



Norman LEUNG Nai Pang
Chairman

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A future based on
service and green
excellence



DEAR SHAREHOLDERS AND PARTNERS,

On behalf of the Board, I am pleased to report the results of the Group for the year ended 31 December 2014, which show an improvement of 11.8% over 2013. In particular, I am delighted to report that the financial performance of our flagship subsidiary company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recovered in 2014, making a profit after recording consecutive losses in 2012 and 2013. In addition to the improvement in financial performance across our various transport-related businesses, the Group also made great strides in 2014 on both environmental preservation and corporate governance.

OUR FINANCIAL PERFORMANCE

Profit attributable to equity shareholders of the Company for the 2014 financial year was HK\$415.1 million, compared with HK\$371.3 million for 2013. In light of the improvement in financial results, the Board has recommended an ordinary final dividend of HK\$0.75 per share payable on 9 June 2015. Together with the ordinary interim dividend of HK\$0.15 per share paid on 16 October 2014, the total dividend for the year will be HK\$0.90 per share, an increase of 50% compared with 2013.

Results from the franchised bus operations registered significant growth in 2014. This was mainly attributable to the contribution from KMB, which reported a profit after taxation of HK\$196.6 million, representing a favourable variance of HK\$217.8 million as compared with a loss after taxation of HK\$21.2 million for 2013. The improvement in results was mainly due to the fare increase of 3.9% which took effect on 6 July 2014, reduction in fuel costs resulting from the improvement in bus operating efficiency arising from our route reorganisation programme, and lower international fuel

prices in the latter half of the year. All these factors helped to offset the increase recorded in staff costs and other operating expenses as a result of inflation. KMB had a slight year-on-year growth in its total ridership of 0.3% in 2014, in spite of the loss of ridership incurred during the last quarter of 2014 as a result of the road occupations. Without accounting for the last quarter, the number of passenger trips for the first nine months of 2014 rose by 1.7% against the same period in 2013. Benefitting from the increased transport demand from international travellers and from construction workers involved in the expansion programme of Hong Kong Disneyland and in the various infrastructure projects at and around the Airport, Long Win Bus Company Limited ("LWB") recorded a year-on-year passenger growth of 5.0% in 2014. Although fare revenue increased along with the increase in passenger trips, this was largely offset by increases in staff costs, depreciation, insurance and other operating expenses arising from service enhancements and inflation, resulting in LWB's profit after taxation showing only a slight increase of 1.1% as compared with 2013.

The performance of our Non-franchised Transport Division, with Sun Bus Limited as its flagship company, continued to experience solid improvements, reporting a profit after taxation of HK\$34.9 million for 2014, an increase of 14.1% over 2013. The increase was mainly due to business growth in respect of new and existing customers seeking premium services. In respect of our China Mainland Transport Operations Division, our joint ventures in Beijing and Shenzhen continued to operate smoothly and recorded a profit in 2014. The media sales businesses operated by the RoadShow Group reported a profit attributable to equity shareholders for 2014 of HK\$70.6 million as compared with HK\$104.8 million for 2013. This decrease in profit was mainly attributable to sluggish demand in the market, particularly in the retail sector.

CHAIRMAN'S LETTER

COMMITTED TO SERVICE AND GREEN EXCELLENCE

I am pleased to report that by the end of 2014, KMB had successfully carried out our area approach route reorganisation programmes in North District, Tuen Mun, Yuen Long, Tai Po, Sha Tin and Tsing Yi. This is one of our most important initiatives during the past two years, as it brings benefits to our passengers in the shape of improved connectivity and greater network efficiency. By progressively phasing out obsolete and underutilised routes and introducing faster and more direct services, we are able to bring benefits not only in serving our customers but also to the environment. As part of our ongoing commitment to deliver better service quality, we continued to make substantial investments in purchasing new buses featuring the latest safety, environmental and design features, adding to our fleet in 2014 a total of 303 new generation Euro V super-low-floor air-conditioned buses. With the support of Government funding, KMB also acquired three diesel-electric hybrid air-conditioned 12-metre double-deck buses ("hBuses") in 2014 for trials on three routes. Other improvement measures undertaken included improving bus-bus interchange facilities, investing in human resources, and strengthening the application of information technology, including installing the Global Positioning System ("GPS") onto our buses.

CORPORATE GOVERNANCE

The Group remains committed to conducting its businesses according to the highest standards of corporate governance. In the past years, the Company has won widespread recognition for its governance in both local and international award programmes. This year, I am especially pleased that the Company received the Gold Award in Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category of the 2014 Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants. Mindful of the need to continuously improve our corporate governance and sustainability performance, we will spare no effort in identifying areas for improvement as befits our position as a world leader in the industry.

LOOKING AHEAD

While the recent decline in international fuel prices may only be temporary, the reduction in fuel consumption resulting from route reorganisation and the acquisition of more fuel efficient buses are long term measures that should help KMB mitigate the impact of pay rises and cost inflation in 2015. This, in addition to the Government's continued commitment to making KMB's network more efficient via route reorganisation, should provide financial resources for bus fleet upgrade, improved manpower arrangements and further service enhancements. With the recent opening of the West Island Line, the imminent opening of the Kwun Tong Line Extension, and the continuing expansion of the railway network going forward, it is inevitable that KMB's operating challenges will continue. We will nevertheless work diligently to ensure that KMB's bus network remains competitive via our various initiatives.



With the continuing increase in passenger demand resulting from increasing tourism and leisure activities, the continuing population intake in Tung Chung and the construction of infrastructure projects in North Lantau, LWB's growth prospects remain bright. LWB will continue to look for opportunities to expand its network coverage and enhance its existing services. Our non-franchised transport division's prospects also look bright as the demand for contracted bus services continues to grow.

At the end of 2014, our franchised public bus operations had on order a total of 591 Euro V super-low floor air-conditioned double-deck buses amounting to over HK\$1.5 billion for delivery in 2015. As an environmentally-conscious public transport provider, we look forward to the delivery of eight supercapacitor buses for trials in the second half of 2015 and of 12 battery-powered buses by the end of 2015 or in early 2016. Two additional battery-powered buses of a different type will be commissioned in due course. We have also arranged for our manufacturers to provide us with prototypes of Euro VI diesel buses for trials in 2015.

The Kwun Tong Site at No. 98 How Ming Street, Kowloon, in which the Group has a 50% stake, is designated for development into non-residential (excluding hotel) uses. Once completed, it will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall and the shops in our headquarters building in Lai Chi Kok, as well as the industrial property at 1 Kin Fung Circuit, Tuen Mun, will continue to generate recurring rental revenue for the Group.

ACKNOWLEDGEMENTS

The Group's continuing success depends on the concerted efforts of staff at all levels. I would therefore like to express my heartfelt thanks to each and every member of the TIH family. A special mention is due to our frontline staff for their sterling work in continued service delivery during the Occupy Movement, as well as to our professional management team for their contributions to the Group's success in 2014. Last, but by no means least, I would like to join my fellow Board members in thanking Mr Edmond HO Tat Man for his years of dedicated service to the Company as Managing Director and to extend a warm welcome to his successor, Mr Roger LEE Chak Cheong, as he embarks on his mission of taking the Group to even greater heights.

Norman LEUNG Nai Pang

Chairman

19 March 2015