountains and Queanbeyan in Sydney, as well as Geelong and Ballarat in Victoria. In Perth, we continued to be the leading taxi circuit operator.

We hope to expand further through acquisitions, both within the three States of Australia where we are already in as well as the remaining States where we do not have our presence. In the case of Perth, changes to the taxi industry pose interesting opportunities which we shall try to take advantage of. The present business model of just being a pure taxi circuit operator will need to be modified and changed.

(iii) China

China is the third largest country for our overseas investments after the UK and Australia. We provide Taxi, Bus Station, Car Rental Leasing, Vehicle Testing and Driving Education services. The same challenges that are present in the taxi industry globally are also found in China. However, the Central Government has decentralised its policy guidelines on the application of ride-hailing apps and the private hire business to the Provincial and City Governments. In a way, policies and practices in the taxi industry in China vary greatly from place to place.

We continue to own 10,691 taxi licences in nine Cities in China in 2017. Because of the disruption, we managed to use only 9,905 licences in the year under review giving an unhired utilisation rate of about 7.4%. Nevertheless, we are still the leading operator in Jilin City, Nanning and Shenyang, second in Chengdu, third in Beijing, fourth in Nanjing and sixth in Suzhou. In the remaining two Cities of Shanghai and Tianjin we are comparatively smaller. Under the present business climate, perhaps, there are opportunities for some acquisitions of taxi licences as some stability will evolve with taxi and private hire existing side by side as envisaged by the Authorities.

The introduction of more high-speed rail network continues to have an impact on our Bus Station business in Guangzhou. However, the use of technology to capture our commuters through the WeChat platform is bringing worthwhile returns with our throughput reaching 2.7 million people, the highest in China. Electronic invoices for ticketing have also been introduced, providing convenience to our commuters. Additionally, our sale of passenger insurance is the highest in the Guangdong Province. These initiatives have helped us to stem the tide.

(iv) Ireland

The Coach operations continued to do well in Ireland operating under the trade name of ComfortDelGro Irish Citylink Limited. We continued to improve with quality services and better on-board facilities. Significantly strong performance was found in Limerick-Dublin Airport eireagle.com route. The core Galway-Dublin City/Airport Express route continued to perform well while there was a return to growth for the Galway-Dublin Commuter route.

Online marketing was intensified during the year, resulting in a 30% increase year-on-year in online sales. Fare increases were also successfully implemented on the Limerick-Dublin Airport eiragle.com route, the Galway-Dublin Commuter route and the Galway-Clifden route.

To cap the year, ComfortDelGro Irish Citylink was ranked joint travel sector winner in Ireland in an independent survey ranking Ireland's best companies for customer experience.

(v) ASEAN: Vietnam and Malaysia

Our operations in Vietnam and Malaysia are very small. In Ho Chi Minh City, Vietnam, our two taxi companies faced the same issues as other global taxi companies. Steps have been undertaken to consolidate these two operations. With a combined fleet of 352 vehicles, we still rank third in the City.

In Kuala Lumpur, Malaysia, our Auto Leasing business faced a slow-down of the economy and managed 160 vehicles in the year under review.

MANPOWER

Our global manpower strength in 2017 was 21,918 compared to 22,048 in 2016, a decrease of 130 or 0.6%. The average total staff cost per day was S$4.10 million, an increase of 2.8% from 2016 of S$3.99 million. As our businesses are still very highly dependent on manpower, this issue appears to be reasonably well managed through job enlargement and human productivity efforts.

As future labour force issues are demanding and leadership succession crucial, the Board has decided that talent management and succession planning should come under greater focus by its Remuneration Committee. Candidates with potential are identified early and job rotations and exposure and training are mapped out for these personnel. The Board will continue to recruit outside personnel for special tasks and assignments.

Of the Group's manpower strength, 56% is based in Singapore with the balance coming from countries where our investments are large like the UK, Australia and China. In terms of nationalities, Singaporeans took up 30%, followed by Malaysians (21%), British (17%), Australians (11%) and People's Republic of China nationals (8%). These five groups constituted 87% of our global workforce.

INFORMATION TECHNOLOGY

Our Information technology (IT) spend was S$38 million in 2017 for both capital and operational items. This is about 1.0% of our Group revenue. In 2016, it was 1.1%. Out of the total expenditure, 21% was incurred in capital items compared with 33% in 2016.

The expenses on IT were to support the various Business Units' strategies for growth, customer service quality, operational efficiencies and meeting regulatory compliance requirements. We continued to leverage on mobile technology to enhance internal productivity and deliver customer service excellence. For example, significant investment was made on taxi mobile app to include new functionalities and to enhance end-user experience. Key enhancements included the support of more payment methods.

FINANCE

Under very trying conditions, I am pleased that Management is able to deliver another set of good results befitting the difficult business environment. Group Total Revenue had fallen to a shade slightly below the S$4 billion mark at S$3.97 billion. This is 2.2% lower than 2016 of S$4.06 billion. Likewise, Group Total Operating Profit also declined by 11.5% to S$409.2 million.

The two leading revenue generators continued to be Public Transport Services (Bus and Rail) and Taxi. Together they contributed 90.7% of the Group Total Revenue compared to 89.8% in 2016. Public Transport Services sector had a gain of 3.4 percentage points while the Taxi sector had, as expected, a loss of 2.5 percentage points.

In Group Total Operating Profit, the same two leading sectors in Revenue, were also the two leading sectors. When combined, they contributed 76.7% of the Group Total Operating Profit. This is an increase of 1.9 percentage points from 2016. Again, Public Transport Services sector was ahead with a gain of 5.1 percentage points from 2016 while the Taxi sector suffered a drop of 3.2 percentage points.

Overseas Total Revenue represented 37.5% of Group Total Revenue, reflecting an increase of 0.2 percentage points over 2016. Correspondingly, Overseas Total Operating Profit of 40.4% of Group Total Operating Profit in 2017 is a decrease of 0.1 percentage points pitched against 2016. These figures continue to suggest that a substantial part of our businesses is drawn from abroad.

The Group Profit Before Tax had fallen by 8.8% to S$425.4 million. However, Group Profit Attributable to Shareholders performed slightly better with a smaller fall of 4.9% to S$301.5 million. This is due to the special dividend received from our investment in listed Cabcharge Australia Ltd in which the Group still holds a significant 9.6% shareholdings.

Earnings per share for 2017 dropped by 5.2% to 13.95 cents. But net asset value per share had increased by 5.4% to 121.01 cents. Returns to both equity and total assets in 2017 were 11.8% and 7.1% respectively. These were lower than the 2016's respective figures of 13.2% and 7.4%. But they were still decent numbers.

Capital expenditure in 2017 continued to decline as a result of asset-light environment in Public Transport Services in Singapore. The amount of S$393.6 million, a drop of S$72.9 million in 2017, was 15.6% lower than 2016 which was itself 30.3% lower than 2015.

Our Balance Sheet continued to be strong and healthy. Our Total Assets dropped by S$221.7 million or 4.4% to S$4.83 billion. Total borrowings decreased by a small quantum of S$22.8 million to S$322.3 million. Our gross gearing ratio decreased marginally from 10.8% in 2016 to 10.6% in 2017. Consequently, our net cash position was reduced to S$273.9 million from S$434.2 million in 2016.

With such healthy figures, your Directors are pleased to recommend a final higher tax-exempt one-tier dividend of 6.05 cents per share compared to the tax-exempt one-tier interim dividend of 4.35 cents per share. When approved by the Shareholders at the AGM on 26 April 2018, the total dividend for the year would be 10.40 cents per share, a very slight increase compared to 10.30 cents paid in 2016. This is very meaningful since the financial results in 2017 were slightly inferior to that of 2016. It demonstrates our confidence to sustain the payment.

Your Directors do not wish to reduce the dividend quantum despite a weaker set of results as we are confident that we can afford this level of payment. The dividend payment in 2017 would represent 74.6% of our profitability. This is more than our declared policy of distributing at least 50% of our profits as dividend. It is also 4.5 percentage points higher than 2016. Against the year-end closing price of our shares at S$1.98, the yield of 5.3% is reasonable and acceptable for the nature of our businesses.

SUSTAINABILITY REPORTING

The Group issued its 2015 Sustainability Report – its first standalone Report – in 2016, ahead of schedule and based on internationally accepted Global Reporting Institution Guidelines (G4 Core). It focussed on Singapore operations only. The coverage of the second or 2016 Sustainability Report expanded beyond Singapore and included all our operations worldwide. It is also the first time that we produced it in the CD format, in line with our effort to be more environmentally friendly. The third or 2017 Sustainability Report which accompanied this 2017 Annual Report would have some target settings.

THE NEXT STEPS

In my Statement last year, I said that a new strategy might be needed in light of swift changes and difficult challenges. With continued drastic movements in the industry, I am pleased to say that the Board, in reviewing its investment strategy, has decided that the Group would have to expand the list of mergers and acquisitions by considering projects with lower margins, so long as the investments are profit accretive, low risk and are acceptably priced.

It also decided that the Group should take a less conservative capital structure and move into a net debt position in order to fund growth.

Additionally, the Group might have to take a long-term view and consider taking minority stakes in larger or new investments that can break into new markets for future growth.

The Group should also explore strategic alliances with start-ups to collaboratively work on commercial application of emerging technologies.

The Group would also be considering setting up a special team of staff to look into new technologies and business models reporting directly to the Investment Committee (IC) for effectiveness.

APPRECIATION

The new Managing Director/Group Chief Executive Officer Mr Yang Ban Seng who assumed the position from 1 May 2017 has settled down comfortably after a quick tour of all the Group's overseas operations with me over the first two months of his tenure.

From 1 January 2018, he has taken over all the responsibilities and duties. One of his major accomplishments for the past eight months was the conclusion of negotiations with Uber.

I am confident that in the years ahead, he would be making changes to the management structure to meet the new challenges under a rapid transformation of business environment. Talent management, succession planning and recruitment of relevant staff to meet these new and unknown challenges would be his high priority.

In continuation with our director renewal process, Mr Oo Soon Hee will retire at the 2018 AGM. I wish to place on record my deepest appreciation to Soon Hee for his many valuable and significant contributions over the years from 1991 when he was first appointed as an independent Director of Singapore Bus Services (1978) Ltd, then a Director of DelGro Corporation Limited, and finally as a Founding Director of ComfortDelGro when it was formed in 2003. In the course of his directorships with us spanning over 26 years with the Group and its predecessors, he had served in ARC, Nominating Committee and IC. We shall miss him.

I also wish to welcome Mr Kyle Lee Khai Fatt and Ms Tham as new independent Directors in the course of 2017. The former is a retired partner of PricewaterhouseCoopers LLP while the latter is the Head of Operations and Technology for Asia Pacific and Chief Operating Officer for Schroder Investment Management (Singapore) Limited. Their participation in Board and Committee meetings have been both refreshing and contributive. They shall seek re-elections as Directors at the 2018 AGM. I seek your support.

I wish to thank Ban Seng and his Management Team for their hard work, commitment and devotion to duty in smoothening the transition process of a change of the top position without any disruption. I also wish to thank our Senior Advisor, Mr Kua Hong Pak, for his assistance in making the transition very smooth. On this, I also wish to thank my fellow Directors for their active participation at Board and Committee meetings during the transitional period as well as their many significant contributions to make the changes prompt and effective. In fact, the Board met up with Ban Seng, both before he took up the appointment as well as six months after his assumption of duty.

To the various Government Authorities and Regulators, Labour Unions, our Partners and our faithful and loyal Shareholders and Commuters, I wish to express my sincere appreciation for your continued cooperation, assistance and understanding over the years. I hope that we have not failed you in the course of discharge of our responsibilities and duties. I also hope that you do understand the difficult business climate under which we are operating now. We shall continue to work hard at meeting the expectations of all our Stakeholders.

Lim Jit Poh
Chairman
March 2018