# CHAIRMAN'S STATEMENT

**S$3,805.2 million**

**Total Revenue**

**"2018 would go down in the history of the Group as an Australian Year."**

## INTRODUCTION

The major disruptions to our business environment that I wrote about in my last Statement in 2017 continued into 2018. In fact, these have been enhanced and are now firmly entrenched, becoming part and parcel of the New Normal.

I have also highlighted to Senior Management in my annual January 2019 address to them that they need to pay close attention to the key issues of politics; Artificial Intelligence (AI) and Information Technology (IT), which are major emphases of the Fourth Industrial Revolution; the emergence of new vehicle manufacturing modes; and of course, matters affecting our Shareholders. I have also highlighted important changes in directorships which will have an impact on the Group as a whole. My message is this: Urgent attempts must be made to know, understand and appreciate these disruptions and concrete steps must be taken to tackle them appropriately and swiftly.

The severe trade tensions between the United States of America (USA) and the People's Republic of China (PRC) are weighing down on global business sentiment and have serious implications on world economic growth. Trade is now politicised. We can expect further fallout from the approaches adopted by the two leading powers in their 2017 "America First" and 2015 "Made in China 2025" policies. The uncertainty of Brexit, coming close to its deadline of 29 March 2019, is also another area of concern for us. Currency fluctuations in our major overseas locations in respect of Sterling Pound (GBP), Australian Dollar (AUD) and Chinese Renminbi (RMB) are a constant area of worry.

## LAND TRANSPORT

Electric vehicles or EVs continued to be under active discussion, review and development in 2018. We had a good discussion with the Smart Nation and Digital Government Office, a unit of the Prime Minister's Office, Singapore, on the future of autonomous vehicles or AVs. We also noted that Dyson Ltd, a British firm, had announced its intention to set up a plant in Singapore to manufacture EVs and SP Group planned to roll out 1,000 charging stations by 2020. At the same time, AVs will be put on trial in new housing estates in the future as we move towards a car-lite society.

Management continued to keep close tabs on the subject with visits to EV production plants (BYD Auto Co., Ltd and Zhengzhou

**Lim Jit Poh**
Chairman


Yutong Bus Co., Ltd) in China as well as one to EasyMile Pte Ltd in Toulouse, France, on AVs in 2018. These followed a visit in 2017 to the Volvo facility in Sweden.

The Group adopted EVs in different geographies and vehicle types. In London, Metroline Limited now runs normal scheduled routes with EVs while in Singapore, the Land Transport Authority (LTA) has awarded contracts to buy electric buses while trialling some routes with hybrid (diesel/electric) buses. The Group is also testing a few electric taxis in Singapore.

Management has also announced its efforts in partnering EasyMile and Inchcape Singapore to run an autonomous shuttle bus service on a 1.6km route in the National University of Singapore's Kent Ridge Campus. This is our third experiment in AVs, following two under SBS Transit Ltd in Sentosa and Jurong Island with ST Engineering. Our intention for these trials is to gain some experience in managing AVs.

Our intended purchase of Uber Technologies Inc's private hire business was aborted following a ruling by the Competition and Consumer Commission of Singapore on the Grab and Uber merger. Grab is now the main player in the ride hailing sector. Hopefully, the entrance of GOJEK will not bring in another round of fierce competition witnessed earlier between Grab and Uber. As mentioned in my Statement last year, the taxi and private hire business environment has reached some degree of stability following some rulings by the Authorities on the latter to partially level the playing field. It is hoped that with the recent public consultation sought by the LTA on proposed changes to regulations for the point-for-point transport sector, these moves would further level the business conditions. We shall accordingly submit our suggestions.

In the Annual Public Transport Customer Satisfaction Survey, released by the Public Transport Council (PTC), the overall satisfaction score for bus services remained at 7.9, similar to the previous year. However, the percentage of respondents satisfied with the services increased to 98.0%, up from the 96.7% in the previous year. The overall satisfaction score for rail was 7.9, an improvement from 7.5 in the previous year. The percentage of respondents satisfied with the services saw an increase from 91.8% to 97.8%. Notably, our rail overall satisfaction score compared with the industry's was a tad higher at 8.0 and with the percentage of respondents satisfied with the services at 98.3%. The Mean Kilometre Between Failure (MKBF) set at a high level from 300,000 train-km in 2017 to 1 million train-km by 2020 has been reached very satisfactorily in 2018. Our two lines have, in fact, done very well, with the North East Line (NEL) and the Downtown Line ranking as number one and two respectively with figures of 1.37 million and 0.93 million respectively.

Transport fares, as announced by the PTC, increased by 4.3% from 29 December 2018 after reductions in the last three years. This is a result of the new fare formula for the 2018-2022 Fare Review Period. The new formula made revisions to the wage and price index weightages, productivity extraction factor, and introduced a new component called Network Capacity Factor to track capacity provision in relation to passenger demand. The new formula is more reflective of changes in operating costs and network capacity.

Other attempts to improve delivery services in reliability, convenience and security continued to be rolled out by the LTA and the operators. These include free Wi-Fi on buses and security checks at stations – much like those already in place in airports. The LTA also actively solicited views and gathered feedback from the public and industry stakeholders on its 2040 Land Transport Master Plan.

## CORPORATE GOVERNANCE

### (i) Code of Corporate Governance ('Code')

The revised Code or Code 2018 was announced in August 2018. As expected, the significant changes touch on shifting some of the guidance points from "Comply or Explain" to "Listing Rules". In other words, these are now mandatory. I see no difficulty in us adopting them.

The other major issue is the Nine-Year Rule for independent directors in which I think we should also have no difficulty in complying.

## Revenue At A Glance

**Singapore**
**S$2,241.4 million**

—

**United Kingdom**
**S$867.0 million**

—

**Australia**
**S$503.4 million**

—

**China**
**S$163.5 million**

—

**Ireland**
**S$24.0 million**

—

**Vietnam**
**S$3.3 million**

—

**Malaysia**
**S$2.6 million**

ComfortDelGro Corporation Limited and our listed subsidiary, VICOM Ltd, achieved high scores of 100 points each in the Annual Governance and Transparency Index Survey 2018 while the other listed subsidiary, SBS Transit, had a score of 84. These scores were well above the average of 56.3. All the three companies were still in the top 7% of the 589 listed entities in 2018. For ComfortDelGro, it was an improvement from 25th to 17th position while VICOM moved from 16th to 17th. For SBS Transit, it slipped from 32nd to the 40th spot. The marked improvement in ComfortDelGro was probably due to our efforts in initiating director renewals and disclosing remuneration on a named basis although these were also done by SBS Transit and VICOM.

In the ASEAN Corporate Governance Scorecard for rankings among 100 largest Singapore companies, ComfortDelGro ranked 18th (2017: 25th). SBS Transit and VICOM, which were not even ranked in 2017, came in the 29th and 32nd positions respectively in 2018.

## (ii) Singapore Stock Exchange (SGX)

The long anticipated Dual Listing of shares became a reality in 2018. Safeguards have also been put in place by the Authorities to avoid abuse. However, we will not opt for the system.

Quarterly reporting, which started in 2003 and applied to companies with an initial market capitalisation of S$20 million and then revised to S$75 million, continued to be a subject of discussion and consultation. The European Union and the United Kingdom (UK) had abolished quarterly reporting in 2013 and 2014 respectively while Hong Kong (HK) never had such a practice.

Shareholder conduct at Annual General Meeting (AGM) is becoming an issue of public interest. The Securities Investors Association of Singapore (SIAS) and the Singapore Exchange (SGX) are in the process of preparing a document outlining guidance on conduct at AGMs. We face no issues with our Shareholders at our three AGMs.

As sustainability is now an important subject requiring a report by listed companies, we have decided to appoint a Group Chief Risk & Sustainability Officer (GCRSO) even though we have already produced the annual Sustainability Report for the last three years with assistance from external consultants. We have also appointed a new Director in January 2019 with expertise in sustainability. We therefore place the subject as a top priority in our business strategy.

A new securities settlement and depository framework was introduced on 10 December 2018 by the SGX in which settlement cycles were reduced from three to two trading days. Companies with good corporate governance practices and compliance track records can now enjoy fast-tracked approval for certain corporate actions such as prioritised clearance for selected corporate-action submissions (circulars, request for waiver and applications for share placement). All our three listed companies qualified under the programme.

## (iii) Diversity Action Committee (DAC)

Our female director participation rate in our three listed companies is high. We have already achieved the target set by the DAC of 20% by 2020. Our percentages are 20% each for ComfortDelGro and SBS Transit, and a higher 22% for VICOM. The percentage for Singapore's top 100 primary-listed companies in general has increased to 15.2% from 10.8% in 2017. In January 2019, DAC has been renamed Council for Board Diversity which now covers not only boards of listed companies but also organisations in the public and people sectors including non-governmental bodies, voluntary welfare groups and charities.

## (iv) Singapore Institute of Directors (SID)

The Singapore Directorship Report 2018 is the third edition following its inception in 2014. A total of 737 listed entities were covered in the Report. The issues of director independence, gender diversity and disclosure of remuneration of directors and senior staff were the emphasis. We continue to use the report findings to benchmark our Directors' fees.

Our non-executive Directors constitute a majority in the compositions of our Boards. This contrasts with the 23.2% of listed firms that were not in compliance. While close to 51% of the surveyed companies have an Executive Chairman, we belong to the minority group. We also belong to the category of 33.2% of companies which release their directors' remuneration on a named basis. While more than 75% of directors attended 75% or more of board meetings, our percentages are extremely high with ComfortDelGro at 97%, SBS Transit at 98% and VICOM at 100%. On gender diversity, it is discovered that more than 50% of the boards continue not to have any female representation, 34.9% have one female director while 14.4% have two or more women directors. ComfortDelGro now has three female Directors and SBS Transit and VICOM have two each. Soon, they too will have a third.

## (v) Corporate Awards

In the Singapore Corporate Awards 2018, ComfortDelGro won the Bronze Award for Best Investor Relations in the Big-Cap Category.

At the 19th SIAS Investors' Choice Awards 2018, VICOM was the Winner of the Singapore Corporate Governance Award for the Mid-Cap Category as well as Runner-Up in the Most Transparent Company Award in the Services Category.

## (vi) Audit and Risk Committee (ARC)

I continued my practice of meeting up with the three Chairpersons of our ARCs with the External Auditors in the absence of Management. The respective ARCs also met up with the External Auditors without the presence of Management. Generally, the External Auditors are happy with our staff in providing the needed information and necessary assistance in the course of their work.

In 2018, the Internal Audit (IA) Department conducted 30 internal audits. Ten of the internal audits were confined to our overseas entities.

## (vii) Investor Relations (IR)

Our IR Unit continued to have a busy year in 2018. There were 103 one-on-one office meetings and conference calls with 90 funds and 13 groups of analysts/institutional sales personnel. We attended nine investor conferences and non-deal roadshows in Singapore, Kuala Lumpur, HK, Taipei and Tokyo. Fifteen research houses covered our stocks and produced 190 reports.

The major issues raised by the analysts and investment community pertain to capital management, Singapore bus, rail and taxi businesses, overseas operations and group growth. Feedback from these occasions is very useful to Management in planning the Group's strategies and future direction. These bore out well when we comfortably obtained Shareholders' approvals for our Share Performance Scheme and the Share Buy-Back Scheme at the 2018 AGM.

Our effective and tested approach in meeting and responding to our Shareholders and investing public continued to be transparent and prompt. We posted announcements on the SGX without fail. Media releases were also issued for major or significant announcements and these were also put up on our websites.

Our loyal Institutional Shareholders continued to own a substantial portion of our shares with 24% from North America, 14% from the UK, 11% from Asia (excluding Singapore). These numbers make up close to half of our total shareholdings. Singaporeans own 30% of the stock. The top 20 Shareholders hold a high 42% of our shares. This list is stable with 75% of the same names as in 2017.

We continued to be one of the 30 component stocks of The Straits Times Index (STI). Our share price outperformed the STI Index and the FTSE ST All-Share Index by 18.4% and 19.0% points respectively in 2018.

### (viii) Directors

The initiative to renew our directorships from the 2017 AGMs onwards continued in the 2018 AGMs with one Director retired in ComfortDelGro and two each in SBS Transit and VICOM. In the 2019 AGMs, one Director each from ComfortDelGro and SBS Transit will retire. None will be from VICOM. By then, we will have four Directors in ComfortDelGro, two in SBS Transit and two in VICOM who still have nine or more years of service. It is expected that by 2022, there will be no more Directors with nine or more years in tenure. Also by the end of the 2019 AGMs, 10 out of the original 22 Directors in the three Boards or 45% within three years would have retired.

In 2018, we brought in six Directors (two each for the three Boards) including three retired Permanent Secretaries (one for each Board). The appointments of these six Directors have strengthened the three Boards, each of them bringing to the respective Boards valuable perspectives and insights from their professional and specialist knowledge and vast experiences, which are of relevance to our business, including our Companies' dealings with external entities, including our business partners and the public sector. A year earlier, we brought in three female Directors (one for each Board) in specialised areas. It is likely that in 2019, we will bring in another three female Directors (one for each Board). By then, we will have three female Directors each in our three Boards. Our female representation is high compared to other companies and well ahead of the DAC's targets.

The three new female Directors who are joining us in 2019 have very diverse skills. We have already appointed a sustainability expert for ComfortDelGro and will be appointing one from mainstream media for SBS Transit and another with expertise in food testing technology for VICOM.

Our Boards are made up of Directors with expertise and proficiency in AI, IT, engineering, legal, accounting and finance, international business and business management. There is also diversity in terms of gender, age, high level governmental experience and strong relationships with the labour movement.

Training of Directors continued wherever necessary. The Code 2018 requires all new directors appointed in 2019 to undergo compulsory training if they have never been listed company directors before.

## SINGAPORE BUSINESSES

In 2018, 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 fuel, (iv) vehicle testing and non-vehicle testing services, (v) car rental, (vi) driving education, (vii) vehicle and outdoor advertising and (viii) insurance broking.

In Scheduled Bus, the LTA's tenders of all the four packages under the new Bus Contracting Model had completed and we won two of them. This is an excellent performance. Arising out of this experience, SBS Transit had decided to establish a Bus Tender Committee to provide guidance on tender strategy and bid preparation. It is crucial that SBS Transit continues to win new and existing routes.

On 1 April 2018, the NEL and the Sengkang-Punggol Light Rail Transit systems transited to the New Rail Financing Framework where SBS Transit was granted a 15-year licence to operate the lines until 31 March 2033. Under this Framework, the LTA owns the rail assets and would pay for replacements and upgrades. SBS Transit is responsible for operations and maintenance. In 2018, we also signed a Memorandum of Understanding with Taipei Rapid Transit Corporation with the aim of technical exchanges and training to strengthen our operations, engineering and maintenance capabilities. A more detailed report of our Public Transport Services appears in our listed subsidiary SBS Transit's Annual Report.

In Unscheduled Bus, we continue to run premium bus services licensed by the LTA, event bus charters and trips conducted for schools, companies and organisations. We made two acquisitions in 2018 with a total of 166 buses and 122 contracts. With our fleet size now at 373 buses, we are the biggest private unscheduled bus operator in the industry surpassing the second largest which has a reported fleet size of 250 buses.

We continued to be the leader in Taxi business with about 60% of the market as at the end of 2018. It is still our aim to venture into the private hire sphere despite our aborted deal with Uber. Cashless transactions are on the rise and we hit S$390 million in 2018, a rise of 9% from 2017. With improvements in our taxi mobile applications (app), the number of call bookings has also increased by 7.4% to 30.9 million. We are of the view that the competition between taxi and private hire will stabilise with each catering to its own niche.

The decline in taxi fleet has affected our Engineering Services business even though there is an increase in private engineering demand. In selling fuel to our taxi hirers, we have started offering petrol as a result of having hybrid vehicles in our fleet. We have also installed an electric charging station in our premises as a trial for EVs.

The Car Rental business continued to do well in its corporate niche but it is expanding into the private hire sector. Driving Education continued to do well and it will soon have a longer tenure to its training circuit. Vehicle Advertising, which has been constrained by the LTA's advertising guidelines, has been coming out with new innovative advertising solutions for its customers. The digital wave continues to pose a challenge to our advertisers. We continue to look for creative avenues.

The Insurance Broking business has also been affected by the reduced taxi fleet and better premiums as a result of lower accident claims. However, it has expanded its sphere of activities to assist operations in setting up claim units, both locally and abroad.

In Vehicle Testing, we continued to be the leader with close to 75% of the market share. The Non-Vehicle Testing division continued to face challenges in the industrial sectors which are not growing like oil and gas and construction. More details of these two business areas appear in our listed VICOM Limited's Annual Report.

2018 was a good year in Singapore for the Group. We shall continue to provide efficient, reliable and safer services to our faithful and loyal commuters. We shall also look for opportunities for growth especially in the difficult Private Hire and Unscheduled Bus markets where we believe we can continue to have a significant role to play.

## OVERSEAS BUSINESSES

### (A) Developments

In 2018, we continued to operate eight business areas like in 2017. Except for Rail and Insurance Broking, all our business interests in Singapore have been replicated overseas. We also operated the Bus Station business in China. The number of overseas countries also remained unchanged but we expanded our footprint in Australia. The overseas countries where we had operations in 2018 were the UK, Australia, PRC, Ireland, Vietnam and Malaysia in order of the size of investment.

Our presence in Vietnam and Malaysia continued to be small. 2018 would go down in the history of the Group as an Australian Year. Not only did we venture into the adjacent business of Ambulance Service for Non-Emergency Cases, we are now in four out of six states and one out of two territories in the Australian Continent. Our goal is to find business in the remaining states of South Australia and Tasmania as well as the Australian Capital Territory.

In Australia, we acquired a total of four bus companies in 2018. Two of them are in Sydney (Forest Coach Lines and Coastal Liner Coaches), one in Melbourne (Tullamarine Bus Lines Pty Ltd), and the last one (Buslink Group) is spread across eight locations in Sydney, Melbourne, Queensland and Northern Territory. The adjacent business of Ambulance Service for Non-Emergency Cases is managed under National Patient Transport Pty Ltd. It is based in Melbourne but has business interests in Melbourne, Sydney and Perth.

Other than those reported in last year's Statement including those which occurred after the year end, we also acquired the assets, liabilities and contracts of Dial-A-Cab Limited in London thereby growing and strengthening our Computer Cab plc's position in London as the leading taxi circuit operator.

In PRC, we entered into a joint venture agreement to form a new driving school equity joint venture in Nanjing. Our shareholding is 60%.

### (B) Operations

#### (i) United Kingdom

We have four business interests in the UK. They are Scheduled Bus, Coach, Taxi Circuit and Private Hire. Our Scheduled Bus business in London continued to perform satisfactorily. We maintained our second position among large scheduled bus operators with a market share of 18.5%, falling behind The Go-Ahead Group plc, a British company, which has 22.6%. Those behind us are Arriva Plc (German company), Stagecoach Group plc (British company), the RATP Group (French company), Abellio UK (Dutch company) and Tower Transit (Australian company). We operated 101 routes with 1,710 buses and 4,369 drivers coming from 68 countries. The UK's fleet size is about 49% of Singapore fleet.

We operated a full fleet of EVs on one of our routes during the year and will be operating two more in 2019. We also commenced operations of 23 zero-emission single deck buses during the year under review.

Our Coach business operates in London, Wales and inter-city between Scotland and London. It is performing satisfactorily. The Taxi Circuit business is facing challenges with the abundance of private hire vehicles. We are now operating three taxi circuits in London, Liverpool and Aberdeen. We retained our Taxicard and Dial-a-Ride contract in London for a period of 3+1 years effective from 1 October 2018. The Private Hire business is facing tough challenges because of our small fleet but at times, it complements our Taxi Circuit business.

#### (ii) Australia

We operate four business interests in Australia namely Scheduled and Unscheduled Bus, Taxi and Taxi Circuit, Ambulance Services and Vehicle Advertising. Our Scheduled and Unscheduled Bus services, including school contracts and charter services, are doing well. With the acquisitions of the four new bus companies in 2018, we are now the leading private operator in Australia. The combined fleet of 2,022 vehicles in Australia is larger than that of the UK but represents only about 58% of the Singapore fleet.

The Taxi and Taxi Circuit businesses are performing satisfactorily although they are facing challenges. With the de-regulation of the taxi licence plates in some parts of Australia especially Perth and Melbourne, there is scope for the Group to expand this business with our Singapore-style taxi model.

The business of Ambulance for Non-Emergency Cases is comparatively new to us. It gives the Group an opportunity to expand into an adjacent business. It is my hope that we can develop and expand further to other states when opportunities present themselves now that we are in practically every corner of Australia. Vehicle Advertising continues to do well.

#### (iii) China

The Group has five business interests in China. Taxi dominates the others like Bus Station, Car Rental, Vehicle Testing and Driving Education. In the course of 2018, we ceased to run the Vehicle Testing business in Beijing and Chengdu. The former was due to the Authorities taking back the land while the latter was due to a change in regulations making the business non-viable. Changes in the rules of Driving Education in Chengdu also presented tough challenges. Car Rental was also facing difficult challenges. The remaining two business interests namely Taxi and Bus Station continued to do well.

We continued to operate in nine cities with 11,510 taxi licences in 2018. We are still a major foreign taxi operator in China where we command leading positions in Shenyang, Nanning and Jilin, are second in Chengdu, third in Beijing, and fourth in Nanjing. Against the Singapore fleet, the Group's combined number of taxi licences in China in 2018 represented about 91% of Singapore's size. The Bus

Station business in Guangzhou continued to perform to satisfaction. The continual challenge would still be the fast roll-out of the high speed trains.

### (iv) Ireland

The Coach operations in Ireland continued to do very well with its seventh year of consecutive growth after its turnaround in 2012. Fare increases were successfully implemented on some routes and digital and online marketing was further intensified. We also improved on-board facilities with the introduction of upgraded Wi-Fi.

### (v) ASEAN: Vietnam and Malaysia

Our operations in Vietnam and Malaysia are very small. We have a Taxi business in the former and a Car Leasing business in the latter. The extensive presence of private hire vehicles and tech apps in Ho Chi Minh City is making the Taxi business very difficult to operate coupled with the uncertainty in regulations. Malaysia's Car Leasing business is stagnant with a comparatively weak economy. The business, however, is still profitable.

## MANPOWER

Our global manpower strength in 2018 was 24,697. This is 12.7% higher than 2017. This increase is expected as we made substantial acquisitions in the year under review. Correspondingly, our daily wage bill is now of the order of S$4.537 million, which is still a sizable portion of our expense item. The Group has a good global mix of nationalities with 29% of our staff being Singaporeans compared to 30% a year earlier. Malaysians have a representation of 21%. The proportion of our employees who are Australians is now 15% while that of British has declined to 10%. China nationals also form a sizeable 7%. These five nationalities constitute 82% of our workforce.

The Group has set up a new Transformation Office to better face the disruptions of today and tomorrow. For better alignment of business strategies and nimbleness, we have also restructured our China operations with the appointment of a Head for China covering all the four regions: North, South, East and West. With the Group placing even greater emphasis on the quality of its risk management and sustainability programmes, the post of GCRSO has been created.

Our integrated talent development and management framework will continue to be the focus of the Remuneration Committee as we transform ourselves in light of the numerous challenges and uncertainties ahead.

## INFORMATION TECHNOLOGY

The Group continued to leverage on mobile technology to enhance internal productivity and deliver customer service excellence. In view of competition from third-party booking platforms, the Group continued to significantly invest in taxi booking mobile app to include new functionalities and to enhance user interface with the aim of providing a better and frictionless customer experience.

To strengthen our presence in the Unscheduled Bus business, the Group has developed and implemented on-demand commuter bus booking mobile app in both Sydney and Singapore to pilot the on-demand bus service.

The Group has also initiated a few pilot projects utilising data science to extract knowledge and insights from data to building prediction models for vehicle maintenance, real-time taxi demand hotspots and taxi driver churn.

The Group spent S$26.3 million in capital expenditure and S$30.2 million in operational expenditure in 2018 or a total of S$56.5 million. This was about 1.5% of Group Total Revenue. It was also 49% higher than 2017.

## FINANCE

Management generated a Group Total Revenue of S$3,805.2 million in 2018, 6.4% higher than 2017. This is encouraging under such a difficult environment. If not for the huge investment made in 2018, Group Total Revenue would be up from 2017 by 2.9%. Group Operating Profit was S$438.8 million, 7.2% higher than 2017. Again, had it not been for the big expansion in 2018, the figure would be S$418.1 million which would be higher than 2017 by 2.2%. The margin of 11.5% was indeed commendable under such adverse global situations. Overseas revenue was retained at an admirable 41.1% of Group Total Revenue while overseas operating profit would drop by 4.8% points to 35.6%. This is still a respectable figure.

The two leading revenue generators continued to be the Public Transport Services, defined as Bus and Rail as well as the Taxi Sector. The former contributed a high 71.3% of Group Total Revenue, coming from Singapore, the UK, Australia and Ireland. The Taxi Sector's contribution was 19.1%, drawn from Singapore, PRC, Australia, the UK and Vietnam. Together, these two business interests contributed 90.4% of Group Total Revenue (2017: 89.6%). Compared to 2017, the Public Transport Services Sector had a gain of 4.2% points while the Taxi Sector had a fall of 3.4% points.

Not surprisingly, the same two business sectors contributed to the bulk of the Group Operating Profit with Public Transport Service's share at close to half of Group Operating Profit at 49.3% while the Taxi Sector's portion was 29.5%. When combined, their contribution was 78.8% (2017: 76.7%). There is a shift in terms of contributions with Public Transport Service gaining a 5.3% points and Taxi Sector declining by 3.2% points when compared against 2017.

Group Profit Before Tax was S$439.3 million as compared to S$425.4 million, a rise of 3.3%. Profit Attributable to Shareholders was S$303.3 million compared to S$301.5 million for 2017, a slight increase of S$1.8 million or 0.6%. Adjusting for the one-off special dividend from Cabcharge Australia Limited (now renamed as A2B Australia Limited) in 2017 and the net gain on the surrender of lease of the property at Teban Gardens Crescent from VICOM in 2018, the profit after tax and minority interests (PATMI) for 2018 of S$298.2 million would be S$6.7 million or 2.3% higher than the PATMI of S$291.5 million for 2017.

Earnings per share for 2018 was 14.01 cents, a slight increase from 2017 of 13.95 cents. The net asset value per share was 120.70 cents, slightly lower as compared to 121.01 cents in 2017. Returns to both equity and total assets in 2018 were 11.6% and 7.2% respectively (2017: 11.8% and 7.1%). These are still acceptable numbers in the current business environment.

Capital expenditure in 2018 was S$352.8 million, lower than 2017 by 10.4%. It had declined significantly from the peak of S$669.6 million in 2015.

Our Balance Sheet continued to look healthy. Total Group Assets of S$5,136.7 million was 6.4% higher than 2017. Because of the record high acquisitions in 2018, Total Borrowings were in the region of S$569.9 million, a huge jump of 76.8% from 2017. The Group was still in a net cash position of S$16.2 million compared to S$273.9 million in 2017. The gross gearing ratio increased to 18.8% in 2018 compared to 10.6% in 2017. With further expansion expected in the coming years, it is anticipated that the gearing ratio will rise. The Board has set a limit to guide the Management.

With our earnings made in 2018, together with plans for future expansion, the Board of Directors is pleased to recommend a final higher tax-exempt one-tier dividend of 6.15 cents per share compared to the interim tax-exempt one-tier dividend of 4.35 cents per share. If approved by Shareholders at the AGM on 26 April 2019, the total dividend for the year 2018 would be 10.50 cents per share against 10.40 cents paid in 2017. This is creditable for the Group to reward its Shareholders appropriately while at the same time keep some finance to invest for the future.

The dividend payment in 2018 would represent 75% of our profitability (2017: 74.6%). This is more than the 50% announced by the Company publicly as its dividend policy. Against the year-end closing price of our shares at S$2.15, the yield is 4.88%. This is reasonable and appropriate under the present difficult climate.

## SUSTAINABILITY REPORTING

To affirm the importance of having a sustainability strategy on our corporate agenda, we had in January 2019, appointed a Director well versed in this subject. At the same time, we created a GCRSO to manage this area, which is a top priority in our business pursuits. Like in the past three years, a separate Sustainability Report will be produced to accompany this 2018 Annual Report.

## TRANSFORMATION OFFICE

The Transformation Office was established on 23 May 2018 and we have recruited staff with a wide range of industry knowledge and domain expertise in areas like data science, technology, digital transformation, business operation and finance.

One data scientist has been deployed to Singapore Taxi business. The rest of the Team has been tasked to develop initiatives across four broad areas: (a) business and revenue models; (b) operations and processes; (c) technology and intellectual property and (d) eco-system and partnerships.

A Corporate Venture Capital Fund of US$100 million has been set up. The Fund will focus on incubation and investments in mobility technologies and solutions that complement the Group's land transport business and provide it with new strategic capabilities.

## APPRECIATION

Managing Director and Group Chief Executive Officer (MD/Group CEO) Mr Yang Ban Seng has continued to discharge his responsibilities and duties well. He has created the new Transformation Office and set up a US$100 million Incubation Fund. He has expanded aggressively overseas and locally. He has reorganised the management structure to meet the new challenges and demands. He spent considerable length of time on staff identification, development and recruitment. The Board is very grateful for his drive and initiative to take the Group to the next level.

To continue our important task of renewing and refreshing our Board of Directors, Mr David Wong Chin Huat will retire at the forthcoming AGM. Mr Wong was appointed to the Board in 2003 shortly after its establishment. He has contributed significantly to our growth and development. I wish to thank him whole-heartedly for his numerous and valuable undertakings to help uplift the Group and place it on the global map.

We welcomed Mr Chiang Chie Foo and Professor Ooi Beng Chin as new Directors in 2018. Mr Chiang comes with many years of experience in the Singapore Civil Service, retiring as a Permanent Secretary, the highest echelon in the Civil Service. Amongst other contributions, he provides advice and counsel on our many dealings with the public sector when the need arises. Professor Ooi, a well-known authority in AI, brings to the table his extensive experience and expertise at a time where we are embarking on our digital journey. After the close of the financial year, we also welcomed Ms Jessica Cheam, an expert in sustainability as well as media, as a new Director. Together with existing expertise in the Board, we shall continue to be abreast of global developments as we grow the Group further.

I wish to thank Management and Staff, led by MD/Group CEO Yang Ban Seng for their untiring efforts and hard work in meeting new challenges and undertaking new tasks for the good of the Group. Together with our Stakeholders, we will continue to deliver prompt, reliable and safe journeys in all the transport modes in all the countries that we operate.

Our success will not be possible if not for the genuine understanding, cooperation and assistance of the Regulators and the Trade Unions. I thank all for their continued support throughout the years.

It is with extreme sadness that the Group mourned the demise of our Founding MD/Group CEO Mr Kua Hong Pak. We shall treasure and remember his legacy as we move on and face the challenges ahead.

We are fully prepared to face the uncertain and unpredictable world and the inevitable disrupted business environment. With foundation laid, we hope 2019 will be another successful year.

**Lim Jit Poh**
Chairman
March 2019