

The Directors have pleasure in submitting their Annual Report together with 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 2016.

## 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 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

## Principal activities and business review

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 17 to the financial statements.

The Group's revenue and profit are mainly attributable to franchised bus operations and media sales business.

The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 22 to 107 of this Annual Report. This discussion forms part of this Directors' Report.

## Recommended dividend

An interim dividend of HK\$0.35 (2015: HK\$0.30) per share was paid to the shareholders on 18 October 2016. This included a scrip dividend alternative to allow shareholders to elect to receive the dividend wholly or partly in the form of new fully paid shares in lieu of cash. The Directors now recommend that a final dividend of HK\$0.90 (2015: HK\$0.90) per share in respect of the year ended 31 December 2016 be paid to shareholders on 30 June 2017.

## Charitable donations

Charitable donations made by the Group during the year amounted to HK\$2,374,000 (2015: HK\$353,000).

## Share capital

Details of the share capital of the Company are set out in note 29(b) to the financial statements. The Company issued 5,412,095 shares at an issue price of HK\$20.04 per share and 2,628,991 shares at an issue price of HK\$23.73 per share in lieu of the final dividend for the year ended 31 December 2015 and the interim dividend for the six months period ended 30 June 2016 respectively. Details about the issue of shares are also set out in note 29(b) to the financial statements.

## Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$1,846,413,000 (2015: HK\$1,373,147,000). After the end of the reporting period the Directors proposed a final dividend of HK\$0.90 per share (2015: HK\$0.90 per share), amounting to HK\$370,512,000 (2015: HK\$363,275,000) (note 11(a)). This dividend has not been recognised as a liability at the end of the reporting period.

## 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	
Gordon SIU Kwing Chue*, GBS, CBE, JP	
John Anthony MILLER, SBS, OBE	
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheong	(Managing Director)
Susanna WONG Sze Lai	(Alternate Director to Mr Raymond KWOK Ping Luen, JP)
GAO Feng	(Appointed as Alternate Director to Mr William LOUEY Lai Kuen on 1 January 2017)
Evan AU YANG Chi Chun	(Resigned on 1 March 2016)

\* 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 Ng Siu Chan, Dr John Chan Cho Chak, Mr Gordon Siu Kwing Chue, Mr John Anthony Miller, Mr Allen Fung Yuk Lun and Mr Roger Lee Chak Cheong will retire from the Board at the forthcoming Annual General Meeting ("AGM") of the Company. Except for Mr Gordon Siu Kwing Chue and Mr John Anthony Miller who will not offer themselves for re-election, all other retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Brief biographical details of the Directors of the Company are set out on pages 108 to 114 of this Annual Report.

### Indemnity provision

The Bye-laws of the Company provides that every Director shall be indemnified out of the assets and profits of the Company from and against actions and liability which he/she may incur or sustain in or about the execution of the duties of his/her office.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Group.

## Directors' interests and short positions in shares, underlying shares and debentures

The Directors of the Company who held office at 31 December 2016 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) (i) 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	417,077 (Note 1)	–	–	–	417,077	0.101%	
NG Siu Chan	–	21,971,095	–	–	21,971,095	5.337%	
William LOUEY Lai Kuen	6,343,619	–	–	–	6,343,619	1.541%	
Charles LUI Chung Yuen	13,176	–	–	2,811,711 (Note 2)	2,824,887	0.686%	
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	–	–	21,971,095 (Note 3)	22,152,511	5.381%	
Dr Eric LI Ka Cheung*	–	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	104,800	–	–	–	104,800	0.025%	
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	–	–	–	–	–	–	–

\* Independent Non-executive Director

Notes:

- (1) Mr Raymond Kwok Ping Luen held 413,764 shares of the Company jointly with his spouse.
- (2) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,811,711 shares in the Company.
- (3) Ms Winnie Ng has interest in 21,971,095 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

## Directors' interests and short positions in shares, underlying shares and debentures (continued)

### (a) (ii) Interests in underlying shares

A Director of the Company has been granted options under the Company's share option scheme, details of which are set out in the section "Equity-linked agreement – Share option scheme" below.

### (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 (Note 1)	–	–	–	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 2)	209,131	0.021%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	1,000,000	–	–	123,743 (Note 3)	1,123,743	0.113%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	–	–	–	–	–	–
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	–	–	–	–	–	–

\* Independent Non-executive Director

Notes:

- (1) Mr Raymond Kwok Ping Luen held 37,400 shares in RoadShow jointly with his spouse.
- (2) 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.
- (3) 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.

## Directors' interests and short positions in shares, underlying shares and debentures (continued)

As at 31 December 2016, 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.

## Equity-linked agreement

### Share option scheme

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of HK\$1 to subscribe for ordinary shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 25 May 2026, after which no further options will be granted.

The exercise price of options is the highest of (i) the nominal value of the shares on the date of grant, (ii) the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and (iii) the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the share option scheme as at 31 December 2016 was 40,363,941 shares (including options for 5,560,000 shares that have been granted but not yet lapsed or exercised) which represented 10% of the ordinary shares of the Company in issue as at the adoption date, 26 May 2016. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

## Equity-linked agreement (continued)

### Share option scheme (continued)

At 31 December 2016, a Director of the Company and certain employees of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2016 was HK\$22.10) granted for a consideration of HK\$1 under the share option scheme of the Company. As at 31 December 2016, the total grant date fair value of unvested options, measured in accordance with the accounting policy set out in note 1(x)(iv) to the financial statements, amounted to HK\$9,206,000. The options are unlisted. Once vested, each option gives the holder the right to subscribe for one ordinary share of the Company. Assuming that all the options outstanding as at 31 December 2016 are exercised, the Company will receive proceeds of HK\$117,719,000.

	No. of options outstanding at 1 January 2016	No. of options granted during the year	No. of options forfeited during the year	No. of options outstanding at 31 December 2016	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
<b>Director</b>								
Roger LEE Chak Cheong	–	860,000	–	860,000	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK\$23.45	HK\$23.45
<b>Employees</b>	–	4,700,000	(540,000)	4,160,000	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK\$23.45	HK\$23.45

\* being the closing price of the Company's ordinary shares on the date of grant.

Note: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

	Percentage of options granted
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(x)(iv) and note 21 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 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 transactions, arrangement or contracts

As disclosed in note 33(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 SFO in more than 5% of the issued shares of SHKP.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company or any of its 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 2016, 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			
	Registered shareholders	Corporate interests	Total number of shares held	Percentage of total issued shares
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	147,502,493	147,502,493	35.8%
Arklake Limited (Note 1)	80,648,976	–	80,648,976	19.6%
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	24,541,892	–	24,541,892	6.0%
Wister Investment Limited (Note 1)	21,771,185	–	21,771,185	5.3%
HSBC International Trustee Limited	37,805,269	–	37,805,269	9.2%
Kwong Tai Holdings (PTC) Limited (Note 3)	21,971,095	–	21,971,095	5.3%

Notes:

- The interest disclosed by Sun Hung Kai Properties limited ("SHKP") includes the 126,962,053 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.
- 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 held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply 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.
- The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,971,095 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom 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.

## 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 Director of the Company, Mr Roger Lee Chak Cheong is a member of the senior management of the Group whose brief particular is set out on page 114 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 2017 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: Salary escalation at 4.5% per annum; mortality rates 2015 Hong Kong Life Tables; and normal retirement age of 65.
- (iii) The market value of the scheme assets at 31 December 2016 was HK\$971,801,000 (2015: HK\$1,057,330,000).
- (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 2016 and 2015.
- (v) The ongoing funding surplus in the scheme was HK\$282,161,000 (2015: HK\$312,735,000) and the solvency surplus was HK\$283,824,000 (2015: HK\$313,359,000) at 31 December 2016.

## 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: Salary escalation at 4.5% per annum; mortality rates 2015 Hong Kong Life Tables; and normal retirement age of 60.
- (iii) The market value of the scheme assets at 31 December 2016 was HK\$2,187,462,000 (2015: HK\$2,314,529,000).
- (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 2016 and 2015.
- (v) The ongoing funding surplus in the scheme was HK\$768,687,000 (2015: HK\$844,176,000) and the solvency surplus was HK\$855,291,000 (2015: HK\$910,147,000) at 31 December 2016.

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 20 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 profit or loss 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 2016 were insignificant to the Group.

## Bank loans

Particulars of bank loans of the Group as at 31 December 2016 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.

## 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 208 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 2016, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 26 May 2016 as provided for in code provision A.6.7 due to another engagement. A report on the principal corporate governance practices adopted by the Company is set out on pages 86 to 103 of this Annual Report.

## Properties

Particulars of the investment properties of the Group are shown on pages 81 and 82 of this Annual Report.

## Audit and Risk Management Committee

The Audit and Risk Management 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, risk management and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2016.

## 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, 23 March 2017