

# Corporate Governance Report

TIH is committed to operating a business platform that is commercially and environmentally sustainable, enabling the Group to provide services that meet customer needs and support the overall development of the communities in which it operates, while also generating a consistent level of profitability for its shareholders. The Group's governance framework is built on the four cornerstones of accountability, transparency, honesty and integrity, which form the basis for the policies that are formulated and deployed by the Board of Directors to guide senior management in conducting the businesses of the Group. We endeavour to maintain the highest standards of corporate governance by meeting all statutory and regulatory requirements and by adopting sound policies, procedures and rules that are fully adhered to at all levels from board members to frontline staff.



## CORPORATE GOVERNANCE FRAMEWORK

We believe that sound corporate governance is essential for maintaining stakeholder confidence and furthering the Company's competitiveness, while enabling it to fulfil its mission and attain business excellence. The Company's Corporate Governance Framework (the "Framework") is a performance-oriented benchmark for evaluating business performance which helps the Directors and senior management conduct the Group's businesses in line with planned strategic goals that meet environmental and community needs, and satisfy the expectations of shareholders, customers, employees, creditors and suppliers. The sound management policies and practices that proceed from the Framework cover the full spectrum of the Group's commercial dealings to ensure the highest standards of governance across the Group's businesses. The Framework retains sufficient flexibility to accommodate evolving regulatory requirements, satisfy environmental

and local community needs, as well as meet changes in social expectations and international developments. Sound corporate governance principles, including accountability, transparency, honesty, integrity, openness, performance orientation, mutual respect and commitment, are crucial elements in the planning and design of the Framework. The management policies and practices adopted at all levels of operation throughout the Group's businesses enable us to achieve the highest standards of corporate governance.

Our corporate governance objectives are achieved primarily through the implementation of the following measures:

- Optimal board composition, efficient management reporting systems, a professional management team and stringent internal control procedures, which ensure that the Directors and management are able to make informed decisions in the best interests of our stakeholders;

- Effective internal audit and control systems, which provide safeguards against risks, protect the Group's assets and ensure that its policies and management practices are executed as planned, and that any irregularities, deviations and abuses can be quickly identified and corrected; and
- Effective communication channels, which guarantee that the Group's affairs are communicated to shareholders, customers and other stakeholders promptly.

We realise that good corporate governance is the key to sustainable business success and our management team is committed to continuously improving our current practices to ensure compliance with new regulatory developments and to finding ways to mitigate risk whenever possible.

This Corporate Governance Report describes the corporate governance policies and practices that have been applied throughout the Group for the management of our businesses. Such disclosure is in compliance with the requirements for Corporate Governance Reporting contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## CORPORATE GOVERNANCE PRACTICES

The Group pays close attention to the recommended corporate governance practices set out in the Principles of Good Governance, Code Provisions and Recommended Best Practices (the "CG Code") contained in Appendix 14 of the Listing Rules. The CG Code allows listed issuers in Hong Kong to evaluate and improve their corporate governance practices by providing two levels of recommendations: "Code Provisions", with which issuers are expected to comply but from which they may choose to deviate so long as they give considered reasons for non-compliance; and "Recommended Best Practices", which are provided for guidance only.

The corporate governance principles cover principally the following areas:

- Board of Directors
- Delegation by Board of Directors
- Accountability and Audit
- Engagement with Stakeholders

The Company complied with the applicable code provisions in the former Code on Corporate Governance Practices (effective until 31 March 2012) and the revised Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012, except that, pertaining to code provision A.6.7, two of the Non-executive Directors of the Company, Mr Raymond Kwok Ping-luen and Dr Walter Kwok Ping-sheung, were unable to attend the Annual General Meeting of the Company held on 17 May 2012 due to other engagements. The Company adopted the Recommended Best Practices as set out in the CG Code where appropriate, and meets or exceeds the code provisions in all major areas, including the following:

- A comprehensive Corporate Governance Framework has been established to ensure that the best corporate governance practices are identified and adopted across the Group's different lines of businesses in the best interests of its stakeholders.
- The Board and the Standing Committee both meet regularly (six times each in 2012) to discuss major strategic and operational matters pertaining to the Group's businesses.
- The Chairman and the Managing Director have no financial, business, family or other relationship with each other. This ensures the independence of key personnel holding their distinctive role separately.
- The majority of the members of the Audit Committee are Independent Non-executive Directors. The Audit Committee meets the external auditors twice a year without the presence of senior management.
- External auditors attend the annual general meeting to answer questions from shareholders.
- All members of the Nomination Committee are Independent Non-executive Directors. Their independence is essential for identifying high-calibre candidates in an objective way and in the best interests of the Company and its shareholders.
- We have drawn up a written Code of Conduct applicable to all Directors and staff. This code, which emphasises the role of ethical values and conscience in business activities, is published on KMB's intranet.

## Corporate Governance Report

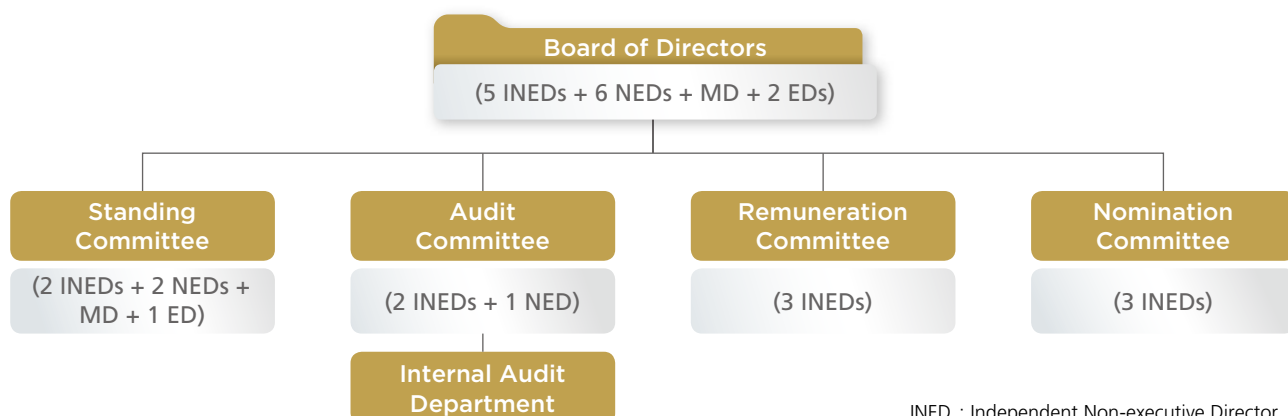
- In addition to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, we have a Code of Conduct and a Staff Handbook to regulate the handling and dissemination of price-sensitive information.
- Our Internal Control and Risk Management Framework conforms with the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission and the relevant ISO Standards, which together provide comprehensive guidance for our corporate governance practices.
- All members of the Remuneration Committee are Independent Non-executive Directors. The Committee ensures that the remuneration of both Executive and Non-executive Directors are properly benchmarked against the level of remuneration of comparable companies in respect of workload, scale and complexity of business and determined according to tried and tested methodology in an objective manner.
- We issue a separate Remuneration Report, which sets out the remuneration policy, terms of reference and methodologies adopted for determination of the remuneration of Directors.
- A whistleblowing policy with a well-structured reporting system has been established to enable employees, business partners, suppliers and any third party to raise concerns, in confidence, to the Audit Committee about possible improprieties in any matter related to the Company. The policy is published on the Company's website.

- The Company has established a Communications Policy with the aim of providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile). The Policy is published on the Company's website.

As a testament to the Company's excellence in the application of best corporate governance practices, the Company won the Hong Kong Corporate Governance Excellence Award 2012 organised by The Chamber of Hong Kong Listed Companies. The Company was the sole award winner in the category "Other Main Board and GEM Board Companies". The award recognised the Company's outstanding commitment to shareholder rights, compliance, integrity, accountability, transparency, board independence and leadership, and corporate social responsibility.

### BOARDROOM FRAMEWORK

The Company's Board of Directors comprises 14 members, of whom five are Independent Non-executive Directors, six are Non-executive Directors and three are Executive Directors (including the Managing Director and the Deputy Managing Director). Responsibility for running the Group's day-to-day businesses is delegated to the senior management, who are the Executive Directors of the Company, under the supervision of four designated Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company's boardroom framework is outlined below:



INED : Independent Non-executive Director  
 NED : Non-executive Director  
 MD : Managing Director  
 ED : Executive Director

## BOARD OF DIRECTORS

### Composition of the Board of Directors

The Board is responsible for the strategic leadership of the Group and for running the Group in a way designed to maximise shareholder value while taking due account of the broad range of stakeholder interests.

The primary responsibilities of the Board include:

- Formulating the Group's objectives, strategies, policies, business plans and corporate values
- Reviewing the effectiveness of internal controls and risk management
- Ensuring the integrity of the Group's accounting and financial reporting system and public announcements
- Monitoring management performance
- Setting dividend policy
- Approving major financing arrangements
- Evaluating major acquisitions and disposals
- Reviewing the compliance of connected transactions
- Assessing and evaluating the skills and expertise needed on the Board
- Overseeing the management of relationships with stakeholders, including shareholders, customers, the HKSAR Government, suppliers, employees and the community.

The Board of Directors comprises Executive and Non-executive Directors (including Independent Non-executive Directors) with a diversity of experience from different business and professional backgrounds, which ensures that the Board possesses a balance of expertise and a strong independent element allowing it to effectively exercise independent judgement and act in the best interests of its shareholders.

The composition of the Board of Directors broken down by age group and gender is given below:

Age Group	Male	Female
41 – 50	1	1
51 – 60	4	0
61 – 70	5	0
Over 70	3	0
<b>Total</b>	<b>13</b>	<b>1</b>

The Independent Non-executive Directors (whose designations as Independent Non-executive Directors are explicitly given in all corporate communications of the Company) help ensure that major issues and connected transactions are subject to objective and thorough consideration by the Board and that the interests of the shareholders as a whole are fully and impartially taken into consideration. Currently, the Company has five Independent Non-executive Directors, out of a total of 14 Board Directors, thereby complying with Rule 3.10A of the Listing Rules, which stipulates that at least one-third of Board members should be Independent Non-executive Directors, and exceeding the requirements of Rules 3.10(1) and (2), which stipulate that a listed company should have at least three Independent Non-executive Directors, one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

As at the date of this Annual Report, all Independent Non-executive Directors had submitted written confirmation of their independence to both the Stock Exchange and the Company in accordance with Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

# Corporate Governance Report

The Directors of the Company as at the date of this Annual Report are:

<b>Independent Non-executive Directors</b>	Dr Norman LEUNG Nai Pang, GBS, JP (Chairman) (Note 1) Dr John CHAN Cho Chak, GBS, JP (Deputy Chairman) (Note2) Dr Eric LI Ka Cheung, GBS, OBE, JP Mr SIU Kwing-chue, Gordon, GBS, CBE, JP Professor LIU Pak-wai, SBS, JP
<b>Non-executive Directors</b>	Mr KWOK Ping-uen, Raymond, JP (with Mr YUNG Wing Chung as alternate) Dr KWOK Ping-sheung, Walter, JP (with Mr SO Wai Kei, Godwin as alternate) Mr NG Siu Chan (with Ms Winnie NG as alternate) Mr William LOUEY Lai Kuen Ms Winnie NG Mr John Anthony MILLER, SBS, OBE
<b>Executive Directors</b>	Mr Charles LUI Chung Yuen, M.H. Mr Edmond HO Tat Man (Managing Director) Mr Evan AU YANG Chi Chun (Deputy Managing Director)

Notes:

1. Appointed as Chairman of the Company in place of the retired The Hon Sir Sze-yuen CHUNG at the conclusion of the annual general meeting of the Company held on 17 May 2012.
2. Re-designated from Non-executive Director to Independent Non-executive Director with effect from 4 January 2012 and appointed as Deputy Chairman of the Company at the conclusion of the annual general meeting of the Company held on 17 May 2012.

Detailed biographies of the Directors are set out on pages 130 to 135 of this Annual Report in accordance with the Listing Rules. Information provided includes name, age, positions held with the Company and its subsidiaries, length of service with the Company and the Group and such other information (which may include business experience) of which shareholders should be aware, and relationship with other Directors or senior management, as well as particulars of other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and other major appointments and professional qualifications. All Directors have a current term of office of not longer than three years.

## Obligations of Directors

### Code of Conduct

The Company has drawn up a written Code of Conduct for Directors and employees which is published on the staff website. The code provides guidance on personal conduct, relations with suppliers and contractors, responsibilities to shareholders, relations with customers, employment practices and responsibilities to the community, as well as procedures for monitoring compliance and means of enforcement. The code emphasises ethical values and conscience in business activities, and requires Directors and employees to adhere to the code when discharging their

delegated duties. A whistleblowing policy, which is also published on the Company website and staff website, has been established to formalise the procedures for reporting actual or potential violations of the code and other suspected irregularities.

### Securities Transactions by Directors

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct to regulate Directors' securities transactions in respect of the Company's shares. In response to the Company's specific enquiry, all Directors confirmed that they had complied throughout 2012 with the required standard of dealings as set out in the Model Code.

Details of the shareholding interests held by the Directors in the Company and its indirect non-wholly-owned subsidiary, RoadShow Holdings Limited, as at 31 December 2012 are set out on pages 140 and 141 of this Annual Report.

### Induction and Professional Development

Our Company Secretary is charged with the responsibility of providing comprehensive, formal and tailored induction programmes, briefings and other training courses for new and existing Directors to ensure that the Directors have a



proper understanding of the Company's operations and businesses and are fully aware of their responsibilities under the Listing Rules, and legal and other regulatory requirements. Information on latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as appropriate. The Directors are provided with detailed monthly management reports, as well monthly media reports including press articles relevant to the Company's businesses. In 2012, a seminar was run by a professional services firm to update the Directors on the latest developments in corporate governance. Directors are encouraged to participate in continuous professional development programmes organised by qualified institutions and are asked to provide the Company with a record of any training they have received.

### Appointment, Re-election, Cessation and Rotation of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new Directors. A person may be appointed a member of the Board at any time either by the shareholders in general meeting or by the Board on the recommendation of the Nomination Committee when it is necessary to fill a casual vacancy. All Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years. Directors appointed to fill casual vacancies of the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting. The shareholders may also remove a Director before the expiration of his or her period of office by passing a special resolution at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

In compliance with the Listing Rules, the election of individual Directors is subject to a separate resolution to be approved by shareholders. In respect of the re-appointment of an Independent Non-executive Director who has served on the Board for more than nine years, the Company will give reasons in the circular it sends to shareholders giving notice of the annual general meeting why it considers that such Independent Non-executive Director continues to be independent and why it recommends that shareholders vote in favour of his or her re-election.

At the annual general meeting held on 17 May 2012, (the "2012 AGM"), six Directors, namely, Mr KWOK Ping-luen, Raymond, Mr Charles LUI Chung Yuen, Ms Winnie NG, Dr Eric LI Ka Cheung, Mr Edmond HO Tat Man and Professor LIU Pak-wai, retired by rotation and were re-elected as Directors of the Company. The Hon Sir Sze-yuen CHUNG, the former Chairman of the Company, retired as Director of the Company, KMB and LWB with effect from the conclusion of the 2012 AGM and did not offer himself for re-election. At the same time, two of the Directors of the Company, Dr Norman LEUNG Nai Pang and Dr John CHAN Cho Chak, were appointed as Chairman and Deputy Chairman of the Company, respectively.

Appropriate announcements of the appointment, re-election and cessation of directorships were published in accordance with the requirement of Rule 2.07 of the Listing Rules.

At the forthcoming annual general meeting to be held on 23 May 2013 (the "2013 AGM"), Dr Norman LEUNG Nai Pang, Dr KWOK Ping-sheung, Walter, and Mr William LOUEY Lai Kuen will retire by rotation as Directors of the Company. All these retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2013 AGM. The election of each Director will be subject to the vote of shareholders by a separate resolution.

### Procedures for Making Proposals to Nominate a Person for Election as a Director

Shareholders may put forward a proposal for election of a person as a Director at a general meeting of the Company. The procedures for making proposals to nominate a person for election as a Director are available on the websites of the Company and the Stock Exchange.

### Distinctive Roles of the Chairman and the Managing Director

Neither the Company's former Chairman, The Hon Sir Sze-yuen CHUNG nor his successor, Dr Norman LEUNG Nai Pang, both Independent Non-executive Directors, have any financial, business, family or other relationship with the Company's Managing Director, Mr Edmond HO Tat Man. This separation of posts ensures that there is a clear distinction between the roles and responsibilities of the Chairman and the Managing Director.



# Corporate Governance Report

An Independent Non-executive Chairman can provide independent oversight of the management team and ensure that the Board remains fully cognisant of the interests of shareholders.

The respective roles and responsibilities of the Chairman and the Managing Director are clearly defined in writing and are summarised as follows:

## Responsibilities of the Chairman

- Chairing the Board and shareholders' meetings
- Ensuring the operations of the Board are managed effectively
- Ensuring all key and appropriate issues are discussed by the Board in a timely and constructive manner
- Taking appropriate steps to provide effective communication with shareholders and to ensure that shareholders' views are communicated to the Board as a whole
- Ensuring good corporate governance practices are followed

## Responsibilities of the Managing Director

- Developing, recommending and implementing the Group's policies and strategies so that they reflect the long-term objectives and priorities approved by the Board
- Assuming full accountability to the Board for all aspects of the Group's operations and performance
- Maintaining ongoing dialogue with the Board Chairman and other Directors
- Representing the Company and managing the Group's day-to-day businesses
- Developing and leading an effective executive team
- Closely monitoring operational and financial results in accordance with plans and budgets
- Putting adequate operational, planning and financial-control systems in place

The Chairman also meets once a year with the Non-executive Directors, in the absence of the Managing Director and the Executive Directors, to discuss the Group's business affairs. This meeting was held on 18 October 2012.

## Board Meetings

The Board meets regularly to discuss and decide on major corporate strategic and operational issues, and to evaluate major investment opportunities. Board meetings are conducted according to the procedures laid down in the Company's Bye-laws and the code provisions contained in the CG Code, as summarised below:

- The annual schedule of regular Board meetings is provided to Board members at the start of each year and any amendments to the schedule are notified to Directors at least 14 days before regular meetings;
- Directors may request inclusion of items in the agenda of Board meetings;
- The draft agenda for regular Board meetings is prepared by the Company Secretary and approved by the Chairman of the Company;
- Notice of Board meetings is normally sent to the Directors one month in advance, with the agenda and discussion papers for the Board meeting circulated one week in advance to ensure that Directors have sufficient time to attend to the affairs to be discussed and make informed decisions in the best interests of the Company;
- Senior management report to the Board on the operations and financial performance of various business areas; and
- The Company Secretary is responsible for taking minutes of all Board meetings, recording in detail the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors, and circulating them to the Directors for comment within a reasonable time after the meeting. The final version of the draft minutes is submitted to the Board at the subsequent meeting for formal adoption. The adopted minutes are kept by the Company Secretary and are available for inspection by the Directors.

## Voting on Connected Transactions

All Directors are requested to disclose to the Company twice a year the offices they hold in other public companies or organisations. Pursuant to the Company's Bye-laws, Directors are required to declare their interests, if any, in any transaction, arrangement or other issue proposed to

be discussed at the Board meeting and to abstain from voting on relevant resolutions if they have a conflict of interest or a material interest in the proposed transaction. The declaration of interest will be recorded in the minutes. Directors having an interest so declared would not count towards the quorum for the meeting in respect of the passing of the relevant resolutions.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of the Group's business and on normal commercial terms arrived at on an arm's length basis, and that they are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary is responsible for ensuring that all connected transactions entered into are in compliance with the Listing Rules. In 2012, the Company was involved in two continuing connected transactions, details of which are disclosed on pages 104 to 105 of this Annual Report.

## Directors' Indemnities and Protections

The Company has arranged appropriate insurance cover in respect of legal action against the Directors of the Company, which indemnifies the Directors for liability incurred in connection with the Company's activities. These indemnities were in force during 2012 and remain in force.

## DELEGATION BY THE BOARD OF DIRECTORS

The Board has established the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee as the four designated Board Committees to oversee particular aspects of the Group's affairs. Each of the Committees has written terms of reference and adequate authority and resources to discharge its duties. The terms of reference explaining the role and the authority delegated by the Board to the Board Committees are available on the websites of the Company and the Stock Exchange.

The membership of each Committee is shown below:

Name of Directors	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
Dr Norman LEUNG Nai Pang, GBS, JP <sup>^</sup> (Note 1)	Chairman			
Dr John CHAN Cho Chak, GBS, JP <sup>^</sup> (Note 2)	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, GBS, OBE, JP <sup>^</sup>		Chairman	Member	Member
Mr KWOK Ping-luen, Raymond, JP <sup>#</sup>	Member			
Mr SIU Kwing-chue, Gordon, GBS, CBE, JP <sup>^</sup>		Member		Member
Ms Winnie NG <sup>#</sup>	Member			
Mr John Anthony MILLER, SBS, OBE <sup>#</sup>		Member		
Mr Charles LUI Chung Yuen, M.H.*	Member			
Mr Edmond HO Tat Man*	Member			
Professor LIU Pak-wai, SBS, JP <sup>^</sup> (Note 3)			Member	

<sup>^</sup> Independent Non-executive Director

<sup>#</sup> Non-executive Director

\* Executive Director

Notes:

1. Resigned as the Chairman of the Remuneration Committee and of the Nomination Committee with effect from the conclusion of the annual general meeting held on 17 May 2012.
2. Re-designated from Non-executive Director to Independent Non-executive Director with effect from 4 January 2012 and appointed as the Chairman of the Remuneration Committee (formerly, a member of the Remuneration Committee) and of the Nomination Committee with effect from the conclusion of the annual general meeting held on 17 May 2012.
3. Appointed as a member of the Remuneration Committee with effect from the conclusion of the annual general meeting held on 17 May 2012.



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## Standing Committee

The Standing Committee was set up by the Board with specific terms of reference to advise and assist the Board in formulating policies, and to monitor their implementation by management. In 2012, the Standing Committee held six meetings with senior management to review and discuss financial, operational and strategic issues in relation to current businesses as well as potential investment opportunities for the Group, and reported findings and made recommendations to the Board directly.

## Audit Committee

The Audit Committee is delegated with the responsibility for overseeing the financial reporting process, internal control procedures and risk management system of the Company, and its relationship with the external auditor. The Chairman of the Audit Committee, Dr Eric Li Ka Cheung, an Independent Non-executive Director of the Company, is a Certified Public Accountant, with the appropriate professional qualifications and accounting expertise required by the Listing Rules. The Chairman and other members of the Audit Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 130 to 135 of this Annual Report. None of the Audit Committee members is a former or existing partner of the external auditors of the Company. The Audit Committee's terms of reference are in line with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and regularly updated with reference to the recommendations of the CG Code of the Listing Rules.

In 2012, the Audit Committee together with the senior management held two meetings with the Company's external auditors, KPMG, in which the Company's financial reports, internal control and other relevant matters were thoroughly reviewed and discussed. At the end of each meeting, the external auditors were invited to discuss in private with the Audit Committee members issues noted during the course of the audit and any other matters

which they might like to bring up to the Audit Committee in the absence of senior management. Following each meeting, the Chairman of the Audit Committee submitted a report to the Board of Directors and gave a briefing on all significant issues that had arisen.

The key tasks performed by the Audit Committee in 2012 included:

- (a) Review of the Company's Financial Reporting Process, and Internal Control and Risk Management Systems
  - Reviewed with senior management the accounting principles and practices adopted by the Group, the financial results of the Company and of its major subsidiaries, the accuracy and fairness of the financial statements, and the scope of both internal and external audit work;
  - Reviewed the revised accounting standards and prospective changes to accounting standards, and their impact on the financial reporting of the Company and the Group;
  - Reviewed with the external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements;
  - Discussed and reviewed the audit reports prepared by the Head of Internal Audit Department. The reports covered internal audit aspects, including audit objectives, audit approach, audit work done and findings. The qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources, training programmes and budgets for such staff, were examined, together with internal control functions;
  - Provided guidance to internal auditors and senior management to ensure that the accounting policies and practices adopted by the Group were consistently applied in line with the relevant accounting standards and legal requirements;
  - Conducted reviews with the external auditors and senior management to ensure that connected transactions were properly disclosed in accordance with the requirements of the Listing Rules; and

- Established a whistleblowing policy and reporting system to enable employees, business partners, suppliers and any third party to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Audit Committee has overall responsibility for monitoring and reviewing the operation of the policy and for any recommendations for action resulting from investigation into complaints. The Company Secretary is delegated with the responsibility to manage and review the day-to-day operations of the whistleblowing system. The whistleblowing policy and procedures are posted on the Company's website.

Based on the conclusions drawn from these reviews and discussions, the Audit Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2012 and the annual financial statements for the year ended 31 December 2012 be approved.

(b) Management of Relationship with External Auditors

- Reviewed the independence of the external auditors and considered their terms of engagement and audit fee proposal to ensure that there was no impediment to their independence; and
- Ensured that the external auditors conducted their audit and non-audit services in an effective manner.

Based on the conclusions drawn from these reviews, the Audit Committee recommended to the Board that KPMG, the existing external auditors, be re-appointed as auditors of the Company in respect of the financial statements for the year ending 31 December 2013.

### Remuneration Committee

The role of the Remuneration Committee is to formulate remuneration policies, including the establishment of guidelines to determine terms and conditions of employment, and remuneration and retirement benefits of Directors and employees of the Group. It also establishes appropriate criteria for performance-based bonuses, and

reviews and makes recommendations to the Board on human resources related policies in line with the Group's goals and objectives. Details of the terms of reference, remuneration policies and work done by the Remuneration Committee in 2012 are set out in the Remuneration Report on pages 126 to 129 of this Annual Report.

### Nomination Committee

The Nomination Committee is charged with the responsibility of identifying appropriate candidates with suitable skills and experience for consideration by the Board and for ensuring that the appointment of Directors undergoes formal, stringent and transparent procedures. All members, including the Chairman, of the Nomination Committee are Independent Non-executive Directors of the Company. The principal terms of reference of the Nomination Committee include:

- Formulating nomination policy for consideration by the Board and implementing the nomination policy laid down by the Board;
- Reviewing and monitoring the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board regarding any proposed changes;
- Identifying and nominating for the approval of the Board suitably qualified candidates for appointment as Directors;
- Making recommendations to the Board for the appointment or re-appointment of Directors and regarding succession planning for Directors, in particular, the Chairman and the Managing Director; and
- Assessing the independence of Independent Non-executive Directors.

# Corporate Governance Report

The overall attendance record of the Directors at the Annual General Meeting, Board Meetings and Committee Meetings in 2012 is given below:

Members of the Board of Directors	Meetings Attended/Held					
	2012 AGM	Board	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
<b>Independent Non-executive Directors</b>						
The Hon Sir Sze-yuen CHUNG, GBM, GBE, JP (ex-Chairman) (Note 1)	1/1	2/2				
Dr Norman LEUNG Nai Pang, GBS, JP (Chairman) (Note 2)	1/1	6/6	6/6		1/1	1/1
Dr John CHAN Cho Chak, GBS, JP (Deputy Chairman) (Note 3)	1/1	6/6	6/6		2/2	
Dr Eric LI Ka Cheung, GBS, OBE, JP	1/1	6/6		2/2	2/2	1/1
Mr SIU Kwing-chue, Gordon, GBS, CBE, JP	1/1	6/6		2/2		1/1
Professor LIU Pak-wai, SBS, JP (Note 4)	1/1	6/6			1/1	
<b>Non-executive Directors</b>						
Mr KWOK Ping-luen, Raymond, JP (with Mr YUNG Wing Chung as alternate)	0/1	1/6	6/6			
Dr KWOK Ping-sheung, Walter, JP (with Mr SO Wai Kei, Godwin, as alternate)	0/1	0/6				
Mr NG Siu Chan (with Ms Winnie NG as alternate)	1/1	5/6				
Mr William LOUEY Lai Kuen	1/1	5/6				
Ms Winnie NG	1/1	6/6	6/6			
Mr John Anthony MILLER, SBS, OBE	1/1	6/6		2/2		
<b>Executive Directors</b>						
Mr Charles LUI Chung Yuen, M.H.	1/1	6/6	4/6			
Mr Edmond HO Tat Man (Managing Director)	1/1	6/6	6/6			
Mr Evan AU YANG Chi Chun (Deputy Managing Director)	1/1	6/6				
<b>Alternate Directors</b>						
Ms Winnie NG (Alternate Director to Mr NG Siu Chan)		1/1				
Mr YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond, JP)	1/1	5/5				
Mr SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter, JP)	1/1	6/6				
<b>In attendance</b>						
External Auditor	1/1			2/2		

Notes:

1. Retired as Chairman of the Company at the conclusion of the annual general meeting held on 17 May 2012.
2. Appointed as Chairman of the Company and resigned as Chairman of the Remuneration Committee and of the Nomination Committee at the conclusion of the annual general meeting held on 17 May 2012.
3. Re-designated from Non-executive Director to Independent Non-executive Director with effect from 4 January 2012 and appointed as Deputy Chairman of the Company and as Chairman of the Remuneration Committee and of the Nomination Committee with effect from the conclusion of the annual general meeting held on 17 May 2012.
4. Appointed as a member of the Remuneration Committee with effect from the conclusion of the annual general meeting held on 17 May 2012.

The Board meets in person regularly. Six Board meetings were held in 2012, exceeding the minimum of four board meetings a year as required by the Code Provisions set out in the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least one hour.

### Delegation of Responsibilities to Senior Management

Responsibility for delivering the Group's strategies and for day-to-day management is delegated under the supervision of the Board and the relevant Board Committees to senior management, comprising Executive Directors of the Company and its management team, who possess wide experience and expertise in different areas. The senior management team provide accurate, adequate and detailed financial and operational information in a timely manner to the Board to keep them abreast of the latest developments of the Group, enabling them to make informed decisions and discharge their responsibilities effectively.

### Company Secretary

The Company Secretary of the Company, Miss Lana Woo, is a member of The Hong Kong Institute of Chartered Secretaries. She reports to the Managing Director of the Company and is responsible for advising the Board on governance matters and for facilitating the induction and professional development of Directors. The Company Secretary is an officer of the Company and is appointed by the Board. During 2012, the Company Secretary undertook over 15 hours of professional training to update her knowledge.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board acknowledges its responsibility for the preparation of financial statements of the Company and the Group which give a true and fair view in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility covers the interim and annual reports, "price-sensitive" announcements and other financial disclosures required under the Listing Rules, reports to regulators, and any information that needs to be disclosed to comply with the statutory requirements.

The Company announces its interim and annual financial results in a timely manner within the limits of two and three months respectively after the end of the respective accounting periods.

The financial statements of the Company and the Group for the year ended 31 December 2012 given on pages 147 to 215 of this Annual Report represent a true and fair view of the state of affairs of the Company and the Group, and the results and cash flow for the year. These financial statements are prepared according to the HKFRS issued by the HKICPA. The responsibilities of the external auditors, KPMG, are set out in the auditors' report on page 146 of this Annual Report.

The Audit Committee of the Company, together with management and the Company's external auditors, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the financial results for the year ended 31 December 2012. The preliminary announcement of the financial results of the Company for the year ended 31 December 2012 has been reviewed by the Company's auditors in accordance with Hong Kong Standard on Related Services 4400, "Engagements to perform agreed-upon procedures regarding financial information", and with reference to Practice Note 730, "Guidance for auditors regarding preliminary announcements of annual results", issued by the HKICPA.

### Internal Controls and Risk Management

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's internal control system with a view to safeguarding the assets of the Group, minimising operational system risks, and providing reasonable assurance against material misstatement of information (whether financial or non-financial). Stringent internal control measures are in place at all levels of the Group to ensure effective monitoring of its day-to-day operations.

The Audit Committee, which is appointed by the Board to oversee the Group's internal control framework and assess its effectiveness, plays a crucial role in ensuring that an effective system of internal control is in place. With the assistance of the external auditors and the Internal Audit Department, the Audit Committee provides strong assurance regarding the quality and effectiveness of our control practices.

# Corporate Governance Report

## Control Environment

A well-structured internal control framework with clearly defined authority and responsibility, a culture of high ethical standards at both the management and staff levels, and an effective risk management system are the keys to a sound control environment.

The Group has a well-defined organisational structure with delineated lines of authority and control responsibilities which are clearly set out in writing and documented in organisation charts and job manuals for individual operating and business units. Management is responsible for promulgating a culture of high moral standards at both

management and staff levels, ensuring that an effective risk management system is in place, for designing, adopting and maintaining internal controls, and for formulating operational plans and preparing financial budgets setting out the resources to be allocated according to the identified and prioritised business opportunities. The approved plans and budgets are used as benchmarks for monitoring the implementation results. The Board and the Audit Committee oversee management performance and measure the effectiveness of the internal controls. Specialised Board committees and cross-departmental working committees are established from time to time to deal with specific issues.

## Internal Control Framework

The Group's Internal Control Framework is built on the following elements:

The Board	
<ul style="list-style-type: none"><li>• establishes high ethical and moral standards and monitors management compliance with these standards</li><li>• ensures that sound and effective internal control measures are in place</li><li>• monitors and oversees the performance of the Internal Control Framework</li></ul>	
The Audit Committee	
<ul style="list-style-type: none"><li>• oversees the Internal Control Framework</li><li>• provides directives for the design and implementation of a sound and effective internal control system</li><li>• ensures the independence and transparency of the internal audit function</li><li>• approves audit plans and ensures that the findings of the Internal Audit Department are properly addressed by management</li><li>• promotes coordination between the internal and external auditors</li><li>• reports to the Board on the performance of the Company's internal control system</li></ul>	
The Internal Audit Department	Management
<ul style="list-style-type: none"><li>• formulates action plans to monitor the effectiveness of the internal control system</li><li>• works with various operating units and monitors their compliance with internal control practices</li><li>• conducts robust reviews and stringent testing of the internal control system and makes recommendations for improvement</li><li>• reports directly to the Audit Committee on a periodic basis</li><li>• provides independent and objective assurance of the effectiveness of the internal control practices</li></ul>	<ul style="list-style-type: none"><li>• designs, implements and maintains an effective internal control system</li><li>• supervises staff to ensure that they carry out their duties in accordance with the requirements of internal control practices</li><li>• cooperates with and supports the work of the Internal Audit Department</li><li>• performs the central role in monitoring the Group's Quality Management System</li></ul>

## Business Ethics

The Group's internal control environment is built on the culture of moral consciousness, high ethical values and management integrity. The Code of Conduct and the Staff Handbook, which are published on KMB's staff website, set down the rules and policies which all Directors and staff are expected to follow. Besides covering all aspects of administrative and operational activities, including relationships with customers, suppliers, competitors and fellow staff, these guidelines underscore the social responsibilities of the Group. The code also emphasises transparency, objectivity, integrity and reliability in financial information handling, and disclosure in financial reports. A whistleblowing policy has been established by the Audit Committee of the Company to encourage employees, business partners, suppliers and any third party to report potential violations of the code and other suspected irregularities.

## Effective and Efficient Quality Management System

The Group has implemented an effective and efficient Quality Management System ("QMS"), which is based on the benchmarks required by the International Organisation for Standardisation ("ISO"), for its three major subsidiaries, KMB, Sun Bus Limited ("SBL") and LWB. Following the ISO 9001:1994 accreditation of KMB's QMS on a company-wide basis in 1999, KMB's two major bus depots were ISO 14001 certified for their environmental management systems in 2003. In 2008, SBL was awarded ISO 9001:2000 certification for the provision of non-franchised bus services. In 2009, new ISO 9001:2008 certificates were issued to KMB and SBL upon the successful completion of the upgrading audits. In November 2012, LWB also obtained ISO 9001:2008 quality management system certification.

A well-structured and systematic documentation model facilitates the Group's development of strategic and operational planning and serves as a performance indicator against which a business unit may measure its effectiveness. Under the ISO requirements, all major financial and operational procedures and instructions, including illustrative flow charts, need to be clearly documented and approved by authorised persons. Such documentation, covering KMB, SBL and LWB's major operational processes with the responsibility and authority of each member of staff in charge of his or her respective process well defined, is reviewed and updated from time to time to ensure that it complies with changes in the work process. Trained internal quality auditors regularly conduct on-site audits

to ensure that daily operations are performed according to the documented procedures. Preventive and corrective measures will be taken immediately upon the detection of any non-conformity. Management meetings are held every three months to review the effectiveness and compliance of the QMS, and improvement plans continuously formulated and implemented to enhance its effectiveness still further.

Each year, an external ISO certification organisation, the Hong Kong Quality Assurance Agency ("HKQAA"), carries out an independent audit of the QMS to ensure its effectiveness, efficiency and conformity. Recommendations are made for follow-up action when areas for improvement are identified during the course of the ISO audit. In 2012, no non-conformity in the QMS was found in the ISO audits of KMB and SBL.

## Enterprise Risk Management

Our businesses are exposed to various types of risks, such as financial and operational risks, which may prevent us from achieving or enhancing our corporate values. The Group has developed and implemented policies and procedures to manage these risks based on the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission. This framework helps the Group identify potential risks that are related to different business processes and relevant to the Group's objectives, and assess them in terms of impact and likelihood by deploying appropriate quantitative and qualitative techniques. Depending on their level of significance, the risks inherent in various business processes will be duly prioritised and identified, with each risk item properly measured and





controlled, and potential improvements or follow-up measures put in place to minimise the risk exposure. Relevant information is generated and communicated to management periodically to monitor the effectiveness of the risk management process.

The risk management process is illustrated as follows:

## **Business Continuity Plan**

The Group's flagship subsidiary, KMB, has formulated and documented a Business Continuity Plan ("BCP"), which is reviewed and updated from time to time according to changes in circumstances. The BCP, an integral part of the risk management process, provides a systematic approach for building an effective response that enables management to safeguard shareholder value in the event of a crisis by responding promptly to the situation and resuming KMB's critical business operations and services at an acceptable pre-defined level. It identifies and evaluates major risks of business functions affected in terms of likelihood and disruption consequence, defines responsibilities, recovery time objectives and resources required, and outlines the necessary responses. KMB performs walk-through tests and drills periodically to ensure that these responses are feasible and viable.

An emergency management team under the leadership of the Managing Director works to ensure that, in the event of a contingency, effective management will be maintained and responses that ameliorate the disruption will be taken promptly.

## **Enterprise Resources Planning System**

A comprehensive Enterprise Resources Planning system, including SAP e-business Software, provides a tailor-made solution for the systematic analysis of large amounts of operational and financial data. This assists the Board and senior management in making informed strategic business decisions on a timely basis and in measuring management performance against budget.

## **Establishment of a Comprehensive Internal Audit Function**

The Internal Audit Department plays a crucial role in monitoring the internal governance of the Group. It is responsible for providing the Audit Committee and senior management with independent and objective assurance that the internal control system of the Group is effective in achieving its objectives and any risks and internal control weaknesses have been adequately addressed. This objective is accomplished through the implementation of a systematic, disciplined, risk-based audit approach to examine and evaluate the internal controls of the Group according to the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. This involves reviewing the inherent risks associated with each key business process and evaluating the internal controls to mitigate these risks, testing compliance of the internal controls, and carrying out substantive tests, such as transaction tests, stocktaking, physical inspection and analytical reviews in major areas to substantiate the effectiveness of the internal control system and the correctness of the accounting data, as well as recommending potential improvement opportunities where appropriate to enhance the internal control system.

The Head of Internal Audit Department supervises the implementation of comprehensive audits and reviews the financial and operational procedures and practices of the Group on both a regular and an ad hoc basis. To ensure the independence of the internal audit function of the Group, the Head of Internal Audit Department reports directly to the Audit Committee and the Managing Director.

In 2012, the major work undertaken by the Internal Audit Department included:

- Conducting systematic audits of various aspects of the Group's operations according to the rolling audit plan, communicating the findings, recommending follow-up action to the relevant operating units, and reporting to the Audit Committee and the Managing Director;

- Independently reviewing the risks and controls of the Group, and ensuring that the risks and internal control weaknesses were adequately addressed;
- Carrying out internal consulting services to help improve the operational and financial performance of the Group's various business units; and
- Reviewing critical areas of concern identified by senior management or the Audit Committee.

Based on the report of the Internal Audit Department, the Audit Committee has concluded that the Group continues to operate in a sound control environment with a control system that effectively monitors and corrects non-compliance in all significant areas. Following the Audit Committee's annual review of the Group's internal control system, the Board is satisfied that the Group fully complied with the Code Provision on internal controls in 2012.

### Control Practices for Handling and Disseminating Price-sensitive and/or Inside Information

The Company recognises its obligations under the Listing Rules and the Securities and Futures (Amendment) Ordinance and has proper procedures and internal control measures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. The Board, senior management and nominated executives who have access to price-sensitive and/or inside information are bound by the Model Code for Securities Transactions under the Listing Rules. Additionally, every employee is required to follow the Code of Conduct and the Staff Handbook in relation to keeping unpublished price-sensitive and/or inside information strictly confidential.

### External Audit

The external auditors play a substantial role in assuring the integrity of the disclosure of financial information. Major findings, if any, noted by the auditors during the course of the review of the Company's interim financial report and audit of the Company's annual financial statements will be reported directly to the Audit Committee and the Board. The external auditors are also invited to attend meetings of the Audit Committee, as well as the Annual General Meeting.

The Audit Committee is charged with monitoring the audit and non-audit services rendered to the Group by its external auditors. A formal policy is set to ensure that the engagement of the external auditors in non-audit services will not impair their independence to act as external auditors. The external auditors are also required to review annually their relationship with the Group and give written confirmation to the Audit Committee of their independent status.

The Company engaged KPMG as external auditors to audit the financial statements of the Company for the year ended 31 December 2012. KPMG has formally confirmed in writing to the Audit Committee that for the year ended 31 December 2012 and up to the date of this Annual Report, it remains independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services rendered by KPMG to the Group for the year ended 31 December 2012 are set out below:

	HK\$ million
Audit related services	6.4
Non-audit related services	0.2
<b>Total</b>	<b>6.6</b>

## ENGAGEMENT WITH STAKEHOLDERS

### Shareholders

At 31 December 2012, the Company had 4,453 registered shareholders. Besides individual shareholders, some of these shares are held by institutional investors, or by people and organisations via financial intermediaries such as nominees, investment funds and the Central Clearing and Settlement System ("CCASS") of Hong Kong.

The names of the shareholders, other than Directors of the Company, holding 5% or more of the shares of the Company as at 31 December 2012 are disclosed in the Report of the Directors on page 142 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 33.0% in the Company.

# Corporate Governance Report

At the end of 2012, the shareholding distributions of the Company were as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0 – 1,000	1,452	32.61	482,565	0.12
1,001 – 5,000	1,739	39.05	4,160,500	1.03
5,001 – 10,000	528	11.86	4,052,538	1.00
10,001 – 100,000	612	13.74	18,404,431	4.56
Above 100,000	122	2.74	376,539,379	93.29
	4,453	100.00	403,639,413	100.00

Note: 39.58% of all TIH's issued shares were held through CCASS.

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.

## Shareholders' Communication Policy

The Board believes that transparency is the cornerstone of good corporate governance. To that end, the Board has established a Shareholders' Communication Policy, which is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Group uses various communication means, including press releases, announcements, interim and annual reports, and circulars, to convey its messages to shareholders. Other information of interest to shareholders is available on the Company's website [www.tih.hk](http://www.tih.hk) as well as on the Stock Exchange website. The interim and annual reports, notices of general meetings and circulars in English and/or Chinese are sent to shareholders within the respective deadlines stipulated by the Listing Rules.

## Annual Reports

Management recognises that our annual report is an important source of information for our shareholders and other stakeholders wishing to understand our businesses. As such, we work hard to ensure that our annual report is informative, comprehensible and transparent, with an

excellent level of disclosure. Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2012, the Company won the following prestigious awards:

- Bronze Award in the Hong Kong Management Association ("HKMA") Best Annual Reports Awards; and
- Silver Award for Cover Photo/Design and Bronze Award for Financial Data in the International ARC Awards.

This Annual Report is produced in English and Chinese and is available in both printed and electronic versions. Shareholders can elect to receive a printed version (in English, Chinese or both languages) or the electronic version. We recommend that shareholders access by electronic means the Company's corporate communications, including annual and interim reports, notices of meetings, listing documents, circulars and forms of proxy, in order to preserve the environment and save costs. Shareholders may at any time change their choice of language or means of receiving the Company's corporate communications free of charge by giving written notice of not less than seven days to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or by email to [tih.ecom@computershare.com.hk](mailto:tih.ecom@computershare.com.hk).

### Shareholders' Right

Shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company may request the Board to convene a special general meeting ("SGM") for the transaction of business specified in the request. The request must be in written form with the purpose of the meeting stated therein and deposited at the head office of the Company at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. The request must be signed by the shareholders concerned and may consist of two or more documents in like form, each signed by one or more of those shareholders. Upon receipt of confirmation by the Company's Share Registrars that the request is valid, the Company Secretary will arrange to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with the Company's Bye-laws and the statutory requirements.

### Constitutional Documents

An updated and consolidated version of the Bye-laws of the Company is published on the websites of the Company and the Stock Exchange. The amendments to Bye-laws 2(e), 160 and 161 relating to the use of electronic means for communication with shareholders were approved by the shareholders at the 2012 AGM and updated in the consolidated version of the Bye-laws. Details of the amendments were given in the Circular to Shareholders dated 17 April 2012, which was published on the Company and the Stock Exchange websites.

### Procedures for Making Proposals at General Meetings

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at the general meetings or not less than 100 shareholders holding shares in the Company may submit a written request to move a resolution at general meetings. The procedures for making proposals at general meetings are set out in the Company's Shareholder's Communication Policy, which is available on the Company's website.

### Annual General Meeting

The Company's general meetings are important platforms for the Directors to communicate with shareholders directly. The annual general meetings or other general meetings are normally attended by all Directors and senior management as well as the Company's external auditors so that they can respond to any comments or questions raised by shareholders.

All shareholders have the right to vote at general meetings. Since 2007, the Company has conducted voting by poll at general meetings so that each share is entitled to one vote. Separate resolutions are proposed for each distinctive matter, including the election of individual Directors. The circular containing the notice of the annual general meeting, proposed resolutions, biographies of Directors standing for election and information on poll voting procedures is sent to shareholders with the annual report at least 20 clear business days before the annual general meeting.

The 2012 AGM was held on 17 May 2012 and the matters resolved are summarised below:

As ordinary business:

- Approval of the audited financial statements and reports of the Directors and Auditors for the year ended 31 December 2011;
- Approval of an ordinary final dividend of HK\$0.45 per share for the year ended 31 December 2011;
- Re-election of Mr KWOK Ping-luen, Raymond, Mr Charles LUI Chung Yuen, Ms Winnie NG, Dr Eric LI Ka Cheung, Mr Edmond HO Tat Man and Professor LIU Pak-wai as Directors of the Company;
- Re-appointment of KPMG as auditors of the Company, and authorisation of the Directors to fix their remuneration;
- Fixing the fees of the Chairman and each of the other Directors of the Board and of the Audit Committee, Remuneration Committee and Standing Committee;
- Granting of a general mandate to the Directors to issue shares not exceeding 20% of the issued share capital;

## Corporate Governance Report

- Granting of a general mandate to the Directors to exercise powers of the Company to purchase its own shares not exceeding 10% of the issued share capital; and
- Granting of a general mandate to the Directors to extend the share issue mandate granted to the Directors not exceeding 10% of the issued share capital.

As an item of special business:

- Approval of certain amendments to the Bye-laws of the Company to allow the use of the Company's website or the Stock Exchange's website and other electronic means to send or make available notices or documents to shareholders.

The details and poll voting results of the 2012 AGM were published on the websites of the Company and the Stock Exchange on 17 May 2012.

The 2013 Financial Calendar of the Company is set out as follows:

Announcement of 2012 final results	21 March 2013
Dispatch of 2012 Annual Report and accompanying circular to shareholders	22 April 2013
Last day to register transfer to qualify to attend and vote at the 2013 AGM	15 May 2013
Book closure for 2013 AGM (both dates inclusive)	16 - 23 May 2013
Date of 2013 AGM	23 May 2013
Last day to register transfer to qualify for 2012 final dividend	28 May 2013
Book closure for 2012 final dividend	29 May 2013
Payment of 2012 final dividend	7 June 2013
Announcement of 2013 interim results	mid-August 2013
Payment of 2013 interim dividend	mid-October 2013
Financial year end date	31 December 2013



Directors meet TIH shareholders at the 2012 AGM

### Procedure for Sending Enquiries to the Board

Shareholders may send their enquiries to the Board. All enquiries should be addressed to the Board or Company Secretary of the Company and sent to its head office at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. Shareholders may also email their enquiries to the Directors at the Company's email address [director@tih.hk](mailto:director@tih.hk). The Company Secretary is responsible for attending to these enquiries in the first instance.

### General Public

We are dedicated to keeping the general public informed of what the Group has done and how our achievements relate to them by using the following communication channels:

**Website** – The Company's website [www.tih.hk](http://www.tih.hk) provides a wide range of information about the Group and its various businesses for shareholders and other interested parties.

**Media** – To keep the public up to date on the bus services of KMB and LWB, the two major subsidiaries of the Group, regular press sessions are held at which the media are introduced to the latest developments of the bus companies in terms of services, facilities, safety and environmental protection.





**Publications** – KMB and LWB publish a number of booklets and leaflets which keep the travelling public updated on their services and operations.

In 2012, the KMB website won the Bronze Prize in the 2011 Top 10.hk Website Competition organised by the Hong Kong Internet Registration Corporation Limited.

KMB's publications may be downloaded from its website [www.kmb.hk](http://www.kmb.hk), which also features regularly updated corporate, financial and media information relating to the Group.

### Employees

Strong two-way communication between management and staff is vital to our continued success by strengthening loyalty and efficiency.

To enhance mutual understanding and promote cooperation at all levels, six joint consultative committees of KMB and LWB have been formed to provide channels for management and staff to discuss matters such as safety and the work environment, as well as staff welfare matters.

The Group's staff website is another important channel to enable staff to access relevant management announcements and information on issues that concern them such as payroll and staff events and activities. Online orientation training courses, e-learning programmes and a staff forum are also available on the website. Periodic VCDs and the monthly corporate magazine, KMB Today, keep our employees, especially frontline staff, informed of news and events relating to the Group and the industry. The monthly column "Message from the Managing Director" in KMB Today is an important channel for enhanced communication between management and staff.

The Staff Handbook sets out the Company's human resources policies and provides clear guidelines for staff at all levels to follow. The Handbook can be accessed via our staff website.