

# CHAIRMAN'S LETTER

KMB and LWB continued to make substantial investments in new buses with the latest safety, environmental and design features.

**Norman LEUNG Nai Pang**

Chairman



## DEAR SHAREHOLDERS AND PARTNERS,

On behalf of the Board, I am delighted to report that the Group's profit attributable to equity shareholders for the year ended 31 December 2015 was HK\$628.7 million, an increase of 51.5% over HK\$415.1 million for 2014. The increase in profit was mainly attributable to the improvement in the financial performance across our various transport related businesses in 2015, in particular, our franchised bus operations spearheaded by our flagship subsidiary company, The Kowloon Motor Bus Company (1933) Limited ("KMB").

## FINANCIAL PERFORMANCE IN 2015

In light of the improvement in financial results, the Board has recommended an ordinary final dividend of HK\$0.90 per share payable on 8 July 2016. Together with the ordinary interim dividend of HK\$0.30 per share paid on 15 October 2015, the total dividend for the year will be HK\$1.20 per share, an increase of 33.3% compared with 2014.

The results of the franchised bus operations of KMB and Long Win Bus Company Limited ("LWB") continued to improve in 2015. KMB achieved a profit after taxation of HK\$488.2 million, representing an increase of HK\$291.6 million as compared with HK\$196.6 million for 2014. The improvement in results was mainly due to the reduction in fuel costs resulting from the fall in international fuel prices, and the full year effect of the 3.9% fare increase which took effect on 6 July 2014. In addition, in spite of the adverse impact of the Government's phased extension of the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to green minibuses routes from 29 March 2015, with the expansion of the bus fleet and the enhancement of the efficiency and competitiveness of the bus network, as well as the improvement in bus service reliability, KMB's

total ridership increased by 1.5% as compared with 2014. The increase also reflected the fact that the road network remained open throughout the year, as opposed to 2014, when road occupations in the final quarter affected KMB's ridership.

As for LWB, its profit after taxation for 2015 was HK\$57.0 million, representing an increase of 59.2% as compared with HK\$35.8 million for 2014. The increase was mainly due to the year-on-year passenger growth of 5.3%, resulting from increased transport demand from international travellers and construction workers involved in various infrastructural and residential projects at the Airport and Tung Chung, as well as the reduction in fuel costs which largely offset the increases in operating costs associated with the purchase of new buses, service enhancements, the annual pay rise and inflation.

In order to enhance customer service, KMB and LWB continued to make substantial investments in new buses with the latest safety, environmental and design features. In 2015, a total of 612 new super-low floor air-conditioned buses, consisting of 609 Euro V double-deck buses and three Government-sponsored supercapacitor air-conditioned 12-metre single-deck buses ("gBuses"), were added to our franchised bus fleets.

The Group's Non-franchised Transport Division, with Sun Bus Limited as its flagship company, continued to report an improvement in its financial performance in 2015 with profit after taxation increased to HK\$49.2 million, or 41.0% over 2014. In respect of our China Mainland Transport Operations Division, our joint ventures in Beijing and Shenzhen continued to record a positive result in 2015. The media sales businesses operated by the RoadShow Group, however, reported a loss attributable to equity shareholders of HK\$47.9 million for 2015 as compared with a profit of HK\$70.6 million for 2014.



# CHAIRMAN'S LETTER

## EMPLOYEE FIRST

The Group employs close to 14,000 staff and is firmly committed to a people-oriented business philosophy. In Hong Kong's fiercely competitive human resources market, we believe that only by caring for and valuing our employees can we attract and retain good people. Therefore, the Group has adopted employee-first as its core value and operating principle.

In 2015, KMB continued to invest in training, remuneration and benefits, occupational safety and health, and the physical well-being of our employees. KMB also introduced a number of measures for the benefit of staff members and their families, such as granting long service awards, improving the working environment at our bus depots and termini, providing rest areas and comfortable leisure venues, opening discount barbershops and convenience stores for employees, and setting up scholarships for their children. By boosting morale and fostering unity, these initiatives strengthen the commitment of our entire team to providing the best services for our passengers.

## CUSTOMER FOCUSED

The Group serves around 2.8 million passenger-trips each day. We need to listen to our customers with a view to constant improvement of our services in order to stand out among all the other available transport modes. The most important service improvement that the Group made in 2015 was the pioneering move by KMB and LWB to provide an Estimated Time of Arrival function for their franchised bus routes. This service is a game-changer because passengers no longer have to passively wait for a bus, but can actively choose which bus to take and when to take it. Besides creating a new norm for bus passengers in Hong Kong, such use of technology in our daily services demonstrates the Group's determination to help transform Hong Kong into a smart city.

A number of different factors, most notably, traffic congestion, can affect bus services and result in delays or lost trips. To improve the stability and reliability of its bus services, KMB implemented a series of measures in 2015 which lowered the annual lost trip rate to 1.3%. We will continue to do everything we can to keep the rate at a low level, although it is a fact that our service is subject to the traffic conditions.

As efficiency and journey time are key considerations in choice of mode of transport, we launched a number of point-to-point express bus routes last year for commuters in different districts. Services which target specific customer groups have proven very popular among passengers, and so we will continue to focus on this aspect of our operations.

## ENHANCING COMMUNICATIONS

As an 80-plus-year-old brand that has grown up with the people of Hong Kong, we understand that only by keeping abreast of the times and surpassing ourselves can we take on the fresh challenges of each new generation. With the growing trend for online interaction, our focus has turned to developing social media communication channels to keep our passengers informed of new services and enhancements. At the same time, we have not lost the traditional KMB value of listening to passengers and responding swiftly and effectively.

## CORPORATE GOVERNANCE

The Group is committed to conducting its businesses according to the best corporate governance practices, and strives for sustainable business development by taking into account the interests of our stakeholders and local communities while ensuring compliance with legal and regulatory requirements. We will put in more human resources to further enhance our corporate governance.

## LOOKING AHEAD

Looking ahead, the global economy faces a number of challenges. Domestically, the Hong Kong Government's major infrastructure projects and development of new towns are encouraging as they will inject a new growth momentum into our business. The rapid shifts in population and business activities arising from future developments on Lantau Island and the northern New Territories offer a golden growth opportunity for LWB and augur a year of rapid expansion. LWB's Airbus service will be rebranded, with a new livery, upgraded compartments and redesigned bus captain uniforms accompanying the launch of new routes providing safe, quick, reliable and direct services for Hong Kong citizens and tourists.

As for our core business KMB, its 10-year bus franchise will expire in 2017, and we have begun discussions with the Government regarding the new franchise. Our confidence that the franchise will be extended for another ten years is based not only on the service improvement measures we have adopted but also on our relationship with our customers and employees. In 2016, we will continue to purchase the most modern green buses, add Estimated Time of Arrival displays at major bus stops, and install seats at bus stops for the convenience of passengers. In terms of environmental protection, we will use the government's funding programme to trial electric buses. Eight supercapacitor buses and ten battery-powered electric buses will be trialled by KMB, while four battery-powered electric will be put on trial by LWB.

As for our staff, we will continue to train our bus captains in safety and driving skills, and enhance the support given to new bus captains. We will also continue to improve staff welfare and the working environment, demonstrating our commitment to a people-oriented and service-focused philosophy.

## ACKNOWLEDGEMENTS

Our continued success depends on everybody in the Group working together as one to serve our customers. I would therefore like to express my sincere thanks to every member of the Board, every staff member across all business units of the TIH family, bus suppliers, and the locals and visitors who continue to choose our services.

### **Norman LEUNG Nai Pang**

Chairman

24 March 2016