



Basic  
Services

# Our Vision

Moving people in a safe, reliable and affordable way.

# Our Mission

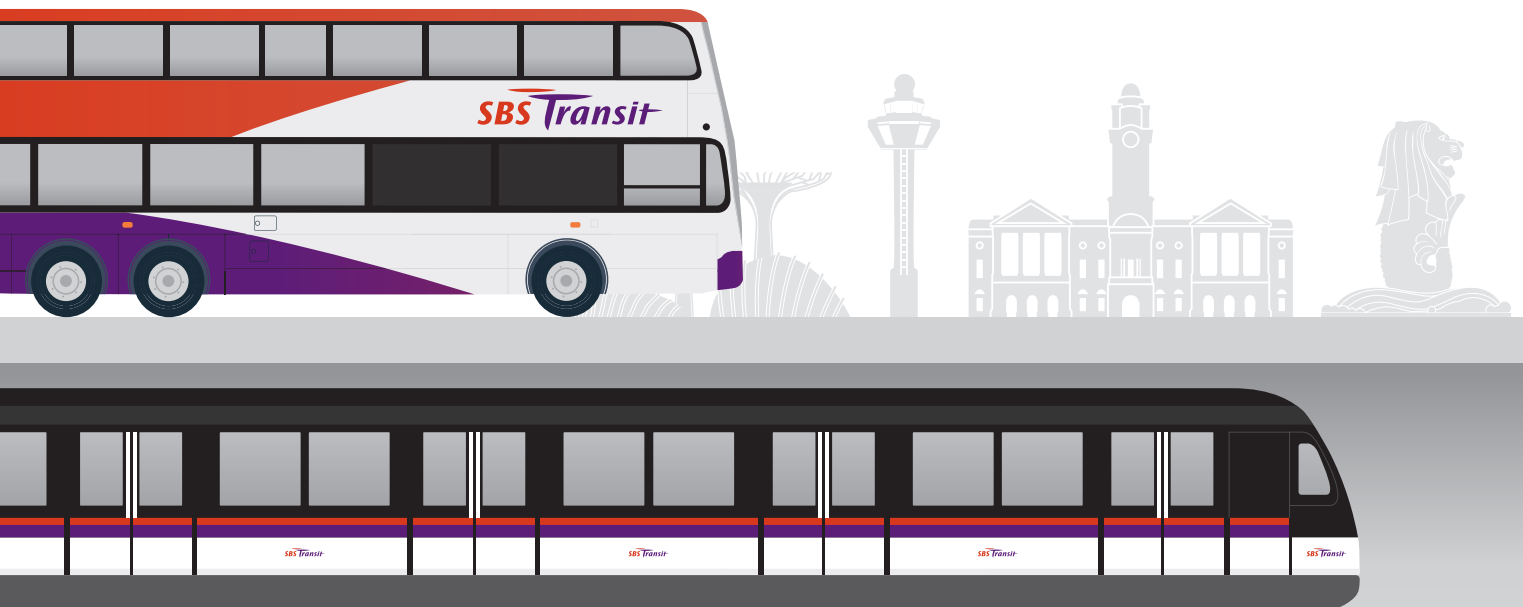
To achieve excellence for our customers, employees, shareholders and community. To this end, we are committed to delivering safe and reliable services at affordable prices, being an employer of choice, creating significant shareholder value and becoming a socially responsible corporate role model.

# Core Beliefs

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

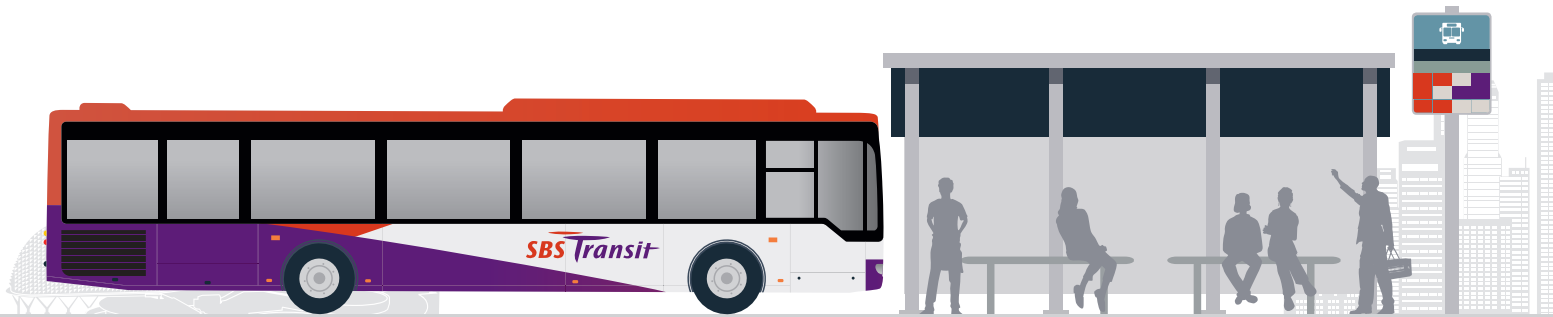
We will:

- 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

## Introduction

2014 was a historic year in the annals of the Public Land Transport industry. The Government announced the re-structure of the local public bus industry and the planned transition to a bus contracting model. A trial incentive-penalty scheme got underway to enhance the enroute reliability of buses while the Bus Service Enhancement Programme (BSEP) entered a second phase with the addition of more buses to our fleet.

## Bus Contracting Model

The transition to a bus contracting model is by far the most significant development in the local bus industry since the successful amalgamation of all the bus companies by the Government in 1973. Under this new industry model, bus operators will be contracted and paid to operate public bus services through a competitive tendering process while the Government retains the fare revenue. All bus infrastructure such as depots, as well as operating assets such as buses, will be owned by the Government.

This move represents a paradigm shift in the provision of public bus services. In the current model, public bus operators have to cover their capital and operating expenses while operating in a highly regulated environment. With rising costs and population growth, this model is no longer sustainable. Indeed, the new model is one that has been increasingly adopted by developed countries around the world and one that we believe is a more sustainable option for the future.

Transiting to the new model, the Land Transport Authority (LTA) has bundled all existing bus routes into 12 bus packages with about 300 to 500 buses each. All tender contracts will be for five years, and can be extended by another two years on good performance.

The tender for the first package which covers 26 bus routes was called in October 2014. Known as the "Bulim Bus Package", which takes its name from the new depot that will house the fleet of up to 500 buses, it drew considerable interest from local and foreign operators alike. A total of 11 bids were submitted with more than half coming from foreign bus operators. As the incumbent operator of 17 of the bus routes under this package, we have worked hard to develop a competitive bid based on our over 40 years of experience and proven track record in the local bus industry. We have also been able to tap on the experience of our sister companies in London and Sydney, which operate in a similar contracting regime. We await the results which will only be

released in the second quarter of 2015 with the implementation scheduled in the second half of 2016.

LTA will be inviting tenders for two other bus packages. As for the remaining nine bus packages, which comprise 80% of the public bus fleet in Singapore, they will continue to be operated by the incumbent bus operators. This means that when our Bus Service Operating Licence expires on 31 August 2016, we will negotiate with the LTA to continue to operate these routes under the contracting model for about five years. Thereafter, when these negotiated contracts expire, the routes will gradually be tendered out.

With such major changes underfoot, we have taken great care to ensure that the welfare of our staff is not compromised. We are a member of the Public Transport Tripartite Committee which has been set up to ensure that the interests of existing public transport workers are protected under the bus contracting model.

## Other Significant Highlights

The LTA introduced a "Bus Service Reliability Framework" (BSRF) in February 2014 to improve enroute bus regularity and reduce instances of bus bunching and prolonged waiting times. Twelve of our bus services are involved in this incentive-penalty Framework which is being put on trial over two years.

The BSEP, which began in September 2012, continued into 2014. To-date, all the 371 Government funded buses have been rolled out – two years ahead of schedule. The Government plans to add another 296 buses under BSEP 2 from 2015 to 2017 for us to operate. As part of the programme, SBS Transit is contributing 150 growth buses over four years from 2012. As at December 2014, we have added 100 growth buses with the remaining 50 to be rolled out over the next two years.

The Downtown Line Phase 2 (DTL 2) is expected to commence passenger service by the first quarter of 2016. DTL 2 which spans 12 stations from Bukit Panjang to Bugis will link the Bukit Timah corridor to Marina downtown. In preparation for its opening, we commenced testing and commissioning of the systems and equipment with the LTA to ensure a smooth handover. For the year under review, we recruited more than 500 staff. We continue to work closely with the LTA to ensure that the water seepage and signaling problems identified in Downtown Line 1 (DTL 1) are resolved.

Following the announcement of the new fare formula in 2013, the Public Transport Council (PTC) implemented a 3.2% fare increase

## Revenues at a Glance

Bus  
**\$754.0m**



Rail  
**\$197.0m**



in April 2014. The balance of 3.4% fare increase was to be rolled over to 2015. Since then, however, energy prices have fallen and the PTC has consequently announced a 2.8% fare increase which would take effect in April 2015.

Despite the fall in fuel prices in recent times, our operating costs such as manpower, repairs and maintenance and depreciation remain high. Staff costs are also building up on the DTL as we gear up for the opening of DTL 2. This fare increase will help to alleviate some of the cost pressures we face.

To mitigate the impact of the fare hike on the lower-income households, SBS Transit will be contributing 25% or about \$5.5 million of the additional fare revenue to the Public Transport Fund.

### Serving Our Commuters

For the year under review, our buses ferried a total of more than 1 billion passengers, 3.2% more than previously. This means that on average, our buses ferried close to 2.75 million passengers a day in 2014.

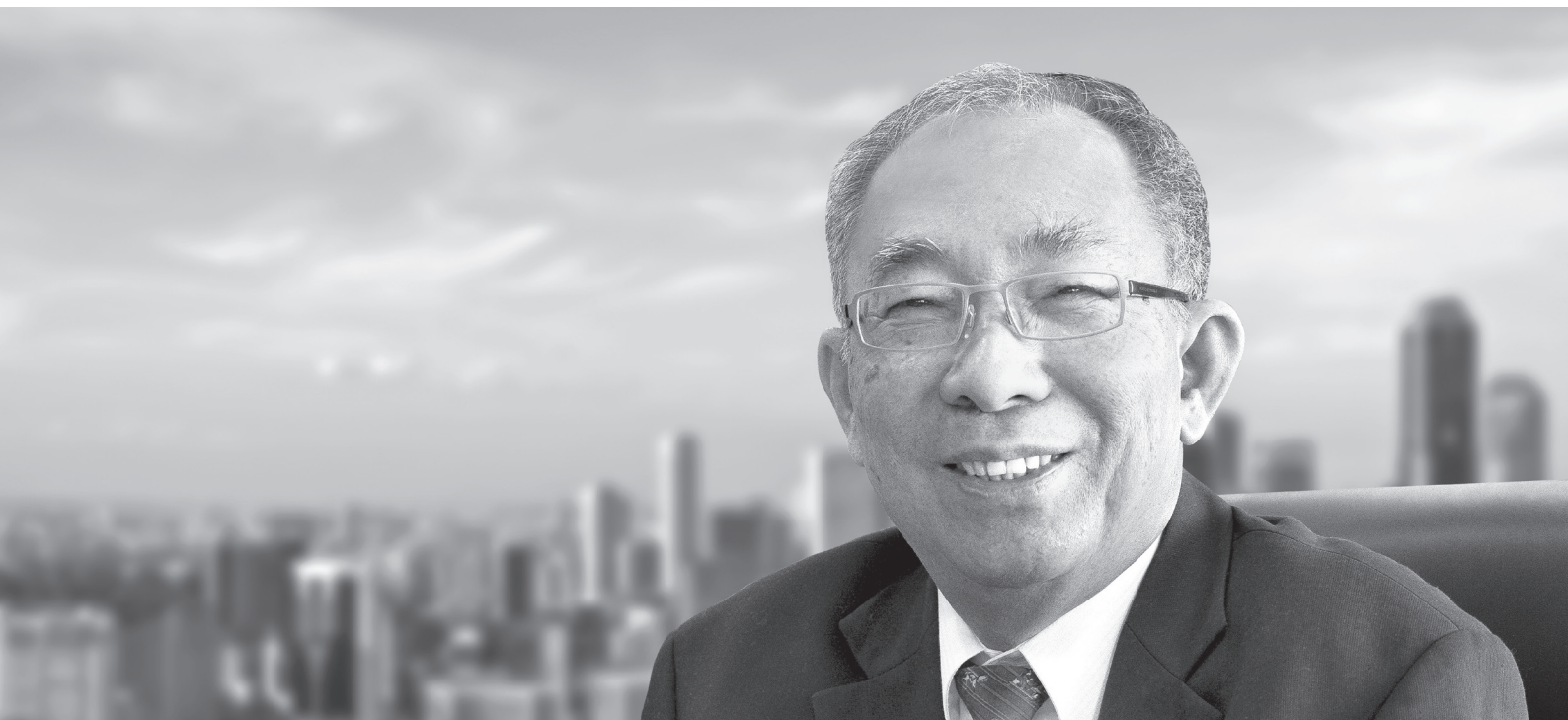
We took delivery of 465 new buses as part of our fleet renewal and expansion programme. Of the close to 3,500 buses in our

fleet, 41.5% are double deck ones. Today, 2,920 buses or 84.7% are wheelchair-accessible and the average age of our fleet is now about 5.7 years, which is 1.1 years younger compared to a year ago.

In July 2014, we placed yet another order for 665 new buses – 415 double deck buses and 250 single deck ones – that will cost us \$311 million. When delivery is completed by 2017, 98% of our buses will be wheelchair-accessible. Since 2005, we have committed about \$1.3 billion in 3,087 new buses.

Demand for our rail services continued to remain strong with close to 241.5 million passenger trips made in 2014. This is an increase of 17.9% over the previous year. Average daily ridership on the North East Line (NEL) grew by 6.7% to 513,266 while that of the Punggol and Sengkang Light Rail Transit (LRT) systems increased by 10.5% to 86,782. Ridership on the DTL 1, which began passenger service in December 2013, totalled more than 22.4 million for the year.

*iris* app, our popular mobile app for iPhone and Android phone users, was given a facelift in July 2014. We enhanced the user interface for a better user experience. We also took the opportunity to introduce new features such as banners on the



# Chairman's Statement

home page to provide updates on new services, extension of hours and even closure of bus stops. Information on our rail services such as maps and facilities as well as the different retail outlets at our train stations and bus interchanges was also added. To-date, this free app has more than 1.9 million downloads and the number continues to grow.

Our commitment to service has not gone unnoticed by our commuters who have either written or called in to share their pleasant experiences with our staff. For the year under review, we received more than 30,000 compliments and commendations, which is 22.5% more than the year before. Separately, a record 1,419 staff received the national Excellent Service Award, up from 1,205 in 2013, while another 139 received the Transport Gold Award.

Chief Captain Elizabeth Lim Poh Suan and Senior Bus Captain (BC) William Goh did us proud when they clinched the Service Excellence Individual awards at the bi-ennial Land Transport Excellence Awards 2014. So did Senior Bus Captain Ong Sze Err, who was crowned Asia Pacific's "Customer Service Professional of the Year (Transportation – Service Centre)".

## Corporate Social Responsibility

Safety is of paramount importance in our operations. Every day, our more than 3,000 buses are on the road for 18 hours, sharing the road space with other road users. Equipping our BCs with safe driving skills, implementing and enforcing safety drills at pedestrian crossings and junctions, conducting safety briefings and talks and awarding safety incentives are just some of the things we do to ensure that safety on the roads is maintained. We have also employed technology to improve our safety record. During the year, we put on trial a system known as "Mobileye" on 70 buses to alert our BCs to potential collision risks. "Mobileye" is an advanced driver awareness system which consists of a smart camera mounted on the vehicle's windshield to monitor road conditions to mitigate and reduce the risk of accidents. The trial is on-going and we will assess its effectiveness before we proceed further with its implementation.

Another group whom we focus on is our commuters. We rolled out a "Hold On!" safety campaign to educate and encourage our commuters particularly the senior citizens to hold on to stanchion poles and hand grips when travelling on buses.

To reiterate our message of safety and graciousness in public transport, we conducted more than 70 talks and visits to our bus and train operations for some 32,000 students during the year.

Residents along the NEL corridor also participated in our annual community safety and evacuation exercises held at our NEL train depot. These were initiated by us to promote safe and pleasant travel experiences on our network of trains and buses.

We continued to reach out to the community by sponsoring several charitable projects and offering free travel on the NEL to the elderly residents of the Kwong Wai Shiu Hospital. With the opening of the DTL 1, we also conducted tours for wheelchair users highlighting the barrier-free facilities at the stations.

In environmental efforts, we continued with our investment in Euro 5 buses. To-date, about 65% of our fleet are Euro 5-engine compliant.

## Recognition

Apart from our staff winning recognition for their service excellence, SBS Transit also won recognition for good corporate governance. For the third consecutive year at the Securities Investors Association (Singapore) Investors' Choice Awards, we were the Runner-Up in the "Singapore Corporate Governance Award" in the Mid-Cap category. In the Business Times' Governance and Transparency Index 2014, we were ranked in the 45th position in a field of more than 640 companies. This was 12 spots higher than the previous year.

## Financial Performance

Group revenue for the year increased by 12.2% from \$847.3 million to \$951.0 million.

In the bus business, revenue increased by 10.5% or \$71.6 million to \$754.0 million while revenue from the rail business segment grew by 19.5% or \$32.1 million to \$197.0 million. The full-year operation of the DTL 1 also boosted revenue for the rail business segment.

The increase in Group revenue of \$103.7 million was offset by an increase in operating expenses of 11.8% or \$98.6 million, driven mainly by higher staff costs, higher depreciation, higher repairs and maintenance costs, higher fuel and electricity costs, higher premises costs and losses incurred from the DTL 1's initial operations. As a result, Group operating profit increased by \$5.2 million or 33.2% to \$20.7 million.

The core bus operations on its own continued to be in the red with a \$13.5 million loss. Finance costs increased by 11.2% or \$0.5 million to \$4.8 million due to increased borrowings to fund

the purchase of new buses. Taxation also jumped by \$1.4 million to \$1.9 million due mainly to higher profits generated for the year coupled with tax credits recognised for DTL 1's losses.

At the Group level, net profit attributable to shareholders increased by 27.8% from \$11.2 million to \$14.3 million.

Earnings per share was 4.62 cents, 27.6% higher than the 3.62 cents previously. As at 31 December 2014, total equity for the Group decreased by 9.9% to \$310.1 million due mainly to the payment of dividends and decrease in other reserves.

In accordance with our dividend policy guideline, 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 1.25 cents per share paid earlier, the total tax-exempt one-tier dividend to be paid out for 2014 will be 2.30 cents per share, 27.8% higher than the previous year, in light of higher profits. The yield is 1.35%.

### The Year Ahead

The year ahead will continue to be an eventful and challenging one.

The tender results for the first bus contracting model package will be announced in the second quarter of 2015 while tenders for the two other bus packages will be called later in the year.

With the trial of the BSRF in progress, the LTA will be introducing a new Common Fleet Management System where all public buses will be fitted with an automatic vehicle location system. This will provide real time information to bus operators, and result in better monitoring and management of bus operations.

The DTL Gali Batu Depot located off Woodlands Road will be handed over to us in the latter part of 2015. We will be transferring our DTL Operations Control Centre from the Kim Chuan Depot to this new facility in the second half of 2015.

Recruitment of staff will continue to be a key focus. With BSEP 2 in progress, even more BCs will be needed. Likewise, with the opening of DTL 2, there is an acute need to step up our recruitment efforts as another 350 more staff will be needed. Concurrently, on NEL, there is a need to ensure we have an adequate pool of trained staff to operate and maintain the 10 new trains that will be handed over to us later this year.

With headcount increases, staff costs are expected to be higher. The continued renewal and expansion of the bus fleet is expected to result in higher depreciation and financing costs.

### Appreciation

I wish to thank Management and Staff led by our Executive Director and Chief Executive Officer (CEO), Mr Gan Juay Kiat, for their hard work, dedication and commitment amidst a challenging operating environment.

I would also like to place on record my deep appreciation to our Deputy Chairman, Mr Kua Hong Pak, who is also the Managing Director and Group CEO of our parent company, ComfortDelGro Corporation Limited, for his dynamic leadership in providing guidance to the CEO and his Team in the running of the Company.

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

I would also like to thank the National Transport Workers' Union, the Authorities, Constituency Advisors and Grassroots Leaders for their cooperation, assistance, understanding and support.

To our Customers, thank you for your support and patronage. We remain committed to improving our services and service delivery standards in serving your travel needs safely and promptly.

Finally, my appreciation also goes to our loyal Shareholders. We will continue to work hard to deliver what we have committed.

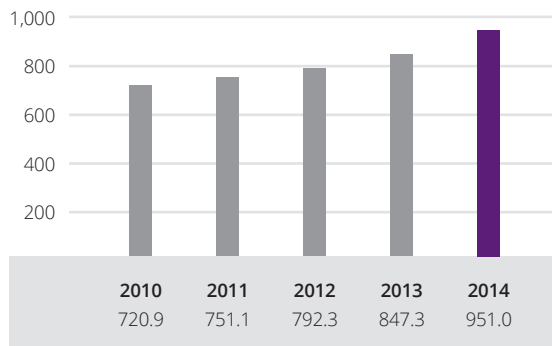
### Lim Jit Poh

Chairman  
March 2015

# Group Financial Highlights

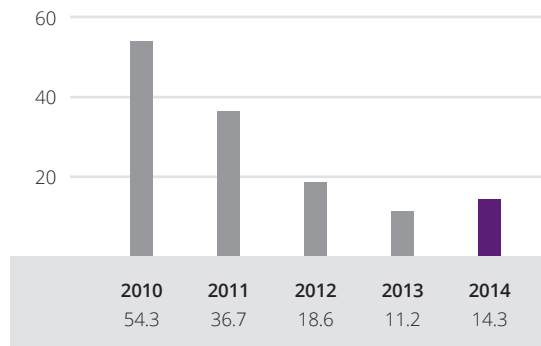
## Revenue

(\$'mil)



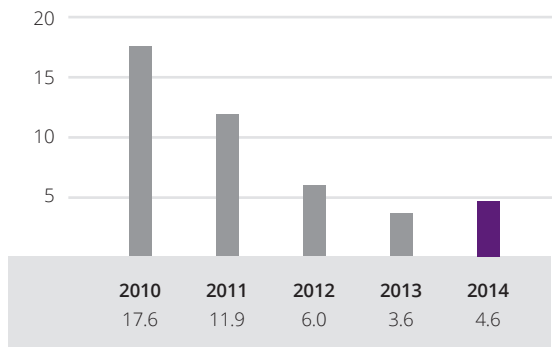
## Profit Attributable to Shareholders

(\$'mil)



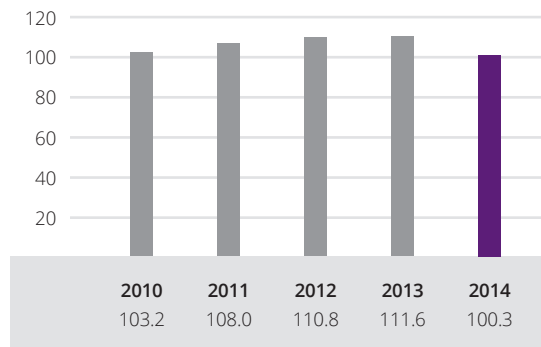
## Earnings Per Ordinary Share

(cents)



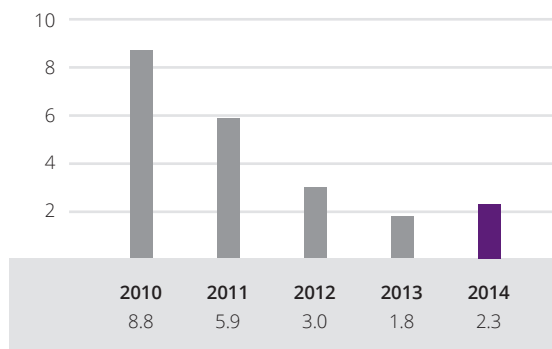
## Net Asset Value Per Ordinary Share

(cents)



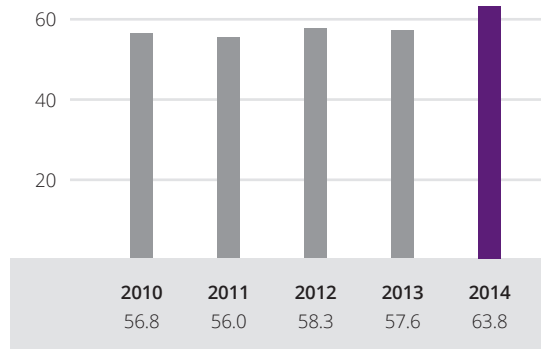
## Total Dividend Per Ordinary Share

(cents)



## Value-Added Per Employee

(\$'000)





## Financial Summary

	2010	2011	2012	2013	2014
Revenue (\$'mil)	720.9	751.1	792.3	847.3	951.0
Operating profit (\$'mil)	64.7	45.7	25.4	15.5	20.7
Operating expenses (\$'mil)	656.2	705.4	766.9	831.8	930.4
Profit attributable to shareholders (\$'mil)	54.3	36.7	18.6	11.2	14.3
EBITDA (\$'mil)	112.1	93.4	82.4	77.4	91.7
Issued capital (\$'mil)	93.0	93.9	93.9	93.9	94.6
Capital and reserves (\$'mil)	317.9	333.4	342.1	344.3	310.1
Capital disbursement (\$'mil)	106.6	153.8	202.7	166.1	214.4
Internal funds generated (\$'mil)	117.6	91.2	78.0	44.8	29.7
Earnings per ordinary share (cents)	17.6	11.9	6.0	3.6	4.6
Net asset value per ordinary share (cents)	103.2	108.0	110.8	111.6	100.3
Return on shareholders' equity (%)	17.9	11.3	5.5	3.3	4.4
Total dividend per ordinary share (cents)	8.8	5.9	3.0	1.8	2.3
Dividend cover (number of times)	2.0	2.0	2.0	2.0	2.0

## Value-Added for the Group

	2010		2011		2012		2013		2014	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Suppliers of capital - dividends and term loan interest	27,488	6.5	24,535	5.9	15,649	3.6	12,174	2.5	11,426	2.0
Taxation to the government	25,126	6.0	23,073	5.6	21,416	4.9	16,618	3.5	18,716	3.4
Retained earnings	74,054	17.7	61,520	14.8	62,672	14.2	65,370	13.6	78,361	14.1
Employees - salaries and other staff costs	292,780	69.8	305,525	73.7	340,343	77.3	386,766	80.4	448,114	80.5
Total value-added	419,448	100.0	414,653	100.0	440,080	100.0	480,928	100.0	556,617	100.0
<b>Value-added per employee (\$'000)</b>	<b>56.8</b>		<b>56.0</b>		<b>58.3</b>		<b>57.6</b>		<b>63.8</b>	

# 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](http://www.sbstransit.com.sg)

Company Registration Number: 199206653M

### Company Secretary

Chan Wan Tak, Wendy

### Share Registrar

B.A.C.S. Private Limited

63 Cantonment Road

Singapore 089758

### 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 in 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 by the Government of Singapore in 1972, 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, 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.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Lim will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 22 April 2015.

### Kua Hong Pak

#### Deputy Chairman (Non-Executive & Non-Independent)

Mr Kua Hong Pak was appointed Executive Director of SBS Transit Ltd in 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, PSA Corporation Limited and StarHub Ltd. 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 2010. 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.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Kua will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 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, United Kingdom.

Pursuant to Article 97 of the Company's Articles of Association, Mr Gan will be due for re-election at the forthcoming Annual General Meeting to be held on 22 April 2015.

### Cheong Yip Seng

#### Director (Non-Executive & Independent)

Mr Cheong Yip Seng has been a non-executive Director of SBS Transit Ltd since 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.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Cheong will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 22 April 2015.



## Chin Harn Tong

### Director (Non-Executive & Independent)

Mr Chin Harn Tong has been a non-executive Director of SBS Transit Ltd since 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.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chin will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 22 April 2015.

## John De Payva

### Director (Non-Executive & Lead Independent)

Mr John De Payva has been a non-executive Director of SBS Transit Ltd since 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 Director of NTUC Fairprice Cooperative Ltd and a Member of the Board of Governors of OTC-ILS.

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.

Mr De Payva was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 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 Member of the Singapore National Youth Orchestra Advisory Committee and a Director of the Singapore Symphonia Company Limited.

Pursuant to Article 97 of the Company's Articles of Association, Professor Lim will be due for re-election at the forthcoming Annual General Meeting to be held on 22 April 2015.

### Wee Siew Kim

#### Director (Non-Executive & Independent)

Mr Wee Siew Kim has been a non-executive Director of SBS Transit Ltd since 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.

Mr Wee was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 25 April 2013.



## Wong Chin Huat, David

### Director (Non-Executive & Non-Independent)

Mr Wong Chin Huat, David has been a non-executive Director of SBS Transit Ltd since 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 also serves as a Member of the Public Service Commission. 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.

Mr Wong was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 24 April 2014.



# Key Management

## 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.

## Wong Wai Keong

### Executive Vice President, Rail

Mr Wong Wai Keong joined SBS Transit as Deputy Director, Engineering (Rail) in 2000. In January 2012, Mr Wong was appointed Executive Vice President for the Rail Business Area. He concurrently holds the position of Chief Executive Officer of SBS Transit Downtown Line (DTL). Mr Wong has extensive experience working in the rail industry. Prior to joining SBS Transit, he was with the Mass Rapid Transit Corporation and the Land Transport Authority for some 16 years until March 2000. Mr Wong was awarded the Public Administration Medal (Bronze) in 1996 by the Singapore Government for his outstanding contributions to the development of the local rail network. Mr Wong holds a Bachelor of Engineering (Hons) in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom. He is a Professional Engineer accredited with the Singapore Professional Engineers Board.

A Chartered Engineer, he is also a Member of the United Kingdom's Institution of Engineering and Technology.

## 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 multi-lateral 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 exposures 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.



Woon Chio Chong



Wong Wai Keong



Eng Sok Yong



Tan Poh Choo, Evelyn



Tan I-Lin, Tammy



## Leong Yim Sing

### Senior Vice President, Rail Engineering

Mr Leong Yim Sing joined SBS Transit in 2003 as Director, Rolling Stock. In 2005, he was appointed as Vice President, Rail Engineering, to oversee all engineering activities to support the North East Line and Sengkang-Punggol LRT operations. In 2011, he was promoted to Senior Vice President, Rail Engineering. He concurrently holds the position of Senior Vice President, Rail Engineering of SBS Transit Downtown Line (DTL). Mr Leong has over 28 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. Mr 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.

## 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 had worked as an Engineer with Hewlett Packard. He also has corporate planning and market research experience from his stint

with SISIR. Mr Tan 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 Southeast 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

Mr Goei Beng Guan, Alex is responsible for the operation of the North East Line (NEL) and the Sengkang Punggol Light Rapid Transit system (SPLRT). 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. He concurrently holds the position of Senior Vice President, Rail Operations of SBS Transit Downtown Line (DTL). 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.

## 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, Punggol and Sengkang 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.



Leong Yim Sing



Tan Eng Kok, Ivan



Ang Wei Neng



Goei Beng Guan, Alex



Poh Ee Huat

# Key Management

## 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. Prior to this, Ms Chan was Vice President of Finance and Operations at k1 Ventures Limited. She had also been with Deloitte & Touche LLP as Senior Audit Manager. Ms Chan holds a Bachelor of Accounting & 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.



Choo Peng Yen



Ong Poh Sim, May



Chan Wan Tak, Wendy

# Operations Review

## Bus

SBS Transit is Singapore's largest scheduled bus operator with an estimated 75% share of the market. With a fleet of 3,448 buses, we operate 255 bus routes consisting of 207 basic bus services, 25 premium bus services and 23 niche bus services. For the year under review, ridership grew by 3.2% to a daily average of 2.75 million passenger trips. Significantly, it means that total ridership for 2014 surpassed the one-billionth mark.

In 2014, we took delivery of 465 new buses, bringing our fleet size to 3,448. This represented a growth of 3.7% over the previous year. Of our fleet, 41.5% are double deck buses and 84.7% are wheelchair-accessible. The average age of our fully air-conditioned fleet is now 5.7 years, which is 1.1 years younger compared to a year ago.

Indeed, we believe that investing in new buses is a critical aspect of our service commitment to our commuters. Since 2005, we have committed about \$1.3 billion for a total of 3,087 buses.

In July 2014, we placed another order for 665 new buses. Costing \$311 million, they comprise 415 double deck buses and 250 single deck ones, all of which are wheelchair-accessible. When delivery is completed by 2017, our fleet will be 98% wheelchair friendly.

With more new wheelchair friendly buses joining the fleet, we rolled out more wheelchair-accessible bus (WAB) services. During the year, 20 such services were introduced, bringing the total number of WAB services to 182. This means that 85% of our basic bus services are WABs – something that we have been steadily working on since 2006. By 2017, all our basic bus services will be wheelchair friendly – three years ahead of the Government's target, as stated in its Land Transport Master Plan.

Among the new buses delivered, 177 were funded by the Government under the Bus Service Enhancement Programme (BSEP). We continued to work closely with the Land Transport Authority (LTA) in the deployment of the BSEP buses. In 2014, we rolled out 15 BSEP services comprising seven new routes, two extended ones and six full-day supplementary services. The BSEP buses were also deployed to 60 existing services to beef up capacity and ease waiting times.

As at 31 December 2014, a total of 371 BSEP buses have been rolled out – two years ahead of the original schedule which was announced when the programme began in September 2012. With the completion of that first phase, the Government has announced that it will add on another 296 buses for us to operate. BSEP 2 will run from 2015 to 2017.

In serving our commuters better, we extended the operating hours of selected bus services during major events and the eve of public holidays. For the F1 Grand Prix, we put four special late night routes into service to complement the extended train hours. We also made provisions to operate our services according to demand. For instance, during the examination periods of the Nanyang Technological University, Service 179A, which is scheduled to run only on weekdays, operated trips to the campus to serve the students taking their examinations on two Saturdays. Similarly, during the Kusu Island Pilgrimage season, we added additional trips to our service plying the Marina South Pier to cater to increased passenger volume.

We also made improvements to 27 services by adding more buses, running more trips and deploying double deck buses in place of single deck ones to cater to commuter demand on heavily used routes.

Seventeen routes were amended during the year to better serve our commuters' needs or take into account road improvements and realignment works. A major route amendment exercise was conducted in September 2014 with the opening of new roads in the Marina South area. Sixteen bus routes were affected with new calling bus stops.



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

# Operations Review

## Bus

We withdrew the operation of six Premium bus services – Services 532, 556, 557, 558, 559 and 566 – during the year to free up resources for our basic bus services.

These six services, which offer commuters guaranteed seats from the heartlands to the Central Business District – are now run by private operators.

*iris* app, our popular mobile app for iPhone and Android phone users, was given a facelift in July to enhance user experience. We also took the opportunity to introduce new features such as banners on the home page to offer updates on new services, extension of hours and even closure of bus stops. Information on our retail outlets at our bus interchanges and train stations was also added. To-date, this free app has been downloaded more than 1.9 million times.

In late November, we began operations at the new Bedok Interchange which is integrated with the new Bedok Mall. This is the seventh air-conditioned interchange that we are operating. All 400-square-metre worth of retail space is fully leased out and tenants include Unity Pharmacy, Okinawa Haircut and various food outlets.

We have commenced installing a second display screen next to the existing Next Bus Departure Display Panels at our bus interchanges. This is to ensure that commuters are kept updated about salient travel developments including the launch of new services and changes in operating hours. The project will complete by the second half of 2015 with about 120 additional screens installed.

The Government's "Bus Service Reliability Framework" (BSRF) to improve enroute bus regularity and reduce instances of bus bunching and prolonged waiting times rolled out in February 2014. Twelve of our bus services are involved in this

incentive-penalty Framework which is being put on trial over two years. To enhance our operational management, we activated our Operations Control Centre at our Braddell Headquarters to focus on these 12 services with a new team of controllers to regulate the headway. Systems and processes such as the BSRF portal have also been put in place to monitor and manage service reliability. For the inaugural period of assessment from June to November 2014, we have met all standards.

Another significant development during the year under review was the Government's announcement of a bus contracting model where operators will be contracted and paid to operate public bus services through a competitive tendering process. All bus infrastructure such as depots, as well as operating assets such as buses will be owned by the Government, which will in turn collect all fare revenue.

The first tender, known as the "Bulim Bus Package", was called in October 2014. It drew strong interest with a total of 11 bids – including ours – submitted. More than half of the submissions were from foreign bus operators. As the incumbent operator of 17 of the 26 bus routes under this package, we submitted a competitive bid based on our over 40 years of experience and proven track record in the local bus industry. As a member of the ComfortDelGro group of companies, we have also been able to tap on the experience of our sister companies in London and Sydney, which operate in a similar contracting regime. The results of the tender are expected in the second quarter of 2015.

The Authorities will be inviting tenders for two other bus packages with details yet to be released. As for the other nine bus packages, which comprise 80% of the

public bus fleet in Singapore, they will continue to be operated by the incumbent bus operators. This means that when our Bus Service Operating Licence expires on 31 August next year, we will negotiate with the LTA to continue to operate these routes under the contracting model for about five years. Thereafter, when these negotiated contracts expire, these routes will gradually be tendered out.

To protect the interest of bus workers under the bus contracting model, we are a member of the Public Transport Tripartite Committee, which is chaired by the Senior Minister of State for Finance and Transport, Mrs Josephine Teo. We have, in partnership with the National Transport Workers' Union, given assurances to our staff that those who are affected by the tendering outcome can elect to remain in employment with us if there are available vacancies.

In the area of service delivery, we continued to work hard to meet commuters' rising expectations. Senior management meetings were held monthly to review commuters' feedback for improvements. Concurrently, we worked closely with the LTA to improve bus crowdedness on a quarterly basis. Staff also participated in quality checks on designated bus services during peak hours and filed reports on their experiences.

Our continual efforts in bettering service levels did not go unnoticed. The LTA's Public Transport Customer Satisfaction Survey 2014 revealed that the percentage of respondents who were satisfied with bus services increased from 86.4% to 88.3% compared to the previous year. Our commuters have also written or called in to share their pleasant experiences. For the year under review, we received more than 29,500 compliments and commendations, which is 21.9% more than the year before.

Revenue  
(\$'mil)  
**754.0**

Average Daily  
Ridership ('000)  
**2,753**

Total Bus Fleet  
**3,448**

Total Number  
of Employees  
**7,683**

To generate revenue to help cover our bus operating expenses and help keep fares affordable for our commuters, we leased out commercial spaces and offered advertising platforms at our bus interchanges. Bus advertising also generated additional income for us. In 2014, we successfully leased out 98% of the retail spaces across our 17 bus interchanges.

Moove Media, our sister company, joined hands with three outdoor media owners – Clear Channel, SMRT and Mediacorp – to launch and jointly own the industry's first ever outdoor audience measurement system. Known as the "Nielsen Singapore Outdoor Audience Research" (SOAR) system, it enables advertisers to measure the effectiveness of their campaigns in terms of the number of people who have seen the advertisements and the total number of opportunities they had to view it.

Moove Media also continued to roll out innovative campaigns to help advertisers capture the attention of commuters on the move. One such campaign was the F&N Jewel concept bus to launch the company's new Jewel ice cream. Based on the SOAR findings, the ice cream bus was an attention grabber with eight in 10 people spotting it during the campaign period. This creative campaign was a finalist at both the Singapore Media Awards 2014 and The Spark 2014 Awards.

# Operations Review

## Rail

Demand for our rail services continued to remain strong in 2014 with close to 241.5 million passenger trips made. This is an increase of 17.9% over 2013.

### North East Line (NEL)

Average daily ridership on the NEL grew by 6.7% to 513,266 compared to 2013. In tandem with the increase in passenger demand, more than 450 additional train trips per week were added to our schedules. These additional trips not only provided greater capacity but also enhanced train frequency for commuters throughout the day. In fact, during the off-peak hours, frequency on the NEL is no more than five minutes, down from 6.5 minutes previously.

Train operating hours were also extended during major events and on the eve of public holidays to help with party revellers' late night commute home. For instance during the eve of the Chinese New Year, NEL services were extended by about two hours. During the Standard Chartered Singapore Marathon in December, services on the NEL, Downtown Line (DTL) and the Sengkang and Punggol Light Rail Transit

systems (LRT) commenced about three hours earlier than usual to enable race participants and their supporters to get to their race venues on public transport.

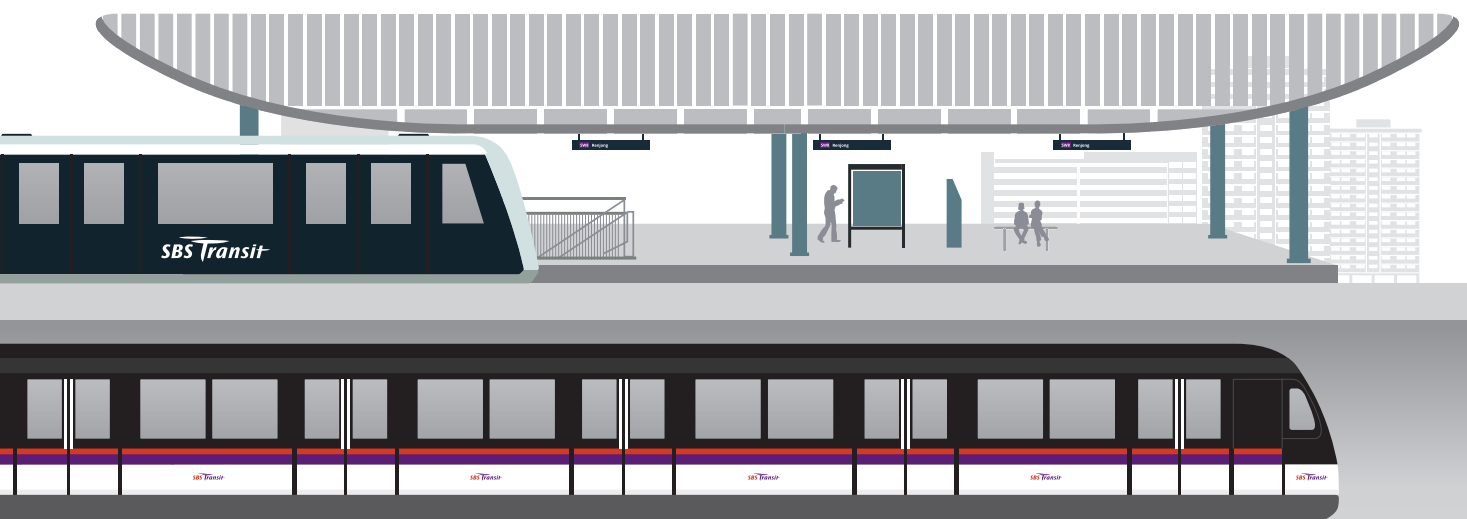
In service delivery, the LTA has further tightened the rail Operating Performance Standards to meet commuters' rising expectations. The revised standards include more stringent schedule adherence, shortened service headways, higher service availability of equipment and systems such as ticketing machines and escalators as well as a drop in the number of service disruptions allowed. We have worked hard to consistently achieve the standards in 2014. In train service availability, NEL achieved a monthly average of 99.96% against the stipulated standard of 98%. Similarly, in schedule adherence for arrivals, we clocked in at 98.84% on a monthly average against the standard of 95%.

During the year, two new trains built by French manufacturer, Alstom, were delivered to us for testing and commissioning. These are the first pair of 18 trains that the LTA had ordered in 2012.

With a more customer-centric interior and a better detrainment door design, these trains will increase NEL's capacity by some 70% when delivery is completed by 2016. The first two trains are expected to be put into service in August 2015 while 10 more trains are scheduled for delivery within the year.

In preparation for the operation of the additional trains, the LTA has undertaken and completed the upgrading of the various systems including signaling, communications and power on the NEL. Nine new tracks have also been constructed at the Sengkang Depot to house the new trains while the overrun track in the tunnel at the HarbourFront station end has been extended to enable trains to turnaround in a shorter time.

Since October 2012, the Joint Team set up by the LTA to look at structural issues which may affect NEL's service reliability, has found that the stainless steel material originally used in the components of the Overhead Catenary System (OCS) was unsuitable for deployment in the NEL tunnel environment. The stainless steel



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

BWA wires and the stainless steel U-bolts in question had snapped while in service in 2012 and 2013, resulting in three service disruptions. Action has since been taken to replace all 182 Balance Weight Anchor (BWA) wires with those made of galvanized steel. Replacement work continues for the 12,000 stainless steel U-bolts in the tunnel and this is scheduled for completion by December 2015.

Concurrently, we continued to carry out pre-emptive, failure-trend and shortened time-based replacement of critical electronic and processor-based control modules on the trains as well as on the signaling and Integrated Supervisory Control systems. This is on top of the scheduled maintenance works that are conducted regularly.

In the last quarter of 2014, we commenced planning for a mid-life refurbishment of the 25 NEL trains. The programme, conducted in close consultation with Alstom, will involve upgrading or replacing ageing as well as obsolete equipment such as the electronic control systems for the doors, the propulsion drive systems as well as safety control relay. The refurbishment programme will improve train reliability and is scheduled to be completed by 2018.

We have also invested \$2 million in a number of specialised real-time systems that will enable us to detect any deviations in the settings of our equipment and components. This will enable us to carry out in-time preventive work to minimise potential service failures. These systems

are currently being designed and are expected to be commissioned into operational use in the second half of 2015.

During the year under review, there were three incidents of service disruption on the NEL – all were due to a power fault. One of the incidents was caused by an aluminium helium balloon that a commuter had brought into a station. It slipped into the tunnel and came into contact with the power supply wires causing a power trip. Arising from this, our station staff now proactively approach and remind commuters who bring such balloons to hold onto them securely. Another incident was the result of a rectification work which caused a power trip during passenger service. For this, we were fined \$50,000 by the LTA. We have since taken measures to avoid a similar situation. The cause of the last incident in August 2014 is still under investigation.

Driven by our commitment to our commuters, we continued to conduct exercises to fine-tune our incident management plans to better manage major incidents on the NEL. “Exercise Harmony 2” which was held in the wee hours of a Saturday in May 2014 involved more than 400 staff across the rail, bus and support departments.

During the year, we also embarked on a review of our contingency plans to provide maximum train connectivity to minimise inconvenience to commuters during a service disruption. Short train loops and

shuttle train services were studied for feasibility in implementation. The shuttle bus plan was also revised to be re-aligned with a degraded train operation plan.

Our constant pursuit of excellence has attracted the interest of many foreign dignitaries and corporations. During the year, for example, we hosted a visit for the Panel on Transport of the Legislative Council of Hong Kong led by its chairman, the Honourable Chan Kam-Lam.

To offer convenience to commuters, our NEL stations have become more than just transit stops. From hair salons to cafes, medical clinics to convenience stores, they offer a varied mix to cater to the diverse needs of commuters on the go. Uniquely, at our NEL Dhoby Ghaut station, 900 square metres of commercial space are taken up by two family entertainment centres – an indoor laser tag arena and a LAN gaming centre. In 2014, 98% of our commercial spaces was leased out at our NEL stations while those at our Downtown Line (DTL) stations enjoyed full occupancy.

Contributing towards a more pleasant travel experience are interactive advertisements installed at our stations by our sister company, Moove Media, which manages our bus and rail advertising business. For instance, the Wildlife Reserves Singapore’s campaign at the HarbourFront Station featured a larger-than-life picture of a river, complete with the swooshing sounds made by teeming wildlife swimming in the river.

Revenue (\$'mil)  
**197.0**

Average Daily Ridership ('000) (North East Line)  
**513**

Average Daily Ridership ('000) (Downtown Line)  
**62**

Average Daily Ridership ('000) (Punggol LRT/ Sengkang LRT)  
**87**

Total Number of Employees  
**1,358**

# Operations Review

## Rail

### Sengkang and Punggol Light Rail Transit Systems (LRT)

Ridership on our two LRT systems in Sengkang and Punggol continued to grow during the year. A record 31.7 million passenger trips were recorded in 2014 – representing an increase of 10.5% over the previous year. Average daily ridership was 86,782. To meet rising passenger demand, 1,270 additional weekly trips were added.

In June, the Punggol West LRT Loop began revenue service on three stations – Nibong, Sumang and Soo Teck – to cater to the travel needs of commuters moving into the new residential developments there. The remaining four stations will be launched as more developments come onstream.

In preparation for the two-car operation that is scheduled for implementation in 2016, we continued to work with the LTA to enhance the signaling and platform stopping control systems at the stations. This is expected to be completed by August 2016. Concurrently, 16 of our existing Light Rail Vehicles (LRV) are being modified for this operation. In 2014, four modified LRVs were handed over to us while the modification work on 12 other LRVs will be completed this year. The new 16 LRVs ordered by the LTA are scheduled for delivery in 2016.

Just as we do for our MRT lines, we also conduct incident management exercises for our LRT. In June 2014, “Exercise Pinnacle” enabled us to test and fine-tune the different aspects of our Incident Management Plan in handling a major LRT service disruption. This included LRT operation and maintenance, Goodwill Ambassadors’ deployment, shuttle buses and communications plans. This exercise fortuitously prepared us for an incident in September when a power failure affected our Sengkang West LRT service. Lasting less than an hour, we were able to pull out

our drawer plans in crisis management to minimise the inconvenience to our passengers.

### Downtown Line (DTL)

DTL 1 commenced operation on 22 December 2013. In its first full year of service in 2014, the six-station Line drew an average daily ridership of 61,503.

To encourage ridership on public transport and spread out commuter traffic during the morning peak hours, the LTA offered commuters free train travel during pre-peak weekday mornings. Conducted as a trial for two years, it involved 18 stations including the six DTL stations.

As part of SBS Transit’s rail network, the DTL’s operating hours are closely coordinated with those of the NEL. This is to enable commuters to transfer smoothly from one line to the other since the Chinatown Station is an interchange station shared by both Lines. DTL also shares an interchange station with the Circle and East West Lines at three stations – Bugis, Bayfront and the Promenade. It also coordinates its operating hours with the operator of those two Lines. For the year under review, the DTL extended its operating hours in line with those of the NEL’s during major events and eve of public holidays.

Being a new Line, the system on the DTL is still undergoing a stabilisation period. In an incident in December 2013, a defective emergency door mechanism cover on board a train brought service to a standstill for more than an hour. Consequently, LTA reviewed the design and a new cover has since been installed on board the DTL trains. Signaling system faults due to software bugs have also frequently occurred but we have been able to neutralise them to avoid any disruption to train service. Unfortunately, in March

2014, a defect in the Uninterruptible Power Supply at the DTL Operations Control Centre (OCC) brought train service to a halt for some 30 minutes. The defect had affected the OCC’s capability to control and monitor train operations in this driverless system. The LTA has since replaced the defective equipment. Meanwhile, we continue to work closely with the LTA to ensure that the signaling and water seepage issues identified in DTL 1 are resolved.

In preparation for the opening of DTL 2 by the first quarter of 2016, we commenced testing and commissioning of the system and equipment with the LTA to ensure a smooth handover. DTL 2 which spans 12 stations from Bukit Panjang to Bugis will link the Bukit Timah corridor to Marina downtown.

We have also committed \$13 million to ensure that we have sufficient holding of critical spare parts. We have also stepped up recruitment efforts with more than 500 staff hired.



# Sustainability Report

At SBS Transit, corporate social responsibility is not just a catchphrase. It is an integral part of our moral fabric – closely intertwined with everything that we do.

Our guiding principle is simple: Pursue benefits for both the business and the society concurrently. This two-pronged approach involves us finding ways to develop our business whilst creating a sustainable environment. In all that we do, we are constantly looking at ways in which we can help the communities we operate in to grow and flourish – in tandem with our business.

Put simply, it is about Shared Value Creation.

## Society

As Singapore's largest public bus operator, our vision is to move people in a safe, reliable and affordable way. We strive towards providing a pleasant travel experience for all our commuters, including the visually disabled and those in wheelchairs.

In our fleet renewal and expansion programme, we have invested substantially in wheelchair friendly buses which are capable of transporting persons-in-wheelchairs safely and comfortably. In fact, we have committed some \$1.3 billion in 3,087 of such buses since 2005.

In 2014 alone, we placed an order of \$311 million for 665 Euro 5 buses, all of which come with wheelchair-friendly features. We also rolled out 20 Wheelchair Accessible Bus (WAB) services during the year, bringing the total number of such services that we operate to 182. This means that 85% of our basic bus services are WABs. For the year under review, our WAB services carried more than 83,000 wheelchair-bound commuter trips – enabling us to reach out to a wider group of commuters.

To raise awareness amongst the physically-disabled, we also conducted tours highlighting the barrier-free facilities at our Downtown Line 1 (DTL) train stations, which opened in December 2013. Working in partnership with the Guide Dog Association of Singapore, we also helped visually handicapped commuters familiarise themselves with the layout of the different bus models in our fleet.

We also reached out to the community by offering free travel on the North East Line (NEL) and DTL to the elderly residents of the Kwong Wai Shiu Hospital and beneficiaries of the Lions Befrienders when they went on their excursions.

At our bus interchanges and rail stations, we offered the free use of space in support of fund-raising and community efforts. Our bus interchanges and train stations are frequently used throughout the year

as collection centres for charity flag days given their convenient locations. We also sponsored advertising space on our buses and trains and at our bus interchanges and train stations to promote national initiatives such as the "Speak Good English" campaign.

In all that we do, we consciously seek to benefit the community we serve. For instance, unclaimed articles that are left behind on our buses, trains and at our bus interchanges and train stations are donated to the Red Cross and Cerebral Palsy Alliance Singapore after three months. These items are sold at their gift shops to raise some funds to support their activities.

We also sponsor community and charity events and programmes. Together with the sum committed to the Public Transport Fund to help lower income families with their public transport costs, our donations for the year under review totalled close to \$7.3 million.

In serving the less fortunate in our community, our staff also participated in outreach programmes organised by ComfortDelGro, our parent company. These programmes, which helped improve the quality of living of the elderly, were conducted in partnership with the Lions Befrienders Service Association, a voluntary welfare organisation.



Committed some  
**\$1.3 billion**  
in new buses

Invested in  
**3,087**  
new wheelchair-accessible  
buses since 2005

Ordered  
**665**  
new buses for  
\$311 million in 2014

# Sustainability Report

## Product Responsibility: Safety and Security

As a responsible public transport operator, safety and security are of paramount importance to us. The safety of our passengers, our staff and other road users is not something we ever compromise. To this end, we invest heavily in training and refresher courses, ensuring our people constantly uphold safety practices.

Every day, our more than 3,000 buses are on the road for 18 hours, sharing the road space with other road users. Equipping our Bus Captains (BC) with safe driving skills, implementing and enforcing safety drills at pedestrian crossings and junctions, conducting regular safety briefings and even safety talks by the Traffic Police and awarding safety incentives are just some of the things we do to ensure that safety on the roads is maintained.

We have also employed technology to improve our safety record. During the year, we put on trial a system known as "Mobileye" on 70 buses to alert our BCs to potential collision risks. "Mobileye" is an advanced driver awareness system which consists of a smart camera mounted on the vehicle's windshield to monitor road conditions to reduce the risk of accidents. The trial is currently on-going.

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 BCs' driving skills. Using motion sensors, cameras and a mapping software, it is now integrated with "Mobileye" and enables BCs to identify and correct any poor driving habits. In 2014, more than 950 BCs attended the programme.

In workplace safety, a total of 384 bus and rail engineering staff were trained and qualified to perform their various jobs in accordance with the "Work at Heights" regulations, which came into effect in May 2014. We sent another 194 staff who are involved in risk assessment to attend courses on risk identification and management as part of our efforts to instill a strong safety culture in our workplace.

In 2014, we also set up a Company Emergency Response Team (CERT) which is a statutory requirement for premises with a Fire Safety Manager. Fifty-one staff were sent to attend relevant fire safety courses to equip them to carry out their roles as members of the CERT.

For the year under review, our rail engineering division passed the surveillance audit for the OHSAS 18001 certification which we had earlier obtained in 2013. This standard certifies our workplace as having met the international occupational health and safety standards for our rail employees.

Security is also a key focus. We worked on enhancing our security measures at our premises and stepped up the frequency of security patrols around our premises. We also hired more security officers during the year as we took over the operation of two new premises – the Bedok Interchange and the Loyang Bus Depot. At the NEL and the LRT depots, besides perimeter patrolling, night security patrols are now conducted at the train stabling area while a guard-post has been relocated to provide better security presence and surveillance of the area.

In accordance with the Land Transport Authority's (LTA) Code of Practice for security, an independent external audit was conducted on our bus and rail premises. We received a favourable

assessment from AETOS security consultants which affirmed that our measures are in compliance with the requirements stipulated by the Public Transport Security Committee.

Security briefings for staff continued to be organised to raise awareness of security threats in the environment while covert security exercises were conducted throughout the year to test the vigilance of our frontline staff.

As a member of the Singapore Safety and Security Watch Group, we collaborated with the Singapore Police Force and the Singapore Civil Defence Force in "Exercise Heartbeat" which is an annual counter-terrorism ground exercise. Aimed at testing the emergency preparedness of the Home Team in responding to terrorist attacks, the exercise was held in October and included two of our stations - Dhoby Ghaut and Downtown. The simulated terrorist attacks involved gunmen swarming the stations and tested the preparedness of our staff and the relevant authorities.

Besides protecting our physical assets and premises, we also stepped up efforts to protect our information assets. Apart from beefing up the network security such as deploying a network intrusion protection system, we also subscribed to a service to prevent any Distributed Denial of Service (DDoS) attacks. We implemented a Data Loss Prevention Policy for computer USB ports. A software vaccine was installed in all laptops and personal computers used in the offices to prevent the automatic trigger of viruses when infected storage mediums such as thumb drives are used. The Company's website is also being monitored for website defacement. Staff has also been briefed on adopting safe IT security practices such as having strong passwords and not disclosing them to unauthorised parties.

**85%**  
of basic bus services are  
wheelchair friendly

Committed close to  
**\$7.3 million**  
to charity

Reached out to some  
**32,000**  
students in school  
engagement

With the Personal Data Protection Act (PDPA) coming into force in 2014, we introduced measures and new processes to protect our customers' data in the way we collect, use or disclose them.

In incident management, we continued with our rail emergency preparedness training programme for our staff, including those from our bus operations. This programme, which started in 2012, is aimed at equipping our people with the necessary knowledge in managing a rail disruption or delay. For the year, close to 600 staff were trained in this aspect. Two new modules – "Goodwill Ambassador Group Incident Management Plan (Annual Refresher)" and "Crowd Control" – were introduced with another 469 staff being trained.

To validate our incident management plans, which put our commuters' safety and well-being as our core focus, we conducted three service disruption exercises involving both our bus and train operations. One of the exercises tested our DTL ground deployment when roads are closed during major events such as the F1 Grand Prix. Goodwill Ambassadors and shuttle buses were activated to simulate actual ground deployment for the series of exercises.

We also conducted four train safety exercises during the year so that commuters are prepared for an emergency situation requiring a train evacuation. We limited the size of each exercise group to no more than 200 for optimum participation level. About 800 residents living along the NEL corridor joined us. Since the programme started in 2008, about 5,400 residents have attended and learnt about the security measures and practices that are in place at our stations and on board trains. They also participated in train evacuation drills at our NEL depot.

We continued with our school engagement programme to reiterate the messages of safety and graciousness on public transport. For the year, we conducted more than 70 talks and visits to our bus and train operations for some 32,000 students.

Given the ageing population, we launched the "Hold On!" campaign in September 2014 as a reminder to our commuters, particularly the elderly, to hold onto stanchion poles and hand grips while on board buses. We did this in a fun and visually appealing manner by organising an art competition with this safety theme that drew close to 600 entries from about 70 primary schools. Commuters were invited to vote for their favourite entry where 17 entries were shortlisted and displayed at our bus interchanges. Posters of the winning entry were subsequently displayed on board all our buses. More than 10,000 shopping bags were also produced with this safety message for give-away as visual reminders to our commuters.

To create greater awareness in crime prevention amongst commuters, we worked with the Police to put up posters and signs on buses and trains to deter crimes such as outrage of modesty on public transport. At the NEL and DTL stations, we played videos to educate and empower commuters on what they should do if they were to be caught in such a situation. We also gave free use of space at our bus interchanges and trains stations to the Police to conduct road shows to create greater awareness of crime prevention habits to adopt on public transport.

Recognising the important role that commuters play in our security vigilance, we also offered free commercial spaces to the National Security Coordination Secretariat to produce life-sized posters on anti-terrorism and displayed them at three NEL stations. Meanwhile, security

videos continued to be played at our train stations at regular intervals throughout the day to remind commuters to be vigilant of security threats.

## Graciousness

We partnered the LTA in their campaign to spread and encourage the positive display of gracious acts such as allowing others to alight first before boarding. Our staff also distributed collectibles with graciousness messages printed on them to encourage commuters to display kind acts.

Our BCs were also on the receiving end of kindness in appreciation of their service. McDonald's Singapore served free breakfast to about 500 BCs one morning at three of our bus interchanges while a group of students from Hwa Chong Institution undertook an "Appreciate Bus Captains" project by involving secondary school students to distribute snacks to BCs at the Serangoon Bus Interchange.

## Social: Human Rights and Labour Practices

For the year under review, the recruitment of BCs continued to pose a challenge. With BSEP accelerated to complete two years ahead of schedule, the need to hire more BCs intensified.

Besides stepping up the frequency of our recruitment drives at our interchanges and going across the Causeway to attract prospective applicants to join us, we also participated in job fairs. Our on-going referral scheme successfully attracted almost half of our newly hired BCs.

During the year, we also carried out a salary adjustment exercise for our Bus Captains and non-executives. We also enhanced the ex-gratia amount that is paid to our BCs at the end of their contract period to make it more attractive for re-

Produced  
**10,000**  
shopping bags with "Hold On!"  
safety message for commuters

Recruited  
**330**  
new Bus Captains

Provided  
**34,506**  
training places for staff  
training and development

# Sustainability Report

employed BCs to extend their service with us. Concurrently, we also re-launched the Part-Time BC scheme to provide an avenue for retiring BCs to continue working with us as well as to attract prospective applicants who are able to work only at selected timings. For the year, our recruitment and retention efforts yielded a total of 330 new BCs, bringing the total BC strength to more than 6,000, representing an increase of 5.5% over the previous year. In terms of profile, 48% of our BCs are Singaporeans and Permanent Residents, 42% are Malaysians and the remaining 10% are from the People's Republic of China. Over the years, the number of female BCs has also marginally increased to 6.3%, up by 0.2% compared to the previous year. Among our four Chief Bus Captains, one of them is a female, which reflects our Company as an equal opportunity employer.

Besides BCs, we also focussed on the recruitment of executives and engineering positions given the growth and expansion in the public transport industry. Two of our engineering staff were featured prominently in the supplement sections of The Straits Times. In doing this, we hope to retain the mindshare and visibility among those looking to enter the job market or switch jobs. This is especially crucial in our tight labour market.

A new Collective Agreement (CA) was signed during the year with the National Transport Workers' Union which represents more than 90% of our BCs. The CA includes revisions to various allowances and incentive payments.

As a member of the ComfortDelGro Corporation, our human resource policies, systems and practices are modelled after our parent Company's. As such, we are guided by strict human rights and labour practices. In all that we do, we abide by the

basic tenet of respecting, protecting and fulfilling human rights and fundamental freedoms.

We implement our guiding principles in a non-discriminatory manner, paying particular attention to the rights and needs of, as well as the challenges faced by, individuals within our Company that may be at heightened risk of becoming vulnerable or marginalised. We believe that regardless of race, language, religion, sex or age, all our staff should be treated equitably and given fair opportunities to grow and develop in accordance to their levels of competence.

Indeed, we are keenly aware that our continued performance and future success depends on a strong and sustainable talent pipeline. We therefore remain committed to identifying and developing employees to become high-performing leaders with a strong value system. As part of our rigorous process to ensure a steady pipeline of quality management staff, our high performing staff are also subject to a Promotion Board to assess their general management, people and leadership attributes.

## Training and Development

In 2014, we provided a total of 34,506 training places for our staff with each staff going through an average of 69.09 training hours.

Our BCs continued to attend a one-day Continual Operations Training programme to refresh their knowledge and skills in handling on board customer issues and incidents such as disputes, breakdown and fire safety. During the year, more than 1,300 BCs attended this course. Meanwhile, 327 operations and frontline staff from the bus interchanges attended a Bus Operations Competency Training to refresh their knowledge of procedures and systems used in bus operations.

In customer service training, we continued with our CARES programme to equip our staff with the necessary skills to provide caring, reliable, safe and secure services to our passengers. 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 as the elderly, pregnant women and the disabled. CARES 2 training continued during the year with actual scenario-based case studies added to help our staff in their training. New staff also underwent the CARES 1 training to develop the foundation for delivering CARES service. In 2014, more than 2,000 staff attended CARES training.

To raise the 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. In 2014, three new modules under the WSQ programme for Rapid Transit System (RTS) Engineering were rolled out, bringing the total number of WSQ rail modules to 11 while bus operations introduced seven new modules to offer 14 in all.

WDA also certified 216 of our in-house trainers and assessors as having met the standards to conduct WSQ courses in rail and bus operations. Besides these, we have also been accredited by WDA as an Approved Training Organisation to conduct CARES 2 and English Literacy programmes.

For the year, 1,168 new BCs were certified in the WSQ programme for Bus Operations (Service Route Operations).

In executive development, we benefitted from the ComfortDelGro Group's talent management programme. Our next tier of talents participated in and completed the Axle Programme, a cross-business unit and

Average of  
**69.09**  
training hours  
per staff

**216**  
staff certified as trainers  
and assessors by WDA

**1,168**  
new Bus Captains received  
WSQ certification

off-line mentoring initiative that was started in mid-2012. As part of their learning and development, our talents have the opportunity to review and discuss various leadership articles and competencies on the Group's e-learning platforms of C-Suite Connection and Leadership Link.

We believe a holistic approach in managing and engaging our talents will allow us to have a more sustainable pipeline of future leaders who are committed, dedicated and able to achieve greater performances. Their enhanced development will give them the necessary organisational perspectives and leadership abilities to deal with the increasingly complex and competitive business environment whilst leading their people to reach greater heights.

As a responsible corporate citizen, we also strongly believe in ensuring compliance in all our operations and businesses. We do not condone any corrupt practices or anti-competitive behaviour. We have in place a procurement policy which, among other things, conducts supplier assessment for their corporate social responsibility efforts.

In line with this policy, 131 staff attended a Procurement Fraud Prevention and Detection Programme to equip them to be knowledgeable in procurement processes that are vulnerable to fraudulent activities.

### Commitment to Excellence

For the year under review, a record 1,419 staff received the national Excellent Service Award, up from 1,205 in 2013, while another 139 received the Transport Gold Award. Another 19 of our BCs were recognised by the Traffic Police for their acts of courtesy on the road and awarded the "Safe and Conscientious Motorist Award". In delivering CARES service, we also recognised 1,228 staff at our Annual CARES Award Ceremony.

Chief Captain Elizabeth Lim Poh Suan and Senior Bus Captain William Goh did us proud when they clinched the Service Excellence Individual awards at the biennial Land Transport Excellence Awards 2014. So did Senior Bus Captain Ong Sze Err, who was crowned Asia Pacific's "Customer Service Professional of the Year (Transportation - Service Centre)".

We also won recognition for good corporate governance. For the third consecutive year at the Securities Investors Association (Singapore) Investors' Choice Awards, we were the Runner-Up in the "Singapore Corporate Governance Award" in the Mid-Cap category. In the Business Times' Governance and Transparency Index 2014, we were ranked in the 45th position in a field of more than 640 companies. This was 12 spots higher than the previous year.

Our Business Continuity Management System was successfully re-certified in 2014 under the Societal Security ISO 22301:2012 standards with zero non-conformity observed. So were our business processes which continued also to be re-certified under the ISO 9001:2008 standards.

### 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 2014, we took delivery of another 465 Euro 5 double deck and single deck buses, bringing our total public bus fleet to 3,448, of which 79% is Euro 4 or higher.

Our commitment to the environment also involves reducing water and electricity consumption, recycling paper and scrapped metals. In fact, reducing the usage of precious resources such as water and electricity are key performance indicators for our bus and rail operations to strive towards annually.

In rail maintenance, we embarked on a project to use mobile devices such as tablets to replace paper-based data recording for productivity, efficiency as well as to be more environmentally friendly. At our train stations, our managers report defects in station facilities using an in-house developed mobile app to relay the information and a photograph of the defects to our contractors for rectification works. These green initiatives are two of the 27 projects and suggestions we completed during the year. In all, they helped us achieve over \$2 million in cost savings.

### Conclusion

At SBS Transit, we are fully cognizant of the fact that in providing the services that meet the transportation needs of the commuting public, there will be 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.

Record  
**1,419**  
staff received the  
Excellent Service Award

Ranked  
**45th**  
out of 644 companies in  
Business Times' Governance  
and Transparency Index

**79%**  
of our fleet is at least  
a Euro 4

# Corporate Governance

As a land transport provider with a vision of moving people in a safe, reliable and affordable way, we at SBS Transit Ltd 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 investment decisions based on long term value creation, rather than short-term considerations;
- Spend wisely and maintain our lean culture as we understand the importance of being cost-conscious;
- Hire and retain versatile and talented 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, the Group has taken steps to 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.

Our commitment to upholding the highest standards of corporate governance is evidenced in our approach in ensuring our adherence to the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (Code). We spare no effort in ensuring that these are 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 serves to prevent the occurrence of unethical or illegal conduct or behaviour, 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 2014, we are pleased to report that the Group 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 Group seeks individuals who have high integrity, expertise, business acumen, shareholder orientation, and a genuine interest in the Group.

### The Board's Conduct of its Affairs

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

- Guiding the strategic directions and goals of the Group;
- Ensuring that appropriate and adequate systems of internal control, risk management processes and financial authority limits are in place;
- Assessing and approving key business strategies, funding and investment initiatives and other corporate actions, including approval of the Group's Annual Budget and Capital Expenditure, and the release of the Group's quarterly and full-year Financial Results; and

- Monitoring Management performance.

The Board has delegated the day-to-day management of the Group to the Management headed by the Chief Executive Officer (CEO), Mr Gan Juay Kiat, while reserving certain strategic issues and policies for its approval.

SBS Transit has adopted internal guidelines setting forth matters that require the Board's approval. Under these guidelines, acquisitions of businesses, disposals or changes in equity interests in existing subsidiaries/associates, capital expenditure, investment in financial instruments and tender for businesses above the prescribed limits 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.

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision making, four committees are formed, namely, the Audit and Risk Committee (ARC), the Nominating Committee (NC), the Remuneration Committee (RC) and the Service Quality Committee (SQC). Each 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 Committee is to operate and how decisions are to be taken. Ad hoc committees are also formed to look at specific issues from time to time.

At least four scheduled Board Meetings are held every year for the purpose of approving the release of the Group's Financial Results every quarter and the Group's Annual Budget. The quarterly and full-year Board Meetings are held within 45 days after the end of each quarter and the financial year respectively. The

Group's Annual Budget is approved at the Board Meeting convened for the third quarter's results. Ad hoc Board and Committee Meetings are also held from time to time as and when the need arises. Directors, who are unable to attend the Meetings in person, can still participate in the discussions through teleconferencing.

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 Committee Meetings in 2014

Name	Board		Audit & Risk Committee		Nominating Committee		Remuneration Committee		Service Quality Committee	
	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	5	5	-	-	1	1*	2	2	-	-
Kua Hong Pak	5	5	-	-	1	1*	2	2*	-	-
Gan Juay Kiat	5	5	4	4*	-	-	2	2*	2	2*
Cheong Yip Seng	5	4	-	-	1	1	-	-	2	2
Chin Harn Tong	5	5	4	4	-	-	2	2	-	-
John De Payva	5	5	-	-	1	1	2	2	-	-
Lim Seh Chun	5	4	4	4	-	-	-	-	2	2
Tan Kong Eng**	1	1	1	1	-	-	-	-	-	-
Wee Siew Kim	5	5	4	4	-	-	-	-	2	2
Wong Chin Huat, David	5	5	-	-	1	1	-	-	2	2

\* Attended meetings by invitation of the Committee.

\*\* Mr Tan Kong Eng retired as a Director and ceased as a Member of the Audit and Risk Committee at the conclusion of the last Annual General Meeting held on 24 April 2014.

# Corporate Governance

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.

Directors are also furnished regularly with investor relations reports which summarise the analysts' views and provide updates on investor relations activities, updates on corporate governance practices, and articles relating to changes in laws relevant to the Group's businesses.

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.

## Board Composition and Balance

There is a strong element of independence in the Board. The Board presently 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 of Directors to comprise independent Directors where the Chairman is not an independent Director.

The Directors are individuals with a broad diversity of expertise and experience, both domestically and internationally. For details on the Board, please refer to the profiles of the Directors at the start of this Annual Report.

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

As at 31 December 2014, 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. However, the Board and the NC will exercise due and careful review, taking into

consideration 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 rigorous review, the Board is of the view that all independent Directors remain independent in their exercise of judgement and objectivity in Board matters.

The Board and its committees provide a diversity of skills and experiences including financial, legal, regulatory and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

## Chairman and CEO

The roles of the Chairman and the CEO have been 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 leads the Board and facilitates effective and comprehensive Board discussions and decision making on strategic issues. The Chairman oversees the translation of the Board's decisions into executive actions. With the assistance of the Company Secretary, the Chairman ensures the accuracy and timeliness of information flow between the Board and Management, effective shareholder communication and high standards of corporate 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.

### Board Membership and Board Performance

The renewal of Board membership is an ongoing process to ensure good governance and to maintain relevance in a changing business environment. 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 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 Company Secretary is the Secretary to the NC. Appointments and re-appointments of Directors to the Board of the Company are subject to the approvals of the Land Transport Authority and the Public Transport Council.

The Articles of Association of the Company provide that one-third of the Board of Directors, including the CEO, 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 Gan Juay Kiat and Professor Lim Seh Chun are due for re-election pursuant to Article 97, and Mr Chin Harn Tong, Mr Lim Jit Poh,

Mr Cheong Yip Seng and Mr Kua Hong Pak are due for re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50.

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 business of the Group. 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 then conduct a comprehensive orientation programme for the Director, 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 charter.

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. 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 board representations in more than the maximum stated per the guidelines, the 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 Meetings per se may not be an adequate evaluation of the contribution of 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 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 ComfortDelGro 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 to the businesses of the Group. The Chairman will also ensure that the CEO will not accept appointments to the boards of competitors.

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

# Corporate Governance

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 Meetings and activities, contributions in specialist areas and maintenance of independence.

In the last quarter of the year, each Director fills in a Board Performance Evaluation Form, which includes questions on the Board's composition, the Board's contributions, contributions from Committees and conduct of proceedings and whether these enable Directors to discharge their duties effectively. The answers are collated and the findings then presented by the Chairman to the Board during its Meeting.

Consistent with the Code, the Board does not have any alternate Director.

## Access to Information

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

The Board has full access to the Senior Management team. The Company Secretary assists in scheduling Board and Committee Meetings and prepares the agenda in consultation with the Chairman and CEO. The Company Secretary attends the Board and Committee Meetings of the Group and prepares Minutes of Board and Committee proceedings. She keeps the Directors informed of any significant

developments or events relating to the Group and ensures compliance with all relevant rules and regulations. She assists in professional development and training by regularly disseminating details of suitable training courses and arranging for the Directors to attend such courses when requested.

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 Group will arrange for the appointment of the relevant professional advisers at its own cost.

## 2. Remuneration Matters

### Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure of Remuneration

SBS Transit recognises the importance of having a committed, versatile and talented workforce to manage and grow the businesses in an increasingly competitive and challenging environment. The Group therefore places great emphasis on motivating staff through engagement, recognition and a proper alignment of reward to performance.

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 from time to time, 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 judgment. The Company Secretary is the Secretary to the RC.

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; and
- (ii) Review and approve the remuneration of senior management staff to ensure that the overall remuneration package is attractive to retain and motivate key executives.

The remuneration packages of the CEO and 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.

The structure for the payment of Directors' fees for non-executive Directors 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.

The non-executive Directors of the Company are appointed pursuant to, and hold office in accordance with, the Articles of Association. They had been granted options under the SBS Transit Share Option Scheme before the said scheme expired on 8 June 2010. Information on the SBS Transit Share Option Scheme can be found on pages 44 to 45 of this Annual Report.

The remuneration of the Directors and the key executives of the Group (who are not Directors) for the Financial Year 2014 can be found on pages 76 and 77 of this Annual Report.

During the Financial Year 2014, no key executive was an immediate family member of any Director of the Company.

#### Procedures Adopted by RC

In 2014, the RC held two meetings. All decisions by the RC are made by a majority of votes of the RC members who are present and voting. 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.

### 3. Accountability and Audit 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 Group's Operating Performance and 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 guidelines 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 (VICOM). Directors and executives of the Company 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 by e-mails of the trading blackout periods before the start of the financial year.

All Directors and executives of the Company 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.

#### 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 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 effectiveness of the Group's internal audit function;
- (iii) 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;
- (iv) 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;
- (v) Review Interested Person transactions;
- (vi) Recommend the appointment, re-appointment or removal of the External Auditors at the AGM and review the fees due to them;
- (vii) Review the audit plans of the Internal and External Auditors; and
- (viii) Review the effectiveness of the Group's Whistleblowing Policy, which has been put in place for staff to

# Corporate Governance

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 39 of this Annual Report.

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 Company Secretary is the Secretary of the ARC.

The ARC also meets with the Internal and External Auditors in the absence of Management. During these meetings, the Auditors may raise issues encountered in the course of their work directly to the ARC. 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 Rule 712 and 715 of the SGX-ST Listing Manual has been complied with, the ARC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as the Group'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 Group is changed every five years.

## 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 Group Internal Audit Officer (GIAO). She 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 the 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 activities and organisational structure of the ComfortDelGro Group Internal Audit Department 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 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 Group Internal Audit Division successfully completed its external Quality Assurance Review in 2014 and continues to meet or exceed the IIA Standards in all key aspects.

## Internal Controls and Risk Management

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 37 to 39 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 2014, the Board has received assurance from the CEO and the Senior Vice President (Finance) that 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.

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 and compliance and information technology risks and to provide reasonable assurance against material financial misstatements or loss.

#### 4. Communications with Shareholders

##### Regular, Effective and Fair Communications with Shareholders

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

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

The Company does not practise selective disclosure in the communication of material information. Communication

with the SGX is handled by the Company Secretary, while communication with Shareholders, analysts and fund managers is handled by the ComfortDelGro GIRSPO. Specific guidelines have been laid down for compliance in respect of all public communication. 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.

##### Greater Shareholders' Participation at AGM

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 reports or 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.

The Chairman of the various Board Committees, as well as the External Auditors are present to address any question or feedback raised by the Shareholders at the AGM, including those pertaining to the proposed resolutions before the resolutions are voted on.

The Board had, since 2008, voluntarily lowered its general authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 by reducing the limit for non-pro rata shares issues from 20% to 10% of the issued shares in the capital of the Company. As this general authority to issue shares was a routine resolution which had been sought by the Company since its incorporation and no issue of shares had as yet been exercised, the Board had, in 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 were 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 the Shareholders' Meetings through proxy forms sent in advance. Shareholders, who hold shares through nominees such as the Central Provident Fund and custodian banks, are allowed to attend the AGM as observers subject to availability of seats. Each issue or matter requiring Shareholders' approval is tabled as a separate and distinct resolution.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Beyond complying with the requirements of the Code, the SGX-ST Listing Manual and the Companies Act, 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 documentation demonstrates the Group's commitment towards

# Corporate Governance

Green and sustainable efforts. Upon request, hardcopies are also provided to Shareholders.

## Voting by Poll

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 the Company'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 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	\$5,735,000

The aggregate value of the above transactions does not include the aggregate value of \$2.9 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.

# 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 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. 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 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 ranges 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 risks to achieve it. The identification and management of risks 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 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 55 to 86.

# Risk Management

## 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 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

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. For example, systems and processes are put in place to ensure that fuel leakage is minimised and the use of dangerous and harmful chemicals is carefully audited. Other 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 website. Information security policies and procedures, including security education for all staff, are enhanced to ensure continual security awareness among staff.

### Compliance Risks

The businesses within the Group operate in 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. The Group has also implemented data protection policies and practices to ensure compliance with the obligations under the Personal Data Protection Act and Do Not Call provisions which came into force in 2014.

### Strategic Risks

We evaluate each new business 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 business proposal commensurate with the risk exposure taken, the new 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 business 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

## 2014

Announcement of 2013 Full Year Results	12 February 2014
Annual General Meeting	24 April 2014
Announcement of 1st Quarter 2014 Results	9 May 2014
Payment of 2013 final dividend (0.90 cents/share)	12 May 2014
Announcement of 2nd Quarter 2014 Results	12 August 2014
Payment of 2014 interim dividend (1.25 cents/share)	27 August 2014
Announcement of 3rd Quarter 2014 Results	12 November 2014

## 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) (Subject to Shareholders' approval at the forthcoming Annual General Meeting)	8 May 2015
Announcement of 2nd Quarter 2015 Results	12 August 2015*
Announcement of 3rd Quarter 2015 Results	12 November 2015*

\* Provisional – Updates will be posted on [www.sbstransit.com.sg](http://www.sbstransit.com.sg)

# Financial Statements

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# Report of the Directors

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 2014.

## 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	At	At	At	At	At
	1 January 2014	31 December 2014	21 January 2015	1 January 2014	31 December 2014	21 January 2015

### Interest in the Company

#### (a) Ordinary shares

Lim Jit Poh	200,000	-	-	-	-	-
Kua Hong Pak	-	90,000	90,000	-	-	-
Cheong Yip Seng	185,000	185,000	185,000	-	-	-
Chin Harn Tong	210,000	275,000	275,000	-	-	-
Wee Siew Kim	-	65,000	65,000	-	-	-
Wong Chin Huat, David	215,000	215,000	215,000	-	-	-

# Report of the Directors

## 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	At	At	At	At	At
	1 January 2014	31 December 2014	21 January 2015	1 January 2014	31 December 2014	21 January 2015

### Interest in the Company (Cont'd)

(b) Options to subscribe for ordinary shares

Lim Jit Poh	100,000	-	-	-	-	-
Kua Hong Pak	90,000	-	-	-	-	-
Gan Juay Kiat	240,000	240,000	240,000	-	-	-
Cheong Yip Seng	50,000	-	-	-	-	-
Chin Harn Tong	65,000	-	-	-	-	-
John De Payva	65,000	-	-	-	-	-
Wee Siew Kim	65,000	-	-	-	-	-

### Interest in ultimate holding company, ComfortDelGro Corporation Limited

(a) Ordinary shares

Lim Jit Poh	284,425	24,425	264,425	-	-	-
Kua Hong Pak	324,530	324,530	324,530	-	-	-
Gan Juay Kiat	-	-	-	-	150,000	150,000
Wong Chin Huat, David	220,000	340,000	340,000	-	-	-

(b) Options to subscribe for ordinary shares

Lim Jit Poh	960,000	720,000	480,000	-	-	-
Kua Hong Pak	7,200,000	7,200,000	7,200,000	-	-	-
Gan Juay Kiat	1,470,000	1,270,000	1,270,000	-	-	-
Wong Chin Huat, David	480,000	360,000	360,000	-	-	-

### 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	-	-	-

## 4 Directors' Receipt and Entitlement to Contractual Benefits

Since the beginning of the financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacities as Directors and/or executives of those related corporations.

# Report of the Directors

## 5 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 2014 are as follows:

Date of grant	Number of options to subscribe for ordinary shares			Outstanding at 31 December 2014	Subscription price per share	Expiry date
	Outstanding at 1 January 2014	Exercised	Cancelled/ Lapsed			
19 July 2004	90,000	(45,000)	(45,000)	-	\$1.60	19 July 2014
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	1,345,000	-	(90,000)	1,255,000	\$3.40	22 June 2017
25 June 2008	1,622,500	-	(90,000)	1,532,500	\$2.18	25 June 2018
25 June 2009	1,067,500	-	-	1,067,500	\$1.58	25 June 2019
25 June 2009	485,000	(370,000)	(115,000)	-	\$1.58	25 June 2014
	6,173,750	(415,000)	(340,000)	5,418,750		

# Report of the Directors

## 5 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 2014	Aggregate options exercised since the commencement to 31 December 2014	Aggregate options lapsed since the commencement to 31 December 2014	Aggregate options outstanding as at 31 December 2014
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 5(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.

## 6 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.

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.

# Report of the Directors

## 7 **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  
10 February 2015



# Statement of Directors

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 49 to 86 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, 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.

On behalf of the directors

**Lim Jit Poh**  
Chairman

**Gan Juay Kiat**  
Chief Executive Officer

Singapore  
10 February 2015

# 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 2014, 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 49 to 86.

### 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 profit and loss accounts and balance sheets 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 state of affairs of the Group and of the Company as at 31 December 2014 and of the results, 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 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  
10 February 2015

# Statements of Financial Position

31 December 2014

	Note	The Group		The Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances		4,987	4,494	4,542	4,265
Available-for-sale investments	5	-	5,045	-	5,045
Trade receivables	6	9,120	9,388	8,803	9,274
Other receivables and prepayments	7	34,261	24,682	83,269	41,739
Inventories	8	43,727	42,833	41,661	42,524
<b>Total current assets</b>		<b>92,095</b>	<b>86,442</b>	<b>138,275</b>	<b>102,847</b>
<b>Non-current assets</b>					
Subsidiary	9	-	-	5,000	5,000
Available-for-sale investments	5	5,487	5,549	5,487	5,549
Prepayments	10	40,483	27,363	40,483	27,281
Vehicles, premises and equipment	11	1,033,337	902,871	1,024,242	894,085
Deferred tax assets	12	8,551	4,407	-	-
<b>Total non-current assets</b>		<b>1,087,858</b>	<b>940,190</b>	<b>1,075,212</b>	<b>931,915</b>
<b>Total assets</b>		<b>1,179,953</b>	<b>1,026,632</b>	<b>1,213,487</b>	<b>1,034,762</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Borrowings	13	200,950	31,485	200,950	31,485
Trade and other payables	14	225,052	155,600	217,110	142,661
Trade payables for buses		8,299	15,746	8,299	15,746
Deposits received	15	3,169	2,196	3,160	2,176
Insurance premiums payable and provision for accident claims	16	28,916	30,126	28,916	30,126
Fuel price equalisation account		19,992	19,992	19,992	19,992
Income tax payable		62	69	62	69
<b>Total current liabilities</b>		<b>486,440</b>	<b>255,214</b>	<b>478,489</b>	<b>242,255</b>
<b>Non-current liabilities</b>					
Borrowings	13	281,576	322,608	281,576	322,608
Deferred grants	17	7,754	7,077	7,754	7,077
Deposits received	15	5,507	5,227	4,502	4,525
Deferred tax liabilities	12	58,207	60,919	58,207	60,919
Provision for service benefits and long service awards	18	10,398	11,304	10,351	11,262
Fuel price equalisation account		19,992	19,992	19,992	19,992
<b>Total non-current liabilities</b>		<b>383,434</b>	<b>427,127</b>	<b>382,382</b>	<b>426,383</b>
<b>Total liabilities</b>		<b>869,874</b>	<b>682,341</b>	<b>860,871</b>	<b>668,638</b>
<b>Capital and reserves</b>					
Share capital	19	94,579	93,875	94,579	93,875
Other reserves	20	(37,427)	5,225	(37,427)	5,225
Accumulated profits		252,927	245,191	295,464	267,024
<b>Total equity</b>		<b>310,079</b>	<b>344,291</b>	<b>352,616</b>	<b>366,124</b>
<b>Total liabilities and equity</b>		<b>1,179,953</b>	<b>1,026,632</b>	<b>1,213,487</b>	<b>1,034,762</b>

# Group Income Statement

Year Ended 31 December 2014

	Note	The Group	
		2014 \$'000	2013 \$'000
<b>Revenue</b>	21	951,035	847,322
Staff costs	22	(448,114)	(386,766)
Repairs and maintenance		(110,271)	(106,828)
Fuel and electricity costs		(184,030)	(174,213)
Premises costs		(39,272)	(33,896)
Depreciation expense	11	(70,978)	(61,916)
Other operating expenses		(77,691)	(68,177)
Total operating expenses		(930,356)	(831,796)
<b>Operating profit</b>	23	20,679	15,526
Net income from investments	24	293	456
Finance costs	25	(4,785)	(4,304)
<b>Profit before taxation</b>		16,187	11,678
Taxation	26	(1,904)	(502)
<b>Profit attributable to shareholders</b>		14,283	11,176
Earnings per share (in cents):			
Basic	27	4.62	3.62
Diluted	27	4.62	3.62

# Group Comprehensive Income Statement

Year Ended 31 December 2014

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit attributable to shareholders</b>	14,283	11,176
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value adjustment on cash flow hedges	(42,483)	(755)
Fair value adjustment on available-for-sale investments	(107)	(427)
<b>Total comprehensive (expense) income for the year attributable to shareholders of the Company</b>	<b>(28,307)</b>	<b>9,994</b>

# Statements of Changes in Equity

Year Ended 31 December 2014

	The Group			
	Attributable to shareholders of the Company			
	Share capital (Note 19) \$'000	Other reserves (Note 20) \$'000	Accumulated profits \$'000	Total equity \$'000
<b>Balance at 1 January 2013</b>	93,875	6,522	241,660	342,057
Total comprehensive income (expense) for the year				
Profit for the year	-	-	11,176	11,176
Other comprehensive expense for the year	-	(1,182)	-	(1,182)
<b>Total</b>	-	(1,182)	11,176	9,994
Transactions recognised directly in equity				
Payment of dividends (Note 31)	-	-	(7,870)	(7,870)
Other reserves	-	(115)	225	110
<b>Total</b>	-	(115)	(7,645)	(7,760)
<b>Balance at 31 December 2013</b>	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)
<b>Total</b>	-	(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
<b>Total</b>	704	(62)	(6,547)	(5,905)
<b>Balance at 31 December 2014</b>	94,579	(37,427)	252,927	310,079

# Statements of Changes in Equity

Year Ended 31 December 2014

	The Company			
	Share capital (Note 19) \$'000	Other reserves (Note 20) \$'000	Accumulated profits \$'000	Total equity \$'000
<b>Balance at 1 January 2013</b>	93,875	6,522	247,805	348,202
Total comprehensive income (expense) for the year				
Profit for the year	-	-	26,864	26,864
Other comprehensive expense for the year	-	(1,182)	-	(1,182)
Total	-	(1,182)	26,864	25,682
Transactions recognised directly in equity				
Payment of dividends (Note 31)	-	-	(7,870)	(7,870)
Other reserves	-	(115)	225	110
Total	-	(115)	(7,645)	(7,760)
<b>Balance at 31 December 2013</b>	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)
<b>Balance at 31 December 2014</b>	94,579	(37,427)	295,464	352,616

# Group Cash Flow Statement

Year Ended 31 December 2014

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>		
Profit before taxation	16,187	11,678
Adjustments for:		
Depreciation expense	70,978	61,916
Finance costs	4,785	4,304
Net gain on disposal of vehicles and equipment	(1,581)	(739)
Interest income	(293)	(456)
Grant income	(60,382)	(31,906)
Operating cash flows before movements in working capital	29,694	44,797
Trade receivables	268	(1,571)
Other receivables and prepayments	(5,104)	8,081
Inventories	(894)	(9,431)
Trade and other payables	17,026	24,199
Trade payables for buses	(7,447)	(11,133)
Deferred grants	677	1,582
Deposits received	1,253	1,542
Provision for service benefits and long service awards	(906)	(1,496)
Insurance premiums payable and provision for accident claims	(1,210)	(913)
Cash generated from operations	33,357	55,657
Income tax paid	(66)	(68)
Net cash from operating activities	33,291	55,589
<b>Investing activities</b>		
Interest received	343	457
Proceeds from disposal of:		
Vehicles and equipment	1,594	852
Available-for-sale investments	5,000	-
Purchase of vehicles, premises and equipment	(214,404)	(166,121)
Net cash used in investing activities	(207,467)	(164,812)
<b>Financing activities</b>		
New loans raised	346,311	192,735
Repayment of loans	(217,878)	(116,806)
Proceeds from share issue	657	-
Grants received	57,013	31,973
Interest paid	(4,872)	(4,672)
Dividends paid	(6,641)	(7,870)
Others	79	110
Net cash from financing activities	174,669	95,470
Net increase (decrease) in cash and cash equivalents	493	(13,753)
Cash and cash equivalents at beginning of year	4,494	18,247
<b>Cash and cash equivalents at end of year</b>	<b>4,987</b>	<b>4,494</b>



# Notes to the Financial Statements

31 December 2014

## 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 Official List of 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 9 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 2014 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2014 were authorised for issue by the Board of Directors on 10 February 2015.

## 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 ("FRSs").

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, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

**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 2014.

The adoption of these new and revised FRSs has no material effect on the amounts reported for the current or prior years.

**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 Standard (January 2014)

FRS 109	- <i>Financial Instruments</i>
FRS 115	- <i>Revenue from Contracts with Customers</i>

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 (its subsidiary). 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.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

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.

**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 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.

### 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 de-recognised 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 directly attributable transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Investments are classified into the following specified categories: held-for-trading investments at fair value through profit or loss ("FVTPL") and available-for-sale investments. The classification depends on the nature and purpose of the investment and is determined at the time of initial recognition.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (a) Financial assets at fair value through profit or loss ("FVTPL")

Held-for-trading investments are classified as FVTPL where they have been acquired principally for the purpose of selling in the near future. Hedging instruments that are not designated for a hedge relationship and/or are ineffective in a hedge relationship are also classified as FVTPL. Financial assets that are classified as FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

### (b) Available-for-sale investments

Certain investments held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in investment revaluation reserve is reclassified 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 provision for impairment. 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**

Financial assets, other than those at FVTPL, are assessed for indicators of provision for impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The carrying amount of the financial asset is reduced by the provision for impairment directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of provision for impairment decreases and the decrease can be related objectively to an event occurring after the provision for impairment was recognised, the previously recognised provision for impairment is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the provision for impairment is reversed does not exceed what the amortised cost would have been had the provision for impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after a provision for impairment, is recognised in other comprehensive income.

#### **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. Any difference between the cost (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### *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.

### *Hedging instruments and hedge accounting*

The Group 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 foreign currency risk for future purchases of goods are designated as cash flow hedges. Hedges of fuel price risk for future purchases of goods are also 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*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 2014

## 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:

	<b>Number of years</b>
Buses	17, 19 - 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.

Transfers of vehicles, premises and equipment within the ultimate holding company's group of companies are stated at cost less accumulated depreciation of the vehicles, premises and equipment transferred.

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 tangible 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.

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.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

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 a retiring employee on or after attaining the age of 67 years (2013 : 67 years) 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 as they fall due.
- (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.
- (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.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

**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 comprehensive 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 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.

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.

# Notes to the Financial Statements

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

**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 Key Sources of Estimation Uncertainty

### Critical judgements in applying the Group's accounting policies

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. 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).

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.

### 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 and it is probable that the Group will be required to settle that 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 2014, the provision for claims is \$16,662,000 (2013: \$15,629,000) (Note 16).



# Notes to the Financial Statements

31 December 2014

## 3 Key Sources of Estimation Uncertainty (Cont'd)

### (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 2003 to 2008 of \$12,254,000 (2013: \$14,497,000) 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 (2013 : 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 0.57% to 2.42% (2013 : 0.29% to 2.79%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Management's attrition rate, based on past experience. As at 31 December 2014, the provision for retirement benefits is \$7,890,000 (2013: \$8,212,000) (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 0.57% to 2.42% (2013 : 0.29% to 2.79%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Management's attrition rate, based on past experience. As at 31 December 2014, the provision for long service awards is \$2,508,000 (2013 : \$3,092,000) (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.

## 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.

# Notes to the Financial Statements

31 December 2014

## 4 Holding Company, Related Company and Related Party Transactions (Cont'd)

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	
	2014 \$'000	2013 \$'000
Purchases of inventories from a related company	21,688	22,042
Rental expense from:		
Ultimate holding company	2,870	2,904
Related company	600	600
Purchase of goods and services from:		
Ultimate holding company	2,683	2,627
Related companies	1,875	1,981
Associate of the ultimate holding company	263	166
Firm of which a director is a member	6	19
Option costs from ultimate holding company	-	134
Sales of goods and services to:		
Ultimate holding company	(44)	(46)
Related companies	(1,998)	(2,163)
Rental income from related companies	(234)	(223)

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 Available-For-Sale Investments

	The Group and The Company	
	2014 \$'000	2013 \$'000
Quoted investments, at fair value:		
Bonds in corporations		
- Current	-	5,045
- Non-current	5,487	5,549
	5,487	10,594

Quoted investments' fair values are based on closing market prices on the last market day of the financial year.

## 6 Trade Receivables

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Related companies (Note 4)	6	6	6	6
Outside parties	9,114	9,382	8,797	9,268
	9,120	9,388	8,803	9,274

The amounts outstanding are interest-free and the average credit period is 7 to 30 days (2013 : 7 to 30 days).

# Notes to the Financial Statements

31 December 2014

## 6 Trade Receivables (Cont'd)

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.

## 7 Other Receivables and Prepayments

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Receivables from:				
Ultimate holding company (Note 4)	2	2	2	2
Related companies (Note 4)	335	408	335	408
Subsidiary (Note 9)	-	-	51,180	17,529
	337	410	51,517	17,939
Prepayments	6,844	6,383	5,009	6,088
Interest receivable	47	97	47	97
Staff advances	138	328	113	297
Security deposits:				
Ultimate holding company (Note 4)	721	732	721	732
Outside parties	936	897	936	897
Accrued income	9,834	3,492	9,775	3,468
Grant receivables	8,818	6,727	8,818	6,727
Others	6,586	5,616	6,333	5,494
<b>Total</b>	<b>34,261</b>	<b>24,682</b>	<b>83,269</b>	<b>41,739</b>

## 8 Inventories

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

## 9 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.

## 10 Prepayments

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

# Notes to the Financial Statements

31 December 2014

## 11 Vehicles, Premises and Equipment

	Buses \$'000	Leasehold land \$'000
<b>The Group</b>		
Cost:		
At 1 January 2013	1,111,403	16,642
Additions	375	-
Disposals	(45,679)	-
Reclassifications	176,102	-
At 31 December 2013	1,242,201	16,642
Additions	298	-
Disposals	(90,510)	-
Reclassifications	196,056	-
Transfer from ultimate holding company	-	-
Transfer to related company	-	-
At 31 December 2014	1,348,045	16,642
Accumulated depreciation:		
At 1 January 2013	418,376	6,342
Additions	52,033	595
Disposals	(45,672)	-
Reclassifications	(14)	-
At 31 December 2013	424,723	6,937
Additions	61,873	594
Disposals	(90,508)	-
Transfer from ultimate holding company	-	-
Transfer to related company	-	-
At 31 December 2014	396,088	7,531
Carrying amount:		
At 31 December 2014	951,957	9,111
At 31 December 2013	817,478	9,705

Leasehold buildings \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital projects in progress \$'000	Total \$'000
62,743	98,325	23,937	4,459	12,348	41,703	1,371,560
149	541	3,706	1,300	331	174,246	180,648
-	(39,628)	(847)	(192)	(195)	-	(86,541)
1,628	1,085	1,636	-	738	(181,189)	-
64,520	60,323	28,432	5,567	13,222	34,760	1,465,667
188	1,378	9,382	436	649	189,129	201,460
-	(1,803)	(1,020)	-	(482)	-	(93,815)
7,132	2,347	555	-	478	(206,568)	-
-	1	-	-	3	-	4
-	-	(587)	-	(603)	-	(1,190)
71,840	62,246	36,762	6,003	13,267	17,321	1,572,126
40,053	92,969	17,707	2,976	8,885	-	587,308
1,864	3,966	2,196	438	824	-	61,916
-	(39,627)	(765)	(169)	(195)	-	(86,428)
13	12	2	-	(13)	-	-
41,930	57,320	19,140	3,245	9,501	-	562,796
1,987	2,151	2,862	585	926	-	70,978
-	(1,799)	(1,013)	-	(479)	-	(93,799)
-	1	-	-	3	-	4
-	-	(587)	-	(603)	-	(1,190)
43,917	57,673	20,402	3,830	9,348	-	538,789
27,923	4,573	16,360	2,173	3,919	17,321	1,033,337
22,590	3,003	9,292	2,322	3,721	34,760	902,871

# Notes to the Financial Statements

31 December 2014

## 11 Vehicles, Premises and Equipment (Cont'd)

	Buses \$'000	Leasehold land \$'000
<b>The Company</b>		
Cost:		
At 1 January 2013	1,111,403	16,642
Additions	375	-
Disposals	(45,679)	-
Reclassifications	176,102	-
Transfer to subsidiary	-	-
At 31 December 2013	1,242,201	16,642
Additions	298	-
Disposals	(90,510)	-
Reclassifications	196,056	-
Transfer from ultimate holding company	-	-
Transfer to subsidiary	-	-
Transfer to related company	-	-
At 31 December 2014	1,348,045	16,642
Accumulated depreciation:		
At 1 January 2013	418,376	6,342
Additions	52,033	595
Disposals	(45,672)	-
Reclassifications	(14)	-
Transfer to subsidiary	-	-
At 31 December 2013	424,723	6,937
Additions	61,873	594
Disposals	(90,508)	-
Transfer from ultimate holding company	-	-
Transfer to subsidiary	-	-
Transfer to related company	-	-
At 31 December 2014	396,088	7,531
Carrying amount:		
At 31 December 2014	951,957	9,111
At 31 December 2013	817,478	9,705

Leasehold buildings \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital projects in progress \$'000	Total \$'000
62,743	98,231	23,937	4,459	12,165	41,703	1,371,283
35	457	3,399	646	247	166,841	172,000
-	(39,628)	(847)	(192)	(195)	-	(86,541)
1,628	1,085	1,636	-	738	(181,189)	-
-	-	-	-	(6)	-	(6)
64,406	60,145	28,125	4,913	12,949	27,355	1,456,736
-	1,303	8,413	324	568	189,402	200,308
-	(1,802)	(1,016)	-	(481)	-	(93,809)
-	2,347	555	-	478	(199,436)	-
-	1	-	-	3	-	4
-	(2)	-	-	-	-	(2)
-	-	(587)	-	(603)	-	(1,190)
64,406	61,992	35,490	5,237	12,914	17,321	1,562,047
40,053	92,947	17,707	2,976	8,881	-	587,282
1,862	3,920	2,180	419	794	-	61,803
-	(39,627)	(765)	(169)	(195)	-	(86,428)
13	12	2	-	(13)	-	-
-	-	-	-	(6)	-	(6)
41,928	57,252	19,124	3,226	9,461	-	562,651
1,621	2,077	2,651	445	879	-	70,140
-	(1,799)	(1,012)	-	(479)	-	(93,798)
-	1	-	-	3	-	4
-	(2)	-	-	-	-	(2)
-	-	(587)	-	(603)	-	(1,190)
43,549	57,529	20,176	3,671	9,261	-	537,805
20,857	4,463	15,314	1,566	3,653	17,321	1,024,242
22,478	2,893	9,001	1,687	3,488	27,355	894,085

# Notes to the Financial Statements

31 December 2014

## 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	63,953 sq m	26 years from 1 March 1994	Bus depot

## 12 Deferred Tax Assets/Liabilities

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deferred tax assets	8,551	4,407	-	-
Deferred tax liabilities	(58,207)	(60,919)	(58,207)	(60,919)
Net	(49,656)	(56,512)	(58,207)	(60,919)



# Notes to the Financial Statements

31 December 2014

## 12 Deferred Tax Assets/Liabilities (Cont'd)

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At beginning of year	(56,512)	(56,233)	(60,919)	(56,233)
Charge to profit or loss (Note 26)	(1,846)	(434)	(5,990)	(4,841)
Arising from movement in other comprehensive income statement	8,702	155	8,702	155
At end of year	(49,656)	(56,512)	(58,207)	(60,919)

The balance comprises the tax effects of:

### Deferred tax assets

Unutilised tax losses	8,219	4,384	-	-
Excess of tax written down value over carrying amount	103	-	-	-
Other items	229	23	-	-
	8,551	4,407	-	-

### Deferred tax liabilities

Excess of carrying amount over tax written down value	(83,333)	(73,635)	(83,333)	(73,635)
Other items	25,126	12,716	25,126	12,716
	(58,207)	(60,919)	(58,207)	(60,919)
Net deferred tax liabilities	(49,656)	(56,512)	(58,207)	(60,919)

# Notes to the Financial Statements

31 December 2014

## 13 Borrowings

	<b>The Group and The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowings comprise the following:		
(a) Short Term Bank Loans	92,000	26,500
(b) Long Term Loan from External Party	140,526	77,593
(c) Medium Term Notes	250,000	250,000
<b>Total</b>	<b>482,526</b>	<b>354,093</b>

Analysed as:

Current	200,950	31,485
Non-current	281,576	322,608
<b>Total</b>	<b>482,526</b>	<b>354,093</b>

**(a) Short Term Bank Loans**

Short term bank loans are for a tenure of 4 to 6 months (2013 : 1 to 2 months), unsecured and bear interest at rates ranging from 0.46% to 0.62% (2013 : 0.40% to 0.44%) 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 is secured over the BSEP buses and related accessories of the Company. As at the end of the reporting period, the carrying amount of vehicles pledged amounted to \$125,612,000 (2013 : \$70,055,000).

	<b>The Group and The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Long Term Loan from External Party - Current	8,950	4,985
Long Term Loan from External Party - Non-current	131,576	72,608
<b>Total</b>	<b>140,526</b>	<b>77,593</b>

**(c) 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.

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

# Notes to the Financial Statements

31 December 2014

## 14 Trade and Other Payables

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Payables to:				
Ultimate holding company (Note 4)	811	1,034	787	1,011
Related companies (Note 4)	3,917	3,339	3,894	3,338
Outside parties	96,643	43,252	96,021	42,663
Accruals	119,779	103,269	112,685	91,060
Deferred income	3,902	4,706	3,723	4,589
<b>Total</b>	<b>225,052</b>	<b>155,600</b>	<b>217,110</b>	<b>142,661</b>

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 (2013 : 30 days).

## 15 Deposits Received

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deposits received	8,676	7,423	7,662	6,701
Less: Due within 12 months	(3,169)	(2,196)	(3,160)	(2,176)
Due after 12 months	5,507	5,227	4,502	4,525

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	
	2014 \$'000	2013 \$'000
At beginning of year	30,126	31,039
Charge to profit or loss	3,130	3,499
Payments	(4,340)	(4,412)
<b>At end of year</b>	<b>28,916</b>	<b>30,126</b>
The balance comprises provision for:		
Insurance premiums	12,254	14,497
Accident claims	16,662	15,629
	<b>28,916</b>	<b>30,126</b>

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 2014

## 17 Deferred Grants

During the financial year, government grants amounting to \$1,283,000 (2013 : \$2,016,000) 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At beginning of year	11,304	12,800	11,262	12,774
Credit to profit or loss	(68)	(1,184)	(73)	(1,200)
Payments	(838)	(312)	(838)	(312)
At end of year	10,398	11,304	10,351	11,262
The balance comprises provision for:				
Retirement benefits	7,890	8,212	7,861	8,204
Long service awards	2,508	3,092	2,490	3,058
	10,398	11,304	10,351	11,262

## 19 Share Capital

	The Group and The Company			
	2014 Number ('000) of ordinary shares	2013	2014 \$'000	2013 \$'000
Issued and paid up:				
At beginning of year	308,630	308,630	93,875	93,875
Exercise of share options	415	-	704	-
At end of year	309,045	308,630	94,579	93,875

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 2014

## 20 Other Reserves

	<b>The Group and The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Share option reserve:		
At beginning of year	653	768
Transfer to share capital on exercise of share options (Note 19)	(47)	-
Transfer to accumulated profits	(15)	(115)
At end of year	591	653
Revaluation reserve:		
At beginning of year	593	1,020
Loss on available-for-sale investments	(107)	(427)
At end of year	486	593
Hedging reserve:		
At beginning of year	3,979	4,734
Loss on cash flow hedges	(42,483)	(755)
At end of year	(38,504)	3,979
<b>Total</b>	<b>(37,427)</b>	<b>5,225</b>

## 21 Revenue

Revenue comprises the following amounts:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Bus segment	754,044	682,410
Includes fare revenue from:		
- Contactless Smart Card	591,626	552,790
- Cash	28,463	29,583
Rail segment	196,991	164,912
<b>Total</b>	<b>951,035</b>	<b>847,322</b>

Revenue includes rental and advertising income generated from respective segments.

Included under Bus segment is a grant of \$60,382,000 (2013 : \$31,906,000) 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 2014

## 22 Staff Costs

(a) Included in staff costs are:

(i) Directors' remuneration

### The Group

Remuneration band	Salary %	Bonus %	Others %	Total compensation %
<b>2014</b>				
(\$500,000 - \$749,999) Gan Juay Kiat	46	49	5	100
<b>2013</b>				
(\$500,000 - \$749,999) Gan Juay Kiat	46	48	6	100

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 %
<b>2014</b>				
(\$250,000 - \$499,999) No. of executives : 6	58	34	8	100
(below \$250,000) No. of executives : 0	-	-	-	-
<b>2013</b>				
(\$250,000 - \$499,999) No. of executives : 4	63	31	6	100
(below \$250,000) No. of executives : 3	62	33	5	100

The Code of Corporate Governance 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 in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure will outweigh the benefits.

# Notes to the Financial Statements

31 December 2014

## 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 \$3,094,000 (2013 : \$3,062,000).

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
(iv) Cost of contribution to Central Provident Fund	31,167	29,354

(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 5 to the Report of the Directors. 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 (five 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:

	<b>The Company</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price \$</b>	<b>Number of share options</b>	<b>Weighted average exercise price \$</b>
Outstanding at the beginning of the year	6,173,750	2.29	7,306,250	2.27
Cancelled/Lapsed during the year	(340,000)	2.22	(1,132,500)	2.18
Exercised during the year	(415,000)	1.58	-	-
Outstanding at the end of the year	5,418,750	2.35	6,173,750	2.29
Exercisable at the end of the year	5,418,750	2.35	6,173,750	2.29

The weighted average share price at the date of exercise for share options during the year was \$1.70. No options were exercised in 2013. The options outstanding at the end of the year have a weighted average remaining contractual life of 2.8 years (2013 : 3.5 years). For further details on the exercise prices of the options outstanding at the end of the year, please refer to the Report of the Directors.

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

# Notes to the Financial Statements

31 December 2014

## 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	
	2014	2013
	\$'000	\$'000
Directors' fees	448	403
Cost of inventories recognised in repairs and maintenance expense	80,045	78,366
Net gain on disposal of vehicles and equipment	(1,581)	(739)
Insurance premiums payable and provision for accident claims	3,130	3,499
Write-back for service benefits and long service awards	(68)	(1,184)
Audit fees:		
Paid to auditors of the Company	124	120
Non-audit fees:		
Paid to auditors of the Company	32	26

## 24 Net Income from Investments

	The Group	
	2014	2013
	\$'000	\$'000
Interest income:		
Bonds	292	441
Time deposits	1	15
Total	293	456

## 25 Finance Costs

	The Group	
	2014	2013
	\$'000	\$'000
Interest expense on loans and Medium Term Notes	4,785	4,304

## 26 Taxation

	The Group	
	2014	2013
	\$'000	\$'000
Current taxation	58	68
Deferred tax (Note 12)	1,846	1,183
Overprovision of deferred tax in prior years (Note 12)	-	(749)
	1,904	502



# Notes to the Financial Statements

31 December 2014

## 26 Taxation (Cont'd)

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2013 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2014 \$'000	2013 \$'000
Profit before taxation	16,187	11,678
Taxation charge at statutory rate	2,752	1,985
Non-allowable items	(802)	343
Tax-exempt income	(26)	(26)
Overprovision in prior years	-	(749)
Previously unrecognised and unused tax losses now recognised as deferred tax assets	-	(1,020)
Other items	(20)	(31)
	1,904	502

## 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:

	2014	2013
Profit attributable to shareholders of the Company (\$'000)	14,283	11,176
Weighted average number of ordinary shares in issue ('000)	308,835	308,630
Basic earnings per share (in cents)	4.62	3.62

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.

As there were no outstanding dilutive potential ordinary shares, the diluted earnings per ordinary shares were accordingly the same as the earnings per ordinary share for the respective financial year.

## 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.

# Notes to the Financial Statements

31 December 2014

## 28 Business Segment Information (Cont'd)

In prior years, the Group presented its operating segments in the following four reportable segments: Bus, Rail, Advertisement and Rental. In 2014, bus related advertisement and bus related rental services are reported together as one segment under 'Bus' while rail related advertisement and rail related rental services are reported together as one segment. The change arises from how business information is reviewed by the chief operating decision maker in line with the developments in the industry.

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.

	Bus \$'000	Rail \$'000	Total \$'000
<b>2014</b>			
<b>REVENUE</b>	754,044	196,991	951,035
<b>RESULTS</b>			
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
<b>OTHER INFORMATION</b>			
Additions of vehicles, premises and equipment	192,110	9,350	201,460
Depreciation expense	68,229	2,749	70,978
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Segment assets	1,094,701	68,732	1,163,433
Unallocated corporate assets			16,520
Consolidated total assets			1,179,953
<b>LIABILITIES</b>			
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 2014

## 28 Business Segment Information (Cont'd)

	Bus \$'000	Rail \$'000	Total \$'000
<b>2013</b>			
<b>REVENUE</b>	682,410	164,912	847,322
<b>RESULTS</b>			
Segment results	10,736	4,790	15,526
Net income from investments			456
Finance costs			(4,304)
Profit before taxation			11,678
Taxation			(502)
Profit after taxation			11,176
<b>OTHER INFORMATION</b>			
Additions of vehicles, premises and equipment	168,707	11,941	180,648
Depreciation expense	60,148	1,768	61,916
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Segment assets	951,098	57,960	1,009,058
Unallocated corporate assets			17,574
Consolidated total assets			1,026,632
<b>LIABILITIES</b>			
Segment liabilities	296,089	43,956	340,045
Unallocated corporate liabilities			342,296
Consolidated total liabilities			682,341

## 29 Commitments

As at 31 December 2014, 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Purchase of vehicles, premises and equipment	328,413	226,116	327,817	225,069

# Notes to the Financial Statements

31 December 2014

## 29 Commitments (Cont'd)

(b) Operating lease commitments:

### *The Group as lessee*

	The Group	
	2014 \$'000	2013 \$'000
Minimum lease payment under operating leases included in the profit or loss	8,710	8,399

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

	The Group	
	2014 \$'000	2013 \$'000
Within one year	8,506	8,351
In the second to fifth year inclusive	16,167	18,654
After five years	9,294	12,454
Total	33,967	39,459

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 \$17,587,000 (2013 : \$14,607,000). The properties are managed and maintained by the Group.

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	15,816	13,108	13,747	12,052
In the second to fifth year inclusive	13,336	12,272	10,993	10,188
Total	29,152	25,380	24,740	22,240

## 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.

# Notes to the Financial Statements

31 December 2014

## 30 Financial Instruments, Financial Risks and Capital Risks Management (Cont'd)

### **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 Dollar). 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.

### **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. 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 receivable from the date credit was initially granted up to the reporting date. The carrying value of financial assets represents the maximum credit risk exposure of the Group.

### **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 \$0.3m (2013 : \$1.1m). The sensitivity analysis assumes that consumption is held constant at the same level as in 2014.

### **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.

# Notes to the Financial Statements

31 December 2014

## 30 Financial Instruments, Financial Risks and Capital Risks Management (Cont'd)

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 value of the Group's available-for-sale 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.

### (b) Hedging instruments

	2014		2013	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
<b>The Group and The Company</b>				
At fair values:				
Foreign exchange hedges	6,054	-	984	-
Fuel hedges	-	52,447	3,807	-
	6,054	52,447	4,791	-

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 \$142,997,000 (2013 : \$55,859,000).

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 2014, the fair value of the Group's and the Company's foreign exchange hedging instruments comprising \$6,054,000 of assets (2013 : \$984,000 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 2014, the fair value of the Group's and the Company's fuel hedging instruments comprised \$52,447,000 of liabilities (2013 : \$3,807,000 of assets) 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) and 13(b), and Medium Term Notes under Note 13(c) while equity refers to total equity.

# Notes to the Financial Statements

31 December 2014

## 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
<b>2014</b>						
<b>Financial liabilities</b>						
<b>Loans:</b>						
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
<b>2013</b>						
<b>Financial liabilities</b>						
<b>Loans:</b>						
In functional currency:						
Short Term Bank Loans						
- unsecured	26,500	26,511	26,511	-	-	0.40 - 0.44
Long Term Loan from External Party						
- secured	77,593	77,593	4,985	20,635	51,973	-
Medium Term Notes						
- unsecured	250,000	264,707	4,650	260,057	-	1.80 - 1.95

## 31 Dividends

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

	2014 \$'000	2013 \$'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
- 0.9 cents (2013 : 1.65 cents) per ordinary share	2,778	5,092
Tax-exempt one-tier interim dividend in respect of the current financial year:		
- 1.25 cents (2013 : 0.9 cents) per ordinary share	3,863	2,778
<b>Total</b>	<b>6,641</b>	<b>7,870</b>

# Notes to the Financial Statements

31 December 2014

## 31 Dividends (Cont'd)

- (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 \$3,245,000 be paid for the financial year ended 31 December 2014.

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:

- (a) 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.
- (b) The licence fee payable to LTA is prescribed under the subsidiary legislation of the Rapid Transit Systems ("RTS") Act during the Licence Term.
- (c) 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.
- (d) 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.

### 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.

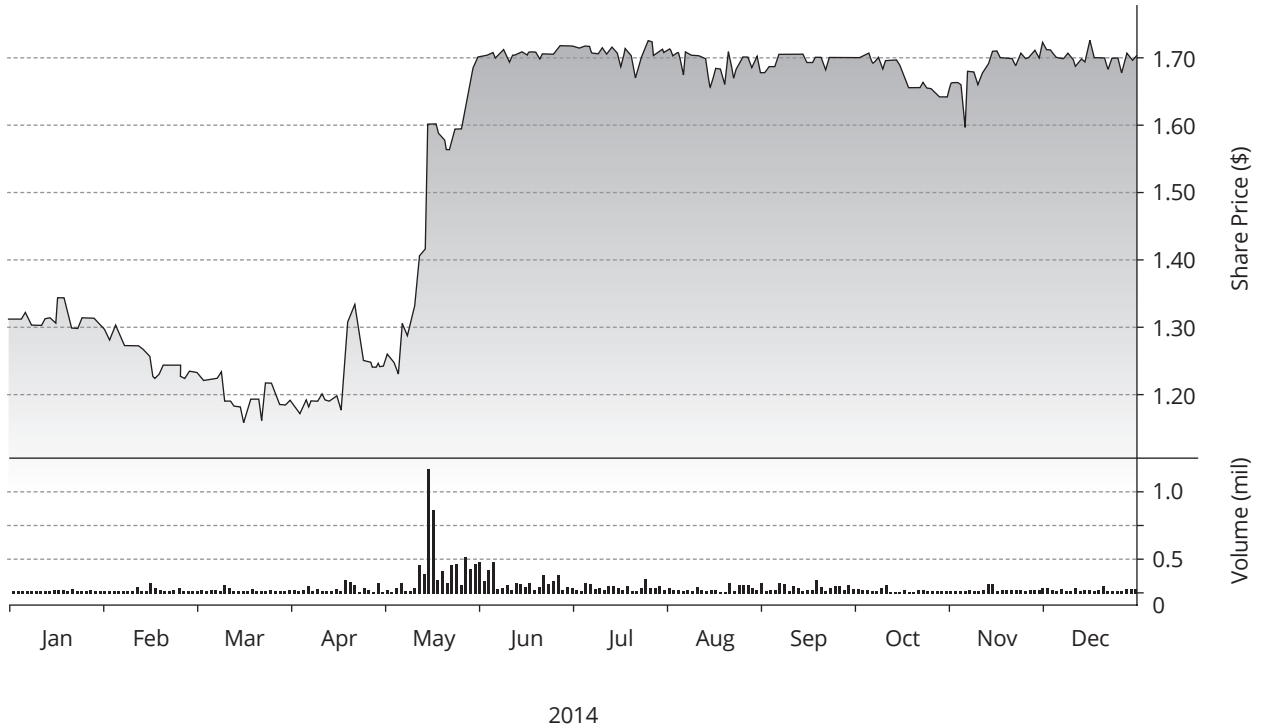
The LC sets out the conditions governing the operation of the Downtown Line MRT System and includes, among others, the following:

- (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.

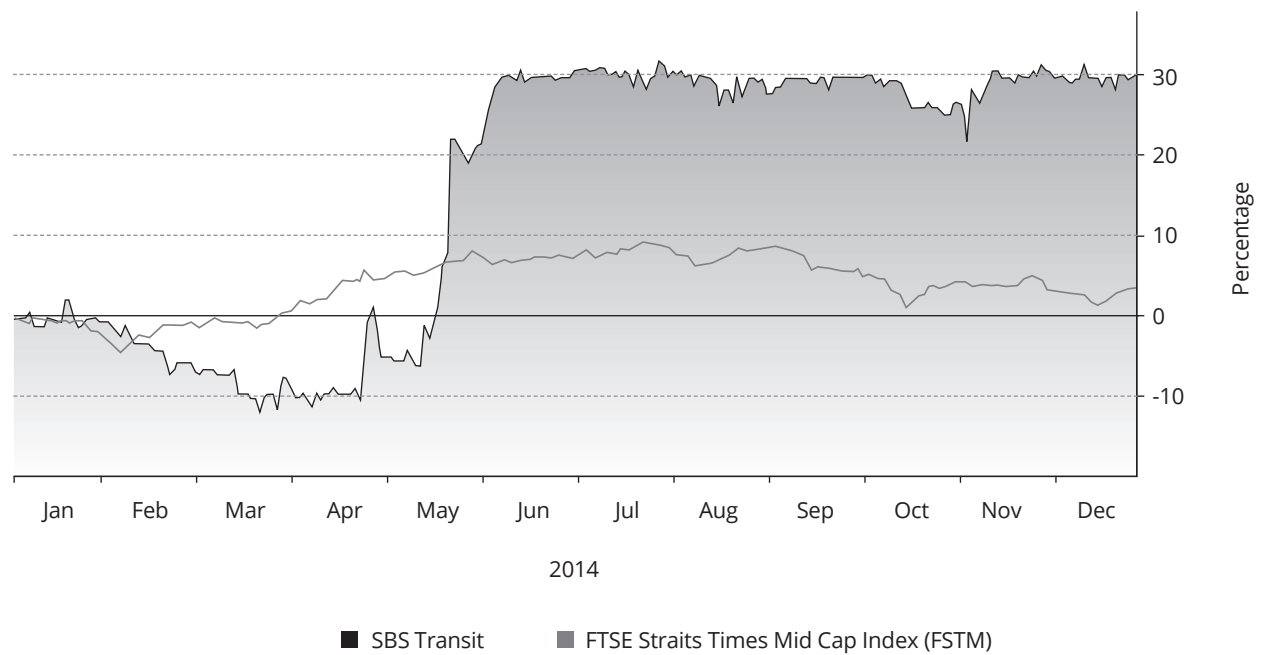


# Share Price Movement Chart

**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 2 March 2015

No. of shares issued : 309,044,766  
 Class of shares : Ordinary shares  
 Voting rights : One vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	19	0.10	478	0.00
100 - 1,000	3,711	18.74	2,406,649	0.78
1,001 - 10,000	15,535	78.44	27,090,742	8.76
10,001 - 1,000,000	532	2.69	22,794,872	7.38
1,000,001 & above	7	0.03	256,752,025	83.08
<b>Total</b>	<b>19,804</b>	<b>100.00</b>	<b>309,044,766</b>	<b>100.00</b>

Top Twenty Shareholders	No. of Shares	%
ComfortDelGro Corporation Limited	232,125,512	75.11
BNP Paribas Securities Services Singapore	10,961,500	3.55
DBS Nominees Pte Ltd	5,001,989	1.62
Raffles Nominees (Pte) Ltd	3,068,500	0.99
United Overseas Bank Nominees Pte Ltd	2,742,780	0.89
Citibank Nominees Singapore Pte Ltd	1,489,784	0.48
OCBC Nominees Singapore Private Limited	1,361,960	0.44
Maybank Kim Eng Securities Pte Ltd	843,300	0.27
Tham Kim Fay or Kwa Ai Tee Jeanne	795,500	0.26
Changi Bus Company (Private) Limited	691,548	0.22
Ng Kok Song Jolly	458,600	0.15
Chiam Wei Jun Irvine	415,000	0.13
UOB Kay Hian Pte Ltd	401,800	0.13
Bank of Singapore Nominees Pte Ltd	328,600	0.11
Phillip Securities Pte Ltd	328,400	0.11
HSBC (Singapore) Nominees Pte Ltd	326,300	0.10
Jusin Private Limited	300,000	0.10
Tan Kuangxu	280,000	0.09
Chin Harn Tong @ Chee Han Tong	275,000	0.09
Woon Chio Chong	275,000	0.09
<b>Total</b>	<b>262,471,073</b>	<b>84.93</b>

Substantial Shareholder (as shown in the Register of Substantial Shareholders)	No. of Shares	%
ComfortDelGro Corporation Limited	232,125,512	75.11

As at 2 March 2015, approximately 24.62% 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-Second Annual General Meeting of the Company will be held at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701 on Wednesday, 22 April 2015 at 2.30 p.m. for the purpose of transacting the following business:

### Ordinary Business:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the Financial Year ended 31 December 2014 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 2014. **(Resolution 2)**
3. To approve the payment of Directors' fees of \$420,383 for the Financial Year ended 31 December 2014. (FY2013: \$402,599). **(Resolution 3)**
4. To re-elect Mr Gan Juay Kiat, a Director retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 4)**
5. To re-elect Professor Lim Seh Chun, a Director retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 5)**
6. To re-appoint Mr Chin Harn Tong as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 6)**
7. To re-appoint Mr Lim Jit Poh as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 7)**
8. To re-appoint Mr Cheong Yip Seng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 8)**
9. To re-appoint Mr Kua Hong Pak as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 9)**
10. To re-appoint Messrs Deloitte & Touche LLP as Auditors and authorise the Directors to fix their remuneration. **(Resolution 10)**

# Notice of Annual General Meeting

## Books Closure and Dividend Payment Dates

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 1 May 2015 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 2014.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 30 April 2015 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 30 April 2015 will be entitled to the proposed final dividend.

The final dividend, if approved by the Shareholders at the Twenty-Second Annual General Meeting of the Company, will be paid on 8 May 2015.

By Order of the Board

Chan Wan Tak, Wendy  
Company Secretary  
Singapore  
24 March 2015

### Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time appointed for the Annual General Meeting.

### 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 Chin Harn Tong and Professor Lim Seh Chun are Members of the Audit and Risk Committee and are considered independent Directors of the Company. If re-appointed or re-elected, Mr Chin Harn Tong and Professor Lim Seh Chun will continue as Members of the Audit and Risk Committee respectively.

# SBS Transit Ltd

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

## PROXY FORM ANNUAL GENERAL MEETING

### IMPORTANT

- For investors who have used their CPF monies to buy SBS Transit Ltd shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- 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.
- 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.
- 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 24 March 2015.

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, 22 April 2015 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' Report and Audited Financial Statements		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr Gan Juay Kiat as Director		
5.	Re-election of Professor Lim Seh Chun 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 \_\_\_\_\_ 2015

**Total Number of Shares Held (Note 4)**

\_\_\_\_\_  
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 entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. 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.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), 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.
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

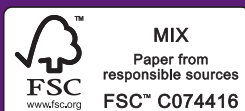
This flap is for sealing. Glue all sides firmly. Stapling and spot sealing are disallowed.

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

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