

 **BUS SERVICES** BASIC BUS SERVICES PREMIUM SERVICES
FAST FORWARD SERVICES CHINATOWN DIRECT SERVICES PARKS SERVICE
EXPRESS SERVICES NITE OWL SERVICES  **RAIL SERVICES**
NORTH EAST LINE DOWNTOWN LINE SENGKANG LIGHT RAIL TRANSIT
PUNGGOL LIGHT RAIL TRANSIT  **CORE BELIEFS** CUSTOMER-DRIVEN



PUTTING SAFETY FIRST **DT DOWNTOWN LINE** BUGIS BUKIT PANJANG NEWTON
NE NORTH EAST LINE HARBOURFRONT OUTRAM PARK CHINATOWN CLARKE QUAY
DHOBY GAUT LITTLE INDIA FARRER PARK BOON KENG POTONG PASIR
WOODLEIGH SERANGOON KOVAN HOUGANG BUANGKOK SENGKANG PUNGGOL

OUR VISION

**MOVING
PEOPLE
IN A SAFE,
RELIABLE AND
AFFORDABLE
WAY**

OUR MISSION

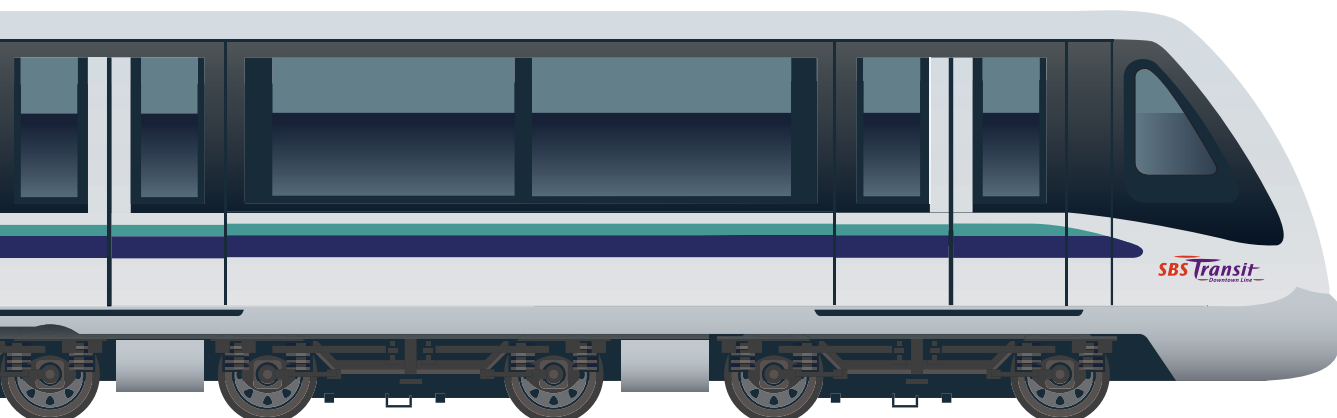
To achieve excellence for our customers, employees, shareholders and community. To this end, we are committed to delivering safe and reliable services at affordable prices, being an employer of choice, creating significant shareholder value and becoming a socially responsible corporate role model.

CORE BELIEFS

To achieve our Vision and Mission, we are guided by the following beliefs:

We will:

- Be driven by our customers' needs
- Strive for excellence in everything we do
- Act with integrity at all times
- Treat people with fairness and respect
- Maintain safety as a top priority
- Collaborate with our partners for a win-win outcome
- Give our shareholders a reasonable return



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CHAIRMAN'S STATEMENT

For the year under review,
our buses ferried a total of

1.03 billion
passengers

Demand for rail services
continued to grow with over

259.1 million
passenger trips
made in 2015

The Downtown
Line will have

34 stations
making it the
longest automated
underground MRT
system in Singapore



Introduction

2015 was a bittersweet year. Bitter because we lost our elder statesman, Mr Lee Kuan Yew, and yet sweet because we marked our Nation's 50th year of independence and celebrated the opening of the Downtown Line 2 (DTL2). The public scheduled bus industry also underwent significant changes as the Government Bus Contracting Model was implemented with two tenders awarded. A third is due this year.

Passing of Mr Lee Kuan Yew

On 23 March 2015, the Nation mourned the death of our first Prime Minister, Mr Lee Kuan Yew. It was due entirely to him that Singapore Bus Service, our predecessor, was established in 1973. Under his Government, the days of haphazard, unsafe and unruly bus services became a distant memory.

While the bus industry was shaping up, Mr Lee had also come to the conclusion that an all-bus system would be inadequate in meeting the transportation needs of the growing nation in land-scarce Singapore. Following a debate on whether an all-bus system would be more cost-effective, the Government proceeded with the construction of Singapore's first Mass Rapid Transit network in October 1983. In 1988, Mr Lee officially launched Singapore's first MRT system – the North South Line.

It was 15 years later in 2003 that SBS Transit first got involved in rail operations through the North East Line (NEL) and became a multi-modal operator.

To ensure that transportation did not pose a problem to the thousands of Singaporeans who queued overnight to pay their last respects to Mr Lee as he lay in state, we extended our bus and train operating hours. During the funeral, we observed a minute of silence with all bus and train operations put on hold at all our bus interchanges and train stations.

SG50 Celebrations

In 2015, SBS Transit joined in the Nation's jubilee celebrations by offering free rides on all our bus and train services throughout the entire day on 9 August. More than 430 extra buses were deployed and another 209 extra train trips were made to cater to demand. In addition, 1,200 extra staff were marshalled for duty to ensure that bus and train services operated smoothly.

Opening of Downtown Line 2

The second phase of the Downtown Line commenced passenger service on 27 December 2015, a day after its opening by Prime Minister Lee Hsien Loong. Spanning 16.6km, the 12 stations run along the Bukit Panjang and Bukit Timah stretch and offer convenience for commuters getting to town and the Marina Bay Financial District.

With its opening, the DTL now has 18 stations from Bukit Panjang to Chinatown. When fully completed in 2017, the 42-km long DTL will have 34 stations, making it the longest automated underground MRT system in Singapore.

Free travel was offered by the Land Transport Authority (LTA) from 27 December 2015 to 1 January 2016 to enable the public to explore the Line. This drew slightly more than 1.7 million commuters over the year-end holiday period.

Other Significant Highlights

The Public Transport Council (PTC) implemented two fare review exercises in 2015. In April 2015, it implemented a 2.8% fare increase but with falling energy prices, it announced in October that bus and train fares would reduce by 1.9% from 27 December 2015.

The Bus Service Enhancement Programme (BSEP 2) continued into its second phase with 154 new buses rolled out in 2015. Another 142 buses are due for delivery over the next two years until 2017. In all, we have taken delivery of a total of 525 BSEP buses since 2012.

The Bus Service Reliability Framework which began with 12 services in 2014 to improve enroute bus regularity and reduce instances of bus bunching and prolonged waiting times was extended to include another 13 services in 2015. In all, the 25 services are part of the incentive-penalty scheme that is on trial. Our performance in the two periods of assessment has earned us some financial incentives.

The Government Bus Contracting Model went full steam ahead in 2015 with results of the first tender, the Bulim Bus Package, announced in May. Results of the second tender, the Loyang Bus Package, were announced in November. Collectively, the two packages involve a total of 51 services of which 42 are currently operated by us. Unfortunately, we were not successful in our bid for both tenders.

Serving Our Commuters

For the year under review, our buses ferried a total of 1.03 billion passengers. This means that on average, our buses ferried more than 2.8 million passengers a day or 2.8% more than previously.

We operated 261 bus routes, of which 215 are basic services. Outside of BSEP, we launched two new routes and a supplementary service to cater to ridership demand and changes in commuter travel patterns.

We took delivery of 194 buses as part of our fleet renewal and expansion programme and another 154 buses under BSEP. In all, 348 new buses were added to our fleet which grew by 6% to 3,656. The average age of our fleet (including BSEP buses) is now 5.6 years, which is marginally younger by 0.1 year compared to a year ago. Close to 44% of our fleet are double deck buses while about 89% are wheelchair-accessible.

With more wheelchair friendly buses in our fleet, we were able to roll out 25 wheelchair-accessible basic bus services during the year. This brings the total number of wheelchair-accessible basic bus services that we offer to 195, which means that nine out of every 10 basic bus services in our operation cater to passengers-in-wheelchairs.

Demand for our rail services continued to grow with over 259.1 million passenger trips made in 2015. This is an increase of 7.3% over the previous year. Average daily ridership on the NEL grew by 4.6% to 537,000 while that of the Sengkang and Punggol Light Rail Transit



REMEMBERING LEE KUAN YEW

“Every time I pass by Alexandra Road, I remember the Hock Lee bus depot there, and workers linking arms in 1955, refusing to let the buses out, police coming in with water cannons, finally the riots. ...It is vividly etched in my mind and anytime anybody starts anything which will unwind and unravel this orderly, organised, sensible, rational society and make it irrational, emotional, I put a stop to it and without hesitation.”

— Mr Lee Kuan Yew, an excerpt from his 1982 *National Day Rally Speech*

CHAIRMAN'S STATEMENT

(LRT) systems increased by 14.1% to 99,000. For DTL1, average daily ridership increased by 23.5% to 76,000 for the year.

In tandem with the increase in passenger demand, 135 additional train trips per week were added to the schedules of the NEL. We were able to do this with new trains that were delivered during the year. In 2015, six new trains out of the 18 ordered have been delivered.

Similarly, on the LRT, 264 additional weekly trips were added to the schedules to cater to rising demand. In January 2016, we put into service two-car trains on the Sengkang LRT to cope with higher passenger volumes during the peak hours.

Corporate Social Responsibility

Interwoven into the SBS Transit's corporate culture is the firm commitment to sustainability.

To us, Corporate Social Responsibility is more than just volunteering hours. It is an overall need to constantly update our business processes and practices to ensure a positive change for a better future. The safety and security of our passengers and fellow road users rank high on our priority list and we invest extensively in these areas.

To reiterate our message of safety and graciousness in public transport, we conducted more than 100 talks, mini exhibitions and visits to our bus and train operations for some 38,000 students during the year.

On the new DTL2, we conducted four community engagement sessions for schools and constituencies along the corridor. We invited more than 200 grassroots leaders to participate in one of the sessions which included a train evacuation exercise besides briefings on safety features and knowing what to do in a train disruption. Plans are in the works to encourage schools and constituencies to adopt a station along the Downtown and North East Lines to promote safety and graciousness in public travel.

In the area of environmentalism, 70% of our fleet or 2,566 buses are Euro 5 compliant. This is an increase of about six percentage points compared to 2014 as we took delivery of 348 new Euro 5 buses during the year. These environmentally friendly buses will help us to further reduce the amount of harmful emissions into the environment.

Recognition and Awards

In the Business Times' Governance and Transparency Index 2015, we were ranked 43rd in a field of 639 companies. This is two spots higher than in 2014.

We were heartened that our continual efforts to improve safety and safe driving by our Bus Captains did not go unnoticed by the Road Safety Council which recognised us

as the Champion in the "Safety Award for Buses Fleet". A Bus Captain was also crowned a Road Safety Champion in the "Most Improved Driver" category while another won a Merit award in the "Safe Driver" category.

Financial Performance

Group revenue for the year crossed the one-billionth mark for the first time in more than four decades. It increased by 7.7% from \$951.0 million to \$1.02 billion.

In the bus business, revenue increased by 7.5% or \$56.5 million to \$810.5 million while that from rail segment increased by 8.3% to \$213.4 million. The increases came from ridership growth, higher average fares and other operating income.

The increase in Group revenue of \$72.9 million was offset by an increase in Group operating expenses of 7.4% or \$68.4 million due mainly to higher staff costs, higher depreciation, higher repairs and maintenance costs as well as higher premises costs. As a result, Group operating profit increased by \$4.5 million or 21.7% to \$25.2 million.

At the Group level, net profit attributable to shareholders increased by 17.0% from \$14.3 million to \$16.7 million.

Earnings per share was 5.41 cents, 17.1% higher than the 4.62 cents previously. As at 31 December 2015, total equity for the Group increased by 9.2% to \$338.7 million due mainly to the profits generated from operations and an increase in other reserves, but these were partially offset by the payment of dividends.

In accordance with our dividend policy, your Directors have proposed a tax-exempt one-tier final dividend of 1.05 cents per share. Together with the tax-exempt one-tier interim dividend of 1.65 cents per share paid earlier, the total tax-exempt one-tier dividend to be paid out for 2015 will be 2.70 cents per share, 17.4% higher than the previous year, in light of higher profits. The yield is 1.39%.

The Year Ahead

As we move into 2016, the operating environment will continue to be an eventful and challenging one.

The Government Bus Contracting Model will continue with the third package of bus routes to be tendered out.

The remaining nine bus tender packages which comprise 80% of the bus fleet in Singapore will continue to be operated by the incumbent public transport operators under negotiated contracts for five years. This is expected to start from 1 September 2016 after our Bus Service Operating Licence (BSOL) expires on 31 August 2016.

With the Government's Bus Service Enhancement Programme continuing in 2016, the need to recruit Bus Captains will remain a key focus. The recent opening of DTL2 and the scheduled opening of DTL3 in 2017 also means there is an urgent need to build up rail operations and engineering staff.

With headcount increases, staff costs are expected to be higher. Repairs and maintenance costs for the rail systems are also expected to increase as the NEL is now 13 years old.

Appreciation

I wish to thank Management and Staff for their hard work and commitment in staying the course in spite of the dynamic changes and challenges in the public transport industry.

I would also like to express my deep appreciation to our Deputy Chairman, Mr Kua Hong Pak, who is also the Managing Director and Group Chief Executive Officer (CEO) of our parent company, ComfortDelGro Corporation Limited, for his astute leadership and wisdom in providing guidance to the CEO, Mr Gan Juay Kiat, and his Team in the running of the Company.

To my fellow Directors, thank you for your invaluable advice, continued guidance and unwavering support.

I would also like to thank the National Transport Workers' Union, in particular, Mr Ong Chin Ang, who retired as the Executive Secretary on 1 February 2016, for his understanding and support in improving the welfare and well-being of our employees. I would also like to take this opportunity to welcome Mr Melvin Yong as the new Executive Secretary.

To the Authorities, Constituency Advisers and Grassroots Leaders, thank you for your cooperation, assistance, understanding and support.

To our Commuters, thank you for your support and patronage. We remain committed to improving our services and service standards in meeting your travel needs.

Last but not least, my appreciation also goes to our loyal Shareholders. We will continue to work hard to give you a fair and reasonable return and to deliver what we have committed.

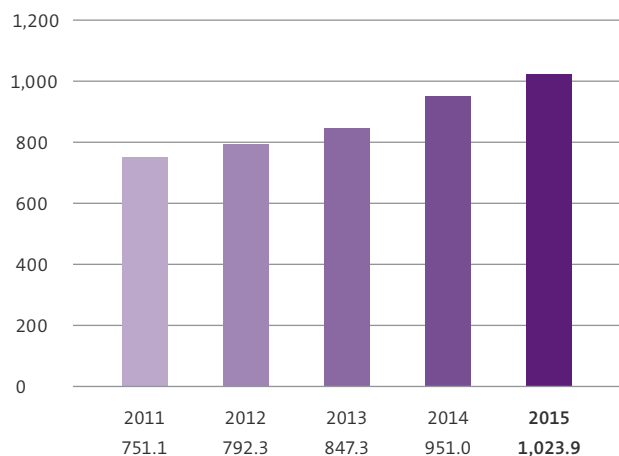
Lim Jit Poh

Chairman
March 2016

GROUP FINANCIAL HIGHLIGHTS

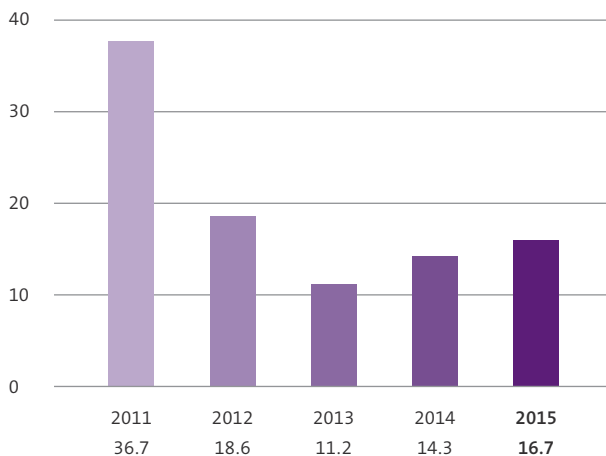
Revenue

(\$'mil)



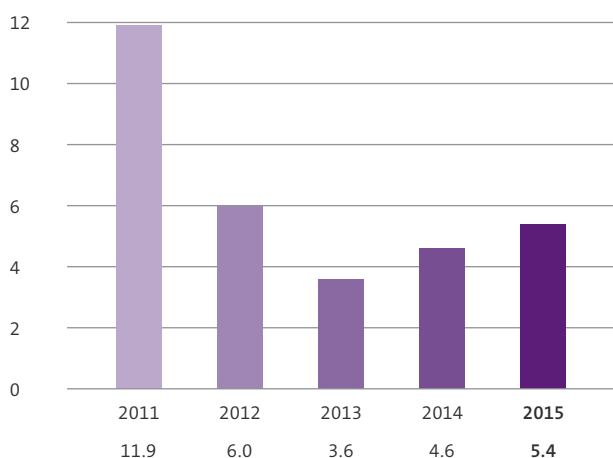
Profit Attributable to Shareholders

(\$'mil)



Earnings Per Ordinary Share

(cents)



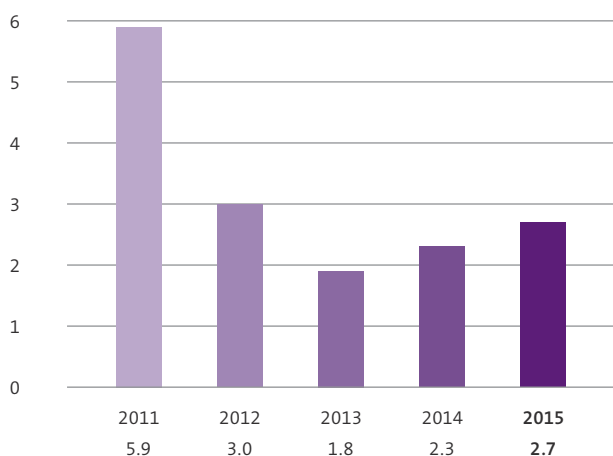
Net Asset Value Per Ordinary Share

(cents)



Total Dividend Per Ordinary Share

(cents)



Value-Added Per Employee

(\$'000)



Financial Summary

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-------|-------|-------|-------|---------|
| Revenue (\$'mil) | 751.1 | 792.3 | 847.3 | 951.0 | 1,023.9 |
| Operating profit (\$'mil) | 45.7 | 25.4 | 15.5 | 20.7 | 25.2 |
| Operating expenses (\$'mil) | 705.4 | 766.9 | 831.8 | 930.4 | 998.8 |
| Profit attributable to shareholders (\$'mil) | 36.7 | 18.6 | 11.2 | 14.3 | 16.7 |
| EBITDA (\$'mil) | 93.4 | 82.4 | 77.4 | 91.7 | 110.5 |
| Issued capital (\$'mil) | 93.9 | 93.9 | 93.9 | 94.6 | 94.8 |
| Capital and reserves (\$'mil) | 333.4 | 342.1 | 344.3 | 310.1 | 338.7 |
| Capital disbursement (\$'mil) | 153.8 | 202.7 | 166.1 | 214.4 | 155.8 |
| Internal funds generated (\$'mil) | 91.2 | 78.0 | 44.8 | 29.7 | 14.8 |
| Earnings per ordinary share (cents) | 11.9 | 6.0 | 3.6 | 4.6 | 5.4 |
| Net asset value per ordinary share (cents) | 108.0 | 110.8 | 111.6 | 100.3 | 109.6 |
| Return on shareholders' equity (%) | 11.3 | 5.5 | 3.3 | 4.4 | 5.2 |
| Total dividend per ordinary share (cents) | 5.9 | 3.0 | 1.8 | 2.3 | 2.7 |
| Dividend cover (number of times) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

Value-Added For The Group

| | 2011 | | 2012 | | 2013 | | 2014 | | 2015 | |
|---|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|
| | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % |
| Suppliers of capital - dividends and term loan interest | 24,535 | 5.9 | 15,649 | 3.6 | 12,174 | 2.5 | 11,426 | 2.0 | 14,189 | 2.3 |
| Taxation to the government | 23,073 | 5.6 | 21,416 | 4.9 | 16,618 | 3.5 | 18,716 | 3.4 | 21,834 | 3.5 |
| Retained earnings | 61,520 | 14.8 | 62,672 | 14.2 | 65,370 | 13.6 | 78,361 | 14.1 | 93,902 | 15.1 |
| Employees - salaries and other staff costs | 305,525 | 73.7 | 340,343 | 77.3 | 386,766 | 80.4 | 448,114 | 80.5 | 491,723 | 79.1 |
| Total value-added | 414,653 | 100.0 | 440,080 | 100.0 | 480,928 | 100.0 | 556,617 | 100.0 | 621,648 | 100.0 |
| Value-added per employee (\$'000) | 56.0 | | 58.3 | | 57.6 | | 63.8 | | 65.9 | |

CORPORATE INFORMATION

Board of Directors

Lim Jit Poh
Chairman

Kua Hong Pak
Deputy Chairman

Gan Juay Kiat
Chief Executive Officer

Cheong Yip Seng
Chin Harn Tong

John De Payva
Lead Independent Director

Lim Seh Chun
Wee Siew Kim
Wong Chin Huat, David

Audit and Risk Committee

Wee Siew Kim
Chairman

Chin Harn Tong
Lim Seh Chun

Remuneration Committee

Chin Harn Tong
Chairman

John De Payva
Lim Jit Poh

Nominating Committee

John De Payva
Chairman

Cheong Yip Seng
Wong Chin Huat, David

Service Quality Committee

Wong Chin Huat, David
Chairman

Cheong Yip Seng
Lim Seh Chun
Wee Siew Kim

Corporate Directory

Registered Office
205 Braddell Road
Singapore 579701
Mainline: (65) 6284 8866
Facsimile: (65) 6287 0311
Website: www.sbstransit.com.sg
Company Registration Number: 199206653M

Company Secretary
Chan Wan Tak, Wendy

Share Registrar
B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

Auditors
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809

Partner-in-Charge:
Toh Yew Kuan, Jeremy

Date of Appointment:
1 November 2011

BOARD OF DIRECTORS



LIM JIT POH
CHAIRMAN (NON-EXECUTIVE & NON-INDEPENDENT)

Mr Lim Jit Poh was appointed non-executive Chairman and Director of SBS Transit Ltd on 1 January 2003. He is a non-independent Director of the Company. He is a member of the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited, VICOM Ltd and Ascott Residence Trust Management Limited. These are listed companies with business interest in land transport, inspection and testing services and hospitality trust. Mr Lim is also the Chairman of several non-listed companies owned by the Singapore Labour Foundation and the National Trades Union Congress (NTUC).

Mr Lim was a former top civil servant and a Fulbright Scholar. He was awarded the Public Administration Medal in 1972 and the Public Service Star (BBM) in 2015 by the President of the Republic of Singapore, as well as four awards by NTUC, namely the Friend of Labour Award in 1986, the Meritorious Service Award in 1990, the Distinguished Service Award in 2000 and the Distinguished Service (Star) Award in 2014. In 2006, he was also one of the recipients of the Distinguished Science Alumni Award from the National University of Singapore.

In his previous employment as Executive Director of two public-listed companies, Mr Lim had been directly involved in negotiations with business partners and relevant authorities on various joint venture projects in the ASEAN region, as well as in China, Hong Kong, the United Kingdom, Australia and Mauritius. He was also involved in the management of these operations. Mr Lim was a Council Member of the Singapore Chinese Chamber of Commerce and Industry and the National University of Singapore, and a Member of the Singapore British Business Council. He was also very active in community work being Chairman of a community centre management committee. Presently, he is a Trustee of the Singapore National Employers' Federation and a Member of the Board of Management of Pei Chun Public School.

Mr Lim holds a Bachelor of Science (Hons) in Physics from the University of Singapore and a Master of Education from the University of Oregon, USA.

Date of last re-appointment as Director: 22 April 2015



KUA HONG PAK
DEPUTY CHAIRMAN (NON-EXECUTIVE & NON-INDEPENDENT)

Mr Kua Hong Pak was appointed Executive Director of SBS Transit Ltd on 2 May 2002. In 2003, he was appointed Deputy Chairman of the Company. He is a non-independent Director of the Company. Mr Kua is presently the Managing Director/ Group Chief Executive Officer of ComfortDelGro Corporation Limited and Deputy Chairman of VICOM Ltd. Prior to this, he was the President/Chief Executive Officer of Times Publishing Limited, where he managed its Singapore and overseas operations in the United States, United Kingdom, China, Japan, Hong Kong and Australia.

Mr Kua also serves on the boards of Temasek Holdings (Private) Limited, PSA International Pte Ltd and PSA Corporation Limited. He is also an Honorary Citizen of Shenyang City, China. In recognition of his contributions to community service, he was awarded the Public Service Medal in 1991 and the Public Service Star in 1996 by the President of the Republic of Singapore and re-appointed a Justice of the Peace in 2015. He was awarded the Medal of Commendation in 2005 and the Medal of Commendation (Gold) in 2010 by the National Trades Union Congress.

Mr Kua holds a Bachelor of Accountancy from the University of Singapore and is a Fellow of the United Nations Asian Institute. He also attended the Advanced Management Programme at the Harvard Business School.

Date of last re-appointment as Director: 22 April 2015

BOARD OF DIRECTORS



GAN JUAY KIAT

CHIEF EXECUTIVE OFFICER & DIRECTOR

Mr Gan Juay Kiat was appointed Chief Executive Officer of SBS Transit Ltd on 1 March 2010. He is a non-independent Director of the Company. Mr Gan first joined ComfortDelGro Corporation Limited as Group Corporate Planning Officer in February 2006. Subsequently, he was also appointed the Chief Executive Officer and Director of ComfortDelGro Bus Pte Ltd. In April 2007, he assumed the role of Chief Operating Officer of SBS Transit Ltd, and was appointed Executive Director on 1 March 2009.

Prior to joining the ComfortDelGro Group, Mr Gan was the Chief Corporate Officer at the Ascott Group and Senior Vice President (Corporate Planning) at CapitaLand Limited.

Mr Gan started his career in the Singapore Armed Forces where he held several senior command and staff appointments. He moved on to join General Electric Company as a Divisional Director, and later to Times Publishing Limited as Senior Vice President (Retail & Distribution).

Mr Gan was a President's Scholar and SAF (UK) Scholar in 1976. He holds a Bachelor of Arts (Engineering Tripos) from the University of Cambridge, the United Kingdom.

Date of last re-election as Director: 22 April 2015



CHEONG YIP SENG

DIRECTOR (NON-EXECUTIVE & INDEPENDENT)

Mr Cheong Yip Seng was appointed a non-executive Director of SBS Transit Ltd on 11 November 1997. He is an independent Director of the Company. Mr Cheong is a member of both the Nominating Committee and Service Quality Committee. Mr Cheong was the Editor-in-Chief of the English/Malay Newspapers Division of Singapore Press Holdings Limited (SPH) from 1987 to 2006. In 2007, he became an Editorial Advisor to SPH until June 2008.

He was Chairman of the Advisory Committee on the Impact of New Media on Society from April 2007 to April 2009. He had served on the Board of Trustees, National University of Singapore, and the Board of the Building and Construction Authority.

Date of last re-appointment as Director: 22 April 2015



CHIN HARN TONG

DIRECTOR (NON-EXECUTIVE & INDEPENDENT)

Mr Chin Harn Tong was appointed a non-executive Director of SBS Transit Ltd on 7 July 1993. He is an independent Director of the Company. Mr Chin is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. He is also a Director of CityCab Pte Ltd. He had previously been the Secretary, Executive Director and Advisor of NTUC Comfort (1971–1986).

Mr Chin is the Advisor to the North-East Community Development Council and the Singapore Stevedores' Union. He was a Member of Parliament for Aljunied from 1972 to 1996. He was also the Political Secretary, Parliamentary Secretary and Senior Parliamentary Secretary between 1976 and 1988.

Mr Chin was awarded the Public Administration Medal by the Government of Singapore in 1971, the Friend of Labour Award in 1971 and the Meritorious Service Award by the National Trades Union Congress (NTUC) in 2000. He was also appointed a Justice of the Peace in 1998.

Mr Chin holds a Bachelor of Arts from the Nanyang University (1963). In 1970, he was awarded the Colombo Plan Fellowship in Industrial Relations, Australia and was subsequently seconded to the NTUC and was promoted to the Government's Administrative Service.

Date of last re-appointment as Director: 22 April 2015



JOHN DE PAYVA

DIRECTOR (NON-EXECUTIVE & LEAD INDEPENDENT)

Mr John De Payva was appointed a non-executive Director of SBS Transit Ltd on 26 July 1999. He is an independent Director of the Company and was appointed Lead Independent Director of the Company since 1 January 2013. Mr De Payva is the Chairman of the Nominating Committee and a member of the Remuneration Committee.

Mr De Payva is the President Emeritus of the National Trades Union Congress (NTUC). He is also the Executive Director and Secretary-General Emeritus of the Singapore Manual and Mercantile Workers' Union, a Member of the Board of Governors of OTC-ILS, a Trustee of National Trades Union Congress and a Director of SLF Leisure Enterprises (Pte) Ltd.

Mr De Payva holds a Diploma in Industrial Relations from the Singapore Institute of Labour Studies.

Mr De Payva was awarded the Public Service Medal in 1998, the Public Service Star in 2004 and the Meritorious Service Medal in 2011 by the President of the Republic of Singapore and the Distinguished Service (Star) in 2012 by NTUC.

Date of last re-election as Director: 24 April 2014

BOARD OF DIRECTORS



PROFESSOR LIM SEH CHUN
DIRECTOR (NON-EXECUTIVE & INDEPENDENT)

Professor Lim Seh Chun was appointed a non-executive Director of SBS Transit Ltd on 1 October 2012. He is an independent Director of the Company. Professor Lim is a member of both the Audit and Risk Committee and the Service Quality Committee.

Professor Lim is the Associate Provost, Student Affairs at the Singapore University of Technology and Design. Prior to this, he spent more than 30 years with the National University of Singapore during which he held a number of management appointments including Special Assistant (Policy) to the Vice-Chancellor, Chief of Staff, Acting Director of Institutional Resources, an Associate President, Head of Department of Mechanical Engineering, Director of NUS-CREATE and Deputy Dean of Faculty of Engineering. His main research effort is to understand the friction and wear behaviour of engineering materials.

Professor Lim was a Public Service Commission (PSC) Overseas Merit Scholar. He holds a Bachelor of Arts (Hons) in Engineering Science from Oxford University, Master of Arts from Oxford University, Master of Engineering from National University of Singapore and Doctor of Philosophy from Cambridge University. He is a Fellow of the Institution of Engineers, Singapore, the Institution of Mechanical Engineers, UK and the Institute of Materials, Minerals and Mining, UK. He is a registered Professional Engineer in Singapore and a Chartered Engineer in the UK. He was awarded the Public Administration Medal (Silver) in 2005.

Professor Lim is a Director of the Singapore Symphonia Company Limited.

Date of last re-election as Director: 22 April 2015



WEE SIEW KIM
DIRECTOR (NON-EXECUTIVE & INDEPENDENT)

Mr Wee Siew Kim was appointed a non-executive Director of SBS Transit Ltd on 30 April 2003. He is an independent Director of the Company. Mr Wee is the Chairman of the Audit and Risk Committee and a member of the Service Quality Committee.

Mr Wee is currently Group Chief Executive Officer (CEO), NIPSEA Group of Companies. He is also the Chairman of ES Group (Holdings) Limited and a Director of Mapletree Logistics Trust Management Ltd.

Mr Wee was previously the Deputy CEO of Singapore Technologies Engineering Ltd. Prior to this, Mr Wee held several positions within Singapore Technologies Engineering including being the President of Singapore Technologies Aerospace Ltd.

Mr Wee holds a Bachelor of Science (Aeronautical Engineering) (Hons) from the Imperial College of Science and Technology and a Master in Business Administration from the Graduate School of Business, Stanford University.

Date of last re-election as Director: 25 April 2013



WONG CHIN HUAT, DAVID
 DIRECTOR (NON-EXECUTIVE & NON-INDEPENDENT)

Mr Wong Chin Huat, David was appointed a non-executive Director of SBS Transit Ltd on 11 November 1997. He is a non-independent Director of the Company. He is the Chairman of the Service Quality Committee and a member of the Nominating Committee.

Mr Wong has been practising law with Ramdas and Wong since June 1974.

Mr Wong is also a Director of ComfortDelGro Corporation Limited. He served as a Member of the Public Service Commission from 1998 till April 2015. He is presently the Chairman of the NTUC-U Care Fund Board of Trustees. He was a Director of the Singapore Labour Foundation (SLF) from 30 November 2001 till 24 September 2010.

Mr Wong was awarded the Friend of Labour Award in 1989, the Meritorious Service Award in 1995, the Distinguished Service Award in 2001 and the Distinguished Service (Star) Award in 2010 by NTUC. Mr Wong also received a Certificate of Appreciation from SLF for services rendered as a Director of Pasir Ris Resort Services Pte Ltd in 1989. In 1991, he was awarded the Public Service Star and in 2005, the Public Service Star (Bar) by the President of the Republic of Singapore for community and social services rendered.

Mr Wong holds a LL.B (Hons) from the University of Singapore and a LL.M from the University of London.

Date of last re-election as Director: 24 April 2014

KEY MANAGEMENT



WOON CHIO CHONG



SIMON BENEDICT LANE



ENG SOK YONG



TAN POH CHOO, EVELYN



TAN I-LIN, TAMMY

WOON CHIO CHONG

**EXECUTIVE VICE PRESIDENT,
BUS DEVELOPMENT**

Mr Woon Chio Chong joined SBS Transit as a Planning Officer in 1976 and rose through the ranks with stints in Planning and Operations. He was promoted to the position of Senior Vice President of Service Development in 1995, and subsequently appointed Executive Vice President (Bus Operations) in 2000. In November 2008, he was re-designated as Executive Vice President (Bus Development), where he is responsible for the development of bus routes, operations support, bus training and service quality for the Bus Division. He also oversees the Security Department in the Company. Mr Woon holds a Bachelor of Science (Hons) in Information Science from the Victoria University of Wellington, New Zealand.

SIMON BENEDICT LANE

EXECUTIVE VICE PRESIDENT, RAIL

Mr Simon Benedict Lane was appointed Executive Vice President for the Rail Business Area in March 2015. He concurrently holds the position of Chief Executive Officer of SBS Transit DTL Pte Ltd, which operates the Downtown Line. Mr Lane has more than 30 years of experience in the rail industry, having worked in Singapore, the United Kingdom and Australia. In his career, he had served as Chief Operating Officer of Metro Trains in Melbourne and also the Chief Executive Officer of State Rail Authority in New South Wales. Between 2001 and 2005, he was the Chief Operating Officer in the rail division of SBS Transit where

he played an instrumental role in the commencement of the North East Line, Sengkang and Punggol LRT operations. He had also previously served as a consultant in advising organisations on how to overcome strategic and operational challenges in their rail operations. Mr Lane holds a Bachelor of Arts (Hons) in Economics from the University of Wales.

ENG SOK YONG

**SENIOR VICE PRESIDENT,
CORPORATE DEVELOPMENT**

Ms Eng Sok Yong was appointed Senior Vice President of Corporate Development in SBS Transit in February 2007. Prior to this, she was the Group Director of Policy and Planning at the Land Transport Authority, where she was in charge of its corporate communications, policy development, infrastructure and strategic planning departments. She had previously served as Assistant Director in the Ministry of Trade and Industry, where she was responsible for Singapore's multilateral negotiations in the World Trade Organisation. Ms Eng, who was a Public Service Commission (PSC) Scholar, holds a Master of Science from the London School of Economics.

TAN POH CHOO, EVELYN

SENIOR VICE PRESIDENT, FINANCE

Ms Tan Poh Choo, Evelyn was appointed Senior Vice President of Finance in SBS Transit on 7 October 2014. She is responsible for the finance functions and oversees the accounting, financial and statutory reporting, financial controls, budgeting, treasury and taxation matters. Ms Tan started her

career as a Management Trainee in Finance with the then Singapore Bus Service (1978) Limited in 1989. Over the years, she has held various positions with responsibilities and exposure to the different areas of finance.

Ms Tan holds a concurrent position at ComfortDelGro Corporation Limited, which is SBS Transit's parent company, where she is responsible for the Group's treasury matters. She holds a Bachelor of Business Administration with a major in Finance from the National University of Singapore.

TAN I-LIN, TAMMY

**SENIOR VICE PRESIDENT,
CORPORATE COMMUNICATIONS**

Ms Tan I-Lin, Tammy is Senior Vice President, Corporate Communications of SBS Transit. She is also the Group Corporate Communications Officer and Spokesperson for ComfortDelGro Corporation Limited, SBS Transit's parent company. She is responsible for all corporate communications functions, including promoting the Group's image, overseeing its various publications, coordinating requests for sponsorships and donations, and liaising with the media community. Ms Tan started her career with Singapore Press Holdings in 1995 and held several positions in The Straits Times, including Deputy Money Editor and Deputy News Editor. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore.



LEONG YIM SING



TAN ENG KOK, IVAN



ANG WEI NENG



GOEI BENG GUAN, ALEX

LEONG YIM SING

**SENIOR VICE PRESIDENT,
RAIL ENGINEERING (DOWNTOWN LINE)**

Er. Leong Yim Sing joined SBS Transit in 2003 and is currently Head of Rail Engineering of SBS Transit Downtown Line (DTL). He is responsible for all engineering and maintenance activities in the operation of the DTL. Mr Leong has 30 years of experience in the operations and maintenance of Singapore's rail systems. A pioneer in the rail industry, he was actively involved in the setting up of Singapore's first MRT system including the North-South and East-West Lines in 1985. In 1995, he oversaw the setup and operations of the first driverless LRT system in Singapore. Prior to his current appointment, he was head of Rail Engineering for the North East Line. Er. Leong graduated with First Class Honours in Mechanical Engineering from the Imperial College, London. He is a certified Professional Engineer in Singapore, and an Associate of the City & Guilds Institute, London. He is also a Fellow of the Institution of Engineers (Singapore) and a Chartered Engineer (Railway Engineering).

TAN ENG KOK, IVAN

**SENIOR VICE PRESIDENT,
WEST DISTRICT, BUS OPERATIONS**

Mr Tan Eng Kok, Ivan joined SBS Transit in 1996 as Vice President (Corporate Development) and later assumed the position of Vice President (Operations). He was subsequently appointed Vice President in charge of bus operations for West District in 1998. He was promoted to Senior Vice President on 1 January 2012. Prior to joining the Company, Mr Tan Eng Kok, Ivan had

worked as an Engineer with Hewlett Packard. He also has corporate planning and market research experience from his stint with SISIR. Mr Tan Eng Kok, Ivan holds a Bachelor of Engineering (Hons) in Mechanical Engineering from the National University of Singapore. He also obtained a Master of Business Administration from the same university.

ANG WEI NENG

**SENIOR VICE PRESIDENT,
EAST DISTRICT, BUS OPERATIONS**

Mr Ang Wei Neng joined SBS Transit in 2004. Prior to his current appointment as Senior Vice President for bus operations in the East District and concurrent appointment as Head of Security in SBS Transit, he held key positions in service development and operations development. Previously, he held various managerial positions in operations and business development in diverse industries, covering countries in South East Asia, Hong Kong and China. Mr Ang, a Public Service Commission (PSC) Scholar, served in the Singapore Police Force before joining the private sector. He holds a Bachelor of Social Sciences (Hons) from the National University of Singapore and a Master of Business Administration (MBA) from the Nanyang Technological University. Mr Ang is also a Member of Parliament for Jurong GRC.

GOEI BENG GUAN, ALEX

**SENIOR VICE PRESIDENT,
RAIL OPERATIONS (DOWNTOWN LINE)**

Mr Goei Beng Guan, Alex is responsible for the operation of the Downtown Line (DTL). He first joined the Company in 1985, starting with bus service planning and project management. From September 1998, Mr Goei was extensively involved in the launch of the North East Line (NEL), which is Singapore's first underground, driverless rail system. Heading traffic, passenger service and operation, he played an integral role in ensuring the successful opening of the NEL in 2003. He was subsequently promoted to Senior Vice President, Rail Operations in January 2013. Mr Goei graduated from the National University of Singapore with a Bachelor of Arts in Economics and History. He also obtained postgraduate diplomas in Road Passenger Transport and Training and Development Management from the Chartered Institute of Logistics & Transport and UK Institute of Training and Development respectively. He is also an Associate of the Institute of Railway Signal Engineers.

KEY MANAGEMENT



FOO JANG KAE



MICHAEL JAMES HARRISON



POH EE HUAT



PANG FUI ENG, IVAN



TAN WEE ENG, ANGIE

FOO JANG KAE VICE PRESIDENT (SPECIAL GRADE), RAIL ENGINEERING (NORTH EAST LINE, SENGKANG AND PUNGGOL LRT)

Er. Foo Jang Kae was appointed Vice President, Rail Engineering (North East Line, Sengkang and Punggol LRT), in 2015. He oversees all engineering activities to support the operations of the North East Line (NEL) and the Sengkang and Punggol LRT systems. He joined the Company in 2001 as Manager, Power and Overhead Catenary System and was a pioneer in the start-up of the NEL. Prior to joining SBS Transit, he worked in the power industry for eight years. A registered Professional Engineer, Er. Foo is also a Licensed Electrical Engineer in Singapore. He also obtained certification as a Chartered Engineer with both the Engineering Council in the United Kingdom (UK) and the Institution of Engineers Singapore. Er. Foo graduated with First Class Honours in Electrical and Electronic Engineering from the Strathclyde University in the UK. He is also a British High Commission Raffles Scholar who graduated with a Master of Science in Electrical Power Engineering from the University of Manchester, Institute of Science and Technology (UK).

MICHAEL JAMES HARRISON VICE PRESIDENT (SPECIAL GRADE), RAIL OPERATIONS (NORTH EAST LINE, SENGKANG AND PUNGGOL LRT)

Mr Michael James Harrison is Vice President of Rail Operations for the North East Line as well as the Sengkang and Punggol LRT systems. He joined the Company in August 2014 after an illustrious career with the London Underground Ltd. He was involved with the Jubilee Line Extension project,

which is the first line to be added to the London Underground in over 25 years. Mr Harrison was also part of the team which introduced driverless operations to the Jubilee Line and managed train operations during the London Olympics in 2012. He specialises in international transport and rail regulatory laws and is a qualified barrister, having been called to the bar by the Honourable Society of Lincoln's Inn in 2013. He also holds a Master of Arts in Analytic Philosophy from the University of London in addition to a diploma in electrical and mechanical engineering. Mr Harrison is an Associate Member of the Institute of Rail Operators in the United Kingdom.

POH EE HUAT VICE PRESIDENT (SPECIAL GRADE), ENGINEERING AND SUPPLIES

Mr Poh Ee Huat joined SBS Transit as Senior Maintenance Engineer in September 1989. He assumed the position of Director, Engineering (Bus) in September 1998, where he was in charge of the engineering and supplies operation of the Bus Business. He was also a key member of the North East Line (NEL) project team in charge of securing the NEL, Sengkang and Punggol LRT business, and the initial set up of the Rail Business area. He was appointed General Manager, Fleet Management One in July 2002. Subsequently, he was appointed General Manager of Engineering and Supplies in June 2006. Prior to joining SBS Transit, Mr Poh was a Project Engineer with the Republic of Singapore Air Force. He holds a Bachelor of Engineering (Hons) in Mechanical Engineering, and a Master of Science (Industrial Engineering) from the National University of Singapore.

PANG FUI ENG, IVAN VICE PRESIDENT (SPECIAL GRADE), FLEET MANAGEMENT

Mr Pang Fui Eng, Ivan is Vice President, Fleet Management, of SBS Transit where he is responsible for the entire management and operations of bus maintenance. He joined the Company as Deputy General Manager of Fleet Management in January 2007. Prior to this, he had served with the Republic of Singapore Armed Forces for 25 years, holding various staff and command appointments in Army Logistics. In his last appointment, he was a Senior Project Officer with the Joint Logistics Department. Mr Pang graduated with First Class Honours in Mechanical Engineering from the University of Birmingham in the United Kingdom (UK). He also has a Master of Science in Gun Systems Design from the Cranfield University in the UK.

TAN WEE ENG, ANGIE VICE PRESIDENT (SPECIAL GRADE), INFORMATION TECHNOLOGY

Ms Tan Wee Eng, Angie is Vice President, Information Technology of SBS Transit. She leads the Information Technology Department and oversees the day-to-day operations in planning and management, system architecture design, development and implementation, support and maintenance of information technology infrastructure, applications and services. Ms Tan started her career as a Programmer in the Information Technology Department with SBS Transit in 1979. She holds a Bachelor of Science from the Nanyang University.



LIM BEE HONG



LEOW CHEE YEN, DON



CHOO PENG YEN



ONG POH SIM, MAY



CHAN WAN TAK, WENDY

LIM BEE HONG

**VICE PRESIDENT (SPECIAL GRADE),
ORGANISATIONAL DEVELOPMENT
AND STANDARDS**

Ms Lim Bee Hong is Vice President, Organisational Development and Standards. She joined SBS Transit in 1984 as a Personnel Officer and rose through the ranks in the Human Resource Department. Her previous appointments include Vice President, Training and Management Services in 1995, Director, Learning and Development in 2001 and Vice President, Human Resource in 2008. She was appointed to this current position in 2009 and is responsible for service excellence initiatives, human resource development, business excellence and quality management certifications. She is concurrently Vice President, Training (Bus) and oversees the Bus Captain Development Centre and Technical Training Centre under the Bus Business. Ms Lim graduated from the National University of Singapore with a Bachelor of Business Administration.

LEOW CHEE YEN, DON

**VICE PRESIDENT,
HUMAN RESOURCE**

Mr Leow Chee Yen, Don was appointed Vice President of Human Resource in SBS Transit in June 2014. He is responsible for human resource management to ensure that the company continues to recruit and retain its fair share of manpower and talent. Before this, he was the Deputy Director of Human Resource in the Ministry of Trade and Industry, where he was responsible for business partnering, compensation and benefits, recruitment as well as employee engagement and welfare. He was previously from the Ministry of Defence where he worked in the Defence Policy Office and Manpower Policy Department. Mr Leow has a Bachelor of Arts and Social Sciences (Hons) from the National University of Singapore.

CHOO PENG YEN

**COMFORTDELGRO GROUP INVESTOR
RELATIONS AND SPECIAL PROJECTS OFFICER**

Mr Choo Peng Yen was appointed as ComfortDelGro Corporation's Group Investor Relations and Special Projects Officer in 2010. He is in charge of the investor relations functions of the Group including SBS Transit's. Previously he was the General Manager of the North East China Business Unit. Mr Choo joined the Group in 1978 and was the Senior Vice President (Group Business Development) prior to his appointment in China. He holds a Bachelor of Business Administration from the University of Singapore and attended the International Executive Programme at INSEAD (France).

ONG POH SIM, MAY

**COMFORTDELGRO GROUP
INTERNAL AUDIT OFFICER**

Ms Ong Poh Sim, May is ComfortDelGro Corporation's Group Internal Audit Officer. She is responsible for the internal audit functions of the Group including SBS Transit's. She joined the Group in 1981 as Internal Auditor and was subsequently appointed to head the Internal Audit Division. She holds a Bachelor of Accountancy from the Nanyang University.

CHAN WAN TAK, WENDY

COMPANY SECRETARY

Ms Chan Wan Tak, Wendy is the Company Secretary of SBS Transit. She also holds a similar appointment in ComfortDelGro Corporation Limited, which is SBS Transit's parent company. She joined the Group in September 2007 as Vice President of Group Finance. She is currently Senior Vice President of Group Finance. Prior to joining the Group, Ms Chan was the Vice President of Finance and Operations of k1 Ventures Limited. Before this, she was with Deloitte & Touche LLP as Senior Audit Manager. Ms Chan holds a Bachelor of Accounting and Finance (Hons) from the University of Glamorgan, United Kingdom. She is a Chartered Accountant of the Institute of Singapore Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants.

OPERATIONS REVIEW

B
U
S

810.5

REVENUE (\$'mil)

2,830

AVERAGE DAILY RIDERSHIP ('000)

3,656

TOTAL BUS FLEET

7,965

TOTAL NUMBER OF EMPLOYEES

Basic Services • Fast Forward Services • Chinatown Direct Services
Parks Service • Express Services • Premium Services • Nite Owl Services

SBS Transit is Singapore's largest scheduled bus service operator. With a fleet of 3,656 buses, we operate 261 bus routes, of which 215 are basic bus services.

In 2015, average daily ridership grew by 2.8% with our buses making more than 2.8 million passenger trips a day.

To cater to the growing demand, we took delivery of 348 buses during the year. Since 2005, we have taken delivery of 3,266 new buses. As a result of our extensive investments in new vehicles, the average age of our bus fleet is now 5.6 years. Significantly, 89.4% of our fully air-conditioned bus fleet is now wheelchair-accessible and 43.7% are double decks.

With more wheelchair friendly buses in our fleet, we were able to roll out more wheelchair-accessible bus services. Twenty-five such services were introduced during the year, bringing the total number of wheelchair-accessible services to 195. This means that nine out of every 10 of our basic bus services is wheelchair-accessible.

Among the new buses delivered, 154 were funded by the Government under the Bus Service Enhancement Programme (BSEP) which commenced in 2012 to improve capacity and frequency of bus services for commuters. As at the end of 2015, we have a total of 525 BSEP

buses which constitute about 14% of our fleet.

We continued to work closely with the Land Transport Authority (LTA) in the deployment of the BSEP buses. In 2015, we rolled out 10 BSEP services comprising six new routes (Services 47, 102, 117, 118, 122 and 258), a supplementary service (Service 53M) and three amended routes (Services 49, 103 and 386). The BSEP buses were also deployed to 27 existing services to beef up capacity and ease waiting times.

On our own, we introduced two new bus routes (Services 253 and 256) and a supplementary service (Service 170A). We also made improvements to 25 services by adding more buses, running more peak hour trips and deploying double deck buses in place of single deck ones to cater to commuter demand on heavily used routes.

Fourteen routes were amended during the year to better serve commuters' needs or take into account road improvements and realignment works. With the opening of the fully air-conditioned Joo Koon Bus Interchange in November, a major route amendment exercise involving nine services was conducted over three weekends. Five existing bus services (Services 99, 182/182M, 254, 255 and 257) were amended to serve the new interchange, which is the eighth



air-conditioned interchange that we are operating. Concurrently, four other bus routes (Services 192, 193, 194 and 251) that originate from the Boon Lay Bus Interchange were also amended following the opening of the Joo Koon Bus Interchange.

We withdrew two Premium Services (Services 548 and 550) during the year to free up resources for our basic bus services. These two Premium bus services are now run by private operators. As at the end of December 2015, we operated 23 Premium Services. From 22 January 2016, the Authorities allowed standing on all Premium Services.

To serve our commuters better, we extended the operating hours of selected bus services to complement the extended train hours during major events and the eve of public holidays. For the F1 Grand Prix race nights, we put four special late night routes into service besides the six Nite Owl Services.

We also made provisions to operate our services according to demand. When the late Mr Lee Kuan Yew lay in state, we extended the operating hours of selected bus services during the week and even ran our services overnight on two nights as thousands of Singaporeans queued to pay their last respects.

In celebration of the Nation's 50 years of independence, we offered free travel on all our buses on 9 August. More than 430 extra buses were deployed and 936 additional staff went on duty to ensure that bus services operated smoothly. To add to the festivities, 500 buses as well as our bus interchanges were decorated with images of the little red dot – as Singapore is affectionately known.

As part of our efforts to improve the public transport experience for commuters, we started to tweet bus service updates and announcements on our twitter account, @SBSTransit_Ltd,

from July 2015. As at December 2015, we have about 6,500 followers and the number continues to grow.

Our *iris* next bus arrival information system, which was developed in-house and took bus travel to a new level for commuters in 2007, migrated to a centralised common bus arrival information system operated by the LTA in 2015. With this, we stopped providing *iris* information to the 15 smartphone transport apps. The *iris* app now receives an average of about 1.6 million queries a day for next bus arrival timings.

The Government's two-year trial of "Bus Service Reliability Framework" (BSRF), which commenced in February 2014, was extended to August 2016 with 13 more of our bus services added. In all, 25 of our bus services are involved in this incentive-penalty Framework. For the second assessment period from December 2014 to May 2015, we met all the required standards and received financial incentives as a result. We have directed these funds to recruit more staff, reward them as well as invest in more equipment to improve service reliability.

To ensure operational readiness in an incident, four service disruption exercises were conducted in 2015 at the Hougang and Serangoon Bus Interchanges, St Michael's Terminal and the Bedok North Bus Depot. The exercise scenarios required bus services to be rerouted due to safety and security incidents. Goodwill Ambassadors, Traffic Inspectors as well as staff from other interchanges were mobilised in these exercises which validated our preparedness and responsiveness in incident management.

In the area of service delivery, the LTA's Public Transport Customer Satisfaction Survey showed that the percentage of respondents who were satisfied with bus services improved from 88.3% to 90.2%. We received close to 37,500 compliments and commendations

during the year under review, which is about 27% more than 2014. We also achieved all standards under the Public Transport Council's Quality of Service Standards.

Our continued pursuit of excellence attracted many international visitors – all keen to explore new and innovative ways of doing things. Our distinguished guests from no less than five countries included the Honourable Dean Nalder MLA, Minister for Transport for Western Australia.

For the year under review, we participated in the first two tenders of the Government Bus Contracting Model. The results of the first tender, the Bulim Bus Package, were announced in May while the second tender, the Loyang Bus Package, in November. We were not successful in our bid for the two tenders.

Our buses continued to serve as moving billboards and our bus interchanges a highly visible platform for advertisements. Moove Media, our sister company, rolled out innovative campaigns that helped advertisers capture the attention of commuters. As part of the EVA Air Hello Kitty Jet campaign, a fully-wrapped double deck bus with the Sanrio characters painted all over became the talk of the town and was featured in several newspapers and trade publications. The campaign, which was extremely popular with Hello Kitty fans, was a finalist at the Singapore Institute of Advertising's Hall of Fame Awards 2015.

Besides advertising opportunities, we also leased out commercial spaces at our bus interchanges to help cover our bus operating expenses. In 2015, we successfully leased out 90.4% of the retail spaces across our bus interchanges.

OPERATIONS REVIEW

RAIL

213.4

REVENUE (\$'mil)

537

AVERAGE DAILY RIDERSHIP ('000)
(NORTH EAST LINE)

76

AVERAGE DAILY RIDERSHIP ('000)
(DOWNTOWN LINE)

99

AVERAGE DAILY RIDERSHIP ('000)
(PUNGGOL AND SENGKANG LRT)

1,774

TOTAL NUMBER OF EMPLOYEES

North East Line • Downtown Line
Sengkang Light Rail Transit • Punggol Light Rail Transit

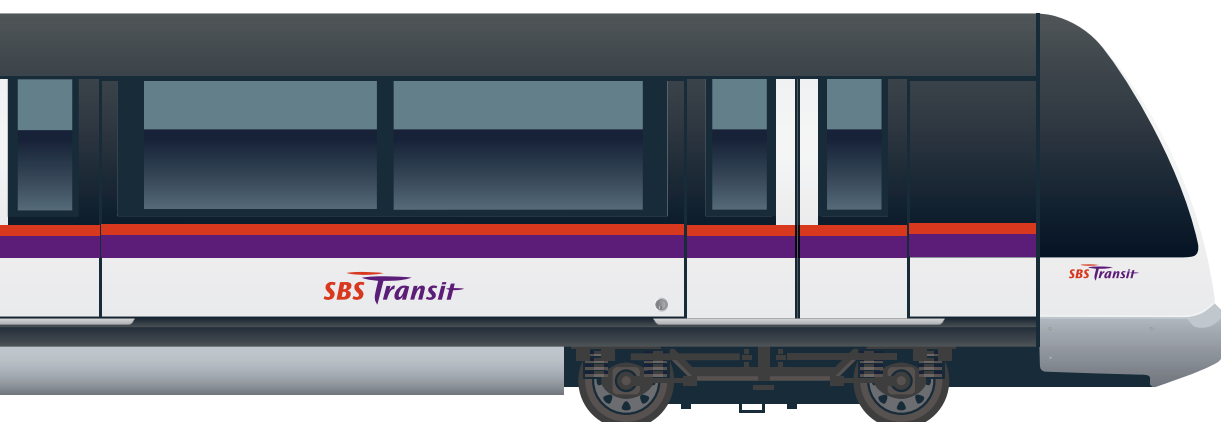
Demand for our rail services continued to grow in 2015 with over 259.1 million passenger trips made. This represented an increase of 7.31% over 2014.

To serve our commuters better, we extended the operating hours of our train services during major events and on the eve of public holidays. For instance, we commenced train services at least two-and-a-half hours earlier than our regular schedule so that participants of the Standard Chartered Marathon could get to the race venues conveniently. On New Year's Eve, we extended the operating hours of train services so that party revellers could get home easily.

We also made provisions to operate our services according to demand. When the late Mr Lee Kuan Yew lay in state, we extended our operating hours and even ran overnight on two evenings as thousands of Singaporeans queued to pay their last respects.

In celebration of the Nation's 50 years of independence, we offered free travel on our trains on 9 August. To add to the festivities, our train stations were decorated with images of the little red dot – as Singapore is affectionately known.

In the area of service delivery, we continued to work hard to meet



commuters' expectations. The Land Transport Authority's (LTA) Public Transport Customer Satisfaction Survey revealed that the percentage of respondents who were satisfied with train services improved from 88.9% to 92.8%.

On an industry level, there was greater focus placed on rail engineering to nurture the next generation of rail engineers and achieve a higher level of rail reliability. In line with this, we worked with the Authorities to roll out several initiatives under the Public Transport Manpower Development framework. These included Memoranda of Understanding (MoU) with four local tertiary institutions to contribute to rail engineering course curriculum. We also provided internship opportunities to their promising students.

During the year, we also launched a new study award for our rail staff to upgrade their engineering skills and knowledge. Thus far, we have sponsored five employees to attend a two-and-a-half-year diploma course.

In our bid to further upgrade our engineering capabilities, we partnered the Institution of Engineers Singapore (IES) to roll out a Chartered Engineer Accreditation Programme for railway professionals. Our Engineering Heads for the Downtown and North East Lines were among the first to be accredited as Chartered Engineers and they were also appointed by the IES to be panel assessors for this accreditation programme.

As a double-pronged approach to attract engineering talent, we introduced a new career development framework to enable rail engineers to pursue either an engineering or a management track. This framework also has a "fast track" element built in for promising rail engineers.

The new Minister of Transport, Mr Khaw Boon Wan, visited our three

train depots to observe and understand our maintenance and operations. He also took the opportunity to engage our engineering staff and encourage them in their work in rail maintenance.

North East Line (NEL)

Average daily ridership on the NEL grew by 4.6% to 537,000 compared to 2014. In tandem with the increase in passenger demand, 135 additional train trips per week were added to our schedules to improve capacity as well as enhance train frequency for commuters.

In September, we introduced a new "Meet-the-Managers" session. Planned for the last Wednesday of every month, this event was conceived to provide commuters with the opportunity to meet NEL's management to provide feedback and offer suggestions. These commuter engagement sessions, held at different stations, have been drawing a steady stream of commuters each time and provide us with the platform to reach out to our passengers so that we can better understand their travel needs.

During the year, we took delivery of six new trains which the LTA had ordered in 2012. Built by French manufacturer, Alstom, the new trains when fully delivered in 2016 will bring NEL's train fleet to 43. This will increase the fleet size by 72%. Fitted with platform gap fillers, the new trains will also narrow the 10-cm gap between the train and the station platform, thereby enhancing the safety factor. Existing trains will also be installed with the platform gap fillers in 2016 and works are expected to be completed by mid-2016.

Meanwhile, the mid-life refurbishment review for our existing trains, which started in 2014, continued during the year. It involves upgrading or replacing ageing and obsolete equipment such as the air-conditioning as well as the door and propulsion systems. The refurbishment programme is scheduled to commence in 2017 and complete by 2022.

To further enhance system reliability, we installed a Condition Monitoring System on our Multi-Functional Vehicle which we use to check our NEL overhead power system. This system monitors the various components of the Overhead Catenary System (OCS) including the contact wires to ensure that they are in tip top condition. The system alerts if they are not at their stipulated heights and are sagging.

Work to replace the 12,000 stainless steel U-bolts, which are components used in the OCS, continued in 2015. Several had snapped in 2012 and 2013 and this had resulted in train services being disrupted. A Joint Team set up by the LTA subsequently found that the stainless steel material of the U-bolts was unsuitable for use in the tunnel environment. As at December 2015, 90% of the stainless steel U-bolts have been replaced with those made of galvanised steel and works are being scheduled for completion by March 2016.

There were five major train service disruptions on the NEL during the year. One of the incidents was due to a signaling fault caused by the failure of a point machine. As a result, trains on the affected sector could not be automatically guided to the right path. Arising from this incident, the mechanical clutches at 13 critical point machines were replaced with magnetic clutches.

Another incident occurred in October when the LTA was testing a new train which damaged the OCS wires as it was being withdrawn to the depot.

We continued to review and enhance our Incident Management Plans (IMP) to ensure that our contingency plans remain relevant. One of the changes involved empowering our Operations Control Staff to introduce bi-directional, short loop services on unaffected sectors if train services could not resume after 30 minutes. Previously, train

OPERATIONS REVIEW

services could only resume when the fault on the Line is fully rectified.

Our Rental team continued to look at attracting the best tenants to provide our commuters with the best in convenience and entertainment. Fast food eateries, pharmacies and convenience stores are just some of the types of retail stores we have in our stations.

Our sister company, Moove Media, which handles advertisements at our stations and on trains continued to delight both advertisers and commuters with their innovative campaigns. For the Taiwan Tourism Bureau's campaign, the Dhoby Ghaut Station and its walkways were decked out with familiar scenes of Taiwan which attracted commuters to stop and pose for photographs, making their journey an interesting one.

Sengkang and Punggol Light Rail Transit Systems (LRT)

Ridership on our two LRT systems in Sengkang and Punggol recorded double-digit growth during the year, hitting an all-time high of 36.0 million passenger trips for the year. Average daily ridership grew by 14.1% to 99,000.

To meet the rising demand, 264 additional weekly trips in total were added to the schedules of the Sengkang and Punggol LRT. Two-car trains were also put into service during the peak hours on the Sengkang LRT system in early January 2016 to cater to the increased ridership. Prior to this, we had worked with the LTA to enhance the signaling and platform stopping control systems at the 14 stations on the Sengkang Loop and tested the two-car train operations.

In June, we began operations at Kupang Station, our last unopened stop on the Sengkang West LRT Loop.

To continue to provide our passengers with a smooth and comfortable ride, we embarked on a maintenance programme

for the guideways, which are paths on which the Light Rail Vehicles (LRV) move. This programme, which started in late December, is expected to complete by May 2016. The works involve the hacking of concrete blocks and the cutting of metal plates, both of which are noisy activities. To avoid disturbing the rest times of residents in the vicinity of the stations, maintenance works have been confined to daylight hours on Sundays.

In November, services on the entire Sengkang LRT system were disrupted by slightly more than an hour due to a signaling fault. We responded by activating our IMP which provided free bus rides and shuttle buses to enable affected commuters to get between their homes and the Town Centre Station.

Downtown Line (DTL)

Average daily ridership on Phase One of the Downtown Line (DTL) increased by 23.5% to 76,000. Ridership is expected to grow further when all stations on the Line are fully opened for passenger service in 2017.

In preparation for the commencement of DTL2, we stepped up our recruitment efforts and added on staff in operations and maintenance.

Our operations and maintenance teams moved to the new Gali Batu Depot, which is near Bukit Panjang, in the last quarter of 2015. The new Depot is an environmentally friendly building and the first MRT depot in Singapore to achieve the Building and Construction Authority's Green Mark Gold certification.

System integration works between DTL1 and DTL2 were carried out in earnest to ensure the trains could successfully move between the stations without encountering any technical issues. Trial runs commenced in November 2015 after the LTA handed over the system to us. During this period, signal faults caused by software

bugs surfaced and were resolved to ensure the smooth running of services when train operations started on 27 December 2015.

The "Endeavour 4" exercise was conducted in November to test our preparedness in incident management. This exercise involved the DTL2 stations and tested our IMP in the deployment of Goodwill Ambassadors and shuttle buses as well as the responsiveness of our operations and maintenance teams.

With the 12 stations that were opened in 2015, the DTL now has 18 stations from Bukit Panjang to Chinatown, serving Newton, Little India, Bugis and the Marina Bay Financial District along the way. When fully completed in 2017, the 42-km long DTL will have 34 stations, making it the longest underground, driverless train system in Singapore.

To promote the use of the DTL, free travel was offered by the LTA between 27 December 2015 and 1 January 2016. Slightly more than 1.7 million commuters took the opportunity to ride the DTL during the year-end festive period.

To promote the use of public transport, Moove Media in partnership with POSBank organised a 'Fare Free Friday' event at the Downtown Station where commuters could enjoy free travel on Fridays if they registered their POSB Everyday Credit Cards and Passion POSB Debit Cards for automatic top-ups of their stored value cards.

The retail spaces at our DTL stations enjoyed a good take-up rate with 90% leased out largely to food and beverage, beauty and wellness as well as convenience stores. Offering an assortment of products and services, they provide convenience for commuters on the go.

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25.1%

INCREASE IN NUMBER OF
COMPLIMENTS AND COMMENDATIONS

3,266

WHEELCHAIR-
ACCESSIBLE BUSES

38,537

TRAINING PLACES
FOR EMPLOYEES

84%

OF TOTAL BUS FLEET IS
EURO 4 OR HIGHER

1,480

STAFF RECEIVED THE NATIONAL
EXCELLENT SERVICE AWARD

Interwoven into the SBS Transit's corporate culture is the firm commitment to sustainability.

To us, Corporate Social Responsibility is not just about volunteering hours, but an overall need to constantly update our business processes and practices to ensure a positive change for a better future. We are constantly looking at ways we can provide our commuters with even safer and more gracious travel experiences. Within our organisation, we always strive to do better for our employees. Simply put, it means shared value creation.

Society

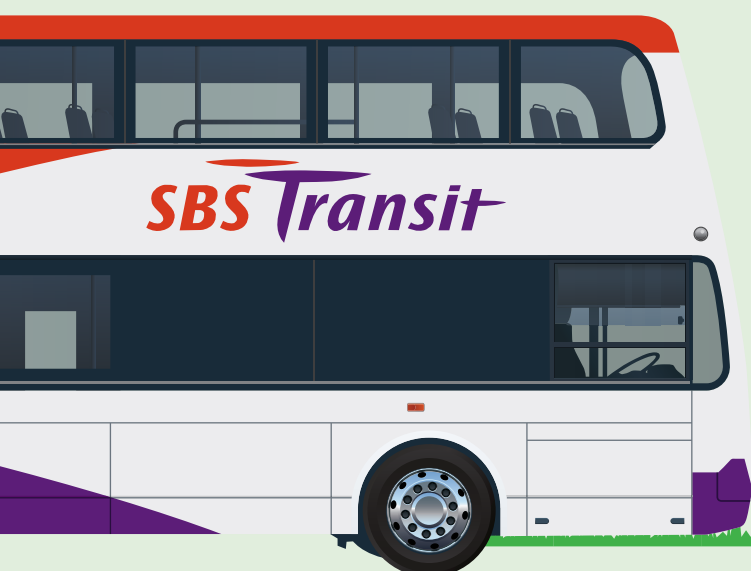
As one of Singapore's largest public transport operator, our Vision is to move people in a safe, reliable and affordable way. We strive towards providing a caring, reliable, safe and secure travel experience for all our commuters, including those in wheelchairs.

As part of our fleet renewal and expansion programme, we have invested substantially in wheelchair friendly buses which are capable of transporting passengers-in-wheelchairs (PIWs) safely and comfortably. In 2015, we took delivery of 348 new buses, bringing the number of wheelchair-accessible buses (WAB) to 3,266. This represents 89.4%

of our fleet. With more WABs, we were able to roll out 25 WAB services during the year. As at December 2015, close to 91% or 195 of our basic bus services cater to PIWs who now enjoy greater convenience and accessibility in getting around on public transport.

On our train network, elderly residents of the Kwong Wai Shiu Hospital enjoyed free travel on the North East Line (NEL) as they went on their excursions.

At our bus interchanges and rail stations, we provided charity and community organisations with the free use of space to spread security, fundraising and community messages. Our bus interchanges and train stations were also used as collection centres by charity organisations during their flag days. We also sponsored advertising space on our buses and trains and at our bus interchanges and train stations to



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promote national initiatives such as the “Speak Good Mandarin” campaign.

In all that we do, we consciously seek to benefit the communities that we serve. For instance, unclaimed articles that had been left behind on our buses and trains and at our bus interchanges and train stations were donated to the Red Cross and Cerebral Palsy Alliance Singapore after three months. These items were then put up for sale at their gift shops to raise funds to support some of their activities.

In celebration of Singapore’s 50th National Day, we offered free rides on all our bus and train services on 9 August. To add to the festivities, 500 buses as well as our bus interchanges, train stations and depots were decorated with images of the little red dot – as Singapore is affectionately known.

We also took the opportunity to reach out to the less fortunate among us by launching a charity sale of 50,000 little red dot key chains at our bus interchanges and train stations. This was done in partnership with our parent company, ComfortDelGro Corporation. Full proceeds from the sale of the key chains totalling \$100,000 were donated to four selected beneficiaries - Lions Befrienders Service Association (Singapore), Handicaps Welfare Association (Singapore), Cerebral Palsy Alliance Singapore and Singapore Association of the Visually Handicapped.

Product Responsibility – Safety And Security

The safety and security of our passengers and fellow road users rank high on our priority list.

This is why we invest extensively in promoting safe driving among our Bus Captains (BC). We conduct regular safety briefings, enforce safety drills at pedestrian crossings and junctions, organise safety talks by the Traffic Police and award safety incentives to BCs. We also leverage on technology to improve our safety record. In 2015,

we continued with the trial of a system called “Mobileye” which alerts our BCs of potential collisions while they are on the road. The trial was successful and we will be looking to install 750 more Mobileyes in 2016. Concurrently, we partnered researchers at the Agency for Science, Technology and Research (A*STAR) to trial another collision alert system. The trial started in November 2015 and is ongoing.

In driving competency, we continued with our Driving Skills Enhancement Programme (DSEP) to focus on our BCs’ safe driving skills. This compulsory refresher programme uses the VigilVanguard driver training system to assess and improve our BCs’ driving skills. Using motion sensors, cameras and a mapping software, it has since been integrated with the Mobileye system, thus enabling BCs to identify and correct any poor driving habits.

Security is another area of keen focus given the large number of passengers we carry every day. During the year, we invested in more security infrastructure and stepped up the frequency of security patrols around our premises. Close to 50 new security officers were hired and deployed for duty at the new DTL depot in Gali Batu and the 12 new stations on DTL2. Security briefings by our security partners continued to be organised to raise security awareness among our staff. Close to 700 covert security exercises were also carried out to test the vigilance of our frontline staff under varied security threat situations. In addition, we conducted two exercises involving Chemical, Biological, Radioactive and Explosives (CBRE) threats at our bus and train depots to validate our contingency plans and the preparedness of our staff.

We also collaborated with the Authorities in emergency and counter-terrorism exercises. For instance, “Exercise High Flame” was conducted with the Singapore Civil Defence Force (SCDF) and the Singapore Police Force to handle a fire situation in our train

tunnel. To simulate real-life conditions, we also provided two old buses to the Police and the SCDF for use in their training programmes.

Besides protecting our physical assets and premises, we also stepped up efforts in protecting our information assets. Apart from the annual Information Technology (IT) Security Awareness briefings to raise staff awareness and promote safe practices, we deployed a software to monitor and alert us to any suspicious activity which may threaten the security of our IT infrastructure. We also instituted control measures that allow only authorised computer devices to be connected to our IT network. For better security and improved performance, our hardware and application software were upgraded during the year. Our IT Security Incident Management framework was also reviewed and aligned with that of the LTA’s. For the annual IT security exercise, we tested our response in managing a website defacement incident.

To reach out to the communities we serve, we regularly organise engagement programmes. In December 2015, for example, more than 200 grassroots leaders visited the Downtown Line 2 (DTL2) where they experienced first-hand just exactly what happens in a train evacuation. In 2015, about 500 residents living along the DTL2 corridor participated in the sessions which are part of our annual safety and security community engagement programme.

Our school engagement programme continued to reiterate the messages of safety and graciousness on public transport. For the year, we conducted 100 talks, mini exhibitions and visits to our bus and train operations for some 38,000 students.

To minimise the incidence of commuters getting hurt when using the escalators at our train stations, we rolled out a public education campaign on escalator safety at the Chinatown Station, which is frequented by senior citizens. Based

on our data and trend analysis, we have found that senior citizens have a higher risk of hurting themselves when travelling on escalators, especially if they are carrying bulky or heavy bags or pushing a trolley. As such, we have embarked on this campaign to encourage them to use the lifts and to hold on firmly to the escalator handrails. We also deployed staff at the escalator landings in the Chinatown Station to spread the message. Four more stations will play host to this campaign in 2016.

For a safer commuting environment for our commuters, we continued to partner the Police in their crime prevention efforts. Besides displaying public education posters on our buses and trains, we also screened crime prevention videos at our train stations to educate and empower commuters on what they should do to be and stay safe. The National Security Coordination Secretariat also produced a series of three videos which were screened at our stations to encourage viewers to stand together to keep Singapore safe.

For the year, a poster on security bag checks conducted by our Transit Security Officers was produced by the Police to seek the cooperation of commuters. We also provided the free use of space at our train stations and bus interchanges for the Police to conduct roadshows and highlight other crime prevention messages such as anti-bicycle theft. We do this as part of our efforts to create greater awareness and adoption of crime prevention habits on public transport.

Graciousness

We continued to partner the Land Transport Authority (LTA) to promote graciousness on public transport. For the year, we provided free advertising space on our trains, buses, stations and bus interchanges where graciousness messages were put up. Our staff were also involved in distributing gifts with graciousness messages to thank commuters who had demonstrated considerate acts at our stations.

In November, a heartwarming gesture by 40 children from the Singapore Children's Society took place when they presented our BCs with 160 hand-made thank you cards and goodie bags at the Bedok and Tampines Bus Interchanges.

Social: Human Rights And Labour Practices

With the launch of our new Rail Line and the rollout of more bus services under the Bus Service Enhancement Programme (BSEP), we continued to step up our recruitment efforts in 2015.

We held recruitment drives at our bus interchanges and District Headquarters as well as participated in job fairs organised by the Community Development Councils, Ministry of Defence, Ministry of Home Affairs and the Employment and Employability Institute (e2i). Coupled with our employee referral scheme, our efforts enabled us to recruit 1,125 BCs during the year, bringing our BC staff strength to 6,454.

We also focused our recruitment efforts on rail engineering and operations positions. We partnered the Institution of Engineers Singapore (IES) to roll out a Chartered Engineer Accreditation Programme for railway professionals as well as introduced a new career development framework to enable rail engineers to pursue either an engineering or a management track. We signed Memoranda of Understanding (MoU) with four local tertiary institutions to offer internship opportunities to their promising students. We are also working with them on "Earn & Learn" programmes in selected areas of railway specialisation. These programmes are part of the Government's SkillsFuture initiatives where fresh ITE graduates can earn credits for their diplomas while polytechnic graduates their advanced or specialist diplomas.

Training and Development

In 2015, we provided a total of 38,537 training places for our employees,

which is an increase of 11.7% over 2014. Each staff went through an average of 68 training hours.

The Continual Operations Training programme, which was launched in 2013 to refresh BCs' knowledge and skills in handling onboard commuter issues and incidents, continued in 2015. Over 2,700 BCs attended the course during the year. Meanwhile, 218 operations and frontline staff attended a Bus Operations Competency Training to refresh their knowledge of the procedures and systems used in bus operations.

Leveraging on technology, a BC Portal Learning System was developed to encourage BCs to be more engaged in their learning journey. Since October, all trainee BCs have been assigned a tablet each so that they can log into the BC Portal where they can access learning materials, select and complete course module assessments, as well as provide course evaluation at their own pace. The portal also provides information on their daily timetable and course progression as well as enables them to post training-related questions to their trainers.

A web-based application was also developed to enable BCs to practise the use of the English language when conversing with commuters.

In the area of customer service, we continued with our CARES 2 training programme to equip our staff with the necessary skills to provide caring, reliable, safe and secure service to our commuters. Building on the successful implementation of the initial programme launched in 2008, we rolled out CARES 2 in 2012 to focus on commuters with special needs such the elderly, pregnant women and the disabled. Meanwhile, new staff also underwent the CARES 1 training to develop the foundation for delivering CARES service. In 2015, close to 3,200 staff in total attended the CARES training.

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To professionalise and raise competency standards of public transport workers, we have been working with the Workforce Development Agency (WDA) since 2012 to develop training courses that can be certified under the Workforce Skills Qualifications (WSQ) programme. As at December 2015, we offer 65 modules of which 24 were rolled out during the year. These are offered at either the Certificate or Higher Certificate level and cover rail engineering and operations as well as bus operations and fleet management aspects. Collectively, 259 of our employees were certified as trainers and assessors by the WDA to conduct these courses in-house.

Commitment to Excellence

Our continual efforts to improve safety and safe driving did not go unnoticed – the Road Safety Council recognised us as the Champion in the “Safety Award for Buses Fleet”. Senior Bus Captain Chan Hua Seng was also crowned a Road Safety Champion in the “Most Improved Driver” category while Chief Captain Elizabeth Lim won a Merit award in the “Safe Driver” category. Another 22 of our BCs were recognised by the Traffic Police for their acts of courtesy on the road and awarded the “Conscientious Motorist Award”.

In customer service, 1,480 staff received the national Excellent Service Award, up from 1,419 in 2014, while another 137 received the National Kindness Award - Transport Gold.

Internally, we lauded the efforts of 1,371 employees who delivered quality service to our commuters at our CARES Award ceremonies.

For the year in review, the number of compliments and commendations received increased by 25.1% compared to the year before. This improved level of commuter satisfaction was also borne out in the LTA's annual Commuter Satisfaction Survey which recorded an increase of about three percentage points from 88.5% to 91.3%.

In business and operational excellence, we achieved the Singapore Quality Class Star Award conferred by SPRING Singapore which recognises the many improvements we have made in our journey of business excellence. We also received the Singapore Service Class certification for the first time which highlights our capabilities in service leadership and service agility. We also achieved zero non-conformity to standards in the surveillance audits of the ISO 9001:2008 for Quality Management Systems and in ISO 22301:2012 for Business Continuity Management System.

Our rail engineering division was also successfully re-certified as having met the international occupational health and safety standards based on the OHSAS 18001 requirements.

Environmental

Climate change is one of the most pressing challenges of our generation. As a responsible transport operator, we are keenly aware of the important role we play in the preservation of our environment.

We continued to replace older buses with environmentally friendly ones. In 2015, we took delivery of another 348 Euro 5 buses, bringing our total public bus fleet to 3,656 of which 84% is Euro 4 or higher. The Volvo hybrid bus was also put on trial during the year.

Our trains and train facilities also scored firsts in being Green. The new DTL depot at Gali Batu is an environmentally friendly building and the first MRT depot in Singapore to achieve the Building and Construction Authority's Green Mark Gold certification.

The 12 new stations on DTL2 meet the Singapore standard SS530 for “Energy Efficiency for Building Services”. Energy-efficient lightings such as Light Emitting Diode (LED) lighting and fluorescent light fittings are used within the stations while natural light is employed at station entrances.

The escalators at the new stations have been installed with energy saving features. When there is no one using the escalator, its speed is reduced. The air conditioning system has also been installed with carbon dioxide sensors to regulate the outdoor air supply to the stations. As a result, energy consumption is reduced.

The new generation trains used on the DTL feature a range of environmentally friendly innovations. The use of the efficient regenerative brakes means that every time the train stops, it recovers the kinetic energy and converts it for use in other areas. This also means less wear and tear on the mechanical brakes. DTL also has inverters installed to recover the excess regenerative energy from the braking of trains. This excess energy can be utilised by an accelerating train nearby or channelled back into the power distribution network for other uses.

As an organisation, our commitment to the environment also involves reducing water and electricity consumption, recycling paper and scrapped metals.

At SBS Transit, we are fully cognisant of the fact that in providing the services that meet the transportation needs of the commuting public, there will invariably be a consequence on the environment and communities. We will, however, continue to look at the various technologies that we can invest in, as well as new behaviour that we can adopt, to reduce our negative impact.

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We at SBS Transit Ltd (SBS Transit or Company, and together with its subsidiary, the Group), believe that a fundamental measure of our success is the shareholder value we create over the long-term.

We will continue to:

- Focus relentlessly on our customers;
- Make sound corporate decisions to build long-term value, rather than short-term considerations;
- Spend wisely and maintain our lean culture as we understand the importance of being cost-conscious;
- Hire and retain skilled and dedicated employees; and
- Look for sustainable ways to protect the environment.

Corporate Governance Statement

SBS Transit strongly believes that good corporate governance makes good business. To this end, we maintain the highest standards of corporate governance, professionalism and integrity as we build an organisation that our Shareholders, Employees, Business Partners, the Authorities and other Stakeholders can trust and be proud of.

We adhere to the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (Code) and ensure that it is upheld by each and every one in the Group. We have also adopted a Code of Business Conduct, which sets out the principles and policies upon which our businesses are to be conducted, and implemented a Whistleblowing Policy which provides a mechanism for employees to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst protecting the whistleblowers from reprisal within the limits of the law.

This Report sets out the Corporate Governance practices that were in place during the year, with specific references to the Code. For the Financial Year 2015, we are pleased to report that the Company complied substantially with the key principles and supporting guidelines set out in the Code except where specifically identified and disclosed in this report.

1. Board Matters

In choosing directors, the Company seeks individuals who have high integrity, expertise, business acumen, shareholder orientation and a genuine interest in the Group.

Principle 1:

The Board's Conduct of Affairs *Board's Role*

At the helm of the decision-making process of the Company is the Board of Directors. The Board is headed by the non-executive and non-independent Chairman, Mr Lim Jit Poh, and is responsible for:

- Providing the entrepreneurial leadership and guidance, setting strategic direction and objectives of the Group, and ensuring that adequate financial and human resources are in place to achieve the objectives;
- Ensuring that appropriate and adequate systems of internal control, risk management processes and financial authority limits are in place to safeguard Shareholders' interests and the Group's assets;
- Monitoring Management performance;
- Identifying the key Stakeholder groups and guiding Management in the Company's strategy and approach in addressing the concerns of these key Stakeholder groups;

- Setting the Company's values and standards (including ethical standards), and ensure that obligations to Shareholders and other Stakeholders are understood and met; and
- Considering environmental, social and governance as part of its strategic formulation on sustainability.

Reserved Matters

SBS Transit has adopted internal guidelines setting forth certain matters that require the Board's approval. Under these guidelines, acquisitions of businesses, disposals or changes in equity interests in existing subsidiary, capital expenditure, investment in financial instruments, tender for businesses above the prescribed limits, assessing and approving key business decisions, funding and investment initiatives and other corporate actions, including approval of the Financial Authority Limits, Annual Budget and Capital Expenditure and the release of the quarterly and full-year Financial Results require approval from the Board. In addition, the acceptance of credit facilities from banks, the establishment of capital market programmes and the issuance of debt instruments require the approval of the Board.

The Board periodically reviews the adequacy of internal controls and Financial Authority Limits to ensure that while there is delegation of authority, there are sufficient checks and balances in place to monitor such delegation.

Independent Judgement

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

Delegation by the Board

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision-making,

CORPORATE GOVERNANCE

four Board Committees are formed, namely, the Audit and Risk Committee (ARC), the Nominating Committee (NC), the Remuneration Committee (RC) and the Service Quality Committee (SQC). Ad hoc committees are also formed to look at specific issues from time to time.

Each Board Committee is governed and regulated by its own terms of reference, which sets out the scope of its duties and responsibilities, regulations and procedures governing the manner in which the Board Committee is to operate and how decisions are to be taken. Although the Board Committees

are empowered to make their own decisions, the Board is ultimately responsible for all decisions made by the Board Committees.

Directors' Attendance at Board and Board Committee Meetings

At least four scheduled Board Meetings are held every year for the purpose of approving the release of the Financial Results every quarter and the Annual Budget. The Board Meetings to approve the Financial Results are held within 45 days after the end of each quarter and the financial year. The Annual Budget is approved at the Board Meeting

convened for the third quarter's results. Ad hoc Board and Board Committee Meetings are also held from time to time when the need arises. Directors who are unable to attend the Meetings in person can still participate in the discussions through tele-conferencing. Decisions of the Board and Board Committees may also be obtained via circular resolutions. Directors are free to seek clarifications and explanations from Management on the reports and papers submitted to the Board.

Attendance of Directors at Board and Board Committee Meetings in 2015

| | Board | | Audit and Risk Committee | | Nominating Committee | | Remuneration Committee | | Service Quality Committee | |
|-----------------------|----------------------|--------------------------|--------------------------|--------------------------|----------------------|--------------------------|------------------------|--------------------------|---------------------------|--------------------------|
| Name | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| Lim Jit Poh | 4 | 4 | - | - | 1 | 1* | 2 | 2 | - | - |
| Kua Hong Pak | 4 | 4 | - | - | 1 | 1* | 2 | 2* | - | - |
| Gan Juay Kiat | 4 | 4 | 4 | 4* | - | - | 2 | 2* | 2 | 2* |
| Cheong Yip Seng | 4 | 4 | - | - | 1 | 1 | - | - | 2 | 2 |
| Chin Harn Tong | 4 | 4 | 4 | 4 | - | - | 2 | 2 | - | - |
| John De Payva | 4 | 4 | - | - | 1 | 1 | 2 | 2 | - | - |
| Lim Seh Chun | 4 | 4 | 4 | 4 | - | - | - | - | 2 | 2 |
| Wee Siew Kim | 4 | 4 | 4 | 4 | - | - | - | - | 2 | 2 |
| Wong Chin Huat, David | 4 | 4 | - | - | 1 | 1 | - | - | 2 | 2 |

* Attended Meetings by invitation of the Board Committee

Induction and Training of Directors

Upon appointment as a Director, the Board Chairman will send an official letter of appointment to the Director, which clearly explains his role, duties and responsibilities.

Management will conduct a comprehensive orientation programme for newly appointed Directors, where key aspects of the businesses, including financial and corporate governance policies are discussed. Site visits will also be arranged for new Directors so that they can better familiarise themselves with the Group's operations. When a Director is appointed to a Board Committee, he is provided with its terms of reference.

Directors are free to request for sponsorship from the Company to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors. The Company Secretary assists in professional development and training by regularly disseminating details of suitable seminars and courses organised by the Singapore Institute of Directors and arranging for the Directors to attend such courses when requested. The Company Secretary also updates the Board on corporate governance practices and circulates articles relating to changes in laws relevant to the Group's businesses. The Group has engaged an external lawyer to brief and discuss with the Directors on the recent changes in the Companies Act, Cap. 50 in March 2016.

Regular presentations are made by Management to the Board to enable Directors to better familiarise themselves with the Group's businesses. Site visits for the Board are also organised to enable Directors to learn more about the Group's operations. During such visits, Directors spend time with Management to discuss key strategies and policies. Such meetings help Directors become better equipped to make informed decisions relating to the future direction of the Group.

Principle 2:**Board Composition and Guidance
Board Independence**

There is a strong element of independence in the Board. The Board comprises the Chief Executive Officer (CEO) and eight non-executive Directors (NED). Of the eight NEDs, five of them are considered by the NC to be independent which exceeds the Code's requirement of at least half of the Board to comprise independent Directors where the Chairman is not an independent Director.

The NC is responsible for assessing the independence of the Directors on an annual basis. Each Director is required to complete a Confirmation of Independence checklist which is drawn up in accordance with the guidelines provided by the Code, and requires each Director to assess his own independence. The Director is required to declare any circumstances in which he may be considered non-independent. The NC will then review the Confirmation of Independence to determine whether a Director is independent. The NC deems a Director who is directly associated with a 10% Shareholder in the current and immediate past financial year (as defined in the Code) as non-independent. Mr Lim Jit Poh, Mr Kua Hong Pak and Mr Wong Chin Huat, David are deemed as non-independent as they are also Directors of ComfortDelGro Corporation Limited (ComfortDelGro), a 10% Shareholder.

As at 31 December 2015, four out of five independent Directors have served on the Board for more than nine years. They are Mr Cheong Yip Seng, Mr Chin Harn Tong, Mr John De Payva, and Mr Wee Siew Kim. The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging Management in the best interests of the Group as he

performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent Directors. The Board and the NC exercise due and careful review, taking into consideration all other factors in assessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business, relationship and/or any other material contractual relationship with the Group which could reasonably be perceived to compromise his independence and interfere with the exercise of his independent business judgement with a view to the best interests of the Group. After due and careful review, the Board is of the view that all independent Directors remain independent in the exercise of their judgement on Board matters.

Board Size, Composition and Competency

The NC annually examines the size of the Board with a view to determine its overall effectiveness. Taking into account the scope and nature of the operations of the Group and the requirements of the Group's businesses, the NC and the Board are of the view that its current size of nine is conducive to facilitate effective decision making.

The Directors are individuals with a broad diversity of expertise and experience including financial, legal, regulatory and business management, both domestically and internationally. Each Director provides a valuable network of industry contacts and brings in alternative perspectives and fresh challenges at Board discussions.

The NC is satisfied that the Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, knowledge and core competencies required for the Board and Board Committees to discharge their responsibilities effectively.

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The individual profile of the Directors, their principal directorships and chairmanships held currently and their directorships and chairmanships held in listed companies in the preceding three years, are found in the 'Board of Directors' and 'Directors' Particulars' sections on pages 9 to 13 and page 45 to 48 of this Annual Report.

Non-Executive Directors' Participation
NEDs participate actively at Board and Board Committee Meetings. To facilitate this, they are kept informed of the Group's businesses and performance through monthly and quarterly reports from the Management and have unrestricted access to the Management.

Principle 3:

Chairman and CEO

Roles of Chairman and CEO

The roles of the Chairman and the CEO are kept separate and distinct. This is a deliberate policy and one that is strictly adhered to. This ensures Management accountability and Board independence. The Chairman is responsible for the effective functioning of the Board, while the CEO is responsible for the operations and management of the Group. The CEO reports to the Deputy Chairman. The Chairman, Deputy Chairman and the CEO are not related.

The Chairman:

- (i) Leads the Board and promotes comprehensive and open discussions at Board meetings and facilitates the effective contribution of the NEDs;
- (ii) Oversees the translation of the Board's decisions into executive actions;
- (iii) Ensures adequacy and timeliness of information flow between the Board and Management and effective communications with Shareholders;

- (iv) Encourages constructive relations within the Board and between the Board and Management; and

- (v) Promotes high standards of corporate governance and transparency.

The CEO is given full executive responsibility for the management of the Group's businesses and the implementation of the Group's strategies and policies and reports to the Board on a regular basis.

Lead Independent Director

Consistent with the Code, as the Chairman, Mr Lim Jit Poh, is deemed non-independent, the Board had unanimously appointed Mr John De Payva as the Lead Independent Director with effect from 1 January 2013.

Principle 4:

Board Membership

There is a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominating Committee

The NC comprises three non-executive Directors, of whom two, including the Chairman are independent. Consistent with the Code, the Lead Independent Director is also the Chairman of the NC who is not associated with a 10% Shareholder. The NC is responsible for regularly reviewing the composition of the Board, identifying and proposing suitable candidates for appointment to the Board and ensuring succession plans are in place. The renewal of Board membership is an ongoing process to ensure good governance and to maintain relevance in a changing business environment.

The key terms of reference of the NC include the following:

- (i) Make recommendations to the Board on all appointments and re-appointments of Directors of the Company;

- (ii) Assess the effectiveness of the Board as a whole and contribution by each individual Director; and

- (iii) Develop a process for evaluation of the Board's performance, including comparison with industry peers, and review of training and development plans for the Board.

Multiple Board Representations

The NC subscribes to the view that it is important for Directors to devote sufficient time and attention to the affairs of the Group. Consistent with the guidelines in the Code, the NC and the Board adopt the following as a proactive step in ensuring that Directors devote sufficient time and attention to the affairs of the Group:

- A Director who is in full-time employment should not serve as a director on the board of more than three listed companies; and
- A Director who is not in full-time employment should not serve as a director on the board of more than six listed companies.

The NC prescribes that Directors who are affected by the guidelines on multiple board representations shall be given up to three years to comply from April 2013. As the number of board representations should not be the only measure of a Director's commitment and ability to contribute effectively, the NC takes the view that if a Director wishes to hold more board representations than the maximum stated in the guidelines, a request must be made to the Chairman of the Board for approval. As a policy, the Chairman himself should not hold more than six directorships in listed companies.

In assessing a Director's contribution, the NC takes a holistic approach. Focussing solely on Directors' attendance at Board and Board Committee Meetings per se may not be an adequate evaluation of the contribution of the Directors. Instead,

their abilities to provide valuable insights and strategic networking to enhance the businesses of the Group, availability for guidance and advice outside the scope of formal Board and Board Committee Meetings and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors.

As a policy, the CEO, being an executive of the Company, besides adhering to the guidelines set on the maximum number of board representations on listed companies, will also have to seek the approval of the Chairman before accepting any directorships of companies not within the Group. In considering whether or not to grant the approval, the Chairman will consider the time commitment of the CEO and whether the new external directorships will provide strategic fit and networking for the businesses of the Group. The Chairman will also ensure that the CEO will not accept appointments to the boards of competitors.

Alternate Director

Consistent with the Code, there is no alternate Director on the Board.

Process for Selection, Appointment and Re-appointment of Directors

From time to time, new Directors may be identified for appointment to the Board after the NC evaluates and assesses their suitability in strengthening the diversity of skills, knowledge and experience of the Board relevant to the businesses of the Company.

The Articles of Association of the Company provide that one-third of the Board of Directors, are subject to retirement and re-election by rotation at every Annual General Meeting (AGM). All Directors are required to retire from office at least once every three years. Re-election is, however, not automatic, and all Directors are assessed by the NC on their past

performance and contributions before being recommended for re-election. Newly appointed Directors are also subject to retirement and re-election at the AGM immediately following their appointments. For the forthcoming AGM, Mr John De Payva and Mr Wee Siew Kim, are due for re-election pursuant to Article 97 of the Articles of Association. Mr Chin Harn Tong, Mr Lim Jit Poh, Mr Cheong Yip Seng and Mr Kua Hong Pak were re-appointed as Directors at the last AGM pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office until the forthcoming AGM. Although Section 153(6) has been repealed on 3 January 2016, the four Directors will seek re-appointment at the forthcoming AGM in order to continue in office. Upon their successful re-appointments, they will be subject to retirement by rotation at subsequent AGMs.

Appointments and re-appointments of Directors to the Board are subject to the approvals of the Land Transport Authority and the Public Transport Council.

Principle 5: Board Performance

The effectiveness of the Board is monitored by the NC annually in terms of overall performance and growth of the Group, achieving an adequate return for Shareholders, preventing conflicts of interest and balancing the competing demands of the Group. In evaluating the contributions and performance of each individual Director, factors taken into consideration include attendance at Board and Board Committee Meetings and activities, contributions in specialist areas and maintenance of independence.

In the last quarter of the year, the NC conducted an evaluation of Board Performance which included key points on Board's composition, Board's contributions, contributions from Board Committees and conduct

of proceedings and whether the Directors had discharged their duties effectively. The findings were then presented by the Chairman of the NC to the Board during its Meeting for deliberation and discussion on possible areas of improvement to enhance overall effectiveness.

Principle 6: Access to Information Complete, Adequate and Timely Information

Prior to each Board and Board Committee Meeting, and where needed, Management provides Directors with complete, adequate and timely information. The Board also receives monthly management accounts and quarterly investor relations reports covering investor relations activities and updates of analysts' views and comments. This enables the Board to make informed and sound business decisions and be kept abreast of key challenges, opportunities and developments for the Group.

Directors are entitled to request for additional information and the Board has full access to the Management team. Should there be a need to obtain independent professional advice on matters relating to the businesses of the Group or issues affecting the duties of the Directors, the Company will arrange for the appointment of relevant professional advisers at its own cost.

Company Secretary

The Company Secretary assists in scheduling Board and Board Committee Meetings and prepares the agenda in consultation with the Chairman and CEO. The Company Secretary attends the Board and Board Committee Meetings. The Company Secretary keeps the Directors informed of any significant developments or events relating to the Group and ensures compliance with all relevant rules and regulations. The Directors have independent access to the Company Secretary.

CORPORATE GOVERNANCE

2. Remuneration Matters

Principle 7:

Procedures for Developing Remuneration Policies

SBS Transit recognises the importance of having a skilled and dedicated workforce to manage and grow the businesses in an increasingly competitive and challenging environment. It therefore places great emphasis on motivating staff through engagement, recognition and an alignment of rewards to performance and the long-term interests of the Group.

Remuneration Committee

The RC plays a key role in the Group's remuneration policies. Besides providing the Board with an independent assessment and review of Directors' remuneration, it also reviews the remuneration framework and strategy for executive compensation, with the purpose of developing talent and building leadership bench strength to ensure the Group's continued success.

In accordance with the Code, the RC comprises three non-executive Directors, of whom two including the Chairman, are independent. Members of the RC are independent of Management and also free from any business or other relationships, which may materially interfere with the exercise of independent judgement.

All decisions by the RC are made by a majority of votes of the RC members who are present and voting. Any member of the RC with a conflict of interest in relation to the subject matter under consideration would abstain from voting, approving or making recommendations that would affect the decisions of the RC. The RC's decisions also exclude the vote, approval or recommendation of any members with a conflict of interest in relation to the subject matter under consideration. The CEO is not present at any RC discussions relating to his own compensation, terms

and conditions of service and the review of his performance. He is, however, in attendance when the compensation and incentive policies of Senior Management staff are discussed.

The terms of reference of the RC are to:

- (i) Review and recommend to the Board the remuneration framework for compensation to each Director, and ensure that the level of remuneration offered is appropriate to the level of contribution;
- (ii) Review and approve the remuneration of Senior Management staff that is aligned with the long-term interests of the Group to ensure that the overall remuneration package is attractive to retain and motivate key executives; and
- (iii) Review the Group's obligations arising in the event of termination of directors' and key executives' services in a fair, reasonable and equitable manner, including the cessation of financial incentives that has been earned but not yet disbursed due to exceptional circumstances of misstatement or misconduct.

The RC has access to remuneration data and would seek expert advice from external remuneration consultants whenever required. During the year, there is no particular requirement for the engagement of external consultants.

Principle 8:

Level and Mix of Remuneration Performance-related Remuneration

The remuneration packages of the CEO and Senior Executives of the Group comprise fixed and variable components. The variable component in the form of year-end performance bonuses, forms a significant proportion of the remuneration packages and is dependent on the profitability of the

Group and individual performance. Subject to market conditions and the operating environment, the Group targets a total compensation package with fixed to variable component ratios of 70:30 for rank and file employees, 60:40 for Middle Management staff and 50:50 for Senior Management staff. The Group believes that a higher proportion of performance related component would ensure greater alignment of interests of the executives with those of Shareholders and contributes to sustainable performance in the long-term.

Short-term and Long-term Incentive Schemes

The Group advocates a performance-based remuneration system that is responsive to the operating environment and labour market besides the Group's and individual's performance. The amount and mix of compensation are aligned to the interests of Shareholders and promote the long-term success of the Group.

Though the last grant of share options under the SBS Transit Share Option Scheme was in 2009, the options may be exercised up to the tenth anniversary of the date of grant of the options, i.e. 2019. Consideration of other forms of longer term incentive schemes will be made as and when appropriate. The current remuneration mix of fixed and variable components is considered appropriate for the Group and for each key executive role.

Remuneration of Non-Executive Directors

The structure for the payment of Directors' fees for NEDs is based on a framework comprising basic fees and additional fees for serving on Board Committees, and also for undertaking additional services for the Group. The fees are subject to the approval of Shareholders at the AGM. The CEO does not receive Director's fees for his Board Directorship with the Company.

Directors' Fee Structure

The Directors' fee structure is set out below:

| Board | | Basic fee (per annum) |
|---------------------------|-------------------------|------------------------------|
| Chairman | | \$62,000 |
| Deputy Chairman | | \$46,500* |
| Lead Independent Director | | \$37,200 |
| Member | | \$31,000 |
| Board Committee | | Additional fees as |
| | Chairman (per annum) | Member (per annum) |
| Audit and Risk Committee | \$20,667 | \$14,467 |
| Nominating Committee | \$10,334 | \$7,234 |
| Remuneration Committee | \$10,334 | \$7,234 |
| Service Quality Committee | \$10,334 | \$7,234 |
| Meetings | | Attendance fee (per meeting) |
| Board | | \$1,000** |
| Board Committee | | \$1,000** |

* Fee paid to ComfortDelGro Corporation Limited, holding company of SBS Transit Ltd.

** Directors are only paid one attendance fee when two or more Meetings are held on the same day.

Principle 9:**Disclosure on Remuneration
Remuneration of Directors and
Key Executives**

The remuneration of the Directors and the key executives of the Group (who are not Directors) for the Financial Year 2015 can be found on pages 89 and 90 of this Annual Report.

**Remuneration of Certain Related
Employees**

During the Financial Year 2015, no key executive was an immediate family member of any Director of the Company.

3. Accountability and Audit**Principle 10:
Accountability**

The Board has overall accountability to the Shareholders of the Company and ensures that the Group is well-managed and guided by strategic

objectives. The financial results are reported each quarter via SGXNet with an accompanying negative assurance by the Board to confirm that nothing has come to its attention that may render the results false or misleading in any material aspects. The Company believes that prompt and full compliance with statutory reporting requirements is fundamental to maintaining shareholder confidence and trust.

SBS Transit has adopted an internal code based on the SGX's guideline to provide guidance to the Directors and executives of the Group in relation to dealings in the securities of the Company, ComfortDelGro and VICOM Ltd. Directors and executives of the Group are prohibited from dealing in the securities of the Company, ComfortDelGro and VICOM during the period commencing two weeks before

the announcement of the Company's, ComfortDelGro's and VICOM's first, second and third quarter results, and one month before the announcement of the full-year results, and ending on the date of the announcement of the relevant results. All Directors and executives are notified of the trading blackout periods before the start of the financial year.

All Directors and executives of the Group are also told that they must not deal in (i) the securities of the Company, ComfortDelGro and VICOM on short-term consideration and/or while in possession of unpublished material price-sensitive information relating to the relevant securities; and (ii) the securities of other listed companies while in possession of unpublished material price-sensitive information relating to those securities.

CORPORATE GOVERNANCE

Principle 11:

Risk Management and Internal Controls

Risk management is an important and integral part of SBS Transit's strategic planning and decision-making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Plans that are necessary to manage and mitigate the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as part of the process. A detailed description of the Group's approach to internal controls and risk management is set out on pages 49 to 51 of this Annual Report.

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. Any material non-compliance and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal and External Auditors. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

For the Financial Year 2015, the Board has received assurance from the CEO and the Senior Vice President (Finance) that (i) the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards and are correct in all material aspects and give a true and fair view of the operations and finances of the Group; and (ii) the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective.

Based on these reviews, the Board is of the view, with the concurrence of the ARC, that there are adequate and effective internal controls in place

within the Group to address its financial, operational, compliance and information technology risks and to provide reasonable assurance against material financial misstatements or loss.

Principle 12:

Audit and Risk Committee

The Company's ARC comprises three non-executive independent Directors. The Board has reviewed and is satisfied that the members of the ARC are appropriately qualified to discharge their responsibilities. The members of the ARC collectively have recent and related financial management expertise and experience. They keep abreast of relevant changes to accounting standards and issues through attendance at relevant seminars/talks, articles and news circulated by the Company Secretary and regular updates by the External Auditors at ARC Meetings.

The roles of the ARC include the following:

- (i) Risk identification and reviewing the adequacy and effectiveness of financial, operational, compliance and information technology controls and risk management systems to ensure effectiveness in the management of risks and compliance with internal policies and external regulations;
- (ii) Review the quarterly and annual financial statements, and also significant accounting and reporting issues and their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance, and recommend to the Board the acceptance of such financial statements;
- (iii) Review the scope and results of the audits undertaken by the Internal and External Auditors, including non-audit services

performed by External Auditors to ensure that there is a balance between maintenance of objectivity and cost effectiveness;

- (iv) Review Interested Person transactions;
- (v) Recommend the appointment, re-appointment or removal of the External Auditors at the AGM and review the fees due to them;
- (vi) Review the audit plans of the Internal and External Auditors; and
- (vii) Review the effectiveness of the Group's Whistleblowing Policy, which has been put in place for staff to raise concerns in confidence about possible improprieties in matters of financial reporting or other matters, and ensure that an independent investigation and appropriate follow-up actions are taken. The Whistleblowing Policy is described in more detail on page 51 of this Annual Report.

Audit and Risk Committee's Activities

The ARC held four meetings during the financial year under review. The CEO, Senior Vice President (Finance), Group Financial Officer of ComfortDelGro, Group Internal Audit Officer (GIAO) and the External Auditors were present at these meetings. The ARC reviewed and considered the following:

- (i) Overall scope of both internal and external audits and results of their respective audits;
- (ii) Significant internal and external audit observations and Management's responses;
- (iii) Quarterly and full year results announcements and the financial statements before submission to the Board;
- (iv) Interested Person transactions;

- (v) Adequacy of internal controls;
- (vi) Independence of the External Auditors; and
- (vii) Re-appointment of External Auditors and its remuneration for recommendation to the Board.

In the performance of its duties, the ARC has explicit authority to investigate the affairs falling within its terms of reference, with full access to and cooperation from Management, discretion to invite any Director to attend its meetings and reasonable resources to enable it to discharge its duties properly.

The ARC meets with the Internal and External Auditors in the absence of Management annually. During these meetings, the Auditors may raise issues encountered in the course of their work directly to the ARC.

Review of Independence of External Auditor

Prior to the re-appointment of the External Auditors, the ARC assesses their independence based on the guidelines set by the Accounting and Corporate Regulatory Authority. Having satisfied itself that the independence of the External Auditors, Deloitte & Touche LLP, is not impaired by their provision of non-audit services to the Group and that Rules 712 and 715 of the SGX-ST Listing Manual have been complied with, the ARC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as the Company's External Auditors at the next AGM.

As a further safeguard of Deloitte & Touche LLP's independence, the Deloitte & Touche LLP's partner-in-charge of auditing the Company is changed every five years.

Principle 13: Internal Audit

The internal audit function of the Group is performed by the ComfortDelGro Group Internal Audit Division comprising

suitably qualified and experienced staff and is headed by the GIAO. The GIAO reports functionally to the Chairman of the ARC.

The ComfortDelGro Group Internal Audit Division adopts a risk-based approach in its continuous audit work. Based on the audit plan, it provides an independent and objective evaluation of the internal control systems and corporate governance processes of the Group. The audit plan is developed by the GIAO in consultation with, but independent of, Management and is subject to the ARC's approval before the start of each financial year. Quarterly internal audit summary reports are also prepared and submitted to the ARC on the status of audits carried out. Any material non-compliance or lapses in internal controls are reported to the ARC and the CEO for improvements to be made. The independence of the internal audit function is ensured as the ARC meets with the GIAO at least once a year in the absence of Management. The ComfortDelGro Group Internal Audit Division is given unfettered access to all the Group's documents, records, properties and personnel, including access to the ARC.

The activities and organisational structure of the ComfortDelGro Group Internal Audit Division are monitored and reviewed by the ARC periodically to ensure that it has the necessary resources to adequately perform its functions and that there are no unjustified restrictions and limitations placed on the performance of its duties.

The ComfortDelGro Group Internal Audit Division has adopted the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA Standards). The ComfortDelGro Group Internal Audit Division successfully completed its external Quality Assurance Review in 2014 by PricewaterhouseCoopers LLP

and continues to meet or exceed the IIA Standards in all key aspects.

4. Shareholders Rights and Responsibilities

Principle 14:

Shareholders Rights

Disclosure of Information to Shareholders

The Company notifies Shareholders in advance of the date of release of its Financial Results through the Company's regularly updated website at www.sbstransit.com.sg as well as a SGXNet announcement. Communication with Stakeholders is conducted through announcements to the SGXNet, media and analyst briefings after the announcement of the Financial Results, as well as the posting of announcements and press releases on the Company's website. Shareholders may send in their requests or queries through the feedback channel provided on the website. The Company's Investor Relations (IR) team is accessible throughout the year to address Shareholders' queries. The contact details of the Group Investor Relations & Special Projects Officer (GIRSPO) can be found on the website.

Beyond complying with the requirements of the Code, the SGX-ST Listing Manual and the Companies Act, Cap. 50, the Company has also taken various additional measures to enhance corporate governance and improve transparency, including:

- (i) The Company has taken steps to advertise the Notice of AGM at least 28 days before the AGM is held; and
- (ii) The Company sends electronic annual reports (by way of a CD-ROM) to all Shareholders (including foreign Shareholders) at least 21 days before the AGM to ensure that all Shareholders have adequate time to review the annual reports before the AGM. The move to electronic

CORPORATE GOVERNANCE

documentation demonstrates the Group's commitment towards Green and sustainable efforts. Upon request, hard copies are also provided to Shareholders.

Principle 15:

Communication with Shareholders Regular, Effective and Fair

Communications with Shareholders

SBS Transit is committed to actively engaging its Shareholders and has put in place an IR programme to promote regular, effective and fair communications with Shareholders and the investment community. The ComfortDelGro Group IR team works with Senior Management to proactively carry out this engagement programme.

Communication with the SGX is handled by the Company Secretary, while communication with Shareholders, analysts and fund managers is handled by the GIRSPO. Specific guidelines have been laid down for compliance in respect of all public communication. The Company does not practise selective disclosure in the communication of material information. In addition, the Company has also put in place operational procedures to respond promptly to queries from the SGX on any unusual trading activities in its securities.

Dividend Policy

The Company's dividend policy is to pay out at least 50% of profit after taxation attributable to Shareholders of the Company. The dividend policy takes into account the long-term objective of maximising shareholder value, availability of cash and retained earnings, projected capital expenditure and growth opportunities. The Company declares dividend semi-annually and informs its Shareholders of the dividend payments via announcements in the SGXNet.

Principle 16: Conduct of Shareholder Meeting

The Company views the AGM as a good opportunity for Shareholders to meet the Board and Senior Management staff. Shareholders are informed of Shareholders' Meetings through notices published in the newspapers and circulars sent to all Shareholders. All registered Shareholders are invited to attend and participate actively in the AGM and are given the opportunity to seek clarification or question the Group's strategic direction, business, operations, performance and proposed resolutions.

All Directors including the Chairman of the Board, CEO and the Chairmen of the various Board Committees together with Senior Management and the Company Secretary are present to address any question or feedback raised by the Shareholders at the AGM and thereafter, including those pertaining to the proposed resolutions before the resolutions are voted on. The External Auditors are also present to address Shareholders' queries about the conduct of audit and the preparation and contents of the Auditors' Report.

The Board had since 2009 decided to remove and stop seeking the general authority to issue shares to address concerns from the Shareholders that if this general authority to share issue was mandated, the Company could subsequently issue shares pursuant to this mandate, which would dilute their shareholding percentages and affect their voting rights.

The Articles of Association of the Company provide for voting in person and by proxy at the AGM of the Company. Each Shareholder is allowed to appoint up to two proxies to vote on his behalf at Shareholders' Meetings through proxy forms sent in advance. With the amendments to the Companies Act, Cap. 50 which took effect on 3 January 2016, relevant intermediaries such as the Central Provident Fund and custodian banks are entitled to appoint

more than two proxies to attend, speak and vote at the meeting. Shareholders who hold shares through these relevant intermediaries will be allowed to attend, speak and vote at the forthcoming AGM subject to being appointed a proxy by their respective relevant intermediaries. In line with the amendments to the Companies Act, Cap. 50, the Company's Articles of Association will also be amended, subject to Shareholders' approval, to reflect the same.

Each issue or matter requiring Shareholders' approval is tabled as a separate and distinct resolution. All the resolutions at the Shareholders' Meetings are single item resolutions. The Company will consider implementing absentia voting methods such as voting via mail, e-mail or fax when security, integrity and other pertinent issues are satisfactorily resolved.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and responses from the Board and Management. The minutes are available to Shareholders upon their request.

The Company has adopted electronic poll voting for general meetings since 2013 to ensure greater transparency and efficiency in the voting process and results. Shareholders are invited to vote on each of the resolutions by poll, using an electronic voting system. The voting results of all votes cast for or against each resolution are screened at the meeting and announced via the SGXNet after the meeting. Voting by poll is the most accurate means of tabulating Shareholders' votes according to the number of shares owned. We believe that this will encourage greater Shareholders' participation at the Company's general meetings and demonstrates SBS Transit's commitment to high standards of corporate governance and transparency.

5. Additional Measures to Enhance Corporate Governance

The Company has also undertaken various additional measures to enhance corporate governance as follows:

Corporate Gifts/Entertainment Policy

Whilst business gifts and entertainment are courtesies that build goodwill and sound working relationships among business partners, the Group does not tolerate the improper use of gifts or entertainment to gain any special advantage in a business relationship.

The Group discourages the receipt of gifts or acceptance of entertainment, loans or other favours as these may compromise an employee's ability to make objective, independent and fair business decisions. Offering excessive gifts in whatever form or entertainment to others can also be opened to misinterpretation. Employees are therefore not permitted to offer or accept any gifts or entertainment without first seeking their supervisor's authorisation. Where business entertainment is deemed appropriate, they will be moderately scaled to facilitate the achievement of business goals and objectives.

Employees, who receive gifts directly or indirectly in relation to their course of employment with the Group, are expected to notify their supervisors and declare such gifts to the Group Human Resource Department. All gifts declared are processed through structured corporate procedures to ensure proper accountability.

Business gifts and entertainment presented on the Group's behalf are consistent with generally accepted business practices and ethical standards, and do not violate any applicable laws, regulations or policies of any country we operate in or company in which we have dealings with.

Block Leave Policy

As a further risk mitigation measure and to enhance governance, the Group has a Block Leave Policy in place which applies to employees holding key functions. This arrangement allows covering officers to fully step into the duties of the employees on leave, as an additional check and balance against any breaches.

Information Protection Policy

The Group has also implemented an information protection policy to ensure that all documents and data information of the Group are properly safeguarded.

Information is classified into secret, confidential, restricted and unrestricted use based on its nature, contents and implications. Processes and systems used to store, process or communicate the information provide protection from unauthorised disclosure and use.

Data Protection Policy

We have implemented data protection policies and practices to ensure compliance with the obligations under the Personal Data Protection Act and Do Not Call provisions that came into force in 2014.

Interested Person Transactions

Listing Manual – Rule 907

| Name of Interested Person | Aggregate value of all Interested Person transactions during the financial year under review (excluding transactions less than \$100,000 and transaction conducted under Shareholders' mandate pursuant to Rule 920) |
|---------------------------|--|
|---------------------------|--|

| | |
|----------------------------------|-------------|
| ComfortDelGro and its associates | \$6,857,000 |
|----------------------------------|-------------|

The aggregate value of the above transactions does not include the aggregate value of \$3.0 million from the renewal of the Licence Agreement disclosed in the Introductory Document of the Company dated 3 December 1997. These transactions relate to leasing charges paid to ComfortDelGro for the use of the premises.

There is no Shareholders' mandate for Interested Person transactions pursuant to Rule 920 of the Listing Manual.

CORPORATE GOVERNANCE

Disclosure on Compliance with the Code of Corporate Governance 2012

| Guideline | Questions | How has the Company complied? |
|-----------------------------|---|--|
| General | (a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. | Yes, the Company has complied with all the principles and guidelines of the Code except for the detailed disclosure of the remuneration of Directors, Chief Executive Officer (CEO) and the Group's top five key executives. The Board had considered this matter carefully and has decided against such disclosure. Given the wage disparities and the keen competition in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure outweigh the benefits. |
| | (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code? | The remuneration of the Directors and key executives are reviewed and approved by the Remuneration Committee, which comprises three non-executive Directors, of whom two including the Chairman, are independent. In addition, the structure for the payment of Directors' fees has been disclosed in the Corporate Governance Report. Directors' fees are subject to the approval of the Shareholders at the Annual General Meeting (AGM). |
| Board Responsibility | | |
| Guideline 1.5 | What are the types of material transactions which require approval from the Board? | SBS Transit has adopted internal guidelines setting forth certain matters that require the Board's approval. Under these guidelines, acquisitions of businesses, disposals or changes in equity interests in existing subsidiary, capital expenditure, investment in financial instruments, tender for businesses above the prescribed limits, assessing and approving key business decisions, funding and investment initiatives and other corporate actions, including approval of the Financial Authority Limits, Annual Budget and Capital Expenditure and the release of the quarterly and full-year Financial Results require approval from the Board. In addition, the acceptance of credit facilities from banks, the establishment of capital market programmes and the issuance of debt instruments require the approval of the Board. |
| Members of the Board | | |
| Guideline 2.6 | (a) What is the Board's policy with regard to diversity in identifying director nominees? | The Board believes that it is important to have diversity of competencies including gender diversity to support the growth of the Group. The Nominating Committee (NC) reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board. |
| | (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. | Yes. The NC is satisfied that the Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, knowledge and core competencies required for the Board and Board Committees to discharge their responsibilities effectively. |

| Guideline | Questions | How has the Company complied? |
|---------------|--|--|
| | (c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness? | The NC reviews the composition of the Board annually to ensure that the Board is of an adequate size with the right mix of skills and experience that facilitates effective decision making. |
| Guideline 4.6 | Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors. | <p>For new Directors The NC annually reviews the size, effectiveness, diversity of skills and core competencies of the Board taking into consideration the current and future business needs of the Group.</p> <p>The NC considers the range of skills, knowledge, attributes and experience of the existing Directors, the retirement and re-election/re-appointment of Directors, each Director's contribution and commitment and whether new competencies are required to enhance the effectiveness of the Board. When the need for a new Director arises, the NC will shortlist and meet potential candidates and recommend the most suitable candidate to the Board for appointment as a Director.</p> <p>For incumbent Directors Pursuant to the Company's Articles of Association, one-third of the Directors retire from office at the Company's Annual General Meeting. Newly appointed Directors are subject to retirement and re-election at the AGM immediately following their appointments.</p> <p>The NC reviewed each of the retiring Director's contribution and performance, such as attendance, preparedness, participation and candour, and made the relevant recommendations to the Board for subsequent Shareholders' approval at the AGM.</p> |
| Guideline 1.6 | (a) Are new directors given formal training? If not, please explain why. | Yes. |
| | (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date? | Management will conduct a comprehensive orientation programme for newly appointed Directors, where key aspects of the businesses, including financial and corporate governance policies are discussed. Site visits will also be arranged for new Directors so that they can better familiarise themselves with the Group's operations. When a Director is appointed to a Board Committee, he is provided with its terms of reference. |

CORPORATE GOVERNANCE

Disclosure on Compliance with the Code of Corporate Governance 2012

| Guideline | Questions | How has the Company complied? |
|----------------------------------|--|---|
| | | (cont'd) The Company Secretary assists in professional development and training by regularly disseminating details of suitable seminars and courses organised by the Singapore Institute of Directors and arranging for the Directors to attend such courses when requested. The Company Secretary also updates the Board on corporate governance practices and circulates articles relating to changes in laws relevant to the Group's businesses. |
| Guideline 4.4 | (a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? | The Board has determined that the maximum number of listed company board representations held by a Director who is not in full-time employment should not exceed six. For a Director who is in full-time employment, it should not exceed three. This is to ensure that all Directors have sufficient time and attention to discharge their duties adequately. |
| | (b) If a maximum number has not been determined, what are the reasons? | Not Applicable |
| | (c) What are the specific considerations in deciding on the capacity of directors? | The contributions of a Director are key in deciding on a Director's capacity to take on other multiple board appointments. |
| Board Evaluation | | |
| Guideline 5.1 | (a) What was the process upon which the Board reached the conclusion on its performance for the financial year? | In the last quarter of 2015, the NC conducted an evaluation of Board Performance which included key points on Board's composition, Board's contributions, contributions from Board Committees and conduct of proceedings and whether the Directors had discharged their duties effectively. The findings were then presented by the NC Chairman to the Board during its Meeting for the Board to deliberate on the findings and discuss possible areas of improvement to enhance the Board's overall effectiveness. |
| | (b) Has the Board met its performance objectives? | Yes. The Board was effective as a whole based on the overall assessment for 2015. |
| Independence of Directors | | |
| Guideline 2.1 | Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. | Yes. The Board comprises the CEO and eight non-executive Directors. Of the eight non-executive Directors, five of them are considered by the NC to be independent which exceeds the Code's requirement of at least half of the Board to comprise independent Directors where the Chairman is not an independent Director. |

| Guideline | Questions | How has the Company complied? |
|-----------------------------------|---|--|
| Guideline 2.3 | (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. | No. |
| | (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation. | Not Applicable |
| Guideline 2.4 | Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent. | <p>Yes, Mr Cheong Yip Seng, Mr Chin Harn Tong, Mr John De Payva and Mr Wee Siew Kim are independent Directors who have served on the Board for more than nine years as at 31 December 2015.</p> <p>The NC considered that these Directors have each demonstrated independent judgement at Board and Board Committee Meetings, and was of the firm view that they have at all times been exercising independent judgement in the best interests of the Company in the discharge of their duties as Directors.</p> |
| Disclosure on Remuneration | | |
| Guideline 9.2 | Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | <p>Disclosures are made in bands of \$250,000 and deviation from the Code is explained in the Notes to Financial Statements as follows:</p> <p>Given the wage disparities and the keen competition in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure outweigh the benefits.</p> |
| Guideline 9.3 | (a) Has the Company disclosed each key management personnel's remuneration, in bands of \$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | <p>Disclosures are made in bands of \$250,000 and deviation from the Code is explained in the Notes to Financial Statements as follows:</p> <p>Given the wage disparities and the keen competition in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure outweigh the benefits.</p> |

CORPORATE GOVERNANCE

Disclosure on Compliance with the Code of Corporate Governance 2012

| Guideline | Questions | How has the Company complied? |
|---------------|--|---|
| | (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO). | <p>Disclosed as an aggregate together with remuneration of the Directors and deviation from the Code is explained in the Notes to Financial Statements as follows:</p> <p>Given the wage disparities and the keen competition in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure outweigh the benefits.</p> |
| Guideline 9.4 | Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds \$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO. | Nil. |
| Guideline 9.6 | (a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. | <p>The Group advocates a performance-based remuneration system that aligns the remuneration of CEO and Senior Management to business results and shareholder returns. The total remuneration mix comprises fixed and variable components. The variable component, in the form of an annual performance incentive bonus, forms a significant proportion of the remuneration packages.</p> <p>The annual performance incentive is linked to the Group's and the individual's performance. The Performance Scorecard is used to measure both financial and non-financial performance of Senior Executives. The individual's scorecard performance areas are linked to the overall strategic goals and objectives of the Group.</p> |
| | (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? | <p>The amount and mix of reward incentives, which are developed with a focus on long-term shareholders' returns, are responsive to the operating environment and labour market.</p> <p>In awarding the incentives, the Group takes into account the Senior Executive's performance in 4 key broad areas of the Performance Scorecard, namely</p> <ol style="list-style-type: none"> Financial Customers Processes and People Development. |
| | (c) Were all of these performance conditions met? If not, what were the reasons? | Yes. |

| Guideline | Questions | How has the Company complied? |
|--|--|--|
| Risk Management and Internal Controls | | |
| Guideline 6.1 | What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided? | Prior to each Board and Board Committee Meeting, Management provides Directors with complete, adequate and timely information. The Board also receives monthly management accounts and quarterly investor relations reports covering investor relations activities and updates of analysts' views and comments. This enables the Board to make informed and sound business decisions and be kept abreast of key challenges, opportunities and developments for the Group. |
| Guideline 13.1 | Does the Company have an internal audit function? If not, please explain why. | Yes. |
| Guideline 11.3 | (a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. | Risk management is an important and integral part of SBS Transit's strategic planning and decision-making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Plans that are necessary to manage and mitigate the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as part of the process. Based on these reviews, the Board is of the view, with the concurrence of the Audit and Risk Committee, that there are adequate and effective internal controls in place within the Group to address its financial, operational, compliance and information technology risks. |
| | (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above? | For the Financial Year 2015, the Board has received assurance from the CEO and the Senior Vice President (Finance) that (i) the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards and are correct in all material aspects and give a true and fair view of the operations and finances of the Group; and (ii) the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective. |
| Guideline 12.6 | (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. | The audit and non-audit fees to the External Auditors of the Company and its subsidiary for FY 2015 are \$124,000 and \$39,000 respectively. |

CORPORATE GOVERNANCE

Disclosure on Compliance with the Code of Corporate Governance 2012

| Guideline | Questions | How has the Company complied? |
|--|---|--|
| | (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors. | The Audit and Risk Committee undertook a review of the independence and objectivity of the External Auditors by reviewing the non-audit fees awarded to them and has confirmed that the non-audit services performed by the External Auditors were not substantial and would not affect their independence. |
| Communication with Shareholders | | |
| Guideline 15.4 | (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? | <p>Yes, the Company is committed to disseminating accurate and pertinent information to the Shareholders in a timely manner. Communications with Shareholders and investors are handled centrally at the ComfortDelGro Group level. In FY 2015, nearly 200 meetings and conference calls were held with institutional investors and analysts and also participation in 10 investor conferences in Singapore, Kuala Lumpur, Hong Kong and Tokyo. These provided access to a wide cross-section of institutional investors from around the world.</p> <p>For the retail investors, they can send in their queries through a link on the Investor Relations page of the Company's website. The telephone and email contact details of the Group Investor Relations & Special Projects Officer are also listed on the page. In addition to addressing the questions from retail investors over the telephone and email, presentation to over 200 retail investors was made at the SGX Corporate Connect Seminar.</p> <p>All Shareholders also have the opportunity to interact and speak with the Directors and Senior Management at the Company's Annual General Meetings and thereafter.</p> |
| | (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? | Yes, there is a dedicated Investor Relations team, which works closely with Senior Management to carry out the investor engagement programme. |
| | (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report? | All announcements to SGX-ST, news releases, financial results, financial calendar and the Annual Reports are posted on the Investor Relations page of the Company's website. |
| Guideline 15.5 | If the Company is not paying any dividends for the financial year, please explain why. | Not Applicable |

DIRECTORS' PARTICULARS

| Name | Age | Present Directorships/ Chairmanships (as at 31 December 2015) | Past Directorships/ Chairmanships in listed companies held over the preceding three years (from 1 January 2013 to 31 December 2015) | Principal Commitments |
|---|-----|--|--|--------------------------|
| Lim Jit Poh <i>Chairman</i> (Non-executive & Non-independent) | 76 | <p>Principal Directorships in the ComfortDelGro Group</p> <ul style="list-style-type: none"> • ComfortDelGro Corporation Limited* • VICOM Ltd* • Beijing Jin Jian Taxi Services Co., Ltd • Comfort Transportation Pte Ltd • CityCab Pte Ltd • ComfortDelGro Engineering Pte Ltd • CityFleet Networks Limited • ComfortDelGro Cabcharge Pty Ltd • Guangzhou Xin Tian Wei Transportation Development Co., Ltd • Metroline Limited • Swan Taxis Pty Ltd <p>Other Companies</p> <ul style="list-style-type: none"> • Ascott Residence Trust Management Ltd* • Family Leisure Pte Ltd • NCI Golf Pte Ltd • Pasir Ris Resort Pte Ltd • SLF Leisure Enterprises (Pte) Ltd • Surbana Property Investment Pte Ltd • CapitaLand Township Development Fund Pte Ltd • CapitaLand Township Development Fund II Pte Ltd | <ul style="list-style-type: none"> • Maybank Kim Eng Holdings Limited* | Nil |
| Kua Hong Pak <i>Deputy Chairman</i> (Non-executive & Non-independent) | 72 | <p>Principal Directorships in the ComfortDelGro Group</p> <ul style="list-style-type: none"> • ComfortDelGro Corporation Limited* • VICOM Ltd* • Beijing Jin Jian Taxi Services Co., Ltd • Comfort Transportation Pte Ltd • CityCab Pte Ltd • ComfortDelGro Engineering Pte Ltd • CityFleet Networks Limited • ComfortDelGro Cabcharge Pty Ltd • Guangzhou Xin Tian Wei Transportation Development Co., Ltd • Metroline Limited • Swan Taxis Pty Ltd <p>Other Companies</p> <ul style="list-style-type: none"> • PSA Corporation Limited • PSA International Pte Ltd • Temasek Holdings (Private) Limited | <ul style="list-style-type: none"> • Starhub Ltd* | Nil |

*Listed Company

DIRECTORS' PARTICULARS

| Name | Age | Present Directorships/ Chairmanships (as at 31 December 2015) | Past Directorships/ Chairmanships in listed companies held over the preceding three years (from 1 January 2013 to 31 December 2015) | Principal Commitments |
|--|-----|--|--|---|
| Gan Juay Kiat <i>Chief Executive Officer & Director</i> | 58 | <p>Directorships in the ComfortDelGro Group</p> <ul style="list-style-type: none"> • ComfortDelGro Bus Pte Ltd • Comfort Transportation Pte Ltd • CityCab Pte Ltd • ComfortDelGro Engineering Pte Ltd • SBS (Guangzhou) Pte Ltd <p>Directorships in the SBS Transit Group</p> <ul style="list-style-type: none"> • SBS Transit DTL Pte Ltd <p>Other Companies</p> <ul style="list-style-type: none"> • Ascendas Holdings (Manila) Pte Ltd • Bulawan Ventures, Inc. | Nil | Nil |
| Cheong Yip Seng <i>Director (Non-executive & Independent)</i> | 72 | Nil | Nil | <ul style="list-style-type: none"> • South China Morning Post (Editorial Adviser) |
| Chin Harn Tong <i>Director (Non-executive & Independent)</i> | 78 | <p>Directorships in the ComfortDelGro Group</p> <ul style="list-style-type: none"> • CityCab Pte Ltd | Nil | Nil |
| John De Payva <i>Director (Non-executive & Lead Independent)</i> | 66 | <p>Other Company</p> <ul style="list-style-type: none"> • SLF Leisure Enterprises (Pte) Ltd | Nil | <ul style="list-style-type: none"> • NTUC International Relations (Advisor) • Ong Teng Cheong Institute of Labour Studies (Member of Board of Governors) • NTUC (Trustee) • National Transport Worker's Union (Trustee) • Education Services Union (Advisor) |

*Listed Company

| Name | Age | Present Directorships/ Chairmanships (as at 31 December 2015) | Past Directorships/ Chairmanships in listed companies held over the preceding three years (from 1 January 2013 to 31 December 2015) | Principal Commitments |
|---|-----|---|--|---|
| John De Payva <i>Director</i> (Non-executive & Lead Independent) | 66 | | | (cont'd) <ul style="list-style-type: none"> • ITUC General Council (Vice President, Brussels Office) • ITUC – Asia Pacific (Vice-President) • ITUC – Asia Pacific (Executive Bureau – Chairman) • Union Network International (Board Member, Nyon, Switzerland) • Union Network International – Professional and Managerial (Asia Pacific Regional Office – Chairman) |
| Lim Seh Chun <i>Director</i> (Non-executive & Independent) | 61 | Other Company <ul style="list-style-type: none"> • Singapore Symphonia Company Limited | Nil | Nil |
| Wee Siew Kim <i>Director</i> (Non-executive & Independent) | 55 | Other Company <ul style="list-style-type: none"> • ES Group (Holdings) Limited* • Mapletree Logistics Trust Management Ltd* • Asia Industries Ltd • Nippon Paint (Singapore) Company Private Limited • Nippon Paint (Vietnam) Company Ltd • Nippon Paint Vietnam (Hanoi) Pte Ltd • Nippon Paint (Malaysia) Sendirian Berhad • Paint Marketing Company (M) Sdn Bhd • Nippon Paint (Thailand) Company Ltd • Nipsea Chemical Korea • Nippon Paint (HK) Co Ltd • Nippon Paint (China) Co Ltd | Nil | Nil |

*Listed Company

DIRECTORS' PARTICULARS

| Name | Age | Present Directorships/ Chairmanships (as at 31 December 2015) | Past Directorships/ Chairmanships in listed companies held over the preceding three years (from 1 January 2013 to 31 December 2015) | Principal Commitments |
|---|-----|---|--|--|
| Wee Siew Kim <i>Director</i> (Non-executive & Independent) | 55 | (cont'd) <ul style="list-style-type: none"> • Nippon Paint (India) Pte Ltd • Nippon Paint and Surface Chemicals Pvt. Ltd • Nippon Paint (Foshan) Co Ltd • Guangzhou Nippon Paint Co Ltd • Nippon Paint (Chengdu) Co Ltd • Nippon Paint (H.K.) Co., Ltd, Taiwan Branch • Langfang Nippon Paint Lidong Co., Ltd • Nippon Paint (Tianjin) Co Ltd • Yashili Paint (Suzhou) Co., Ltd • Langfang Nippon Paint Co Ltd • BK & NP Automotive Coatings (Shanghai) Co Ltd • Nippon Paint (Shanghai) Research & Development Co., Ltd • Nippon Paint (Pakistan) Limited • Nippon Paint Industrial Coatings (Shanghai) Co., Ltd • Nippon Paint China Holdings Co Ltd • Nippon Paint (Zhengzhou) Co., Ltd • Nippon Paint (Hebei) Co., Ltd • Nippon Paint Decorative Coatings (Thailand) Co Ltd • NP Auto Refinishes Co Ltd • Nippon Paint (Shenyang) Co., Ltd • Nippon Paint Lanka (Private) Ltd • Nippon Paint Bangladesh Pte Ltd • Nippon Paint (Kunming) Co., Ltd • Nippon Paint New Materials (Wuhan) Co., Ltd • Nippon Paint (Hubei) Co., Ltd • Nippon Paint New Materials (Shanghai) Co., Ltd • Nippon Paint Malaysia (S) Pte Ltd • HSJ Pte Ltd | | |
| Wong Chin Huat, David <i>Director</i> (Non-executive & Non-independent) | 67 | Directorship in the ComfortDelGro Group • ComfortDelGro Corporation Limited* Other Companies • CapitaMalls Malaysia REIT Management Sdn Bhd | Nil | <ul style="list-style-type: none"> • Ramdas & Wong Advocates & Solicitors (Consultant) • NTUC-U Care Fund Board of Trustees (Chairman) |

*Listed Company

RISK MANAGEMENT

Risk management is an important and integral part of the SBS Transit Group's strategic planning and decision-making process. The Group's Risk Management Framework enables the business units to understand the nature and complexity of the risks involved in their business operations and provides a systematic process for the business units to identify and review the risks and prioritise resources to manage them.

The Group's approach to risk management is underpinned by several key principles:

- The risk management process is a continuous, iterative and developing one, as the Group's businesses and their operating environments are dynamic. Risk identification and assessment and risk management practices are reviewed and updated regularly to manage risks proactively.
- We promote and inculcate risk awareness among all our employees by embedding risk management processes into day-to-day business operations and setting an appropriate tone at the top. Regular exercises, continuous education and training, as well as communications through various forums on risk management are carried out to sustain a risk-informed and risk-aware culture in the Group.
- Ownership of and accountability for the risk management process is clearly defined and assigned to the business units, departments and individuals. Managers at each level have intimate knowledge of their businesses and assume ownership of risk management, with stewardship retained at Senior Management.

Risk tolerance guidelines for inherent risks are established and monitored. The Group is committed to enhance shareholder value through growth that is sustainable and profitable and taking measured and well-considered risks

to achieve it. We identify and manage risks to reduce the uncertainties that are associated with the execution of the Group's business plans and allow the Group to take advantage of opportunities that may arise.

The Group's business has significant everyday interactions with many passengers, customers and members of the public. The different business units have different risk profiles and they have different programmes to manage the risks. The risk management programmes are tested and stressed periodically to ensure that they remain relevant and meet changing business requirements.

Key risks for the Group are identified and presented to the Audit and Risk Committee and the Board annually.

Some of the key risks faced by the Group, the relevant mitigating factors and how they are managed are set out below.

Financial Risks

The Group has established internal control systems to safeguard its assets and regularly reviews the effectiveness of these controls to improve and fortify financial discipline. All policies and procedures on financial matters, including approval limits and authority, are clearly defined in the Group's Financial Procedures Manual.

Financial Authority Limits

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, direct investments, revenue tender participation and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to the Chief Executive Officer (CEO) and the Heads of Business Units/Departments, with the Board retaining the ultimate authority. Any expenditure exceeding the highest authority limit is referred to the Board for approval. To ensure that the Group's assets continue to

be managed prudently, the Board periodically reviews the mandate that it delegates to Management.

Budgetary Control

A robust and challenging Annual Budget is prepared and approved by the Board prior to the commencement of each new financial year. Material variations between actual and budgeted performance are reviewed on a monthly basis and explanations provided. Specific approvals are required for unbudgeted expenditures exceeding a relevant threshold. The capital expenditure budget is approved in principle by the Board as part of the Annual Budget. Each capital expenditure is subjected to rigorous justification and review before it is incurred in accordance with the Group's financial authority limits. Tight control on manpower is exercised through headcount budgets.

Financial Risk Management

The Group recognises that prudent management of financial risks is an important aspect in the creation of shareholder value. The main areas of financial risks faced by the Group are foreign exchange/currency risk, interest rate risk, credit/counter-party risk, liquidity risk and fuel and electricity price risk. It is the Group's policy not to participate in financial derivative instruments, except for use as hedging instruments, where appropriate. Sensitivity analysis and reviews of the Group's exposure to financial risks under changing market conditions are carried out regularly.

A detailed description of the financial risks and how the Group manages them are set out in the Notes to the Financial Statements on pages 68 to 102.

Economic cycle

Changes in economic conditions may impact the businesses in terms of customer demand and the cost of providing the services. We manage these risks by continuously scanning and monitoring political and economic

RISK MANAGEMENT

issues. We monitor demand trends and operating margins closely. Expenses are managed in the light of revenue patterns and changing market conditions and to drive improvements in cost structures. Where possible, revenue risks are mitigated by diversifying revenue streams to non-fare sources.

Operational Risks

Operational risks may arise from failures in internal controls, operational processes or the supporting systems. The Group has put in place operating manuals, standard operating procedures, authority guidelines and a regular reporting framework to manage these risks.

Safety

Managing the safety and security of our customers, our staff and the public is the cornerstone of the Group's safety and security plan. We run safety awareness and training programmes to instil a safety and security conscious culture in employees at all levels. Safety audits are conducted regularly as part of the management and review process to ensure that safety standards are maintained. The Group works closely with the relevant authorities to ensure that the security of our bus and train services and facilities are not compromised. We regularly carry out drills and exercises internally, as well as with external agencies. Fence intrusion detection systems and other security features are installed at operating facilities and security guards deployed to patrol the facilities. Members of the public are encouraged to look out for suspicious objects or persons.

Environmental

The Group is committed to being a responsible organisation through minimising the impact our business activities have on the environment. Our operations, accidents and natural events can cause pollution or other environmental risks. To limit these risks, we engage in active environmental risk management, ensuring that we

target the problems that could arise and implement preventive measures. We comply with all relevant regulations. Ways in which the Group works to protect the environment can be found in the Sustainability Report section of this Annual Report.

Human Resource

The Group's ability to develop and grow the business depends on the quality of its employees and it continues to invest in building up a resource pool to support this growth. We have in place various programmes and processes that focus on several key areas, including building management bench strength, talent management, succession planning, performance management, compensation and benefits, training and development, employee conduct and supervision, as well as occupational health and safety. We ensure that employees are selected based on merit, they understand their responsibilities and are given access to necessary training. At all times, a positive, constructive and productive working climate based on strong tripartite relations is fostered. All terms and conditions of employment, along with policies and procedures, comply with the relevant regulations.

Property and Liability

The Group's exposure to property damage, business interruption and other liability risks is constantly monitored and reviewed. Together with external risk management consultants, we ensure sufficiency of insurance coverage and maintain an optimal balance between risks that are retained internally and risks that are placed out with underwriters.

Business Continuity

We have put in place Business Continuity Plans (BCPs) to mitigate the risks of disruption and catastrophic loss to our operations, people, information database and other assets. The BCPs include identification and planning of alternate recovery centres, operational

procedures to maintain communication, measures to ensure continuity of critical business functions and recovery of information database. We update and test the BCPs regularly. Drills and emergency response exercises are conducted to familiarise employees with the various incident management plans. The BCPs enhance the Group's operational readiness and resilience to potential business disruptions.

Information Technology Risks

Information technology system failures are key risks for the Group since almost all the businesses rely heavily on information technology. This can take the form of a major system failure which can result in disruption of the business, loss of data or a security breach of our information technology systems. Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification or destruction. The Group's information technology security management framework complies with current industry standards. We have put in place various controls and data recovery measures to mitigate the risks, including the use of intrusion prevention systems, multi-level firewalls, server protection, software code hardening and data loss prevention controls to manage Internet security and Cyber threats. Penetration tests are carried out regularly to test the systems and identify potential security vulnerabilities and allow us to improve the security hardening of our websites. Information security policies and procedures, including security education for all staff, are reviewed and enhanced regularly.

Compliance Risks

The Group keeps abreast and complies with all laws and regulations governing the conduct of our business. The businesses within the Group operate in a regulated environment. These regulations include pricing, service standards, licences to operate and transport policies, which are

stipulated by the relevant regulatory authorities. We work closely with the regulatory authorities as part of our risk management process to keep abreast of developments and policies that may affect our businesses and the competitive landscape. We manage our operations well and effectively to ensure that standards are met, thereby reducing significantly the risk of licences being withdrawn.

Strategic Risks

We evaluate each new investment proposal to ensure that it is in line with the Group's strategy and investment objective and it can meet the relevant hurdle rates of return. This assessment includes macro and project specific risks analysis covering feasibility study, due diligence, financial modelling and sensitivity analysis of key investment assumptions and variables. To ensure that the rate of return on any new investment or business opportunity commensurate with the risk exposure taken, the new investment opportunity is evaluated in terms of (a) profitability; (b) return on investment; (c) pay back period; (d) cash flow generation; (e) potential for internal and external growth; and (f) investment climate and political stability of the country. The investment proposal has to be approved according to the financial authority limits approved by the Board.

Audit Process

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. Non-compliance and recommendations for improvements are reported to the Audit and Risk Committee, which reviews the effectiveness of the actions taken to mitigate the risks. In the course of their audits, the Internal and External Auditors highlight to the Audit and Risk Committee and Management areas where there are material deficiencies and weaknesses or the occurrence or potential occurrence of significant

risk events and propose mitigating measures and treatment plans. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

Code Of Business Conduct And Whistle Blowing Policy

The Group has adopted a Code of Business Conduct which sets out the principles and policies upon which our businesses are conducted, as well as implemented a Whistle Blowing Policy to provide a mechanism for employees to raise concerns, through well-defined and accessible confidential disclosure channels about possible improprieties in financial reporting or other improper business conduct. Employees are given a Company handbook detailing how they can go about raising their concerns. Incidents can also be reported through a direct link to the CEO, the ComfortDelGro Human Resource Officer or the ComfortDelGro Internal Audit Officer on the Company's Intranet.

All cases are investigated and dealt with promptly and thoroughly. An officer appointed by the CEO will oversee all investigations. In cases where the laws have been infringed, the relevant regulatory authorities will be informed. The Audit and Risk Committee will also be informed. Where appropriate, internal control measures are improved or additional measures put in place to prevent recurrence of the incidents.

Opinion Of The Board

Risk management is an important and integral part of SBS Transit's strategic planning and decision-making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Action plans that are necessary to manage the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as

part of the process. Based on these reviews, the Board is of the view, with the concurrence of the Audit and Risk Committee, that there are adequate and effective internal controls in place within the Group to address its financial, operational, compliance and information technology risks.

FINANCIAL CALENDAR

2015

| | |
|---|------------------|
| Announcement of 2014 Full Year Results | 10 February 2015 |
| Annual General Meeting | 22 April 2015 |
| Announcement of 1st Quarter 2015 Results | 12 May 2015 |
| Payment of 2014 final dividend (1.05 cents/share) | 8 May 2015 |
| Announcement of 2nd Quarter 2015 Results | 12 August 2015 |
| Payment of 2015 interim dividend (1.65 cents/share) | 27 August 2015 |
| Announcement of 3rd Quarter 2015 Results | 12 November 2015 |

2016

| | |
|--|-------------------|
| Announcement of 2015 Full Year Results | 5 February 2016 |
| Annual General Meeting | 27 April 2016 |
| Announcement of 1st Quarter 2016 Results | 9 May 2016* |
| Payment of 2015 final dividend (1.05 cents/share) (Subject to Shareholders' approval at the forthcoming Annual General Meeting) | 13 May 2016 |
| Announcement of 2nd Quarter 2016 Results | 11 August 2016* |
| Announcement of 3rd Quarter 2016 Results | 10 November 2016* |

* Provisional – Updates will be posted on www.sbstransit.com.sg

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DIRECTORS' STATEMENT

The Directors present their annual report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the Financial Year ended 31 December 2015.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 60 to 102 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

| | |
|-----------------------|---------------------------|
| Lim Jit Poh | (Chairman) |
| Kua Hong Pak | (Deputy Chairman) |
| Gan Juay Kiat | (Chief Executive Officer) |
| Cheong Yip Seng | |
| Chin Harn Tong | |
| John De Payva | |
| Lim Seh Chun | |
| Wee Siew Kim | |
| Wong Chin Huat, David | |

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

| Names of Directors and Companies in which interests are held | Shareholdings registered in the names of Directors | | | Shareholdings in which Directors are deemed to have interest | | |
|--|--|---------------------|--------------------|--|---------------------|--------------------|
| | At 1 January 2015 | At 31 December 2015 | At 21 January 2016 | At 1 January 2015 | At 31 December 2015 | At 21 January 2016 |
| Interest in the Company | | | | | | |
| (a) Ordinary shares | | | | | | |
| Kua Hong Pak | 90,000 | 90,000 | 90,000 | – | – | – |
| Cheong Yip Seng | 185,000 | 185,000 | 185,000 | – | – | – |
| Chin Harn Tong | 275,000 | 275,000 | 275,000 | – | – | – |
| Wee Siew Kim | 65,000 | 65,000 | 65,000 | – | – | – |
| Wong Chin Huat, David | 215,000 | 215,000 | 215,000 | – | – | – |

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

| Names of Directors and Companies in which interests are held | Shareholdings registered in the names of Directors | | | Shareholdings in which Directors are deemed to have interest | | |
|--|--|---------------------|--------------------|--|---------------------|--------------------|
| | At 1 January 2015 | At 31 December 2015 | At 21 January 2016 | At 1 January 2015 | At 31 December 2015 | At 21 January 2016 |
| Interest in the Company | | | | | | |
| (b) Options to subscribe for ordinary shares | | | | | | |
| Gan Juay Kiat | 240,000 | 240,000 | 240,000 | – | – | – |
| Interest in ultimate holding company, ComfortDelGro Corporation Limited | | | | | | |
| (a) Ordinary shares | | | | | | |
| Lim Jit Poh | 24,425 | 4,425 | 4,425 | – | – | – |
| Kua Hong Pak | 324,530 | 1,524,530 | 1,524,530 | – | – | – |
| Gan Juay Kiat | – | – | – | 150,000 | 25,000 | 25,000 |
| Wong Chin Huat, David | 340,000 | 380,000 | 380,000 | – | – | – |
| (b) Options to subscribe for ordinary shares | | | | | | |
| Lim Jit Poh | 720,000 | 240,000 | 240,000 | – | – | – |
| Kua Hong Pak | 7,200,000 | 6,000,000 | 6,000,000 | – | – | – |
| Gan Juay Kiat | 1,270,000 | 980,000 | 980,000 | – | – | – |
| Wong Chin Huat, David | 360,000 | 240,000 | 240,000 | – | – | – |
| Interest in related company, VICOM Ltd | | | | | | |
| (a) Ordinary shares | | | | | | |
| Lim Jit Poh | 190,000 | 190,000 | 190,000 | – | – | – |
| Kua Hong Pak | 54,000 | 54,000 | 54,000 | – | – | – |
| Cheong Yip Seng | 10,000 | 10,000 | 10,000 | – | – | – |

DIRECTORS' STATEMENT

4 SHARE OPTIONS

SBS Transit Share Option Scheme ("SSOS")

- a) The SSOS was approved by the shareholders of the Company on 9 June 2000. The SSOS is administered by the Remuneration Committee comprising Messrs Chin Harn Tong (Chairman), John De Payva and Lim Jit Poh.
- b) The SSOS provides the Company with a means whereby (i) employees of the Group of the rank of Executive and above, and (ii) certain categories of persons who are not employees but who work closely with the Group, are given an opportunity to participate in the equity of the Company. A person who is a controlling shareholder of the Company or an associate (as defined in the Singapore Exchange Securities Trading Listing Manual) of a controlling shareholder of the Company is not eligible to participate in the SSOS.
- c) Under the SSOS, an option entitles the option holder to subscribe for a specific number of new ordinary shares at a subscription price determined with reference to the market price of the shares at the time of the grant of the option. The subscription price and/or number of shares comprised in an option may be adjusted in certain events under the rules of the SSOS. The consideration for the grant of an option is \$1.00. The option may be exercised at any time after the first anniversary of the date of grant but before the tenth anniversary (fifth anniversary for options granted to non-executive Directors) of the date of grant of that option or such shorter period as determined by the Remuneration Committee. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Company, subject to certain exceptions at the discretion of the Remuneration Committee.
- d) Participants of the SSOS are not restricted from participating in other share option schemes, whether implemented by the Company or otherwise.
- e) Particulars of unissued shares under options granted pursuant to the SSOS, options exercised and cancelled/lapsed during the financial year, and options outstanding as at 31 December 2015 are as follows:

| Date of grant | Number of options to subscribe for ordinary shares | | | Outstanding At 31 December 2015 | Subscription price per share | Expiry date |
|------------------|--|-----------|----------------------|--|------------------------------------|------------------|
| | Outstanding At 1 January 2015 | Exercised | Cancelled/ Lapsed | | | |
| 24 February 2005 | 251,250 | – | (251,250) | – | \$2.29 | 24 February 2015 |
| 28 July 2005 | 256,250 | – | (256,250) | – | \$2.23 | 28 July 2015 |
| 18 November 2005 | 221,250 | – | (221,250) | – | \$2.16 | 18 November 2015 |
| 13 July 2006 | 835,000 | – | – | 835,000 | \$2.15 | 13 July 2016 |
| 22 June 2007 | 1,255,000 | – | – | 1,255,000 | \$3.40 | 22 June 2017 |
| 25 June 2008 | 1,532,500 | – | – | 1,532,500 | \$2.18 | 25 June 2018 |
| 25 June 2009 | 1,067,500 | (120,000) | – | 947,500 | \$1.58 | 25 June 2019 |
| | 5,418,750 | (120,000) | (728,750) | 4,570,000 | | |

DIRECTORS' STATEMENT

4 SHARE OPTIONS (cont'd)

- f) There were no share options granted to Directors of the Company during the financial year. Details of the SSOS options granted to Directors of the Company since the commencement of the SSOS were as follows:

| Director | Number of options to subscribe for ordinary shares | | | |
|-----------------------|--|--|---|--|
| | Aggregate options granted since the commencement to 31 December 2015 | Aggregate options exercised since the commencement to 31 December 2015 | Aggregate options lapsed since the commencement to 31 December 2015 | Aggregate options outstanding as at 31 December 2015 |
| Lim Jit Poh | 780,000 | 480,000 | 300,000 | – |
| Kua Hong Pak | 690,000 | 240,000 | 450,000 | – |
| Gan Juay Kiat | 240,000 | – | – | 240,000 |
| Cheong Yip Seng | 455,000 | 305,000 | 150,000 | – |
| Chin Harn Tong | 470,000 | 275,000 | 195,000 | – |
| John De Payva | 495,000 | 135,000 | 360,000 | – |
| Wee Siew Kim | 515,000 | 320,000 | 195,000 | – |
| Wong Chin Huat, David | 475,000 | 295,000 | 180,000 | – |

The terms of the options granted to the Directors are disclosed in paragraph 4(c) above.

- g) None of the options granted under the SSOS included a discount feature to the market price of the shares at the time of grant. No participants to the SSOS are controlling shareholders of the Company.
- h) The SSOS expired on 8 June 2010 and hence no option has been granted since then. The existing options granted will continue to vest according to the terms and conditions of the SSOS and the respective grants.

5 AUDIT AND RISK COMMITTEE

At the date of this report, the Audit and Risk Committee comprises three non-executive and independent Directors as follows:

Wee Siew Kim (Chairman)
Chin Harn Tong
Lim Seh Chun

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Code of Corporate Governance 2012.

In performing its functions, the Audit and Risk Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors four times during the year to discuss the scope and results of their respective audits, and at least once annually without the presence of Management. The Audit and Risk Committee has reviewed the independence of the external auditors, Messrs Deloitte & Touche LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

DIRECTORS' STATEMENT

5 AUDIT AND RISK COMMITTEE (cont'd)

In addition, the Audit and Risk Committee reviewed the financial statements of the Group before their submission to the Board of Directors of the Company and provided assurance to the Board on the adequacy of financial, operational, compliance and information technology controls.

The Audit and Risk Committee has recommended to the Board of Directors, the nomination of Deloitte & Touche LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lim Jit Poh
Chairman

Gan Juay Kiat
Chief Executive Officer

Singapore
5 February 2016

INDEPENDENT AUDITORS' REPORT

To the Members of SBS Transit Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of SBS Transit Ltd (the "Company") and its subsidiary (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the income statement, comprehensive income statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 102.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants

Singapore
5 February 2016

STATEMENTS OF FINANCIAL POSITION

31 December 2015

| | | The Group | | The Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | | 4,379 | 4,987 | 3,907 | 4,542 |
| Trade receivables | 5 | 9,577 | 9,120 | 9,142 | 8,803 |
| Other receivables and prepayments | 6 | 82,429 | 34,261 | 160,257 | 83,269 |
| Inventories | 7 | 48,365 | 43,727 | 45,130 | 41,661 |
| Total current assets | | 144,750 | 92,095 | 218,436 | 138,275 |
| Non-current assets | | | | | |
| Subsidiary | 8 | – | – | 5,000 | 5,000 |
| Investments | 9 | 5,337 | 5,487 | 5,337 | 5,487 |
| Prepayments | 10 | 21,592 | 40,483 | 21,334 | 40,483 |
| Vehicles, premises and equipment | 11 | 904,506 | 1,033,337 | 888,368 | 1,024,242 |
| Deferred tax assets | 12 | 14,961 | 8,551 | – | – |
| Total non-current assets | | 946,396 | 1,087,858 | 920,039 | 1,075,212 |
| Total assets | | 1,091,146 | 1,179,953 | 1,138,475 | 1,213,487 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Borrowings | 13 | 87,500 | 200,950 | 87,500 | 200,950 |
| Trade and other payables | 14 | 247,669 | 233,351 | 223,393 | 225,409 |
| Deposits received | 15 | 4,452 | 3,169 | 3,816 | 3,160 |
| Insurance premiums payable and provision for accident claims | 16 | 26,652 | 28,916 | 26,652 | 28,916 |
| Fuel price equalisation account | | 19,992 | 19,992 | 19,992 | 19,992 |
| Income tax payable | | 43 | 62 | 43 | 62 |
| Total current liabilities | | 386,308 | 486,440 | 361,396 | 478,489 |

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2015

| | | The Group | | The Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Non-current liabilities | | | | | |
| Borrowings | 13 | 250,000 | 281,576 | 250,000 | 281,576 |
| Deferred grants | 17 | 8,426 | 7,754 | 8,426 | 7,754 |
| Deposits received | 15 | 5,921 | 5,507 | 5,131 | 4,502 |
| Deferred tax liabilities | 12 | 71,545 | 58,207 | 71,545 | 58,207 |
| Provision for service benefits and long service awards | 18 | 10,260 | 10,398 | 10,186 | 10,351 |
| Fuel price equalisation account | | 19,992 | 19,992 | 19,992 | 19,992 |
| Total non-current liabilities | | 366,144 | 383,434 | 365,280 | 382,382 |
| Total liabilities | | 752,452 | 869,874 | 726,676 | 860,871 |
| Capital and reserves | | | | | |
| Share capital | 19 | 94,786 | 94,579 | 94,786 | 94,579 |
| Other reserves | 20 | (17,492) | (37,427) | (17,017) | (37,427) |
| Accumulated profits | | 261,400 | 252,927 | 334,030 | 295,464 |
| Total equity | | 338,694 | 310,079 | 411,799 | 352,616 |
| Total liabilities and equity | | 1,091,146 | 1,179,953 | 1,138,475 | 1,213,487 |

See accompanying notes to the financial statements.

GROUP INCOME STATEMENT

Year ended 31 December 2015

| | Note | The Group | |
|--|------|------------------|------------------|
| | | 2015 \$'000 | 2014 \$'000 |
| Revenue | 21 | 1,023,923 | 951,035 |
| Staff costs | 22 | (491,723) | (448,114) |
| Repairs and maintenance costs | | (115,870) | (110,271) |
| Fuel and electricity costs | | (173,961) | (184,030) |
| Premises costs | | (45,270) | (39,272) |
| Depreciation expense | 11 | (85,360) | (70,978) |
| Other operating costs | | (86,578) | (77,691) |
| Total operating costs | | (998,762) | (930,356) |
| Operating profit | 23 | 25,161 | 20,679 |
| Net income from investments | 24 | 242 | 293 |
| Finance costs | 25 | (5,843) | (4,785) |
| Profit before taxation | | 19,560 | 16,187 |
| Taxation | 26 | (2,846) | (1,904) |
| Profit attributable to shareholders | | 16,714 | 14,283 |
| Earnings per share (in cents): | | | |
| Basic | 27 | 5.41 | 4.62 |
| Diluted | 27 | 5.41 | 4.62 |

See accompanying notes to the financial statements.

GROUP COMPREHENSIVE INCOME STATEMENT

Year ended 31 December 2015

| | The Group | |
|--|---------------|-----------------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Profit attributable to shareholders | 16,714 | 14,283 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Fair value adjustment on cash flow hedges | 20,169 | (42,483) |
| Fair value adjustment on investments | (150) | (107) |
| Total comprehensive income (expense) for the year attributable to shareholders of the Company | 36,733 | (28,307) |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

| | The Group | | | |
|---|---|---------------------------------------|----------------------------------|---------------------------|
| | Attributable to shareholders of the Company | | | |
| | Share capital (Note 19) \$'000 | Other reserves (Note 20) \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
| Balance at 1 January 2014 | 93,875 | 5,225 | 245,191 | 344,291 |
| Total comprehensive income (expense) for the year | | | | |
| Profit for the year | - | - | 14,283 | 14,283 |
| Other comprehensive expense for the year | - | (42,590) | - | (42,590) |
| Total | - | (42,590) | 14,283 | (28,307) |
| Transactions recognised directly in equity | | | | |
| Exercise of share options | 704 | (47) | - | 657 |
| Payment of dividends (Note 31) | - | - | (6,641) | (6,641) |
| Other reserves | - | (15) | 94 | 79 |
| Total | 704 | (62) | (6,547) | (5,905) |
| Balance at 31 December 2014 | 94,579 | (37,427) | 252,927 | 310,079 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 16,714 | 16,714 |
| Other comprehensive income for the year | - | 20,019 | - | 20,019 |
| Total | - | 20,019 | 16,714 | 36,733 |
| Transactions recognised directly in equity | | | | |
| Exercise of share options | 207 | (17) | - | 190 |
| Payment of dividends (Note 31) | - | - | (8,346) | (8,346) |
| Other reserves | - | (67) | 105 | 38 |
| Total | 207 | (84) | (8,241) | (8,118) |
| Balance at 31 December 2015 | 94,786 | (17,492) | 261,400 | 338,694 |

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

| | The Company | | | |
|---|--------------------------------------|--|----------------------------------|---------------------------|
| | Share capital (Note 19) \$'000 | Other reserves (Note 20) \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
| Balance at 1 January 2014 | 93,875 | 5,225 | 267,024 | 366,124 |
| Total comprehensive income (expense) for the year | | | | |
| Profit for the year | – | – | 34,987 | 34,987 |
| Other comprehensive expense for the year | – | (42,590) | – | (42,590) |
| Total | – | (42,590) | 34,987 | (7,603) |
| Transactions recognised directly in equity | | | | |
| Exercise of share options | 704 | (47) | – | 657 |
| Payment of dividends (Note 31) | – | – | (6,641) | (6,641) |
| Other reserves | – | (15) | 94 | 79 |
| Total | 704 | (62) | (6,547) | (5,905) |
| Balance at 31 December 2014 | 94,579 | (37,427) | 295,464 | 352,616 |
| Total comprehensive income for the year | | | | |
| Profit for the year | – | – | 46,807 | 46,807 |
| Other comprehensive income for the year | – | 20,494 | – | 20,494 |
| Total | – | 20,494 | 46,807 | 67,301 |
| Transactions recognised directly in equity | | | | |
| Exercise of share options | 207 | (17) | – | 190 |
| Payment of dividends (Note 31) | – | – | (8,346) | (8,346) |
| Other reserves | – | (67) | 105 | 38 |
| Total | 207 | (84) | (8,241) | (8,118) |
| Balance at 31 December 2015 | 94,786 | (17,017) | 334,030 | 411,799 |

See accompanying notes to the financial statements.

GROUP CASH FLOW STATEMENT

Year ended 31 December 2015

| | The Group | |
|--|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Operating activities | | |
| Profit before taxation | 19,560 | 16,187 |
| Adjustments for: | | |
| Depreciation expense | 85,360 | 70,978 |
| Finance costs | 5,843 | 4,785 |
| Net gain on disposal of vehicles and equipment | (703) | (1,581) |
| Interest income | (242) | (293) |
| Grant income | (95,010) | (60,382) |
| Operating cash flows before movements in working capital | 14,808 | 29,694 |
| Trade receivables | (457) | 268 |
| Other receivables and prepayments | (50,057) | (5,104) |
| Inventories | (4,638) | (894) |
| Trade and other payables | 42,094 | 9,579 |
| Deferred grants | 672 | 677 |
| Deposits received | 1,697 | 1,253 |
| Provision for service benefits and long service awards | (138) | (906) |
| Insurance premiums payable and provision for accident claims | (2,264) | (1,210) |
| Cash generated from operations | 1,717 | 33,357 |
| Income tax paid | (68) | (66) |
| Net cash from operating activities | 1,649 | 33,291 |
| Investing activities | | |
| Interest received | 242 | 343 |
| Proceeds from disposal of: | | |
| Vehicles and equipment | 218,801 | 1,594 |
| Investments | – | 5,000 |
| Purchase of vehicles, premises and equipment | (155,801) | (214,404) |
| Net cash from (used in) investing activities | 63,242 | (207,467) |

See accompanying notes to the financial statements.

GROUP CASH FLOW STATEMENT

Year ended 31 December 2015

| | The Group | |
|--|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Financing activities | | |
| New loans raised | 466,946 | 346,311 |
| Repayment of borrowings | (611,972) | (217,878) |
| Proceeds from share issue | 190 | 657 |
| Grants received | 93,180 | 57,013 |
| Interest paid | (5,535) | (4,872) |
| Dividends paid | (8,346) | (6,641) |
| Others | 38 | 79 |
| Net cash (used in) from financing activities | (65,499) | 174,669 |
| Net (decrease) increase in cash and cash equivalents | (608) | 493 |
| Cash and cash equivalents at beginning of year | 4,987 | 4,494 |
| Cash and cash equivalents at end of year | 4,379 | 4,987 |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 GENERAL

The Company (Registration No. 199206653M) is incorporated in Singapore with its registered office and principal place of business at 205 Braddell Road, Singapore 579701. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of the provision of public transport services, namely bus and rail services.

The principal activities of the subsidiary are described in Note 8 to the financial statements.

The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The consolidated financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2015 were authorised for issue by the Board of Directors on 5 February 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs that are relevant to its operations and effective for annual periods beginning on 1 January 2015.

The adoption of these new and revised FRSs has no material effect on the amounts reported for the current or prior years, except for changes arising from the adoption of FRS 109.

The Group has early adopted FRS 109 *Financial Instruments* for the period beginning 1 January 2015. Management believes that the enhanced accounting policies under FRS 109 provide more reliable and relevant information that reflects the underlying business strategy and direction.

The accounting policies were changed to comply with FRS 109. FRS 109 replaces the provisions of FRS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial assets and financial liabilities and impairment requirements for financial assets. FRS 109 also amends other standards dealing with financial instruments such as FRS 107 *Financial Instruments Disclosures*.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Classification and measurement of financial assets

Management has reviewed and assessed the Group's existing financial assets. The initial application of FRS 109 has had an impact on the Group's investments in bonds that were previously classified as available-for-sale financial assets under FRS 39, and have been classified as fair value through other comprehensive income (FVTOCI) under FRS 109.

The reclassification of the Group's financial assets has had no impact on the amounts recorded in the Group's Income Statement and Statements of Financial Position for both years. Hence, the comparative figures have not been restated.

Impairment requirements for financial assets

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The Group has accounted for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED - The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but are not yet effective:

- Improvements to Financial Reporting Standards (November 2014)¹
- FRS 115 *Revenue from Contracts with Customers*²
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*¹

¹ Applies to annual periods beginning on or after 1 January 2016, with early application permitted.

² Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

These standards are not expected to have any material impact on the Group's financial statements when they are adopted.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and an entity controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group income statement and Group comprehensive income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those consistently used by the Group.

Changes in the Group's ownership interests in the subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the statement of financial position of the Company, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BUSINESS COMBINATIONS - The acquisition of subsidiary is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group to the former owners of the acquiree in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities which are recognised and measured in accordance with FRS 12 *Income Taxes*. Acquisition-related costs are recognised in profit or loss as incurred.

The interest of the non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including income and expense is recognised on an effective interest basis for debt instrument other than those financial instruments at fair value through profit or loss) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets at FVTOCI

Investments in debt instruments are measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, any gain or loss on such a financial asset are recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss for the period.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less expected credit losses. Receivables at amortised cost are assets that are held for collection of contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Provision for impairment of financial assets

Trade and other receivables and investments in debt instruments measured at FVTOCI are reassessed for impairment at the end of each reporting period.

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised at initial recognition of the receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised in profit or loss over the term of the borrowings.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Hedging instruments and hedge accounting

The Group continues to apply FRS 39 *Financial Instruments* and uses hedging instruments to manage its exposure to fuel price fluctuation, interest rate and foreign exchange rate risks. The Group uses hedging instruments such as forwards and options, to manage these risks. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy (see Note 30).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates its hedging instruments as either fair value hedges or cash flow hedges.

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of hedging instrument is classified as a non-current asset or a non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. Hedges of both foreign currency risk and fuel price risk for future purchases of goods are designated as cash flow hedges.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 30(b) contains details of the fair values of the hedging instruments.

(a) Fair value hedge

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts recognised in other comprehensive income are taken to profit or loss when the hedged item is realised.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases (net of any incentive received from lessor) are charged to profit or loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

VEHICLES, PREMISES AND EQUIPMENT - Vehicles, premises and equipment are stated at cost, less accumulated depreciation and any provision for impairment.

Capital projects in progress comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commences when the assets are available for use.

Depreciation is charged so as to write off the cost of the assets, other than capital projects in progress, over the estimated useful lives using the straight-line method, on the following bases:

| | <u>Number of years</u> |
|--|--|
| Buses | 17, 19 to 20 |
| Bus grooming and other accessories (classified under buses) | 2 to 8 |
| Leasehold land and buildings | over terms of leases which are between 4 to 28 years |
| Computers and automated equipment | 3 to 6 |
| Workshop machinery, tools and equipment | 3 to 7 |
| Motor vehicles | 5 to 10 |
| Furniture, fittings and equipment | 7 |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated vehicles, premises and equipment are retained in the financial statements until they are no longer in use.

IMPAIRMENT OF ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its assets, if any, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in profit or loss.

Where provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of a provision for impairment is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

FUEL PRICE EQUALISATION ACCOUNT - At the direction of the Public Transport Council ("PTC"), a fuel price equalisation account ("FPEA") has been set up to account for diesel price and electricity tariff adjustment charge for the purpose of mitigating the effects of any increase in fuel price and electricity tariff.

Annual contributions to the FPEA may be required as determined by the PTC, based on the reference electricity tariff and diesel price for the year.

Applications can be made to the PTC to seek approval for a draw down as may be catered for by the purpose of the FPEA mechanism, provided that the amount drawn does not exceed half of the available FPEA balance.

PROVISION FOR ACCIDENT CLAIMS - Claims for accident, public liability and others are provided in the financial statements based on the claims outstanding and the estimated amounts payable.

SERVICE BENEFITS - These comprise the following:

- (a) **Retirement Benefits** - Under the Collective Agreement entered into by the Group with the Union, a retirement benefit subject to a maximum of \$3,000 is payable to an employee retiring on or after attaining the retirement age and on completion of at least five years of service. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.
- (b) **Long Service Awards** - Staff serving more than 15 years are entitled to long service awards of \$250 for 15 years of service, \$350 for 20 years, \$500 for 25 years, \$700 for 30 years and \$750 for 35 years. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.

The provision for retirement benefits and long service awards is discounted using the market yield of Singapore Government Bonds at end of the reporting period.

- (c) Apart from the retirement benefits described in (a) above, the Group participates in a defined contribution plan managed by the Singapore Government ("Singapore Central Provident Fund"). Payments made to the plan are charged as an expense when the employees have rendered the services entitling them to the contributions.
- (d) **Employee Leave Entitlement** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (e) **Share-based payments** - The Company issues share options to certain employees and Directors. Share options are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants in relation to expenses incurred are recognised as other operating income in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from rendering of services that are of a short duration, is recognised as and when services are completed. Advertising production revenue is recognised when production is completed and advertising media revenue is recognised on a time proportionate basis over the term relevant contract. Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs incurred to finance the purchase of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in profit or loss in the period which they are incurred.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Group income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination.

FOREIGN CURRENCY TRANSACTIONS - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than each group entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (please see above for details of the Group's accounting policies in respect of such hedging instruments).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

(a) Accident claims

Claims for property damage and personal injury are provided in the financial statements based on the claims outstanding as of the end of the financial year and estimated amounts payable. The past claims history and payment are used as a basis to estimate the amounts in which the Group will have to pay to third parties for such claims. As at 31 December 2015, the provision for claims is \$17,922,000 (2014 : \$16,662,000) (Note 16).

(b) Insurance premium

With effect from 2008, the Group has undertaken personal injury insurance with a fixed annual premium per vehicle. However, the Group had in the previous financial years incurred additional premiums payable as the insurance claims per vehicle had exceeded the minimum amount as stipulated in the insurance policy for those years. An estimate of the liability for the period from 2005 to 2008 of \$8,730,000 (2014 : \$12,254,000) had been made based on the history of incurred claims per vehicle for each of the policy year (Note 16).

(c) Retirement benefits

Retirement benefits subject to a maximum of \$3,000 is payable to a retiring employee on or after attaining the age of 67 years (2014 : 67 years) and on completion of at least five years of service. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at end of the reporting period of 0.83% to 2.85% (2014 : 0.57% to 2.42%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the Management's best estimate using historical trend. As at 31 December 2015, the provision for retirement benefits is \$7,775,000 (2014 : \$7,890,000) (Note 18).

(d) Long service awards

Staff with more than 15 years of service are entitled to long service awards of \$250 for 15 years of services, \$350 for 20 years, \$500 for 25 years, \$700 for 30 years and \$750 for 35 years. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at end of the reporting period of 0.83% to 2.85% (2014 : 0.57% to 2.42%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the Management's best estimate using historical trend. As at 31 December 2015, the provision for long service awards is \$2,485,000 (2014 : \$2,508,000) (Note 18).

Useful lives of vehicles, premises and equipment

As described in Note 2, the Group reviews the estimated useful lives of vehicles, premises and equipment at the end of each annual reporting period. During the financial year, Management determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no material revision is required. As at 31 December 2015, the carrying amount of the vehicles, premises and equipment is \$904,506,000 (2014 : \$1,033,337,000) (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4 HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

The Company's immediate and ultimate holding company is ComfortDelGro Corporation Limited, incorporated in Singapore.

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Group's transactions and arrangements are with related parties and other members of the ultimate holding company's group of companies and the effects of these on the basis determined between the parties are reflected in these financial statements.

Related parties include associate or joint venture of a member of the ultimate holding company.

Significant intercompany and related party transactions during the financial year, other than those disclosed elsewhere in the notes to the financial statements are as follows:

| | The Group | |
|---|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Purchases of inventories from a related company | 17,940 | 21,688 |
| Rental expense from: | | |
| Ultimate holding company | 2,979 | 2,870 |
| Related company | 600 | 600 |
| Purchase of goods and services from: | | |
| Ultimate holding company | 2,707 | 2,683 |
| Related companies | 2,348 | 1,875 |
| Associate of the ultimate holding company | 124 | 263 |
| Firm of which a director is a member | 5 | 6 |
| Sales of goods and services to: | | |
| Ultimate holding company | (43) | (44) |
| Related companies | (3,221) | (1,998) |
| Rental income from related companies | (243) | (234) |

The amounts outstanding are unsecured, interest-free and are repayable on demand, unless otherwise stated. No guarantees have been given or received.

No expense has been recognised in the financial year for bad and doubtful debts in respect of the amounts owed by related companies.

5 TRADE RECEIVABLES

| | The Group | | The Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Related companies (Note 4) | 6 | 6 | 6 | 6 |
| Outside parties | 9,571 | 9,114 | 9,136 | 8,797 |
| Total | 9,577 | 9,120 | 9,142 | 8,803 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

5 TRADE RECEIVABLES (cont'd)

The amounts outstanding are interest-free and the average credit period is 7 to 30 days (2014 : 7 to 30 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, no allowance for doubtful trade receivables is deemed necessary by the Group as at the balance sheet date.

6 OTHER RECEIVABLES AND PREPAYMENTS

| | The Group | | The Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Receivables from: | | | | |
| Ultimate holding company (Note 4) | 2 | 2 | 2 | 2 |
| Related companies (Note 4) | 1,043 | 335 | 1,043 | 335 |
| Subsidiary (Note 8) | – | – | 80,949 | 51,180 |
| | 1,045 | 337 | 81,994 | 51,517 |
| Prepayments | 6,748 | 6,844 | 5,239 | 5,009 |
| Interest receivable | 47 | 47 | 47 | 47 |
| Staff advances | 338 | 138 | 278 | 113 |
| Security deposits: | | | | |
| Ultimate holding company (Note 4) | 721 | 721 | 721 | 721 |
| Outside parties | 928 | 936 | 928 | 936 |
| Accrued income | 10,465 | 9,834 | 10,269 | 9,775 |
| Grant receivables | 18,046 | 8,818 | 18,046 | 8,818 |
| Receivables from outside parties | 44,091 | 6,586 | 42,735 | 6,333 |
| Total | 82,429 | 34,261 | 160,257 | 83,269 |

Majority of the other receivables are due from creditworthy parties where Management has assessed the credit risk to be low.

7 INVENTORIES

Inventories comprised mainly of parts, accessories and consumable stores required for the operation and maintenance of vehicles and equipment.

8 SUBSIDIARY

The Company has investments in unquoted equity shares representing 100% equity interest in SBS Transit DTL Pte. Ltd. incorporated in Singapore. The cost of investment in the subsidiary was \$5,000,000. The subsidiary is audited by Deloitte & Touche LLP, Singapore.

The principal activities of the subsidiary are those of the operation and maintenance of Downtown Line.

The Group is in compliance with Listing Rules 712 and 715 of The Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9 INVESTMENTS

| | The Group and The Company | |
|--|------------------------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Financial assets at fair value through other comprehensive income: | | |
| Bond in SP PowerAssets Limited | 5,337 | 5,487 |

The fair values are based on the closing market prices on the last market day of the financial year.

10 PREPAYMENTS

Prepayments pertain to downpayments for the purchase of vehicles, premises and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11 VEHICLES, PREMISES AND EQUIPMENT

| | Buses \$'000 | Leasehold land \$'000 | Leasehold buildings \$'000 | Computers and automated equipment \$'000 | Workshop and machinery, tools and equipment \$'000 | Motor vehicles \$'000 | Furniture, fittings and equipment \$'000 | Capital projects in progress \$'000 | Total \$'000 |
|--|-----------------|-----------------------------|----------------------------------|---|--|-----------------------------|--|--|-----------------|
| <u>The Group</u> | | | | | | | | | |
| Cost: | | | | | | | | | |
| At 1 January 2014 | 1,242,201 | 16,642 | 64,520 | 60,323 | 28,432 | 5,567 | 13,222 | 34,760 | 1,465,667 |
| Additions | 298 | – | 188 | 1,378 | 9,382 | 436 | 649 | 189,129 | 201,460 |
| Disposals | (90,510) | – | – | (1,803) | (1,020) | – | (482) | – | (93,815) |
| Reclassifications | 196,056 | – | 7,132 | 2,347 | 555 | – | 478 | (206,568) | – |
| Transfer from ultimate holding company | – | – | – | 1 | – | – | 3 | – | 4 |
| Transfer to related company | – | – | – | – | (587) | – | (603) | – | (1,190) |
| At 31 December 2014 | 1,348,045 | 16,642 | 71,840 | 62,246 | 36,762 | 6,003 | 13,267 | 17,321 | 1,572,126 |
| Additions | 502 | – | 695 | 3,973 | 4,416 | 1,557 | 911 | 162,573 | 174,627 |
| Disposals | (277,528) | – | – | (1,992) | (501) | (554) | (249) | – | (280,824) |
| Reclassifications | 153,845 | – | 1,568 | 178 | (147) | – | 1,231 | (156,675) | – |
| At 31 December 2015 | 1,224,864 | 16,642 | 74,103 | 64,405 | 40,530 | 7,006 | 15,160 | 23,219 | 1,465,929 |
| Accumulated depreciation: | | | | | | | | | |
| At 1 January 2014 | 424,723 | 6,937 | 41,930 | 57,320 | 19,140 | 3,245 | 9,501 | – | 562,796 |
| Additions | 61,873 | 594 | 1,987 | 2,151 | 2,862 | 585 | 926 | – | 70,978 |
| Disposals | (90,508) | – | – | (1,799) | (1,013) | – | (479) | – | (93,799) |
| Transfer from ultimate holding company | – | – | – | 1 | – | – | 3 | – | 4 |
| Transfer to related company | – | – | – | – | (587) | – | (603) | – | (1,190) |
| At 31 December 2014 | 396,088 | 7,531 | 43,917 | 57,673 | 20,402 | 3,830 | 9,348 | – | 538,789 |
| Additions | 74,231 | 594 | 2,464 | 2,772 | 3,584 | 611 | 1,104 | – | 85,360 |
| Disposals | (60,137) | – | – | (1,301) | (499) | (552) | (237) | – | (62,726) |
| Reclassification | – | – | 1 | – | (1) | – | – | – | – |
| At 31 December 2015 | 410,182 | 8,125 | 46,382 | 59,144 | 23,486 | 3,889 | 10,215 | – | 561,423 |
| Carrying amount: | | | | | | | | | |
| At 31 December 2015 | 814,682 | 8,517 | 27,721 | 5,261 | 17,044 | 3,117 | 4,945 | 23,219 | 904,506 |
| At 31 December 2014 | 951,957 | 9,111 | 27,923 | 4,573 | 16,360 | 2,173 | 3,919 | 17,321 | 1,033,337 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11 VEHICLES, PREMISES AND EQUIPMENT (cont'd)

| | Buses \$'000 | Leasehold land \$'000 | Leasehold buildings \$'000 | Computers and automated equipment \$'000 | Workshop and machinery, tools and equipment \$'000 | Motor vehicles \$'000 | Furniture, fittings and equipment \$'000 | Capital projects in progress \$'000 | Total \$'000 |
|--|-----------------|-----------------------------|----------------------------------|---|--|-----------------------------|--|--|-----------------|
| The Company | | | | | | | | | |
| Cost: | | | | | | | | | |
| At 1 January 2014 | 1,242,201 | 16,642 | 64,406 | 60,145 | 28,125 | 4,913 | 12,949 | 27,355 | 1,456,736 |
| Additions | 298 | - | - | 1,303 | 8,413 | 324 | 568 | 189,402 | 200,308 |
| Disposals | (90,510) | - | - | (1,802) | (1,016) | - | (481) | - | (93,809) |
| Reclassifications | 196,056 | - | - | 2,347 | 555 | - | 478 | (199,436) | - |
| Transfer from ultimate holding company | - | - | - | 1 | - | - | 3 | - | 4 |
| Transfer to subsidiary | - | - | - | (2) | - | - | - | - | (2) |
| Transfer to related company | - | - | - | - | (587) | - | (603) | - | (1,190) |
| At 31 December 2014 | 1,348,045 | 16,642 | 64,406 | 61,992 | 35,490 | 5,237 | 12,914 | 17,321 | 1,562,047 |
| Additions | 502 | - | 377 | 3,127 | 3,558 | 1,043 | 732 | 157,010 | 166,349 |
| Disposals | (277,528) | - | - | (1,990) | (501) | (554) | (249) | - | (280,822) |
| Reclassifications | 153,845 | - | 1,371 | - | (2) | - | 846 | (156,060) | - |
| Transfer to subsidiary | - | - | - | (3) | (1) | - | - | - | (4) |
| At 31 December 2015 | 1,224,864 | 16,642 | 66,154 | 63,126 | 38,544 | 5,726 | 14,243 | 18,271 | 1,447,570 |
| Accumulated depreciation: | | | | | | | | | |
| At 1 January 2014 | 424,723 | 6,937 | 41,928 | 57,252 | 19,124 | 3,226 | 9,461 | - | 562,651 |
| Additions | 61,873 | 594 | 1,621 | 2,077 | 2,651 | 445 | 879 | - | 70,140 |
| Disposals | (90,508) | - | - | (1,799) | (1,012) | - | (479) | - | (93,798) |
| Transfer from ultimate holding company | - | - | - | 1 | - | - | 3 | - | 4 |
| Transfer to subsidiary | - | - | - | (2) | - | - | - | - | (2) |
| Transfer to related company | - | - | - | - | (587) | - | (603) | - | (1,190) |
| At 31 December 2014 | 396,088 | 7,531 | 43,549 | 57,529 | 20,176 | 3,671 | 9,261 | - | 537,805 |
| Additions | 74,231 | 594 | 1,926 | 2,582 | 3,253 | 493 | 1,045 | - | 84,124 |
| Disposals | (60,137) | - | - | (1,299) | (499) | (552) | (237) | - | (62,724) |
| Reclassification | - | - | 1 | - | (1) | - | - | - | - |
| Transfer to subsidiary | - | - | - | (3) | - | - | - | - | (3) |
| At 31 December 2015 | 410,182 | 8,125 | 45,476 | 58,809 | 22,929 | 3,612 | 10,069 | - | 559,202 |
| Carrying amount: | | | | | | | | | |
| At 31 December 2015 | 814,682 | 8,517 | 20,678 | 4,317 | 15,615 | 2,114 | 4,174 | 18,271 | 888,368 |
| At 31 December 2014 | 951,957 | 9,111 | 20,857 | 4,463 | 15,314 | 1,566 | 3,653 | 17,321 | 1,024,242 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11 VEHICLES, PREMISES AND EQUIPMENT (cont'd)

Note: Details of leasehold land and buildings of the Group and the Company are as follows:

| Location | Approximate land area | Tenure | Usage |
|---|-----------------------|---------------------------------------|-----------|
| No. 28 Soon Lee Road Singapore | 26,670 sq m | 30 years from 1 April 2000 | Bus depot |
| No. 550 Bukit Batok Street 23 Singapore | 52,187 sq m | 43 years from 1 January 1983 | Bus depot |
| No. 4 Defu Ave 1 Singapore | 74,236 sq m | 33 years from 1 January 1983 | Bus depot |
| No. 1470 Bedok North Ave 4 Singapore | 62,220 sq m | Under Temporary Occupation Licence | Bus depot |
| No. 2A Ayer Rajah Crescent Singapore | 17,939 sq m | Under Temporary Occupation Licence | Bus park |
| No. 15 Ang Mo Kio Street 63 Singapore | 63,955 sq m | 26 years from 1 March 1994 | Bus depot |

12 DEFERRED TAX ASSETS/LIABILITIES

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Deferred tax assets | 14,961 | 8,551 | - | - |
| Deferred tax liabilities | (71,545) | (58,207) | (71,545) | (58,207) |
| Net | (56,584) | (49,656) | (71,545) | (58,207) |
| At beginning of year | (49,656) | (56,512) | (58,207) | (60,919) |
| Charge to profit or loss (Note 26) | (2,796) | (1,846) | (9,109) | (5,990) |
| Arising from movement in other comprehensive income statement | (4,132) | 8,702 | (4,229) | 8,702 |
| At end of year | (56,584) | (49,656) | (71,545) | (58,207) |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12 DEFERRED TAX ASSETS/LIABILITIES (cont'd)

The balance comprises the tax effects of:

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Deferred tax assets | | | | |
| Unutilised tax losses | 14,461 | 8,219 | - | - |
| Excess of tax written down value over carrying amount | 214 | 103 | - | - |
| Other items | 286 | 229 | - | - |
| | 14,961 | 8,551 | - | - |
| Deferred tax liabilities | | | | |
| Excess of carrying amount over tax written down value | (90,654) | (83,333) | (90,654) | (83,333) |
| Other items | 19,109 | 25,126 | 19,109 | 25,126 |
| | (71,545) | (58,207) | (71,545) | (58,207) |
| Net deferred tax liabilities | (56,584) | (49,656) | (71,545) | (58,207) |

13 BORROWINGS

| | The Group and The Company | |
|--|------------------------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Borrowings comprise the following: | | |
| (a) Short Term Bank Loans | 87,500 | 92,000 |
| (b) Long Term Loan from External Party | - | 140,526 |
| (c) Long Term Bank Loan | 100,000 | - |
| (d) Medium Term Notes | 150,000 | 250,000 |
| Total | 337,500 | 482,526 |
| Analysed as: | | |
| Current | 87,500 | 200,950 |
| Non-current | 250,000 | 281,576 |
| Total | 337,500 | 482,526 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13 BORROWINGS (cont'd)

(a) Short Term Bank Loans

Short term bank loans are for a tenure of 2 to 6 months (2014 : 4 to 6 months), unsecured and bear interest at rates ranging from 1.26% to 1.53% (2014 : 0.46% to 0.62%) per annum.

(b) Long Term Loan from External Party

The long term loan from external party is a loan extended to the Company for the purchase of buses and related accessories under the Bus Service Enhancement Programme ("BSEP"). This loan bears an interest rate of 6% per annum for the first 5 years and is payable to the extent of the Financing Subsidy made available to the Company.

The loan from external party was secured over the BSEP buses and related accessories of the Company. As at the end of the prior reporting period, the carrying amount of vehicles pledged amounted to \$125,612,000. The charges secured over the BSEP buses and related accessories have been discharged following the repayment of the associated loans at the end of the reporting period.

| | The Group and The Company | |
|--|------------------------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Long Term Loan from External Party - Current | – | 8,950 |
| Long Term Loan from External Party - Non-current | – | 131,576 |
| Total | – | 140,526 |

(c) Long Term Bank Loan

The long term bank loan is for a tenure of 3 years (2014 : Nil), unsecured and bears interest at rates ranging from 1.81% to 2.53% (2014 : Nil%) per annum.

(d) Medium Term Notes

On 24 May 2010, the Group established a \$250m Multicurrency Medium Term Note Programme (the "MTN Programme"). In 2012, the Group issued \$150m 5-year fixed rate unsecured Series 002 notes due on 12 September 2017 from the MTN Programme. The notes bear an interest rate of 1.80% per annum payable on a semi-annual basis.

The Group issued \$100m 5-year fixed rate unsecured Series 001 notes due on 26 October 2015 in 2010. The notes bear an interest rate of 1.95% per annum payable on a semi-annual basis. The notes have been fully repaid in October 2015.

As at the end of the reporting period, the fair value of the notes approximates their carrying amount.

14 TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Payables to: | | | | |
| Ultimate holding company (Note 4) | 861 | 811 | 853 | 787 |
| Related companies (Note 4) | 3,022 | 3,917 | 3,000 | 3,894 |
| Outside parties | 89,891 | 102,411 | 84,918 | 101,789 |
| Accruals | 148,768 | 122,310 | 129,874 | 115,216 |
| Deferred income | 5,127 | 3,902 | 4,748 | 3,723 |
| Total | 247,669 | 233,351 | 223,393 | 225,409 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14 TRADE AND OTHER PAYABLES (cont'd)

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The amounts outstanding are interest-free and the average credit period is 30 days (2014 : 30 days).

15 DEPOSITS RECEIVED

| | The Group | | The Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Deposits received | 10,373 | 8,676 | 8,947 | 7,662 |
| Less: Due within 12 months | (4,452) | (3,169) | (3,816) | (3,160) |
| Due after 12 months | 5,921 | 5,507 | 5,131 | 4,502 |

Deposits received from tenants in respect of leases of stalls and shoplots, are repayable upon termination of the lease agreements. Deposits that are not expected to be repaid within the next twelve months after the end of the reporting period are presented as a non-current liability. The carrying amount of the deposits approximates their fair value.

16 INSURANCE PREMIUMS PAYABLE AND PROVISION FOR ACCIDENT CLAIMS

| | The Group and The Company | |
|--------------------------------------|------------------------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| At beginning of year | 28,916 | 30,126 |
| Charge to profit or loss | 2,086 | 3,130 |
| Payments | (4,350) | (4,340) |
| At end of year | 26,652 | 28,916 |
| The balance comprises provision for: | | |
| Insurance premiums | 8,730 | 12,254 |
| Accident claims | 17,922 | 16,662 |
| | 26,652 | 28,916 |

The insurance premiums payable and provision for accident claims represent the estimated amount which the Group will have to pay to outside parties for insurance premium and accident claims involving the Group Vehicles (Note 3).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17 DEFERRED GRANTS

During the financial year, government grants amounting to \$1,422,000 (2014 : \$1,283,000) have been received from the government authorities to purchase certain assets. The grants received/receivable have been recognised as deferred income in accordance with the Group's accounting policy.

18 PROVISION FOR SERVICE BENEFITS AND LONG SERVICE AWARDS

| | The Group | | The Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| At beginning of year | 10,398 | 11,304 | 10,351 | 11,262 |
| Charge (Credit) to profit or loss | 536 | (68) | 509 | (73) |
| Payments | (674) | (838) | (674) | (838) |
| At end of year | 10,260 | 10,398 | 10,186 | 10,351 |
| The balance comprises provision for: | | | | |
| Retirement benefits | 7,775 | 7,890 | 7,726 | 7,861 |
| Long service awards | 2,485 | 2,508 | 2,460 | 2,490 |
| | 10,260 | 10,398 | 10,186 | 10,351 |

19 SHARE CAPITAL

| | The Group and The Company | | | |
|---------------------------|---|---------|----------------|----------------|
| | 2015 Number ('000) of ordinary shares | 2014 | 2015 \$'000 | 2014 \$'000 |
| Issued and paid up: | | | | |
| At beginning of year | 309,045 | 308,630 | 94,579 | 93,875 |
| Exercise of share options | 120 | 415 | 207 | 704 |
| At end of year | 309,165 | 309,045 | 94,786 | 94,579 |

Details of the outstanding share options of the Company as at the end of the financial year are set out in Note 22(b).

The Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

20 OTHER RESERVES

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Share option reserve: | | | | |
| At beginning of year | 591 | 653 | 591 | 653 |
| Transfer to share capital on exercise of share options (Note 19) | (17) | (47) | (17) | (47) |
| Transfer to accumulated profits | (67) | (15) | (67) | (15) |
| At end of year | 507 | 591 | 507 | 591 |
| Revaluation reserve: | | | | |
| At beginning of year | 486 | 593 | 486 | 593 |
| Loss on investments | (150) | (107) | (150) | (107) |
| At end of year | 336 | 486 | 336 | 486 |
| Hedging reserve: | | | | |
| At beginning of year | (38,504) | 3,979 | (38,504) | 3,979 |
| Gain (Loss) on cash flow hedges | 20,169 | (42,483) | 20,644 | (42,483) |
| At end of year | (18,335) | (38,504) | (17,860) | (38,504) |
| Total | (17,492) | (37,427) | (17,017) | (37,427) |

21 REVENUE

Revenue comprises the following amounts:

| | The Group | |
|-----------------------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Bus segment | 810,520 | 754,044 |
| Includes fare revenue from: | | |
| - Contactless Smart Card | 620,657 | 591,626 |
| - Cash | 25,128 | 28,463 |
| Rail segment | 213,403 | 196,991 |
| Total | 1,023,923 | 951,035 |

Revenue includes rental and advertising income generated from respective segments.

Included under Bus segment is a grant of \$95,010,000 (2014 : \$60,382,000) received from the Land Transport Authority ("LTA") to defray the cost of purchasing and operating additional buses under the BSEP.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

22 STAFF COSTS

(a) Included in staff costs are:

(i) Directors' remuneration

The Group

| Remuneration band | Salary % | Bonus % | Others % | Total compensation % |
|-------------------|-------------|------------|-------------|----------------------------|
|-------------------|-------------|------------|-------------|----------------------------|

2015

| | | | | |
|--------------------------|----|----|---|-----|
| (\$750,000 to \$999,999) | 46 | 49 | 5 | 100 |
| Gan Juay Kiat | | | | |

2014

| | | | | |
|--------------------------|----|----|---|-----|
| (\$500,000 to \$749,999) | 46 | 49 | 5 | 100 |
| Gan Juay Kiat | | | | |

The remuneration of all the other non-executive Directors is below \$250,000 and comprised entirely of Directors' fees (Note 23).

(ii) Key executives' remuneration

The Group

| Remuneration band | Salary % | Bonus % | Others % | Total compensation % |
|-------------------|-------------|------------|-------------|----------------------------|
|-------------------|-------------|------------|-------------|----------------------------|

2015

| | | | | |
|--------------------------|----|----|---|-----|
| (\$250,000 to \$499,999) | 57 | 34 | 9 | 100 |
| No. of executives : 7 | | | | |

2014

| | | | | |
|--------------------------|----|----|---|-----|
| (\$250,000 to \$499,999) | 58 | 34 | 8 | 100 |
| No. of executives : 6 | | | | |

The Code of Corporate Governance 2012 recommends the disclosure of the remuneration of the Company's Directors and top five key executives. The Board had considered this matter carefully and has decided against such disclosure. Given the wage disparities and keen competition in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure outweigh the benefits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

22 STAFF COSTS (cont'd)

(a) Included in staff costs are: (cont'd)

- (iii) The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and the Group. The total remuneration for the Directors and key executives comprising of short term benefits amounted to \$3,973,833 (2014 : \$3,094,000).

| | The Group | |
|---|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| (iv) Cost of contribution to Central Provident Fund | 37,833 | 31,167 |

(b) Share-based payments

Share option scheme

The Company has a share option scheme for employees of the Group of the rank of Executive and above, and certain categories of persons who are not employees but who work closely with the Group. The scheme is administered by the Remuneration Committee. Information on the share option plan is disclosed in paragraph 4 to the Directors' Statement. Options are exercisable at a subscription price determined with reference to the market price of the shares at the time of grant of the options. The vesting period is one year. If the options remain unexercised after a period of 10 years (5 years for non-executive Directors) from the date of the grant, the options expire. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Group, subject to certain exceptions at the discretion of the Remuneration Committee.

Details of the share options outstanding during the year are as follows:

| | The Company | | | |
|--|----------------------------|--|----------------------------|--|
| | 2015 | | 2014 | |
| | Number of share options | Weighted average exercise price \$ | Number of share options | Weighted average exercise price \$ |
| Outstanding at the beginning of the year | 5,418,750 | 2.35 | 6,173,750 | 2.29 |
| Cancelled/Lapsed during the year | (728,750) | 2.23 | (340,000) | 2.22 |
| Exercised during the year | (120,000) | 1.58 | (415,000) | 1.58 |
| Outstanding at the end of the year | 4,570,000 | 2.39 | 5,418,750 | 2.35 |
| Exercisable at the end of the year | 4,570,000 | 2.39 | 5,418,750 | 2.35 |

The weighted average share price at the date of exercise for share options during the year was \$1.80 (2014 : \$1.70). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.1 years (2014 : 2.8 years). For further details on the exercise prices of the options outstanding at the end of the year, please refer to the Directors' Statement.

The SSOS expired on 8 June 2010 and hence no option has been granted since then.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

23 OPERATING PROFIT

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

| | The Group | |
|---|-----------|---------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Directors' fees | 439 | 420 |
| Cost of inventories recognised in repairs and maintenance costs | 81,116 | 80,045 |
| Net gain on disposal of vehicles and equipment | (703) | (1,581) |
| Insurance premiums payable and provision for accident claims | 2,086 | 3,130 |
| Provision (Write-back) for service benefits and long service awards | 536 | (68) |
| Audit fees: | | |
| Paid to auditors of the Company | 124 | 124 |
| Non-audit fees: | | |
| Paid to auditors of the Company | 39 | 32 |

24 NET INCOME FROM INVESTMENTS

| | The Group | |
|--|-----------|--------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Interest income from bonds and time deposits | 242 | 293 |

25 FINANCE COSTS

| | The Group | |
|---|-----------|--------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Interest expense on loans and Medium Term Notes | 5,843 | 4,785 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

26 TAXATION

| | The Group | |
|------------------------|-----------|--------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Current taxation | 50 | 58 |
| Deferred tax (Note 12) | 2,796 | 1,846 |
| | 2,846 | 1,904 |

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2014 : 17%) to profit before taxation as a result of the following differences:

| | The Group | |
|---|-----------|--------|
| | 2015 | 2014 |
| | \$'000 | \$'000 |
| Profit before taxation | 19,560 | 16,187 |
| Taxation charge at statutory rate | 3,325 | 2,752 |
| Non-allowable items | (159) | (802) |
| Tax-exempt income | (26) | (26) |
| Previously unrecognised and unused tax losses now recognised as deferred tax assets | (277) | - |
| Other items | (17) | (20) |
| | 2,846 | 1,904 |

27 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

| | 2015 | 2014 |
|---|---------|---------|
| Profit attributable to shareholders of the Company (\$'000) | 16,714 | 14,283 |
| Weighted average number of ordinary shares in issue ('000) | 309,105 | 308,835 |
| Basic earnings per share (in cents) | 5.41 | 4.62 |

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees and Directors. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27 EARNINGS PER SHARE (cont'd)

| | 2015 | 2014 |
|---|---------|---------|
| Profit attributable to shareholders of the Company (\$'000) | 16,714 | 14,283 |
| Weighted average number of ordinary shares in issue ('000) | 309,105 | 308,835 |
| Adjustments for share options ('000) | 115 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000) | 309,220 | 308,835 |
| Diluted earnings per share (in cents) | 5.41 | 4.62 |

28 BUSINESS SEGMENT INFORMATION

The Group operates principally in Singapore.

Information reported to the Group's chief operating decision maker for purposes of resource allocation and assessment of segment performance are based on the following:

- (a) Bus : Income is generated substantially through bus fare collections, advertisements on buses and at bus interchanges and rental collections from commercial and shop space at bus interchanges.
- (b) Rail : Income is generated substantially through rail fare collections, advertisements on trains and at Mass Rapid Transit ("MRT") and Light Rail Transit ("LRT") stations and rental collections from commercial and shop space at rail stations.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and vehicles, premises and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire vehicles, premises and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

28 BUSINESS SEGMENT INFORMATION (cont'd)

| | Bus \$'000 | Rail \$'000 | Total \$'000 |
|---|---------------|----------------|-----------------|
| 2015 | | | |
| REVENUE | 810,520 | 213,403 | 1,023,923 |
| RESULTS | | | |
| Segment results | 21,983 | 3,178 | 25,161 |
| Net income from investments | | | 242 |
| Finance costs | | | (5,843) |
| Profit before taxation | | | 19,560 |
| Taxation | | | (2,846) |
| Profit after taxation | | | 16,714 |
| OTHER INFORMATION | | | |
| Additions of vehicles, premises and equipment | 160,698 | 13,929 | 174,627 |
| Depreciation expense | 81,768 | 3,592 | 85,360 |
| STATEMENT OF FINANCIAL POSITION | | | |
| ASSETS | | | |
| Segment assets | 983,712 | 84,721 | 1,068,433 |
| Unallocated corporate assets | | | 22,713 |
| Consolidated total assets | | | 1,091,146 |
| LIABILITIES | | | |
| Segment liabilities | 308,761 | 61,229 | 369,990 |
| Unallocated corporate liabilities | | | 382,462 |
| Consolidated total liabilities | | | 752,452 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

28 BUSINESS SEGMENT INFORMATION (cont'd)

| | Bus \$'000 | Rail \$'000 | Total \$'000 |
|---|---------------|----------------|-----------------|
| 2014 | | | |
| REVENUE | 754,044 | 196,991 | 951,035 |
| RESULTS | | | |
| Segment results | 12,336 | 8,343 | 20,679 |
| Net income from investments | | | 293 |
| Finance costs | | | (4,785) |
| Profit before taxation | | | 16,187 |
| Taxation | | | (1,904) |
| Profit after taxation | | | 14,283 |
| OTHER INFORMATION | | | |
| Additions of vehicles, premises and equipment | 192,110 | 9,350 | 201,460 |
| Depreciation expense | 68,229 | 2,749 | 70,978 |
| STATEMENT OF FINANCIAL POSITION | | | |
| ASSETS | | | |
| Segment assets | 1,094,701 | 68,732 | 1,163,433 |
| Unallocated corporate assets | | | 16,520 |
| Consolidated total assets | | | 1,179,953 |
| LIABILITIES | | | |
| Segment liabilities | 410,737 | 52,690 | 463,427 |
| Unallocated corporate liabilities | | | 406,447 |
| Consolidated total liabilities | | | 869,874 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29 COMMITMENTS

As at 31 December 2015, the Group and the Company have the following commitments:

- (a) Capital commitments contracted for but not provided for in the financial statements:

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Purchase of vehicles, premises and equipment | 210,541 | 328,413 | 209,022 | 327,817 |

Out of the capital commitment of \$210,541,000, \$187,399,000 relates to the capital commitment for procurement of new buses scheduled for delivery in 2016 and 2017. The Group will be novating these procurement contracts to LTA.

- (b) Operating lease commitments:

The Group as lessee

| | The Group | |
|---|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Minimum lease payment under operating leases included in the profit or loss | 9,102 | 8,710 |

At end of the reporting period, commitments in respect of the non-cancellable operating leases which fall due are as follows:

| | The Group | |
|---------------------------------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| Within one year | 5,547 | 8,506 |
| In the second to fifth year inclusive | 14,548 | 16,167 |
| After five years | 7,825 | 9,294 |
| Total | 27,920 | 33,967 |

Operating lease payments represent rentals payable by the Group for office premises and bus depots. Leases are negotiated for periods up to 43 years and increase in rental is fixed ranging from 1 year to 12 years.

The Group as lessor

The Group rents out part of their spaces and floor areas at bus depots and train stations under operating leases. Property rental and licence fee income earned under non-cancellable leases during the year was \$18,969,000 (2014 : \$17,587,000). The properties are managed and maintained by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29 COMMITMENTS (cont'd)

(b) Operating lease commitments: (cont'd)

The Group as lessor (cont'd)

At end of the reporting period, the Group and the Company contracted with tenants for the following future minimum lease payments:

| | The Group | | The Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Within one year | 17,744 | 15,816 | 14,736 | 13,747 |
| In the second to fifth year inclusive | 14,771 | 13,336 | 12,551 | 10,993 |
| Total | 32,515 | 29,152 | 27,287 | 24,740 |

30 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Financial risk, management policies and objectives

The main areas of financial risk faced by the Group are foreign currency exchange rate risk, interest rate risk, credit risk, liquidity risk and fuel price risk. The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. It is the Group's policy not to participate in speculative financial instruments. The Group oversees financial risk management and regularly reviews its policy governing risk management practices.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Foreign exchange rate risk management

The Group is exposed to currency risk as a result of its purchases of buses, spare parts, fuel and any other purchases where the currency denomination differs from its functional currency (Singapore dollars). Its exposures include United States dollar ("USD"), Swedish Kroner ("SEK"), Euro ("EUR"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Sterling Pound ("GBP"). The Group manages its foreign exchange exposure by matching revenue and cost in the relevant currencies to create a natural hedge and through active currency management using hedging instruments such as forwards and options where necessary.

Foreign currency sensitivity

Based on sensitivity analysis performed, the exposure to changes in foreign exchange rates is minimal and hence the resulting impact on profit or equity of the Group is insignificant.

Interest rate risk management

The Group's primary interest rate risk relates to borrowings, investments in fixed income securities and deposits. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk.

Summary quantitative data of the Group's interest-bearing financial instruments are disclosed in Section (d) of this note.

Interest rate sensitivity

Based on sensitivity analysis performed at end of the reporting period, the exposure to changes in interest rates is minimal and hence the resulting impact on the profit or other comprehensive income of the Group is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(a) Financial risk, management policies and objectives (cont'd)

Credit risk management

The Group has minimal credit risk arising from its public transport operations. Majority of its commuters use the contactless smart card where cash is collected upfront. Credit risk arises mainly from advertisement and rental revenue and is controlled via upfront deposits or strict credit terms and regular monitoring of advertisers' and tenants' financial standing. The Group enters into treasury transactions only with creditworthy institutions. Its investments in fixed income instruments are above investment grade as assigned by international credit-rating agencies. Cash and deposits are kept with reputable financial institutions. There is no significant concentration of credit risk. In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date and expected credit losses as at end of the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the rate of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where relevant.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk as disclosed in the notes to the financial statements.

Liquidity risk management

The Group regularly reviews its liquidity position comprising free cash flows from its operations and credit lines from banks and its MTN Programme to ensure its ability to access funding at any time at the best possible rates.

Fuel price risk management

Fuel, comprising diesel and electricity, is part of the operating cost of the Group. The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Based on sensitivity analysis performed and taking into account the fuel hedges in place, as at end of the reporting period, every one percentage point change in the rates of diesel and electricity using the closing rates as at end of the reporting period as a basis will impact the Group's annual fuel and electricity costs by \$0.6m (2014 : \$0.3m). The sensitivity analysis assumes that consumption is held constant at the same level as in 2015.

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, short term loans and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (i) quoted prices in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (Level 3).

The fair values of the Group's investments are classified into Level 1. The Group's hedging instruments are classified into Level 2. None of the fair value of the financial instrument is classified in Level 3. There are also no transfers between Levels 1 and 2 of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Hedging instruments

| | 2015 | | 2014 | |
|----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Assets \$'000 | Liabilities \$'000 | Assets \$'000 | Liabilities \$'000 |
| The Group and The Company | | | | |
| At fair values: | | | | |
| Foreign exchange hedges | 2,335 | – | 6,054 | – |
| Fuel hedges | – | 24,427 | – | 52,447 |
| | 2,335 | 24,427 | 6,054 | 52,447 |

The Group utilises hedging instruments to hedge significant future transactions and cash flows.

The Group's hedging instruments are measured at fair value whereby future cash flows are estimated based on contracted rates and observable forward rates at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

At end of the reporting period, the Group has outstanding fuel and foreign exchange hedges with notional amounts totalling \$51,078,000 (2014 : \$142,997,000).

The Group and the Company use forward contracts and options to manage their exposure to foreign exchange risks. These arrangements are designed to address foreign exchange risk on future purchases of goods and are accounted for as cash flow hedges. As at 31 December 2015, the fair value of the Group's and the Company's foreign exchange hedging instruments comprising \$2,335,000 of assets (2014 : \$6,054,000 of assets) was matched by an equivalent fair value adjustment on cash flow hedges in other comprehensive income.

The Group and the Company use fuel hedges to hedge against fuel price risks. These arrangements are designed to address fuel price exposure. The fuel hedges are accounted for as cash flow hedges. As at 31 December 2015, the fair value of the Group's and the Company's fuel hedging instruments comprised \$24,427,000 of liabilities (2014 : \$52,447,000 of liabilities) on cash flow hedges in other comprehensive income.

These amounts are based on market prices for equivalent instruments at the end of the reporting period.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. Management monitors the gross and net gearing of the Group and its implication on weighted average cost of capital in deciding the optimal capital structure. These objectives determine the Group's decisions on the amount of dividends to be paid to shareholders and the sources of capital to be raised, be it equity or debt. The Group's debt capital refers to borrowings comprising loans under Notes 13(a), 13(b) and 13(c) and Medium Term Notes under Note 13(d) while equity refers to total equity.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

- (d) The following are the expected contractual undiscounted cash outflows (including interest payments) of the Group's and the Company's financial liabilities:

| | Carrying amount \$'000 | Contractual cash flows | | | Effective interest rate % | |
|------------------------------------|------------------------------|------------------------|----------------------------|-------------------------------------|------------------------------------|-----------------------------|
| | | Total \$'000 | Within 1 year \$'000 | Within 2 to 5 years \$'000 | | Beyond 5 years \$'000 |
| <u>2015</u> | | | | | | |
| Financial liabilities | | | | | | |
| Loans: | | | | | | |
| In functional currency: | | | | | | |
| Short Term Bank Loans | | | | | | |
| - unsecured | 87,500 | 87,932 | 87,932 | - | - | 1.26 – 1.53 |
| Long Term Bank Loan | | | | | | |
| - unsecured | 100,000 | 106,515 | 2,170 | 104,345 | - | 1.81 – 2.53 |
| Medium Term Notes | | | | | | |
| - unsecured | 150,000 | 155,407 | 2,707 | 152,700 | - | 1.80 |
| <u>2014</u> | | | | | | |
| Financial liabilities | | | | | | |
| Loans: | | | | | | |
| In functional currency: | | | | | | |
| Short Term Bank Loans | | | | | | |
| - unsecured | 92,000 | 92,190 | 92,190 | - | - | 0.46 – 0.62 |
| Long Term Loan from External Party | | | | | | |
| - secured | 140,526 | 140,526 | 8,950 | 37,916 | 93,660 | - |
| Medium Term Notes | | | | | | |
| - unsecured | 250,000 | 260,057 | 104,650 | 155,407 | - | 1.80 – 1.95 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

31 DIVIDENDS

- (a) During the financial year, the Company paid dividends as follows:

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Tax-exempt one-tier final dividend in respect of the previous financial year: | | |
| - 1.05 cents (2014 : 0.9 cents) per ordinary share | 3,245 | 2,778 |
| Tax-exempt one-tier interim dividend in respect of the current financial year: | | |
| - 1.65 cents (2014 : 1.25 cents) per ordinary share | 5,101 | 3,863 |
| Total | 8,346 | 6,641 |

- (b) Subsequent to the end of the reporting period, the Directors of the Company recommend that a tax-exempt one-tier final dividend of 1.05 cents per ordinary share of the Company totalling \$3,246,000 be paid for the financial year ended 31 December 2015.

The dividends are subject to approval by shareholders at the forthcoming Annual General Meeting of the Company and hence the proposed dividends have not been accrued as a liability for the current financial year.

32 LICENCE CONDITION FOR RAIL SERVICES

North-East MRT System, Punggol LRT System and Sengkang LRT System

A licence condition ("LC") dated 15 January 2003 was issued by LTA to the Company under which the Company is licensed to operate the North-East MRT System, Punggol LRT System and Sengkang LRT System (collectively referred to as the "Licensed Systems").

The LC sets out the conditions governing the operation of the Licensed Systems and includes, among others, the following:

- The licence is for an initial period of 30 years commencing 15 January 2003. The Company may apply to LTA to renew the licence for a further 30 years or any other period and upon terms and conditions as LTA may impose.
- The licence fee payable to LTA is prescribed under the subsidiary legislation of the Rapid Transit Systems ("RTS") Act during the Licence Term.
- The Company and LTA shall jointly review the viability on the fifth anniversary of the date of the LC or such other period as may be agreed in writing between the Company and LTA. In this review, LTA shall determine the dates and time of the Company's purchase of the operating assets of the Licensed Systems and the amount is based on the net book value as recorded in the latest audited accounts of LTA. As at the date of this report, the Company and LTA have not commenced the review.
- The Company may apply in writing to LTA for a grant to replace any eligible operating assets computed based on the difference between the purchase cost of the new assets and the purchase cost of the operating assets to be replaced.

The main categories of eligible operating assets are trains, maintenance vehicles, power supply equipment, supervisory control system, escalators and lifts, platform screen doors, environmental control system, tunnel ventilation system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system, depot workshop equipment, access management system and maintenance management system.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32 LICENCE CONDITION FOR RAIL SERVICES (cont'd)

Downtown Line MRT System

A LC dated 19 December 2013 was issued by LTA to the subsidiary of the Company under which the subsidiary of the Company is licensed to operate the Downtown Line MRT System.

The LC sets out the conditions governing the operation of the Downtown Line MRT System and includes, among others, the following:

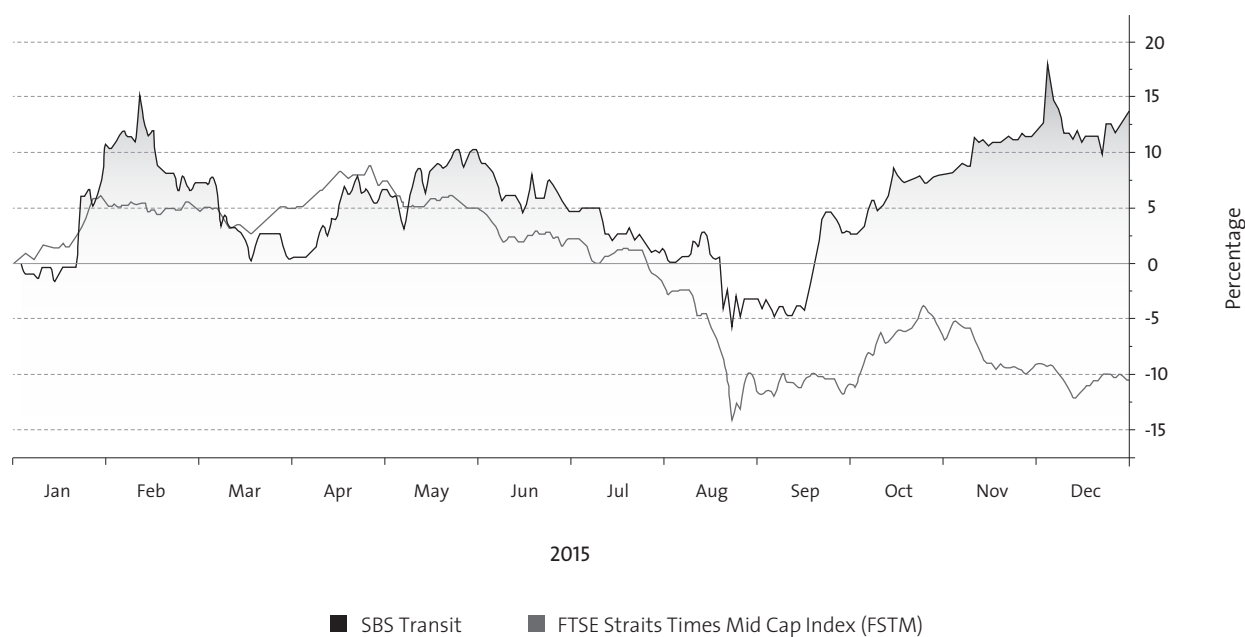
- (a) The licence is for a period of 19 years commencing from 20 December 2013. LTA may, if it deems fit, renew the licence for such further period with revised terms and conditions of the renewed licence.
- (b) The licence fee payable to LTA is prescribed under the subsidiary legislation of the RTS Act during the Licence Term.
- (c) The subsidiary of the Company shall pay LTA a licence charge which consists of Fixed Charge and Revenue Share Charge. A yearly Fixed Charge is payable from financial year 2019 to end of licence period. If the Operating Surplus minus the Fixed Charge for a financial year is more than the Threshold Profit, the subsidiary of the Company shall pay Revenue Share Charge.
- (d) After the commencement of revenue service of the last stage, the subsidiary of the Company shall pay LTA a Cash-Bid Amount if the Net Operating Surplus for a financial year is more than the Threshold Profit.
- (e) All Operating Assets shall remain the property of LTA except for Spares, Special Tools, Non-Proprietary Items and End Devices purchased by the subsidiary of the Company during the Licence Term.

SHARE PRICE MOVEMENT CHART

SBS Transit's Share Price Movement and Volume Turnover



Comparison of Performance of SBS Transit's Share Price and the FTSE Straits Times Mid Cap Index (FSTM)



SHAREHOLDING STATISTICS

As at 7 March 2016

No. of shares issued : 309,164,766
 Class of shares : Ordinary shares
 Voting rights : One vote per ordinary share

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 99 | 21 | 0.11 | 529 | 0.00 |
| 100 - 1,000 | 3,653 | 18.97 | 2,348,713 | 0.76 |
| 1,001 - 10,000 | 15,090 | 78.36 | 25,738,243 | 8.32 |
| 10,001 - 1,000,000 | 485 | 2.52 | 20,506,908 | 6.63 |
| 1,000,001 & above | 9 | 0.04 | 260,570,373 | 84.29 |
| Total | 19,258 | 100.00 | 309,164,766 | 100.00 |

| Top Twenty Shareholders | No. of Shares | % |
|---|---------------|-------|
| ComfortDelGro Corporation Limited | 232,125,512 | 75.08 |
| BNP Paribas Securities Services Singapore | 10,961,500 | 3.55 |
| DBS Nominees Pte Ltd | 4,752,739 | 1.54 |
| Raffles Nominees (Pte) Ltd | 3,828,800 | 1.24 |
| United Overseas Bank Nominees Pte Ltd | 3,180,900 | 1.03 |
| Maybank Kim Eng Securities Pte Ltd | 1,851,262 | 0.60 |
| OCBC Nominees Singapore Pte Ltd | 1,389,860 | 0.45 |
| Citibank Nominees Singapore Pte Ltd | 1,303,000 | 0.42 |
| Tham Kim Fay or Kwa Ai Tee Jeanne | 1,176,800 | 0.38 |
| DBSN Services Pte Ltd | 868,600 | 0.28 |
| Changi Bus Company (Private) Limited | 691,548 | 0.22 |
| Ng Kok Song Jolly | 454,400 | 0.15 |
| Phillip Securities Pte Ltd | 437,400 | 0.14 |
| Chiam Wei Jun Irvine | 415,000 | 0.13 |
| HSBC (Singapore) Nominees Pte Ltd | 413,100 | 0.13 |
| Tan Kuangxu | 327,000 | 0.11 |
| Jusin Private Limited | 300,000 | 0.10 |
| Chin Harn Tong @ Chee Han Tong | 275,000 | 0.09 |
| Woon Chio Chong | 275,000 | 0.09 |
| Bank of Singapore Nominees Pte Ltd | 253,800 | 0.08 |
| Total | 265,281,221 | 85.81 |

As at 7 March 2016, approximately 24.65% of the issued ordinary shares of SBS Transit Ltd is in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SBS Transit Ltd

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199206653M)

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held on Wednesday, 27 April 2016 at 10.00 a.m. at:

**HDB HUB AUDITORIUM
BASEMENT 1
480 LORONG 6 TOA PAYOH
SINGAPORE 310480***

The Annual General Meeting is for the purpose of transacting the following business:

Ordinary Business:

- | | | |
|-----|---|------------------------|
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements for the Financial Year ended 31 December 2015 together with the Auditors' Report thereon. | (Resolution 1) |
| 2. | To declare a tax-exempt one-tier final dividend of 1.05 cents per ordinary share in respect of the Financial Year ended 31 December 2015. | (Resolution 2) |
| 3. | To approve the payment of Directors' fees of \$439,175 for the Financial Year ended 31 December 2015. (FY2014: \$420,383). | (Resolution 3) |
| 4. | To re-elect Mr John De Payva, a Director retiring pursuant to Article 97 of the Company's Articles of Association. | (Resolution 4) |
| 5. | To re-elect Mr Wee Siew Kim, a Director retiring pursuant to Article 97 of the Company's Articles of Association. | (Resolution 5) |
| 6. | To re-appoint Mr Chin Harn Tong, a Director who was previously re-appointed to hold office until the Twenty-Third Annual General Meeting of the Company pursuant to then Section 153(6) of the Companies Act, Cap. 50. | (Resolution 6) |
| 7. | To re-appoint Mr Lim Jit Poh, a Director who was previously re-appointed to hold office until the Twenty-Third Annual General Meeting of the Company pursuant to then Section 153(6) of the Companies Act, Cap. 50. | (Resolution 7) |
| 8. | To re-appoint Mr Cheong Yip Seng, a Director who was previously re-appointed to hold office until the Twenty-Third Annual General Meeting of the Company pursuant to then Section 153(6) of the Companies Act, Cap. 50. | (Resolution 8) |
| 9. | To re-appoint Mr Kua Hong Pak, a Director who was previously re-appointed to hold office until the Twenty-Third Annual General Meeting of the Company pursuant to then Section 153(6) of the Companies Act, Cap. 50. | (Resolution 9) |
| 10. | To re-appoint Messrs Deloitte & Touche LLP as Auditors and authorise the Directors to fix their Remuneration. | (Resolution 10) |

* PLEASE NOTE THE CHANGE IN VENUE THIS YEAR.

NOTICE OF ANNUAL GENERAL MEETING

Books Closure and Dividend Payment Dates

NOTICE IS ALSO HEREBY that the Transfer Books and Register of Members of the Company will be closed on 7 May 2016 for the purposes of determining Shareholders' entitlements to the proposed tax-exempt one-tier final dividend of 1.05 cents per ordinary share for the Financial Year ended 31 December 2015.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 8, Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 6 May 2016 will be registered to determine Shareholders' entitlements to the final dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 6 May 2016 will be entitled to the proposed final dividend.

The final dividend, if approved by the Shareholders at the Twenty-Third Annual General Meeting of the Company, will be paid on 13 May 2016.

By Order of the Board

Chan Wan Tak, Wendy
Company Secretary
Singapore
29 March 2016

Notes:

- 1 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

- 2 A proxy need not be a member of the Company.
- 3 The instrument appointing a proxy or proxies (a form is enclosed) must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Explanatory note:

Ordinary Resolutions 6 to 9, if respectively passed, will re-appoint the Directors mentioned in the respective Ordinary Resolutions as Directors of the Company. As the said Directors were re-appointed at the Twenty-Second Annual General Meeting of the Company to hold office until the Twenty-Third Annual General Meeting of the Company pursuant to the then Section 153(6) of the Companies Act, Cap. 50., the Ordinary Resolutions are to re-appoint them to continue in office as Directors of the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Additional Information on Ordinary Business

Mr Wee Siew Kim is the Chairman of the Audit and Risk Committee while Mr Chin Harn Tong is a Member of the Audit and Risk Committee. They are considered independent Directors of the Company. If re-elected or re-appointed, Mr Wee Siew Kim will continue as Chairman of the Audit and Risk Committee while Mr Chin Harn Tong will continue as a Member of the Audit and Risk Committee.

SBS TRANSIT LTD

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199206653M)

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who intend to exercise the voting rights attached to their SBS Transit Ltd shares purchased using their CPF monies are requested to contact their respective CPF Approved Nominees.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 March 2016.

I/We _____ (Name) _____ (NRIC/Passport Number)
of _____ (Address)
being a member/members of SBS Transit Ltd (the "Company") hereby appoint

| Name | Address | NRIC/ Passport Number | Proportion of Shareholding (%) (Note 2) |
|------|---------|--------------------------|--|
| | | | |

and/or (delete as appropriate)

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

or failing him/them, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the AGM of the Company to be held on Wednesday, 27 April 2016 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the AGM.

NOTE: The Chairman of the AGM will be exercising his right under Article 67(a) of the Articles of Association of the Company to demand a poll in respect of the Resolutions to be put on the vote of the members at the AGM and at any adjournment thereof. Accordingly, such Resolutions at the AGM will be voted on by way of poll.

| No. | Resolutions | No. of Votes For* | No. of Votes Against* |
|-----|--|-------------------|-----------------------|
| 1. | Adoption of Directors' Statement and Audited Financial Statements | | |
| 2. | Declaration of Final Dividend | | |
| 3. | Approval of Directors' Fees | | |
| 4. | Re-election of Mr John De Payva as Director | | |
| 5. | Re-election of Mr Wee Siew Kim as Director | | |
| 6. | Re-appointment of Mr Chin Harn Tong as Director | | |
| 7. | Re-appointment of Mr Lim Jit Poh as Director | | |
| 8. | Re-appointment of Mr Cheong Yip Seng as Director | | |
| 9. | Re-appointment of Mr Kua Hong Pak as Director | | |
| 10. | Re-appointment of Auditors and authorising Directors to fix their remuneration | | |

* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2016

Total Number of Shares Held (Note 1)

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Should a member wish to receive acknowledgement of receipt of the Proxy Form from the Company, please provide your email address and/or mobile phone number.

Email Address: _____ Mobile Phone No: _____

NOTES

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
3. A proxy need not be a member of the Company.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time set for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Fold along this line

Affix
postage
stamp

THE COMPANY SECRETARY
SBS Transit Ltd
205 Braddell Road
Singapore 579701

This flap is for sealing. Glue all sides firmly. Stapling and spot sealing are disallowed.

Glue all sides firmly. Stapling and spot sealing are disallowed.

Glue all sides firmly. Stapling and spot sealing are disallowed.

**PLEASE NOTE THAT THIS YEAR'S
ANNUAL GENERAL MEETING WILL BE HELD AT:**

**HDB HUB AUDITORIUM
BASEMENT 1
480 LORONG 6 TOA PAYOH
SINGAPORE 310480**

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SBS Transit Ltd
205 Braddell Road, Singapore 579701
Mainline (65) 6284 8866 Facsimile (65) 6287 0311
www.sbstransit.com.sg
Company Registration No. 199206653M