

# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2014.

## PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in Bermuda and is domiciled in Hong Kong and has its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services. Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

The Group's turnover and profit are mainly attributable to franchised bus operations, property development and media sales business. The analysis of the principal activities of the Group during the financial year is set out in note 13 to the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 130 to 195 of this Annual Report.

## TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of HK\$415,072,000 (2013: HK\$371,319,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK\$0.15 (2013: HK\$0.15) per share was paid to the shareholders on 16 October 2014. The Directors now recommend that a final dividend of HK\$0.75 (2013: HK\$0.45) per share in respect of the year ended 31 December 2014 be paid to shareholders on 9 June 2015.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$315,000 (2013: HK\$317,000).

## FIXED ASSETS

During the year, major additions to the fixed assets of the Group were buses under construction with a total cost of HK\$612,608,000 (2013: HK\$1,092,875,000) and tools and other fixed assets with a total cost of HK\$286,710,000 (2013: HK\$284,905,000). Buses with a total cost of HK\$820,298,000 (2013: HK\$679,148,000) were licensed and put into service during the year following the completion of construction. Other movements in fixed assets during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 29(b) to the financial statements. There were no movements during the year.

# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors during the financial year and up to the date of this report were:

Dr Norman LEUNG Nai Pang*, GBS, JP	(Chairman)
Dr John CHAN Cho Chak*, GBS, JP	(Deputy Chairman)
Raymond KWOK Ping Luen, JP	
NG Siu Chan	
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, M.H.	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan)
Dr Eric LI Ka Cheung*, GBS, OBE, JP	
Edmond HO Tat Man	(Retired from the position of Managing Director on 1 January 2015 and re-designated as Director on 1 January 2015)
Gordon SIU Kwing Chue*, GBS, CBE, JP	
John Anthony MILLER, SBS, OBE	
Evan AU YANG Chi Chun	(Deputy Managing Director)
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	(Appointed on 1 January 2014)
Roger LEE Chak Cheong	(Served as Alternate Director to Mr Raymond KWOK Ping Luen, JP for the period from 1 April 2013 to 2 March 2014. Appointed as Director on 3 March 2014 and took up the position of Managing Director on 1 January 2015)
Godwin SO Wai Kei	(Served as Alternate Director to Dr Walter KWOK Ping Sheung, JP for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen, JP on 3 March 2014)
Dr Walter KWOK Ping Sheung, JP	(Resigned on 27 January 2014)

\* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), Mr Raymond Kwok Ping Luen, Mr Charles Lui Chung Yuen, Ms Winnie Ng, Dr Eric Li Ka Cheung, Mr Edmond Ho Tat Man and Professor Liu Pak Wai will retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 112 to 118 of this Annual Report.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2014 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

### (a) Interests in issued shares of the Company

	Ordinary shares of HK\$1 each				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	2,000	–
Raymond KWOK Ping Luen	393,350	–	–	–	393,350	0.097%
NG Siu Chan	–	21,000,609	–	–	21,000,609	5.203%
William LOUEY Lai Kuen	6,251,416	–	–	–	6,251,416	1.549%
Charles LUI Chung Yuen	12,427	–	–	2,651,750 (Note 1)	2,664,177	0.660%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	41,416	–	–	21,000,609 (Note 2)	21,042,025	5.213%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Evan AU YANG Chi Chun	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Served as Alternate Director to Mr Raymond KWOK Ping Luen for the period from 1 April 2013 to 2 March 2014. Appointed as Director on 3 March 2014 and took up the position of Managing Director on 1 January 2015)	–	–	–	–	–	–
Godwin SO Wai Kei (Served as Alternate Director to Dr Walter KWOK Ping Sheung for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014)	–	–	–	–	–	–

\* Independent Non-executive Director

Notes:

- (1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,651,750 shares in the Company.
- (2) Ms Winnie Ng has interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (b) Interests in issued shares of RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Company

	Ordinary shares of HK\$0.1 each				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
Dr Norman LEUNG Nai Pang*	-	-	-	-	-	-
Dr John CHAN Cho Chak*	-	-	-	-	-	-
Raymond KWOK Ping Luen	37,400	-	-	-	37,400	0.004%
NG Siu Chan	-	123,743	-	-	123,743	0.012%
William LOUEY Lai Kuen	412,371	-	-	-	412,371	0.041%
Charles LUI Chung Yuen	-	-	-	209,131 (Note 1)	209,131	0.021%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	1,000,000	-	-	123,743 (Note 2)	1,123,743	0.113%
Dr Eric LI Ka Cheung*	-	-	-	-	-	-
Edmond HO Tat Man	-	-	-	-	-	-
Gordon SIU Kwing Chue*	-	-	-	-	-	-
John Anthony MILLER	-	-	-	-	-	-
Evan AU YANG Chi Chun	-	-	-	-	-	-
Professor LIU Pak Wai*	-	-	-	-	-	-
Allen FUNG Yuk Lun	-	-	-	-	-	-
Roger LEE Chak Cheong (Served as Alternate Director to Mr Raymond KWOK Ping Luen for the period from 1 April 2013 to 2 March 2014. Appointed as Director on 3 March 2014 and took up the position of Managing Director on 1 January 2015)	-	-	-	-	-	-
Godwin SO Wai Kei (Served as Alternate Director to Dr Walter KWOK Ping Sheung for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014)	-	-	-	-	-	-

\* Independent Non-executive Director

Notes:

- (1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.
- (2) Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 31 December 2014, none of the Directors had any non-beneficial interest in the share capital of the Company.

Apart from the foregoing, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors' interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

## DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 32(a) to the financial statements, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the Securities and Futures Ordinance in more than 5% of the issued shares of SHKP.

Save as disclosed above, no contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## DISCLOSEABLE INTERESTS OF SHAREHOLDERS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK\$1 each			Percentage of total issued shares
	Registered shareholders	Corporate interests	Total number of shares held	
Sun Hung Kai Properties Limited (notes 1 and 2)	–	133,271,012	133,271,012	33.0%
Arklake Limited (note 1)	68,600,352	–	68,600,352	17.0%
HSBC International Trustee Limited	35,837,445	–	35,837,445	8.9%
Kwong Tai Holdings (PTC) Limited (note 3)	21,000,609	–	21,000,609	5.2%

Notes:

- (1) The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.
- (2) Under The Code on Takeovers and Mergers ("the Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creper under Rules 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP has been holding 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, the above transitional provisions applied to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creper under Rules 26.1(c) and (d) of the Takeovers Code.
- (3) The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both are Directors of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

## REPORT OF THE DIRECTORS

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under either the Company's Bye-laws or the laws in Bermuda.

### SENIOR MANAGEMENT

The Executive Directors of the Company, Mr Charles Lui Chung Yuen, Mr Roger Lee Chak Cheong and Mr Evan Au Yang Chi Chun are members of the senior management of the Group whose brief particulars are set out on pages 114, 118 and 117 respectively of this Annual Report.

### STAFF RETIREMENT SCHEMES

The Group operates two separate non-contributory defined benefit retirement schemes, The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme ("The KMB Monthly Rated Employees Scheme") and The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme ("The KMB Daily Rated Employees Scheme"), and participates in a defined contribution retirement scheme, SHKP MPF Employer Sponsored Scheme.

#### (a) Defined benefit retirement schemes

The Group makes contributions to two defined benefit retirement schemes that provide pension benefits for employees upon retirement. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals.

The most recent actuarial valuations of the two schemes were at 1 January 2015 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

#### **The KMB Monthly Rated Employees Scheme**

- (i) The scheme was established with effect from 15 February 1978.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note overleaf) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment return at 5.5% and salary escalation at 4.5% per annum; mortality rates 2011 Hong Kong Life Tables; and normal retirement age of 65.
- (iii) The market value of the scheme assets at 31 December 2014 was HK\$1,161,349,000 (2013: HK\$1,220,501,000).
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2014 and 2013.
- (v) The ongoing funding surplus in the scheme was HK\$397,803,000 (2013: HK\$466,756,000) and the solvency surplus was HK\$398,303,000 (2013: HK\$467,188,000) at 31 December 2014.



## STAFF RETIREMENT SCHEMES (continued)

### (a) Defined benefit retirement schemes (continued)

#### The KMB Daily Rated Employees Scheme

- (i) The scheme was established with effect from 1 July 1983.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment return at 5.5% and salary escalation at 4.5% per annum; mortality rates 2011 Hong Kong Life Tables; and normal retirement age of 60.
- (iii) The market value of the scheme assets at 31 December 2014 was HK\$2,506,178,000 (2013: HK\$2,578,882,000).
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2014 and 2013.
- (v) The ongoing funding surplus in the scheme was HK\$1,014,638,000 (2013: HK\$1,062,420,000) and the solvency surplus was HK\$1,072,488,000 (2013: HK\$1,125,371,000) at 31 December 2014.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 21 to the financial statements).

### (b) Defined contribution retirement scheme

#### SHKP MPF Employer Sponsored Scheme ("the SHKP Scheme")

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014). Contributions to the SHKP Scheme during the year are charged to the income statement as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2014 were insignificant to the Group.

## BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group as at 31 December 2014 are set out in note 24 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

## REPORT OF THE DIRECTORS

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 196 of this Annual Report.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein throughout the year.

### CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, except that Mr Raymond Kwok Ping Luen, a Non-executive Director of the Company, was unable to attend the Annual General Meeting of the Company held on 22 May 2014 as provided for in code provisions A.6.7 due to other engagements. A report on the principal corporate governance practices adopted by the Company is set out on pages 88 to 107 of this Annual Report.

### PROPERTIES

Particulars of the investment properties of the Group are shown on pages 84 and 85 of this Annual Report.

### AUDIT COMMITTEE

The Audit Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2014.

### CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

### AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Norman LEUNG Nai Pang**

Chairman

Hong Kong, 19 March 2015