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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE COMPANY'S THIRTY-FIRST ANNUAL GENERAL MEETING

The Board of Directors (the "**Board**") of SBS Transit Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to thank all Shareholders who have submitted their questions in relation to the Company's Thirty-First Annual General Meeting in advance of the meeting which will be convened and held on 25 April 2024 at 10.00 a.m. by way of electronic means and in person at the Auditorium of ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701.

Please refer to the Annex for our responses to the questions submitted by the Shareholders.

BY ORDER OF THE BOARD
SBS TRANSIT LTD

Angeline Joyce Lee Siang Pohr / Au Cheen Kuan
Company Secretaries

18 April 2024

Annex

Responses to questions raised by Shareholders in relation to the Company's Thirty-First Annual General Meeting and 2023 Annual Report

Question 1

(a) The account receivables amount is higher in 2023 compared to 2022. Are we giving longer credit days to LTA? Does the company seek to manage its working capital judiciously so that it continues to generate healthy cash flows?

(b) Under Page 114 of the Company's Annual Report, how much of our trade receivables and accrued income ($ 197 million in total) are from the transport authority (i.e. Land Transport Authority) which has good credit quality and how much is from other 3rd party entities?

Response to Question 1:

(a) There is no change in credit terms to our customers. Variance in balances is due to higher revenue and timing difference in billings.

(b) About 90% of the trade receivables and accrued income relates to balances with the Land Transport Authority (the "**Authority**" or "**LTA**").

The Company maintains a healthy cashflow and adequate working capital.

Question 2:

The Company has been writing down a meaningful amount of inventories for the past few years.

(a) What happened to these written-down inventories? Are they disposed of at zero value?

(b) As of end 2023, the Company's inventories remain high at above $ 100 million. Can the Board comment if our management has looked into our inventory procurement policy in order to minimise further write-downs?

Response to Question 2:

Our inventories include spares for both Rail and Bus businesses and most of the inventories are procured for Rail. Due to the nature of our rail business and to avoid disruption of train services, the Group is contractually required to maintain certain critical spares, especially the specialised parts that have to be procured from overseas ("**insurance spares**"), to avoid long downtime in the event such insurance spares are required for repairs during a rail breakdown. Insurance spares are generally slow-moving.

These inventory items may become obsolete due to system upgrades and technology refreshes which can result in inventory obsolescence. By making a general provision, we can account for potential obsolescence risks. Obsolete inventories written off are sold off as scrap.

The Company has a inventory procurement and management practice to ensure we do not hold more than is necessary for us to perform our obligations well.

Question 3:

(a) How does SBS Transit decide when it is best to change to a new fleet of buses? And how long does each new bus run before retiring from the fleet?

(b) The company's annual depreciation expense has been above $90 million for the past few years. However, our net purchase of fixed assets has been less than half of our depreciation charge over the same period. Is the company under-investing in replacing our transport fleet?

(c) Regarding the leases of existing buses to LTA, how many more years can the buses be leased before reaching the end of their useful life?

Response to Question 3:

Under the Bus Contracting Model ("**BCM**"), the Authority will provide new buses to the Company to replace the existing buses that have reached the end of their statutory lifespan.

The depreciation largely relates to the depreciation of the operator-owned buses under the old legacy scheme before the BCM commenced in 2016. Under the BCM, the Authority will own the operating assets including buses and depots. In the transition, buses which were previously purchased by the Company, will be leased by the Authority until the end of the statutory life span, hence we will continue to incur depreciation expenses on these legacy buses.

The operator-owned buses will be leased to the Authority till the end of their useful life which range from 1 to 9 years as at 31 December 2023.

Question 4:

As SMRT Buses Ltd will be taking over the Jurong West bus package in latter half of 2024,

(a) What will happen to Soon Lee Bus Depot, which is currently on our balance sheet and has a leasehold tenure expiring in 2026?

(b) What is the estimated cost of renovation and maintenance works required for its handover?

(c) What is the carrying value of Soon Lee Bus Depot as of end 2023?

Response to Question 4:

The Authority has entered into an agreement with the Company to purchase the Soon Lee Bus depot to minimise impact to bus operations.

On 13 June 2022, the Company signed an agreement with the Authority on the sale and transfer of the Soon Lee bus depot in 2024. This agreement requires the Company to perform certain minor reinstatement works and these works are still on-going and will be subject to the Authority's acceptance.

The carrying value of Soon Lee bus depot's land and building is $29.7m as of the end of FY2023.

Question 5:

Fuel Price Equalisation Account has been stagnant at about $40 million for the past few years. Under the BCM, is SBS Transit still required to contribute to the fuel price equalisation account? If not, are there plans to reverse the current $ 40 million balance?

Response to Question 5:

The balance in the fuel price equalisation account was created prior to the BCM transition to cushion Bus Operators against fluctuation of fuel prices. As the fuel costs for revenue mileage are reimbursed by the Authority under the BCM, the Company no longer contributes to such account. The Public Transport Council will be advising the Company on the withdrawal of the funds contributed prior to the BCM transition.

Question 6:

Was the Company eligible for performance incentives from LTA in 2023?

Response to Question 6:

The Company was eligible for performance incentives from the Authority in 2023. They accounted for approximately 3% of the Group's total revenue (See Note 19, Notes to the Financial Statements, page 124 of the FY2023 Annual Report).

Question 7:

Please share an update of your strategy to win upcoming rail lines.

Response to Question 7:

We have partnered with France's RATP Dev, a leading international public transport operator, to bid for the upcoming Jurong Region Line and the Cross Island Line. The partnership has complemented our offerings by leveraging on their strong engineering capabilities, as well as technologies and innovation in data analytics and condition monitoring.

Question 8:

(a) Before the transition to Bus Contracting Model, shareholders funded the acquisition of buses while not being able to get an appropriate return on those investments due to regulatory constraint on fare hikes. As a result, leverage was high and dividends low. With the transition to BCM, could the company consider returning some of the surplus capital to shareholders?

(b) 2023 was the company's 50th anniversary. Any plans to pay a special dividend to celebrate?

(c) After the last AGM's extensive discussion on dividend payment, can our Board give an update on our capital allocation strategy?

<u>Response to Question 8:</u>

The Company adopts a prudent capital management approach that minimises debt and maintains sufficient working capital to operate its bus and rail businesses. It is prudent for the Company to maintain a higher cash holding to be ready for challenges in a volatile economic environment such as cost pressures in the areas of manpower, supplies, and energy. The Board and Management will continue to keep a close watch on the Group's working capital requirements and calibrate its cash holding accordingly, including share buyback if the mandate is renewed.