

## CHAIRMAN'S STATEMENT

### REVENUES AT A GLANCE



SINGAPORE  
S\$2,468.7M



UNITED  
KINGDOM  
S\$1,007.9M



AUSTRALIA  
S\$387.1M



CHINA  
S\$219.7M



IRELAND  
S\$16.2M



VIETNAM  
S\$8.7M



MALAYSIA  
S\$3.2M



### Unique Singapore

Three significant events took place in Singapore in 2015. These were:

- (i) The passing of Founding Prime Minister Mr Lee Kuan Yew on 23 March;
- (ii) The 50th Anniversary of Singapore's Independence on 9 August; and
- (iii) The General Parliamentary Elections on 11 September.

The respect, admiration and gratitude shown by Singaporeans for Mr Lee were unprecedented. Like many others, our three listed companies – ComfortDelGro Corporation Limited, SBS Transit Ltd and VICOM Ltd – have been direct beneficiaries of his exceptional leadership, as well as sound and realistic policies and practices. In commemoration, I have listed the following six land transport legacies of the late Mr Lee:

- (i) An organised bus system resulting in the formation of SINGAPORE BUS SERVICE, a predecessor to SBS Transit;
- (ii) An effective labour movement taxi co-operative resulting in the formation of COMFORT, a key component of ComfortDelGro Corporation;
- (iii) An efficient mass rapid transit system resulting in the formation of MASS RAPID TRANSIT CORPORATION, a pioneer to our world-class rail network system;
- (iv) A clean air environment resulting in the formation of VICOM;
- (v) A continuous nation-wide PRODUCTIVITY MOVEMENT, one of the key factors in our economic progress and development; and
- (vi) A successful overseas SECOND WING, a crucial element of our Nation's long-term goals for progress and prosperity.

The 50th Anniversary events celebrated the results and achievements of our hard work and successes. They also expressed appreciation to those who made their pioneer contributions while serving as reminders to present and future generations that what Singapore had achieved as a Nation was not to be taken for granted.

The results of the General Parliamentary Elections were significant as the People's Action Party was returned with a large margin, thus ensuring stability in the roll-out of land transport policies. The most significant development during the year was the implementation of the new Bus Contracting Model.

### Global Events

2015 was a challenging year by most accounts. The slowdown of the global economy, the threat posed by alternative technologies, currency fluctuations, stock market shocks, frightening climatic changes, the dramatic collapse of oil prices, drastic drops in commodity prices, uncertain bank interest movements, aggressive Islamic State scenes as well as Europe's refugee crisis are just some of the upheavals that occurred during the year.

### Corporate Governance

#### i. The Companies Act

Further to my Statement since 2012 on the proposed massive amendments to the Singapore's Companies Act, I am pleased to advise that Parliament had adopted the changes in October 2014. Full implementation of the amendments took effect on 3 January 2016.

#### ii. Board Diversity

The Diversity Action Committee, established after the release of the Report entitled "Gender Diversity on Boards: A Business Perspective", which I reported in 2014, announced that the percentage of women directors in listed companies in 2015 had increased by 0.7 percentage point from 8.8% to 9.5%. Our

percentage of 12.5% is well above the national average.

#### iii. Code of Corporate Governance

The Governance and Transparency Index (GTI), devised by the joint initiative of the Centre for Governance, Institutions and Organisations at NUS Business School and CPA Australia, keeps track of listed companies in Singapore vis-à-vis The Code of Corporate Governance 2012. In 2015, it disclosed that the average GTI score was 47.6 points. Our score of 68 is well above the national average.

On Board matters, we have stipulated that our non-executive Directors will hold no more than six directorships. The Study showed that only 24.7% of the companies surveyed have a policy of fixing the number of directorships their directors can assume. On transparency and investor relations, we have been conducting our Annual General Meeting (AGM) by poll since 2011. So far, only 55.2% of listed companies do so. On remuneration, we have tied this to performance since our incorporation in 2003 – and only 37.4% of all companies are practising it now. At the same time, we have also been disclosing our dividend policy since incorporation – where only 21.8% of companies do so.

We continue to be committed to upholding high standards of corporate governance.

#### iv. Audits

As Group non-executive Chairman, I continued my practice of meeting with all the Chairmen of our three Audit and Risk Committees (ARCs) together with the External Auditors in the absence of Management. The situation in this area continues to remain good with Management extending full cooperation and assistance to the Auditors. This is



## REMEMBERING LEE KUAN YEW

"We then decided that before the roads became chaotic and public transport broke down completely, to clean up the pirate taxis, improve the bus and taxi services.

As an act of faith in the ability of the NTUC and our workers to co-operate in a transport co-operative, Comfort was launched to give the taxi drivers – many of whom were formerly running pirate taxis and others were being exploited by taxi owners – a chance to own the taxis and the mini buses.

This act of faith has proved not misplaced."

— Mr Lee Kuan Yew, "Act of faith in workers justified, says Lee" (*The Straits Times*, 13 March 1973)

## CHAIRMAN'S STATEMENT

in addition to each of the ARCs having their own separate meetings with the External Auditors, also in the absence of Management.

Our Internal Audit Unit conducted 31 assignments during the course of the year with 16 confined to overseas entities in the United Kingdom (UK), Ireland and China. No major issues were raised. These internal audits were confined to issues of corporate governance, risk management and Information Technology (IT) security.

I am also pleased to report that PricewaterhouseCoopers LLP had completed its review of our quality assurance in internal audits in accordance with the Institute of Internal Auditors standards and had concluded that our Internal Audit Unit generally conforms with the standards.

### v. Investor Relations and Awards

Our Investor Relations Unit continued to have an active engaging programme with investors and research analysts. Regular meetings were held with the media and the analysts. In addition, we also participated in 10 investor conferences and non-deal road shows in Singapore, Kuala Lumpur, Hong Kong and Tokyo in 2015. Close to 140 reports were produced by 13 research houses on our Group. I consider that we have a meaningful and acceptable level of communication with the investing community and there is an adequate coverage of our activities by the analysts and fund managers.

Our investment community is fully kept abreast of Group developments and progress through our websites and Singapore Exchange (SGX) announcements. Dates of our result announcements are also released early. Copies of our Annual Report are distributed well in advance together with the Notice of AGM.

Our AGM is conducted by electronic poll and the results are posted instantly. All Directors and Senior Management staff together with the External Auditors are in attendance. We are also physically around after the AGM to meet up with Shareholders and answer any queries or clarifications. We also engage them in their comments and suggestions. We have found this practice since our first incorporation to be very useful. It is always refreshing for the Directors and Management staff to meet up with Shareholders over light refreshments. A clear understanding and close relationship has been developed and strengthened over the years.

All our three listed companies did well in the Business Times GTI 2015 and were ranked within the top 10% of the 639 companies covered.

In the Securities Investors Association Singapore (SIAS) Investors' Choice Awards 2015, ComfortDelGro won the

Most Transparent Company Award in the Travel, Leisure & Automobiles & Parts category. In 2014, we were the runner-up. Our listed subsidiary, VICOM, won the Best Investor Relations Award (Bronze) for companies with S\$300 million to S\$1 billion in market capitalisation at the Singapore Corporate Awards 2015.

Profile-wise, our Shareholders continue to come from Singapore (29%), United States of America (USA) (29%) and the UK (13%). The top 20 Shareholders own 46.1% of the total shareholdings.

We also received letters from institutional investors offering their views on some aspects of corporate governance. Of particular interest is one substantial Shareholder reiterating its stand to resist short-term market pressures of returning excessive amounts of capital to investors through record levels of dividends and share buy-backs. We share this sentiment.

ComfortDelGro continued to be one of the 30 stocks of the Straits Times Index (STI). At the end of December 2015, ComfortDelGro had a market capitalisation of S\$6.56 billion, almost four times that of our initial S\$1.67 billion in 2003. This is 18% higher than that of S\$5.56 billion at the end of December 2014. The fact that we were able to exceed S\$6 billion in 2015, just a year after reaching S\$5 billion in 2014, speaks well of the investors' confidence in the stock. In fact, we have increased our market capitalisation by about S\$1 billion every year since 2011. We were ranked 25th in terms of market capitalisation in 2015 – a vast improvement over our 33rd position in 2014.

As a component stock of the STI, we outperformed it by 31.6 percentage points. We also outperformed the FTSE ST All-Share Index by 31.0 percentage points. Based on these statistics, we really had another excellent year in 2015.

## Singapore Business

### i. Developments

The new Bus Contracting Model which I reported last year, rolled out in 2015. All the existing scheduled bus routes have been divided into 12 packages. In the initial exercise, only three packages were marked for tender while the remaining nine, which accounted for 80% of the existing bus fleet, would be negotiated with the two existing operators. In the first two tenders conducted in 2015, two overseas firms were the winners. This is in line with the intention of the Authorities to have a few operators aside from the two incumbents. We are now negotiating with the Authorities for the remaining 80% and expect to conclude these negotiations before our Bus Service Operating Licence expires on 31 August 2016.

The Bus Service Enhancement Programme (BSEP), which was introduced in September 2012 with 371 buses, was successfully implemented by December 2014, two years ahead of the original plan. BSEP 2 was introduced for the period 2015 to 2017 with 296 buses. Already 154 buses or 52% are on the roads.

Just like Downtown Line 1 (DTL1), DTL2 was officially opened by Prime Minister Mr Lee Hsien Loong on 26 December 2015. DTL3 is still undergoing construction for a planned launch in 2017. Under the rail segment of our business, we are now the operator for the North East Line, DTL1 and 2 and Sengkang and Punggol Light Rail Transit (LRT) systems. More details of the bus and rail operations can be found in the Annual Report of our listed subsidiary, SBS Transit.

The enforcement of the taxi availability standard, which I first reported in 2012, has resulted in us being allowed to expand our fleet. We have, however, been prudent in this regard as the taxi population ratio in Singapore is extremely high. New rules and regulations for taxi fares were also introduced in January 2016.

Under the Public Transport Council (PTC) (Taxi Fare Pricing Policy) Order 2016 that was issued on 22 January 2016, taxi companies are required to standardise the taxi fare structure. For example, the unit distance travelled and the unit waiting time must be the same across all taxi companies. I am pleased to report that ComfortDelGro Taxis has complied with all regulations.

The Third-Party Taxi Booking Service Providers Act was passed in Parliament in May 2015. Under the Act, these service providers can only operate with licensed taxis and drivers with vocational licences.

The presence of disruptive technology in the taxi business has caused some uncertainty in the market. But the effective enforcement of the Third-Party Taxi Booking Service Providers Act will provide a fair level playing field for the traditional taxi operators. Our call centre and call booking apps have been constantly upgraded to ensure that we remain competitive. Thus far, we have managed to hold our own in this regard.

## ii. Operations

Revenue continued to grow in the bus, taxi, rail and car rental sectors in Singapore in 2015. The increased ridership in bus and rail together with a small rise in average fares in April 2015 as well as an increased taxi fleet boosted the performance.

DTL1 has had two full years of operations since 2014. DTL2 will also have a full year of operations in 2016. The last

stage, DTL3, will be in operation in 2017. The last station in Sengkang West Loop of the LRT was opened in 2015, leaving now only four unopened stations in the Punggol West Loop. To cope with the increased ridership in LRT, two-car Light Rail Vehicles were trialled in 2015 and introduced in January 2016.

The unscheduled bus operation had an exceptional year in 2015 with ad hoc contracts won for the 28th Southeast Asian Games and the ASEAN Para Games.

We continued to be the leader in the taxi business. We increased our fleet size to 16,997 as at December 2015, occupying 62.1% of the market share with practically all our vehicles hired out. This is indeed admirable in a very challenging environment. The number of successful call centre bookings continued to be high with an automation rate of 90%. Cashless transactions also continued to increase. This stream of revenue is expected to increase further following Visa's return to our system in January 2016 – two-and-a-half years after its exit.

Our vehicle inspection business continued to grow. Our market share was 74.3% in 2015. The non-vehicle tests faced challenges in a slowdown of our economy. Nevertheless, both vehicle and non-vehicle testing continued to have another good year. More details of this aspect of our business can be found in the Annual Report of our listed subsidiary, VICOM.

Our other Business Units in Singapore also performed satisfactorily during the year under review. The car rental, automotive engineering, driving school, vehicle advertising and insurance broking businesses assumed leadership positions in their own respective spheres.

## Overseas Business

### i. Divestments and Acquisitions

Continuing with our approach to phase out small and insignificant operations, we divested our 80% shareholding in Nanning ComfortDelGro Rent-A-Car Co., Ltd which owns 24 rental vehicles. Though profitable, we saw no scope for further expansion.

Our 51% subsidiary, ComfortDelGro Cabcharge Pty Ltd, established a partnership to operate a vehicle repair centre at our St Marys site in Sydney. Other than attending to our needs, we will also use this entity to spearhead private sector business with the support of our partners who are influential in the insurance business.

Our wholly-owned London bus operator, Metroline Limited, successfully tendered for the concession to operate a coach service from Stansted Airport to London City for an initial period of two years with an option for a further two-year

## CHAIRMAN'S STATEMENT

extension. This new contract supplements our existing coach service in London, inter-city coach services within Scotland and between Scotland and London, as well as inter-city services within Ireland.

### ii. Operations

#### a. UK/Ireland

UK/Ireland is our leading overseas investment destination. It continues to have four businesses in scheduled bus, coach service, taxi circuit and private hire. We have been in UK/Ireland since 1997.

In 2015, it contributed significantly to our total overseas revenue. Our scheduled bus operator, Metroline, which is the second largest operator in the Capital, has a combined fleet of over 1,700 vehicles and 14 garages. It is at the forefront of Green technology, having rolled out hybrid buses in its fleet while keeping the well-known Routemaster as a tourist feature. This business contributed to the bulk of our UK/Ireland operations.

The various coach services performed satisfactorily in the year under review. The inter-city Scotland and London coach business improved its performance significantly while the London chartered coach business also made its presence felt. The inter-city operations in Ireland also continued to do well.

The taxi circuit operations faced challenges. The slowdown of the economy, the austerity measures introduced by the Government, the decline of oil prices and the growth of disruptive technologies have had an impact on the business. Our five taxi circuits (Aberdeen, Birmingham, Edinburgh, Liverpool and London) continue to face declining profits.

#### b. Australia

Our Australian operations are the second largest overseas business with operations in bus, taxi circuit and vehicle advertising. We operate in four major cities – Sydney, Melbourne, Canberra and Perth. We have been in Australia since 2005.

The bulk of our operations is in the bus sector where we have a significant leading presence in Sydney and Melbourne. Our combined fleet of 1,699 vehicles places us as the leading private operator.

The taxi circuit business in Perth, which operates under the trade name of Swan Taxis Pty Ltd, had a challenging year with the appearance of disruptive technology. We, however, continued to be in the leading position catering to 90% of the taxis in Perth and its surroundings.

The release of the Green Paper, "On-Demand Transport", by the Western Australian Government has potential widespread changes to the industry. We are following it with great interest.

#### c. China

We began operations in China in 1994 and now operate in 11 cities. It is our third largest overseas investment destination and covers five business areas: taxi, long-distance bus station, car rental, vehicle inspection and driving education.

Taxi is our leading business in China with 10,773 vehicles running in nine cities. Of the nine cities, we are within the top five in six of them. We are the top taxi operators in Jilin City and Nanning, second in Chengdu and Shenyang, third in Beijing and fourth in Nanjing. The other cities are Shanghai, Suzhou and Tianjin.

Disruptive technology is expanding aggressively into the taxi industry in China with Uber and its Chinese equivalent, Didi Kuadi, setting up joint ventures with technology companies like Alibaba, Tencent and Baidu. The Chinese Authorities have however released a set of comprehensive draft regulations which will place these entities on the same footing as the traditional taxi operators with measures such as approved vehicles, licensed drivers as well as standards on call centres and control on pricing. This will create a level playing field for all operators.

The bus station business continued to perform well despite the high speed rail networks that have affected long-distance bus operators.

#### d. Vietnam

Our two taxi companies in Ho Chi Minh City, Vietnam, continued to have a satisfactory year in 2015. Our combined fleet of 646 vehicles places us in the third position in the City.

#### e. Malaysia

It is the same situation in Malaysia where we have a fleet of 229 rental vehicles in Kuala Lumpur. The weak economy is presenting some challenges.

### Manpower

Until driverless vehicles are in the market in a big way, manpower is still an important and a high cost element. Across the Group, our total staff strength in 2015 was 22,303, an increase of 657 or 3.0% over that in 2014. As a global Group operating in seven countries, our manpower is multi-national with 84% coming from five countries: 28% Singapore, 22% Malaysia, 14% UK and 10% each from the People's Republic

of China and Australia. Some 44% of our workforce is based outside Singapore. The average cost per day in 2015 was S\$3.85 million, an increase of 3.3% over 2014.

Since the start of talent management programmes in 2008, a framework for Tier 1 potential candidates to provide succession as Business Unit Heads and Group Officers and Tiers 2 and 3 potential candidates for those within the Business Units have been established.

The challenges ahead will include staff retention, and the improvement of staff professional and functional competencies.

Cost pressures will continue to be a challenge with rises in Central Provident Fund contributions in Singapore and rapid and high social security contributions in China.

### Information Technology

IT is becoming very critical in our business operations. Our investment and continued upgrading in IT are now part and parcel of our effort to improve revenue growth, customer service quality and operational efficiencies.

For the year under review, we spent S\$60.6 million in both capital and operational expenditure with 34% in the former.

### Finance

I am very pleased to report that the Group continued to have another successful year in 2015. The Group's total revenue reached a record S\$4,111.5 million, an increase of 1.5% over 2014. Group's total operating profit increased at a faster rate than the Group's total revenue. The increase was 1.9% and attained a figure of S\$450.7 million.

As expected, the bus and taxi businesses dominated the revenue stream. The former contributed 51.5% of Group's total revenue while the latter contributed 32.3%. Together they contributed 83.8% of Group's total revenue. This is 1.4 percentage points higher than 2014. Specifically, the increase in the bus business was 0.8 percentage point while the taxi business was 0.6 percentage point.

These two businesses also continued to be the two leading segments in the Group's total operating profit. Their combined contribution was 75.1%, 3.8 percentage points higher than 2014. The bus business had its operating profit contribution increased by 1.5 percentage points to 38.7% while the taxi business contribution was 2.3 percentage points up to 36.4%.

Consequently, total overseas revenue in 2015 was about 40.0% of Group's total revenue. This is 0.8 percentage point lower than 2014. Total overseas operating profit was 45.6% of Group's total operating profit. This is 3.0 percentage points lower than 2014.

The Group's profit before tax reached S\$452.2 million in 2015. This is 3.6% higher than 2014. Profit attributable to shareholders was a record S\$301.9 million. This is also higher than 2014 by 6.5%. Earnings per share in 2015 was 14.07 cents. This is 0.78 cents or 5.9% higher than 2014. Consequently, net asset value per share increased to 108.60 cents from 102.36 cents in 2014. Excluding BSEP, returns to both equity and total assets were 13.3% and 7.1% respectively in 2015 compared to 13.1% and 6.7% in 2014.

Group's total capital expenditure for 2015 was S\$669.6 million. This is S\$158.0 million or 30.9% higher than 2014's S\$511.6 million.

Our Group Balance Sheet continues to be strong and healthy. Total assets stood at S\$5.22 billion as at the end of 2015. This is 0.3% lower than 2014. Our shareholders' equity without minority interest was S\$2.34 billion, an increase of 6.6% over 2014. Our total borrowings had declined to S\$558.6 million, a drop of 24.2%. Our gross gearing ratio was reduced to 18.5% compared to 26.0% in 2014. Our net cash position was S\$229.2 million.

Your Directors have recommended a tax-exempt one-tier final dividend of 5 cents per share. This will be subject to Shareholders' approval at the AGM on 28 April 2016. Together with the tax-exempt one-tier interim dividend of 4 cents per share paid on 28 August 2015, the total dividend for 2015 would be 9 cents per share. This is 9.1% higher than 2014 and represents 64.1% of our payout ratio. It is also higher than our declared 50% dividend policy. Against the year-end closing price of S\$3.05, the yield is 2.95%. The lower yield is due to the rise in the share price. Taking into account the share price appreciation, the total shareholder return for 2015 was 20.8%.

### Corporate Social Responsibility

In 2015, a separate Sustainability Report has been produced to accompany this Annual Report in accordance with the Global Reporting Initiative Guideline.

In celebration of SG50, the Group organised a fundraising event through the sale of little red dots and SG50 Pioneer Cows. Proceeds were donated to four designated charities. We also gave free bus and train rides on National Day costing about S\$2.6 million and participated as one of 16 civilian marching contingents in the National Day Parade.

Our operations in the seven countries where we have businesses continued to help the poor, the handicapped and the disadvantaged in areas such as providing free transport and donating cash. Of praiseworthy are our efforts in London where Metroline became the first bus operator to sign the Royal National Institute of Blind People's accessibility charter to ensure services are accessible to customers who have lost

## CHAIRMAN'S STATEMENT

their ability to see, as well as in Melbourne where we have converted a decommissioned bus into a soup kitchen bus to support the homeless.

In the area of safety, training and retraining courses were provided to our staff and other road users. On trial is a newly developed alert system by the Agency for Science, Technology and Research (A\*STAR) on our buses in Singapore. This system alerts our Bus Captains of any impending collision when they are navigating traffic junctions and is being trialled on two services at a trial junction.

We continued to conduct school talks focussing on safety and graciousness onboard buses and trains. To ensure staff are familiar with emergency procedures, bus disruption exercises were conducted. Workplace safety alertness was also mapped out.

On the environmental front, we continued to up our Green Quotient. In Singapore, we rolled out Euro 6 vehicles and began a second trial of a hybrid bus during the year. In China, we operate a fleet of Euro 4-compliant vehicles, in addition to the Liquefied Petroleum Gas- and Compressed Natural Gas-driven vehicles. In London, Metroliner operates 64 hybrid vehicles, in addition to the Euro 5 and 6 buses it has in its fleet. Our Australian fleet is made up entirely of Euro 5 buses.

We are continuously inculcating a Green Culture amongst our staff. The Group recycles paper, used tyres, scrapped metals, lubricants and batteries and also observes Earth Hour.

### Outlook And Challenges

As I write this Statement, the World is undergoing rapid and frightening changes with the slowdown of the global economy, the deterioration of the stock markets, the influence of the emerging Chinese Renminbi, the political uncertainty in Europe, drastic drops in oil and commodity prices and to a certain extent, the successful conclusion of the Paris Agreement on Climate Change. We are indeed facing a very uncertain world.

We will be watching very closely the development of electric, hybrid and autonomous vehicles.

The intensification of disruptive technologies is another area that we are keeping a keen eye on. We have, and will continue to invest and roll out new services to keep demand strong for our drivers. We are also watching travel patterns of commuters as more rail lines are rolled out in Singapore.

Appropriate manpower recruitment to meet future challenges continues to be top on our priority list. We will also continue to train, develop and work at retaining our present staff. In this respect, we will continue to work closely with the Unions and the Authorities.

The outcome of the deliberations of the newly created Future Economy Committee may shed some light on our future directions and plans in Singapore.

We shall continue with our overseas ventures. We may have to adjust our investment criteria in the light of the present uncertain and unpredictable environment especially when the cost of bank borrowings is expected to rise in tandem with the rise in US interest rates. Our low gearing position would place us in a favourable situation.

### Appreciation

For yet another successful year, I wish to congratulate and thank, once again, Management and Staff, ably led by Mr Kua Hong Pak, Managing Director/Group Chief Executive Officer. The spirit and the sacrifice demonstrated by him are beyond reproach. The Group owes a great deal to him for leading it to where it is today. In terms of market capitalisation, the Group has bypassed some of the long established blue chip companies in Singapore. This is no small feat given that the industry is so highly regulated and fiercely competitive.

We must also not forget our Partners in our continuous journey of growth. The Unions are our backbone as without their cooperation, understanding and assistance, we would not be able to carry out our tasks. Our strong working relationship with the Regulators has been instrumental in the course of implementation of the various national land transport policies. I thank them wholeheartedly.

I also wish to pay tribute to our Commuters in all the places where we operate. Their continued patronage serves as incentives for us to continue to improve our services.

To my fellow Directors, I thank them for their active participation and invaluable contributions.

I also wish to thank our Shareholders for their confidence in the Board and Management in leading the Group for all these years. I look forward to their continued support and encouragement as we continue our journey and face the challenges before us.

### Lim Jit Poh

Chairman  
March 2016