

A CONVERSATION WITH THE MANAGING DIRECTOR

“We will continue to chart our way ahead through the application of innovative ideas, which is one of our core strengths, to attract more people to use our bus services”

Edmond HO Tat Man

Managing Director



Q 2008 was quite a year! What sort of impact has the global financial crisis had on TIH's business?

A It is inevitable that all business sectors have been affected by recent events. Indeed, many of the adverse effects of the global financial turmoil may not have surfaced yet. As we have always done, we will continue to leverage

the Group's core strengths, anchored in our core bus operations.

Q Will the economic downturn have a significant impact on the number of passengers travelling on KMB?

A Prospects are mixed, I believe. When people have to tighten their purse strings, some of them will shift to using our bus services, as KMB represents one of the cheapest modes of public transport. On the other hand, the decline in economic

activities, and, more significantly, the increase in the unemployment rate will almost certainly lead to lower demand for public transport services. Having said that, we will work harder to minimise the impact of the economic downturn on TIH's businesses.

Q What measures is TIH taking to overcome the challenges posed by the economic downturn?

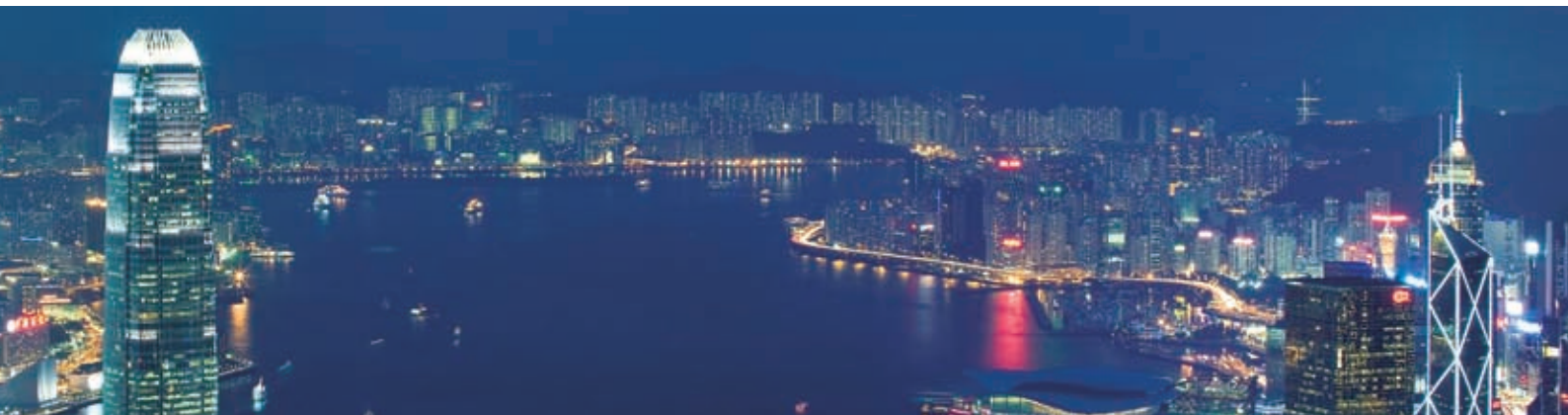
A As always, the golden rule applies: to find ways to increase revenue and reduce costs. To this end, we will continue to chart our way ahead through the application of innovative ideas, which is one of our

core strengths, to attract more people to use our bus services. We will also look into generating additional non-fare income, by creating, for example, a new income stream through bus interior advertising. Cost reductions can be made through route rationalisation, better use of resources and improved environmental management standards.

Q Turning to the future, what does 2009 hold for TIH?

A There's little doubt that we will be facing numerous challenges in 2009. But that doesn't change our vision and our strategy. We will still be working hard to leverage

our core business and to improve productivity and efficiency to better serve our customers. We are confident that our core strengths in public transport operations will help us steer our way through even the most difficult times, as we have done in the past. We will also continue to identify opportunities to apply our economies of scale by, for example, leveraging our purchasing power to obtain the lowest possible prices in the market.



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Q Are there any measures in the pipeline for improving environment protection?

A We will continue to assess and purchase the newest generation of environment-friendly buses available on the market. This includes the introduction of the first Euro V double-deck bus in Hong Kong in the first quarter of 2009. Strategic bus route rationalisation will enable us to make better use of our operational resources on under-utilised routes to reduce both fuel consumption and exhaust emissions. In our depots and offices too, we're always looking to adopt more green practices such as waste reduction and recycling. In terms of energy savings, our operations in Hong Kong managed to reduce electricity consumption in 2008 by about 20% compared to 2002, the year before our energy saving campaign started.

Q Will the recent decrease in oil prices provide relief for KMB?

A Lower fuel prices help reduce the financial pressure on bus operations. However, the financial impact of high oil prices in 2008 was so great that our bus business felt the full negative effect. While the recent drop in oil prices gives us some breathing space, our other operating costs are expected to continue to rise, if current service levels are to be maintained. Besides, the commissioning of the MTR's Kowloon Southern Link in the second half of 2009 will mean additional competition for KMB. In such a business environment, we will spare no effort to exercise stringent cost control.

Q With all the uncertainty generated by the global financial crisis, will there be any staff cuts?

A We have no plans for staff redundancies. We are a responsible employer, committed to the long term economic and social well being of Hong Kong, and we understand very well that our staff are our most valuable assets. Our confidence in the excellence of our workforce is fully reciprocated and we have maintained very low staff turnover rates compared to the market. At a ceremony held on 3 December 2008, I was pleased to present long service awards to 54 colleagues with more than 40 years' service in the Group, and an additional 196 awards to members of our dedicated workforce with more than 30 years' service.

Q With the Government supporting a number of new rail projects, what strategic response is TIH adopting?

A This is not a new challenge for us, as we had to deal with the commissioning of the Tseung Kwan O Line in 2002, the West Rail Line in 2003 and the Ma On Shan Line in 2004, but that doesn't mean that it won't be tough in the future. That being said, we have managed to mitigate previous challenges by improving the productivity of our network, through rationalising our bus routes and redeploying our resources from areas that have experienced a drop in demand for our services to catchments where there is still unsatisfied demand. One of our guiding principles is to take advantage of our scalability, that is, the flexibility of our network and our ability to meet the changing demands of our customers.

Q Are there any plans to introduce “bus priority systems” in Hong Kong, as some major cities in the Mainland have done?

A The Bus Rapid Transit (BRT) system, which is essentially a “bus-only lane” concept, has proven to be successful in terms of operational efficiency and environmental management standards in China Mainland, as well as in other parts of the world. We will be looking

at the possibility of working with the Government to apply the concept of BRT, in one form or another, in Hong Kong to suit local conditions.

Q How can the non-franchised business operations of the Group be expanded?

A Following the increase in its fleet size to 367 coaches by the end of 2008, the SBH Group is set to grow in 2009 in line with our business strategy of continuing to identify and apply better economies of scale. The SBH

Group, spearheaded by its flagship Sun Bus Limited, will strive to expand through both organic growth and acquisitions.

Q Does the Group intend to increase its investments in the Mainland?

A China Mainland is one of the very few places in the world which still has robust economic growth. We will therefore continue to identify and evaluate opportunities in China Mainland with a view to expanding our business portfolio.

Q After the success of the Manhattan Hill development, does the Group have any further property projects in mind?

A With the sale of the Manhattan Hill residential units almost complete, the focus has now shifted to the development’s two-level shopping mall, which we expect to be generating income for the Group from the second quarter of 2009.

With a mix of retail outlets, restaurants and banks on a total floor area of approximately 50,000 square feet, this modern shopping destination is well positioned to serve not just the residents of the 1,115 apartments in Manhattan Hill but also the wider population of West Kowloon.

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