



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: SBS Transit Ltd

Security: SBS Transit Ltd

Meeting details:

Date: 25 April 2019

Time: 10.00 a.m.

Venue: Auditorium Singapore Chinese Cultural Centre, 1 Straits Boulevard, Singapore 018906

Company Description

SBS Transit Ltd provides bus and rail public transport services primarily in Singapore. The company operates through Public Transport Services and Other Commercial Services segments. Its bus services include basic, special, fast forward, wheelchair-accessible, short trips, wireless Nextbus services, Chinatown Direct, and Nite Owl services. The company also operates North East Line, an automatic underground heavy rail system; Downtown Line, an underground and driverless mass rapid transit (MRT) line; and Sengkang and Punggol light rail transits (LRT). In addition, it offers advertisement on the buses and trains, as well as at bus interchanges, and railway stations; and commercial and shop space for lease at bus interchanges and rail stations. SBS Transit Ltd operates 208 bus route services with a fleet of 3,246 buses; 16 stations at North East Line; 34 stations at Downtown Line; and 28 stations in the Sengkang- Punggol LRT. The company was formerly known as Singapore Bus Services Limited and changed its name to SBS Transit Ltd in November 2001 to reflect its multi-modal status as a bus and rail operator. The company was incorporated in 1992 and is based in Singapore. SBS Transit Ltd is a subsidiary of ComfortDelGro Corporation Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S61)

1. During the financial year, there were changes to the senior management team with Mr Yang Ban Seng being redesignated as the executive deputy chairman and chief executive officer (CEO) with effect from 15 January 2019 following the resignation of the former CEO, Mr Gan Juay Kiat.

Mr Yang is concurrently the managing director/Group chief executive officer of ComfortDelGro Corporation Limited, the parent company of the group, and deputy chairman of VICOM Ltd.

- (i) Would the nominating committee help shareholders understand how much time would Mr Yang be committing to the group as he is also the managing director and Group CEO at ComfortDelGro?**

The scope of the remuneration committee (RC) oversees talent management and succession planning for senior management staff with the purpose of developing talent and building leadership bench strength to ensure the group's continued success (page 34).

- (ii) Would the board help shareholders understand the group's leadership bench strength (across different functions and verticals, such as rail, bus, technical and operations)?**
- (iii) Is the search for a full time CEO officer still ongoing? Would the group further benefit from a full time CEO?**

2. In Note 29 (page 99 – Business segment information), the group shows its operating segments as “Public transport services” and “Other commercial services”. Accordingly, the group's bus and rail services are reported as one operating segment in the group's financial statements which accounted for 96% of the group's revenue.

According to the Singapore Financial Reporting Standards (International) - SFRS(I)8 Operating Segments, an operating segment is a component of the entity that (a) engages in business activities, (b) whose operating results are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance and (c) for which discrete financial information is available.

SFRS(I) 8 also states the quantitative thresholds of 10% of revenue, profit or loss, or assets for the reporting of information about an operating segment separately.

- (i) Would the board, especially the audit committee, help shareholders understand if the bus and rail operations would be considered as separate operation segments under the definition of SFRS(I) 8?**
- (ii) Would management consider reporting the operational and financial figures of the bus and rail businesses on a standalone basis to help shareholders understand the progress made under the new financing/operating models? In addition, shareholders can assess the improvement in the rail services as well which is a high growth business (versus the more mature bus services segment).**

3. As noted in the Corporate governance report, the group has a dividend policy to pay out at least 50% of profit attributable to shareholders of the company. The board has taken into consideration the long-term objective of maximising shareholder value, availability of cash and retained earnings, projected capital expenditure and growth opportunities in coming up with the dividend policy.

In the past ten year (and more), the group has paid out 50% of its profit attributable to owners of the company.

- (i) Given that the Bus Contracting Model and the New Rail Financing Framework would significantly reduce the need for the group to invest heavily into operating assets, did the board deliberate on the dividend policy and assessed if a dividend payout ratio of 50% is still optimal?**
- (ii) What is the major capital expenditure expected in the next 1-2 years?**