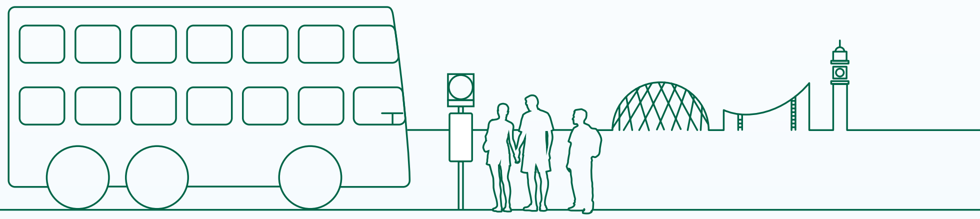
Transport International Holdings Limited
2013 Annual Report

載通國際
Transport International

INNOVATING TO DELIVER A NEW ERA OF SERVICES

Contents



INNOVATING TO DELIVER A NEW ERA OF SERVICES

Central to the development of the businesses of Transport International Holdings Limited ("TIH") is innovation. Besides enabling us to make changes that provide our customers with better services, innovation helps us attain our goal of sustainable development towards a greener environment. However diverse our businesses may be, they are all founded on a common commitment to technological innovation and service excellence, enabling us to attract discerning customers seeking services with the highest quality and excellent value for money.

Sustainability Report

Transport International

Transport International Holdings Limited ("TIH" or the "Company", SEHK: 62) is a leading public transport operator in Hong Kong and China Mainland. TIH is the holding company of The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, RoadShow Holdings Limited and a number of non-franchised transport providers. It also has business interests in property holdings and development in Hong Kong.

TIH's vision to be a first mover in the public transport industry is founded on a commitment to drive innovations that deliver a new era of services. We aim to achieve this vision by adopting the most innovative and environment-friendly solutions, delivering the highest customer-focused service standards, and optimising our route network efficiency. We retain a dedication to implementing sustainable business practices, enhancing shareholder value, and fostering the social and economic development of the Greater China region.






Mission

Our mission is to enhance shareholder value while contributing to the social and economic development of Hong Kong and China Mainland. This mission drives our business operations:

D istinctive customer service
R eliable performance
I nnovation
V alue for money
E nvironmental responsibility
S ustainable business practice

By developing innovative solutions and attending to the needs and expectation of our customers, we look to raise the quality of our services across our operations.

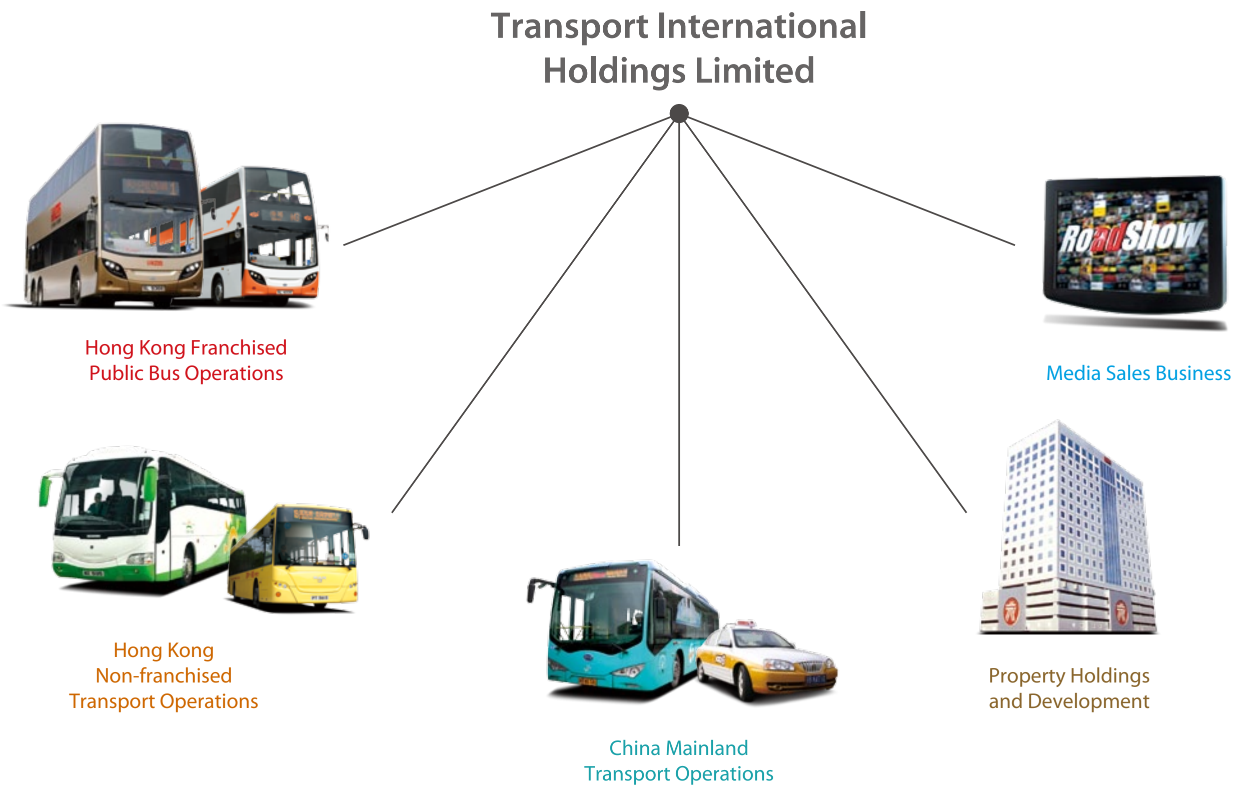
Values

Our corporate values are founded on attaining service standards that meet customer expectations, operating with a consistent record of profitability for shareholders, and supporting the overall development of the communities which we serve.

Vision

Our vision to be a global leader and first mover in public transport is based on three principles: a thorough understanding of our customers' needs, the introduction of innovative and proven environment-friendly technologies, and the setting of new standards for safety, service and efficiency.

BUSINESS AT A GLANCE



Hong Kong Franchised Public Bus Operations

THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED

the flagship company of the Group, operates franchised public bus services with a fleet of more than 3,800 buses on a network of some 390 routes covering Kowloon, the New Territories and Hong Kong Island.

LONG WIN BUS COMPANY LIMITED

operates franchised public bus services with 172 buses on 19 routes linking the New Territories with Hong Kong International Airport and North Lantau.

Hong Kong Non-franchised Transport Operations

SUN BUS HOLDINGS LIMITED AND ITS SUBSIDIARIES

with Sun Bus Limited as the flagship company, have 386 buses providing a wide range of non-franchised bus services to the residential and commercial sectors through chartered hire services.

NEW HONG KONG BUS COMPANY LIMITED

jointly operates with its Shenzhen counterpart the 24-hour cross-boundary shuttle bus service (or "Huang Bus" service) between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.

China Mainland Transport Operations

SHENZHEN BUS GROUP COMPANY LIMITED

is a Sino-foreign joint stock company that operates public bus and taxi hire services in Shenzhen.

BEIJING BEIQI KOWLOON TAXI COMPANY LIMITED

is a Sino-foreign joint stock company that operates taxi hire service in Beijing.

BEIJING BEIQI FIRST COMPANY LIMITED

is a Sino-foreign joint stock company that operates car rental business in Beijing.

Property Holdings and Development

LCK REAL ESTATE LIMITED

owns a 17-storey commercial office building which is situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong and has a total gross floor area of 156,700 square feet.

LCK COMMERCIAL PROPERTIES LIMITED

owns the Manhattan Mid-town shopping mall, which is a two-level retail podium with an area of about 50,000 square feet situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

LAI CHI KOK PROPERTIES INVESTMENT LIMITED

has developed Manhattan Hill, a prestigious multi-storey residential complex situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

KT REAL ESTATE LIMITED

owns a 50% interest in the site at Kwun Tong Inland Lot No. 240 at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

TM PROPERTIES INVESTMENT LIMITED

owns an industrial property at 1 Kin Fung Circuit, Tuen Mun, New Territories, Hong Kong, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet.

Media Sales Business

ROADSHOW MEDIA LIMITED*

provides a media sales service for advertising on transit vehicle interiors ("In-Bus") and for Multi-media On-board ("Bus-TV") business.

BUS POWER LIMITED*

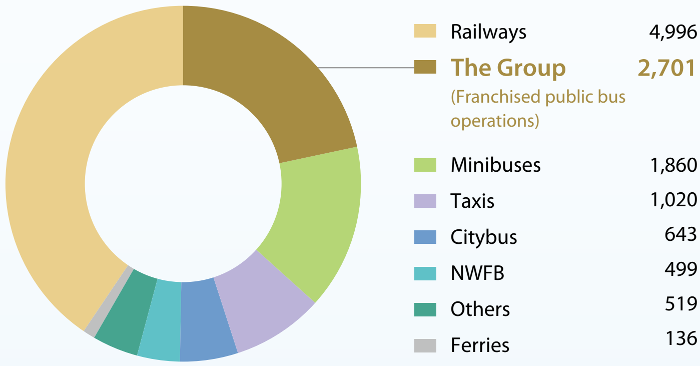
provides a media sales service for advertising on transit vehicle exteriors ("Bus-Body").

(wholly-owned subsidiaries of RoadShow Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited, which is 73% owned by Transport International Holdings Limited)*

THE GROUP'S STRATEGIC LOCATIONS

Beijing
Joint venture operating taxi hire and car rental businesses

Shenzhen
Joint venture operating public bus and taxi hire businesses



Average number of passenger trips per day by mode of public transport in Hong Kong in 2013 (in thousand)

The Group's bus termini, depots and customer service centres in Hong Kong

- The Group's headquarters
- Depots of The Kowloon Motor Bus Company (1933) Limited ("KMB")
- Depot of Long Win Bus Company Limited ("LWB")
- Bus Interchanges
- Bus termini of KMB and LWB
- Customer service centres of KMB and LWB
- Bus termini of "Huang Bus"
- Railways

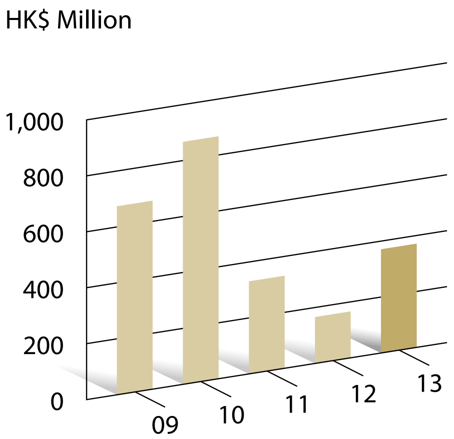

Huanggang
Lok Ma Chau
Sheung Shui
Fanling
Tin Shui Wai
Tai Po
Yuen Long
NEW TERRITORIES
Sha Tin
Ma On Shan
Sai Kung
Tsuen Wan
Tsing Yi
KOWLOON
Tseung Kwan O
HONG KONG ISLAND

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the Year Ended 31 December 2013

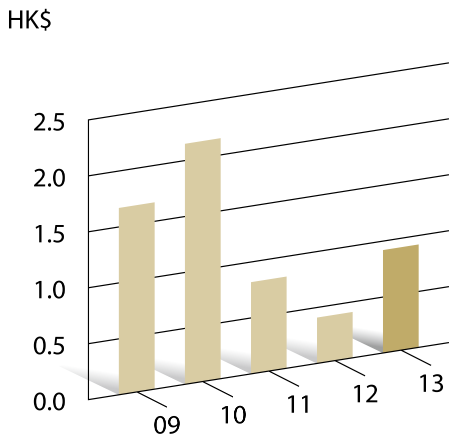
	Unit	2013	2012 (Restated)	Increase/ (decrease)
Financial Highlights				
Turnover:	HK$ million	**7,420.4**	7,181.0	3%
– Fare revenue	HK$ million	**6,922.7**	6,616.6	5%
– Property sales	HK$ million	**1.6**	112.7	(99)%
– Media sales revenue	HK$ million	**466.4**	424.7	10%
– Gross rentals from investment properties	HK$ million	**29.7**	27.0	10%
Profit before taxation	HK$ million	**458.5**	196.7	133%
Profit attributable to equity shareholders of the Company	HK$ million	**371.3**	165.8	124%
Earnings per share	HK$	**0.92**	0.41	124%
Ordinary dividends per share	HK$	**0.60**	0.60	–
Total equity attributable to equity shareholders of the Company	HK$ million	**7,108.2**	6,236.0	14%
Total assets	HK$ million	**10,236.8**	9,360.8	9%
Net cash	HK$ million	**2,029.7**	2,298.0	(12)%
Net finance income	HK$ million	**59.0**	58.3	1%
Cash generated from operations	HK$ million	**1,047.9**	1,049.5	–
Financial Ratios				
Profit margin		**5.0%**	2.3%	117%
Profit margin (excluding (a) profit from Manhattan Hill properties and (b) reversal of impairment loss on other financial assets)		**3.5%**	1.3%	169%
Return on equity attributable to equity shareholders of the Company		**5.2%**	2.7%	93%
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)		**Net Cash**	Net Cash	N/A
Dividend cover (ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)	Times	**1.53**	0.68	125%
Share price per share at year-end	HK$	**16.60**	16.08	3%
Market capitalisation at year-end	HK$ million	**6,700.4**	6,490.5	3%
Operational Highlights				
Hong Kong				
Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	**2.70**	2.66	2%
Number of licensed buses at year-end		**4,017**	3,985	1%
Number of staff at year-end		**12,468**	12,466	–
Average number of staff per licensed bus at year-end		**3.10**	3.13	(1)%
Non-franchised Transport Operations:				
Number of licensed buses at year-end		**401**	401	–
Number of staff at year-end		**624**	656	(5)%
China Mainland				
China Mainland Transport Operations:				
Number of licensed buses at year-end		**5,451**	5,363	2%
Number of taxis and vehicles for rental at year-end		**5,419**	5,130	6%

Profit attributable to equity shareholders of the Company



Profit attributable to equity shareholders for 2013 was HK$371.3 million

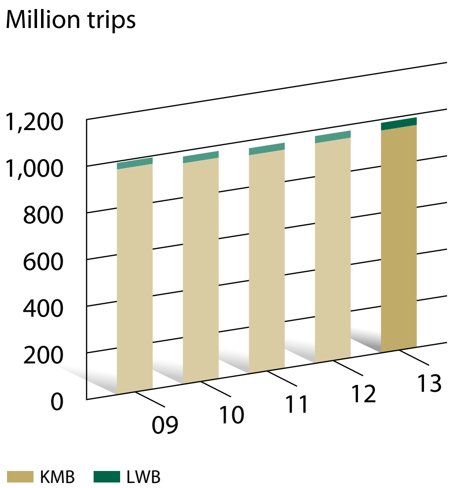
Earnings per share



Earnings per share for 2013 were HK$0.92

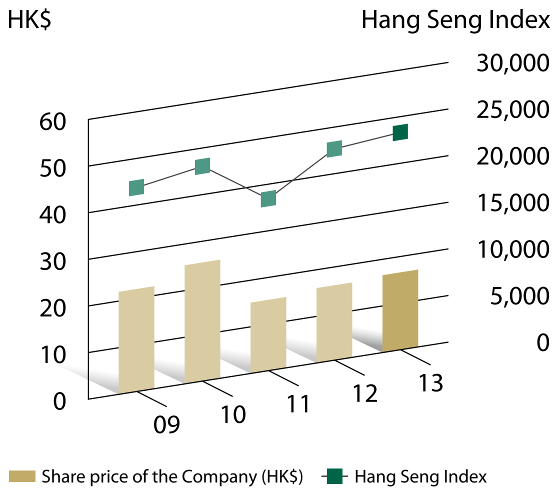
Number of passenger trips

(Franchised public bus operations)



Number of passenger trips in 2013 was 986.0 million, up from 974.2 million in 2012

Share price of the Company and Hang Seng Index at year-end



The closing share price of the Company at 2013 year-end was HK$16.60 per share, up 3% compared with that of 2012 year-end

80TH ANNIVERSARY EVENTS

KMB celebrated its 80th Anniversary in style with a carnival at Sha Tin Depot, a special exhibition at the Hong Kong Museum of History and the publication of a book on the company's history and development.

Chief Secretary for Administration Mrs Carrie LAM CHENG Yuet Ngor joined TIH Chairman Dr Norman LEUNG Nai Pang in a toast

Senior government officials and other dignitaries joined KMB to celebrate the Anniversary

KMB was honoured by the presence of VIPs and business partners at the carnival

Overwhelming support at the opening ceremony of the exhibition devoted to KMB's historical development, "Journey with You: Hong Kong Bus Story"

Martial arts superstar and bus fan Mr Donnie Yen on board KMB's first double-decker, the 1949 Daimler "A", at the exhibition

"80 Years with KMB", the book describing KMB's history and development, became an instant bestseller after its launch at the Hong Kong Book Fair

CORPORATE MILESTONES 2013

JAN

Commencement of Phase 2 of the Tuen Mun Road Bus-Bus Interchange (Kowloon-bound)

The Tuen Mun Road Bus-Bus Interchange ("BBI") Kowloon-bound Phase 2 commenced operations on 26 January. Via the interchange, passengers in each of the sub-areas in Tuen Mun can reach a wider range of destinations including Kowloon City, Kwun Tong, Sha Tin, Jordan and Tsim Sha Tsui.

FEB

KMB website won Diamond Award in the Web Care Award

KMB website won the Diamond Award in 2011-2012 Web Care Award organised by the Internet Professional Association, recognising its barrier-free access.

MAR

Fare increase application of KMB came into effect

KMB's fare increase of 4.9% took effect on 17 March.

APR

KMB launched "Five Route Holiday Day Pass"

KMB launched a brand new "Five Route Holiday Day Pass" ("Holiday Day Pass") on 7 April. A Holiday Day Pass holder can travel without limit on the day of purchase on five designated routes which access tourism spots in Kowloon, the New Territories and Hong Kong Island on Sundays and Public Holidays.

KMB celebrated its 80th Anniversary

On 13 April, KMB celebrated its 80th Anniversary by holding a carnival cum Bus Captain of the Year Competition at the Sha Tin Depot. Together with the guests of honour, around 26,000 members of the public enjoyed the day.

KMB website selected as Top Ten.hk Website for third consecutive year and won Gold Award

KMB website won the Gold Prize in the 2012 Top Ten.hk Website Competition organised by the Hong Kong Internet Registration Corporation Limited, recognising the website's innovation, business marketing, web care design and contribution to society. In addition, the KMB website won the Gold Award in the Web Accessibility Recognition Scheme co-organised by the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

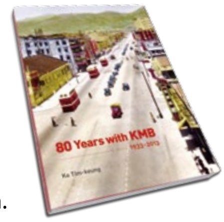
JUL

Tuen Mun Road Bus-Bus Interchange (Tuen Mun-bound) commenced operations

Starting from 27 July, passengers travelling from urban areas to Tuen Mun or Yuen Long via Tuen Mun Road or Castle Peak Road can enjoy better route connectivity and more BBI fare discounts by using the interchange.

KMB launched "80 years with KMB" to mark 80th anniversary

To mark its 80th Anniversary, KMB collaborated with Joint Publishing (Hong Kong) Company Limited to publish a book entitled "80 Years with KMB" written by a local historian.



KMB "Corporate Social Responsibility Charter" won international award

"KMB's Corporate Social Responsibility Charter 2012" won the Award of Excellence in the US-based 2013 Apex Awards for Publication Excellence.

KMB won Yahoo! Emotive Brand Award for fourth consecutive year

KMB won in the Logistics/Transportation category of the 2012-2013 Yahoo! Emotive Brand Awards in a poll organised by Yahoo! Hong Kong.

AUG

KMB launched North District bus route reorganisation

Hong Kong's first "Area Approach" reorganisation in North District, involving more than 20 routes, allows passengers to enjoy faster, more direct and better bus services, with interchange fare discounts.

TIH's annual report won international awards

TIH's 2012 annual report won two awards in the International ARC Awards: Gold for Traditional Annual Report and Bronze for Written Text.

SEP

KMB upgraded "Five Route Holiday Day Pass" to "Five Route Day Pass"

The Holiday Day Pass Scheme became a daily scheme on 7 September and was renamed the "Five Route Day Pass".

KMB introduced Hong Kong's first battery-powered electric bus for franchised bus service (eBus)

For a one-month trial commencing 9 September, eBus was deployed to serve passengers on Route 2. This marks a zero-emission milestone for KMB and takes the Hong Kong public bus industry to new heights in terms of environmental protection.

Opening of "Journey with You: Hong Kong Bus Story" exhibition

KMB joined with the Leisure and Cultural Services Department to present Hong Kong's largest ever exhibition of bus history and development "Journey with You: Hong Kong Bus Story" from 25 September to 11 November. The exhibition, organised by the Hong Kong Museum of History, shows how KMB has grown with Hong Kong over eight decades.

KMB implemented Tuen Mun bus route reorganisation

Tuen Mun route reorganisation was implemented on 28 September, providing passengers with more interchange fare discounts and route choices.

KMB's training programme won award

KMB's new bus captain basic training programme won the Award for Excellence (Skills Training Category) in the Award for Excellence in Training and Development 2013 organised by the Hong Kong Management Association.

NOV

TIH's annual report won awards

TIH's 2012 annual report won the Special Mention in the Non-Hang Seng Index (Large Market Capitalisation) Category of the 2013 Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants. It also received an Honourable Mention in the Hong Kong Management Association Best Annual Reports Awards.

Submission of application for fare increase by KMB

On 29 November, KMB submitted an application to the Transport Department of the HKSAR Government for a fare increase of 4.3%.

DEC

KMB won prestigious corporate brand award

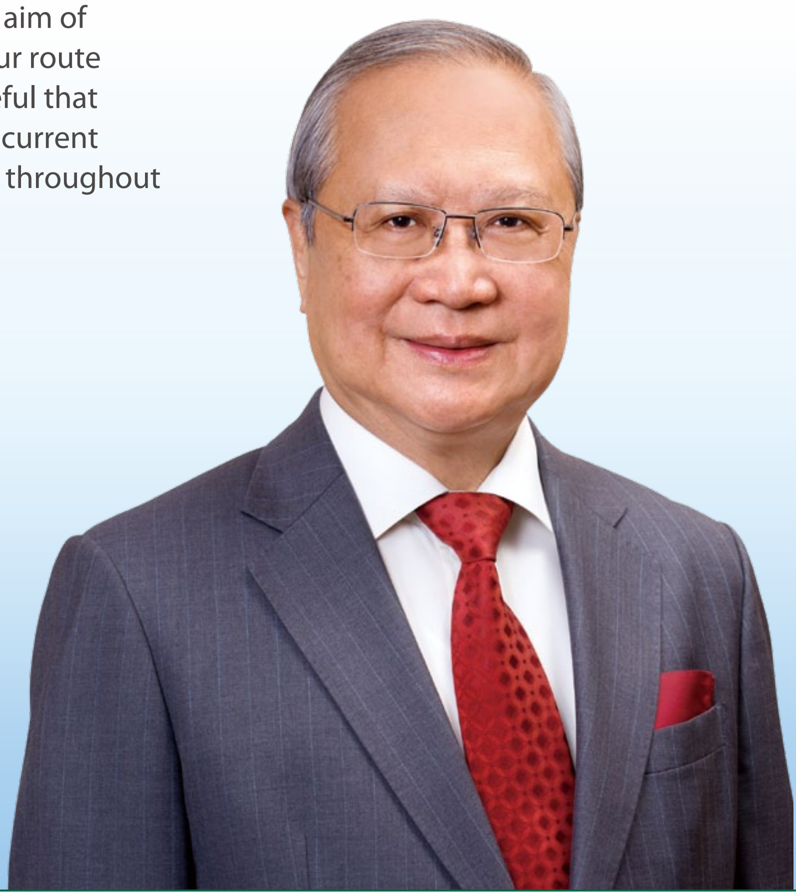
KMB won the Most Preferred Service Brand by Hong Kong Consumers Award in the Prestigious Corporate Brand Awards 2013, jointly organised by The Chinese University of Hong Kong and Ming Pao.

FRIENDS OF KMB recognised by Social Welfare Department

FRIENDS OF KMB was named first runner-up in the Highest Service Hour Award (Private Organisations – Best Customer Participation) and Merit in the Highest Service Hour Award (Private Organisations – Best Staff Participation) organised by the Social Welfare Department of the HKSAR Government.

CHAIRMAN'S LETTER

"In light of the challenges we face, including intense competition from the expanding rail network, high fuel prices, and inflationary pressure on operating costs, we have been working closely with the HKSAR Government with the aim of speeding up the implementation of our route reorganisation programme. I am hopeful that KMB will be enabled to rise above the current challenges in the same way that it has throughout the course of its long history."



Norman LEUNG Nai Pang
Chairman

DEAR SHAREHOLDERS AND PARTNERS,

On behalf of the Board, I am glad to report that, in spite of the loss incurred by our flagship subsidiary, The Kowloon Motor Bus Company (1933) Limited ("KMB"), for the year ended 31 December 2013 as a result of the challenging operating environment, Transport International Holdings Limited ("TIH") recorded positive results for 2013. In light of the challenges we face, including intense competition from the expanding rail network, high fuel prices, and inflationary pressure on operating costs, we have been working closely with the HKSAR Government with the aim of speeding up the implementation of our route reorganisation programme. I am hopeful that KMB will be enabled to rise above the current challenges in the same way that it has throughout the course of its long history.

OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for the year ended 31 December 2013 was HK$371.3 million compared with the restated profit of HK$165.8 million for 2012. The restatement of the 2012 profit from the previously reported amount of HK$309.2 million was due to the adoption of the revised Hong Kong Accounting Standard 19, Employee Benefits (the "Revised HKAS 19"), which has become effective for accounting period commencing on 1 January 2013. Earnings per share for 2013 were HK$0.92 compared with HK$0.41 (restated) for 2012.

The Group's franchised public bus business operated by KMB and Long Win Bus Company Limited ("LWB") saw very different results in 2013. KMB, although being granted a fare increase of 4.9% with effect from 17 March 2013, recorded a loss after taxation of HK$21.2 million for 2013. This was the second consecutive year in which KMB incurred a loss from its franchised bus operation. On the other hand, LWB recorded a profit after taxation of HK$35.4 million for 2013, an increase of HK$11.7 million or 49.4% compared with 2012. The increase in LWB's profit was mainly due to the year-on-year growth in ridership by 6.1% as a result of increasing transport demand from international travellers and from construction workers involved in various infrastructural projects at the Airport and in the expanding Hong Kong Disneyland.

The Group's Non-franchised Transport Division, with Sun Bus Limited as its flagship company, reported a profit after taxation of HK$30.6 million for 2013, a slight increase of 0.3% compared with 2012. Turnover for the year increased by 7.8% as compared to 2012. The increase in turnover was mainly attributed to business growth and additional turnover generated by two cross-boundary non-franchised bus operators which were acquired in the second half of 2012. In respect of our China Mainland Transport Operations Division, our joint ventures in Beijing and Shenzhen were stable in 2013.

Our media sales businesses operated by the RoadShow Group reported a profit attributable to equity shareholders of HK$104.8 million, an increase of HK$30 million compared with HK$74.8 million for 2012. The improvement in the results was mainly due to business growth and the reversal of impairment loss of HK$25.6 million on a portion of the loans to an investee in Mainland China.

DIVIDENDS

The Board has declared an ordinary final dividend of HK$0.45 per share (2012: HK$0.45 per share). Together with the ordinary interim dividend of HK$0.15 per share (2012: HK$0.15 per share) paid on 17 October 2013, total dividends for the year will amount to HK$0.60 per share (2012: HK$0.60 per share). The total dividend payout for the year will amount to HK$242.2 million (2012: HK$242.2 million).

KMB'S 80TH ANNIVERSARY CELEBRATIONS

2013 marked the 80th anniversary of the establishment of KMB, and to celebrate this milestone a number of memorable events were held. To mark the day on which KMB was established, a carnival showcasing vintage KMB buses was held on 13 April 2013 on the rooftop of Sha Tin Depot to coincide with the annual Bus Captain of the Year Competition. We were deeply honoured by the presence on that day of leading figures in the government and the transport field, including Chief Secretary for Administration, the Hon Mrs Carrie LAM CHENG Yuet-ngor; Convenor of the Executive Council, the Hon LAM Woon-kwong; Secretary for Transport and Housing, Prof the Hon Anthony CHEUNG Bing-leung; Legislative Council's Panel on Transport Chairman, the Hon CHAN Kam-lam; and Transport Advisory Committee Chairman, Mr Larry KWOK Lam-kwong. Other anniversary-related events that took place during the course of the year included the launch of our history book "80 Years with KMB", which was one of the bestsellers at the 2013 Hong Kong Book Fair, and Hong Kong's largest ever bus exhibition, "Journey with You: Hong Kong Bus Story", which proved very popular with the public. The opening ceremony of the exhibition held at the Hong Kong Museum of History in September was officiated at by Financial Secretary, the Hon John TSANG Chun-wah.

INNOVATING TO DELIVER A NEW ERA OF SERVICES

In the third quarter of 2013, KMB successfully implemented the first "Area Approach" route reorganisation involving some 200 buses with daily patronage of about 180,000 passenger-trips in North District in the New Territories. The Area Approach is a new concept, whereby the entire route network of a particular district is reviewed with a view to introducing a comprehensive reorganisation package based on sound transport planning principles. By looking at the big picture rather than at the performance of individual routes on an ad-hoc basis, duplication and circuitous routing can be reduced and new express routes that make use of Hong Kong's highway infrastructure can be introduced. The success of the North District Area Approach may be seen in the improved bus operating efficiency, road traffic condition and air quality.

Similarly, following the commissioning of the second phase of Tuen Mun Road Bus-Bus Interchange ("TMRI") in July 2013, bus routes serving Tuen Mun District have been reorganised for increased connectivity and network coverage. By the end of 2013, a total of 29 bus routes offering Bus-Bus Interchange ("BBI") discounts made use of the TMRI, providing services for around 20,000 passenger-trips per weekday. Besides enabling more efficient use of resources, the TMRI scheme has significantly improved overall network connectivity, providing passengers with faster and more direct bus services at a reasonable fare, a model which can be adopted in other districts within KMB's operating area.

In its pursuit of excellence, the Group has always been committed to introducing the latest technologies. In September 2013, KMB achieved a new milestone by launching Hong Kong's first battery-electric bus for franchised service on its Route 2, which runs via Nathan Road, for a one-month trial. This will pave the way for further development of electric buses which can suit the local operating environment and help improve air quality.

CORPORATE GOVERNANCE PERFORMANCE

The Group operates according to the highest corporate governance standards not only to maintain the confidence of all its stakeholders but also to increase its competitiveness. Over the years, the Company has won widespread recognition for its governance in both local and international award programmes. The Company received a Special Mention in the 2013 Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants. In addition, the Company's 2012 Annual Report won the Gold Award for Traditional Annual Report and the Bronze Award for Written Text in the International ARC Awards.

LOOKING AHEAD

Given that KMB has sustained a loss for two consecutive years, the outlook for the Group's franchised bus operations depends to a large extent on the pace at which KMB is allowed to implement its route reorganisation programme, as well as its extent. While the introduction over the last 11 years of six railway lines within KMB's operating area has led to a decline of more than 500,000 passengers-trips per day, KMB continues to operate with around 70% of its nearly 400 routes making a loss. The situation in which these loss-making routes are being subsidised by the remaining 30% profit-making routes is both unhealthy and unsustainable. To tackle this problem, KMB has been working with the HKSAR Government and District Councils to reorganise obsolete and lowly-utilised routes. Given the successful implementation of the route reorganisation plans for North District and Tuen Mun in the third quarter of 2013, KMB hopes to join hands with the Government and the community to launch route reorganisation programmes at a faster pace in multiple districts simultaneously in 2014 to bring about a win-win situation through the review of outdated bus routes and the introduction of new routes. The expeditious implementation of KMB's route reorganisation programme, which is in line with Government policy on environmental protection, as underlined in the Chief Executive's Policy Address, will help reduce the number of lowly-utilised buses running on the roads, ease traffic congestion, reduce fuel consumption, and improve environmental quality by reducing roadside air pollution.

While KMB has been working hard to implement stringent cost control and revenue improvement measures to counter an operating environment made increasingly difficult by an inefficient route network, high fuel prices and annual wage increase pressures, in order to help restore its financial viability it had little choice but to submit to the Transport Department on 29 November 2013 an application for a fare increase of 4.3%, which is in line with the prevailing inflation rate. We hope that the application will be approved and come into effect as soon as possible so that sufficient resources can be made available for service improvements and the maintenance of the livelihood of its 12,000 staff members, as well as to cater for the purchase of the latest environment-friendly buses in the next few years.

The Group's non-franchised transport businesses recorded healthy growth in 2013, even though high fuel prices continued to pose significant challenges to their operations. We will continue to improve the service quality of our coaches while exploring business opportunities that can increase our income.

The development of the Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon is ongoing. The site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses, and once completed will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall with a total area of 50,000 square feet and the shops in our adjacent headquarters building in Lai Chi Kok, along with the industrial property at 1 Kin Fung Circuit, Tuen Mun, are set to continue to provide steady rental revenue for the Group.

ACKNOWLEDGEMENTS

The ongoing development of our portfolio of businesses owes a great deal to the commitment and hard work of the Group's staff members who strive to deliver the highest quality services. I would therefore like to express my gratitude to staff at all levels, as well as to our dedicated management team and my fellow Directors.

Norman LEUNG Nai Pang
Chairman
24 March 2014

CONVERSATION WITH THE MANAGING DIRECTOR

"In terms of the effectiveness of the service that KMB provides for the community, continued bus route reorganisation that optimises network efficiency can help ensure that the upcoming large-scale population intake in new development areas in Kowloon and the New Territories enjoys the benefits of improved, faster and more direct bus services."

Edmond HO Tat Man
Managing Director

Q The core business of the Group, KMB, incurred a loss in 2013 despite fares being increased by 4.9% with effect from 17 March. What underlying factors contributed to the loss?

A One of the main factors behind the financial performance of KMB in recent times has been the intense competition attributable to the expansion of the railway network in our service area. Another factor which greatly affects KMB's productivity, as well as that of the broader community, is traffic congestion. In fact, the journey time of 99% of KMB's bus routes has increased by an average 17% in the period from 2007 to 2013 as a result of traffic congestion. A further structural problem is presented by the fact that more than two thirds of KMB's routes are currently operating at a loss, which is clearly an unsustainable situation which needs to be addressed expeditiously.

Q What is the progress of the district-based route reorganisation plans?

A Given the importance of bus route rationalisation as stated in the Chief Executive's 2013 Policy Address, KMB successfully implemented the route reorganisation plans in Tuen Mun and North District by the end of 2013 to benefit passengers in terms of increased connectivity and network coverage. While the results of the exercises have been encouraging, with benefits for both our customers and KMB itself, route reorganisation needs to be implemented on a broader scale and at an increased pace to effectively address the structural problems of having too many duplicated and circuitous routes. We look forward to further fruitful collaboration with the HKSAR Government and the various communities we serve to bring about solutions that benefit all stakeholders.

Q Is the current franchised bus business model sustainable in the long term?

A Since road space in Hong Kong is limited, it is important that public transport policy strikes a balance between the franchised operators and other road users. Given that franchised buses are the most efficient road public transport carriers, bus priority schemes which make the best use of road space need to be revisited with a view to expanding their scope and extending their operations. The ramifications of increasing car ownership, which of course has air quality implications owing to worsening traffic congestion, also need to be seriously considered. In terms of the effectiveness of the service that KMB provides for the community, continued bus route reorganisation that optimises network efficiency can help ensure that the upcoming large-scale population intake in new development areas in Kowloon and the New Territories enjoys the benefits of improved, faster and more direct bus services. Such reorganisation would also complement the railway system, which is becoming increasingly congested.

Q What plans do you have for the implementation of electric buses?

A Following a series of trials on the supercapacitor bus ("gBus") in the past three years, KMB successfully introduced Hong Kong's first franchised battery-powered electric bus ("eBus") for passenger services on Route 2 in September 2013. With funding of the capital expenditure from the HKSAR Government, KMB will be purchasing a total of 18 electric buses, comprising ten eBuses and eight gBuses, for trial runs on various routes in late 2014 or early 2015. It is our aim that the trials will help create successful blueprints for sustainable electric bus models in Hong Kong.

Q How is the Group's non-franchised bus division performing?

A I am pleased that our non-franchised bus business recorded healthy growth in 2013 in spite of the challenges posed by high fuel prices and inflationary pressure. We are proud that Sun Bus Limited, the flagship of our non-franchised bus operations, is the only commercial non-franchised bus company in Hong Kong certified to ISO 9001 quality management standards. Having added 33 new Euro V buses to our fleet in 2013, we have ordered two Euro VI buses for delivery in 2014 and will continue to enhance our coach service quality by buying the latest environment-friendly buses available on the market. We will continue to seek out further business expansion opportunities at a measured pace.

Q What are the prospects for the Group's other businesses, for example, its property holdings and development arm?

A 99% of the entire lettable area of Manhattan Mid-town shopping mall is leased out to a mix of shops and restaurants, while around 30% of our headquarters building is also leased out to a similar mix of retail outlets. Overall, the Group's portfolio of investment properties continues to generate a satisfactory stream of rental income. The development of the industrial site at 98 How Ming Street, East Kowloon, in which the Group has a 50% interest, is expected to significantly enhance our property rental portfolio upon its completion in the medium term.

Q What innovative measures are you introducing as part of your delivery of a new era of services to the community?

A The Estimated Time of Arrival ("ETA") display system at the Tuen Mun Road Bus-Bus Interchange is not only the first of its kind in Hong Kong, it was also developed in-house. Using global positioning technology, the ETA system currently notifies passengers of the estimated arrival time of the next bus on eight long-haul routes travelling via the interchange. With a full year's operating experience in 2013, we plan to expand the ETA system to more bus interchanges in phases. In 2013, to tie in with the opening of the new bus interchanges at Tuen Mun Road, Wah Ming and Sheung Shui, KMB upgraded its passenger waiting areas with additional facilities, including graphic information boards, seating areas and a free WiFi service.

Q **Public expectations about the performance of listed companies in terms of corporate governance and corporate social responsibility continue to grow. What measures is the Company taking to strengthen its performance in these areas?**

A We constantly review our Corporate Governance and Corporate Social Responsibility policies to ensure compliance with the latest standards and guidelines. Besides making training and development provision for the Board of Directors, we have also established the "Board Diversity Policy", which recognises the benefits of having a diverse Board in terms of the quality of its performance. Our commitment to good corporate governance practice was recognised when TIH received a Special Mention in the Non-Hang Seng Index (Large Market Capitalisation) category of the 2013 Best Corporate Governance Disclosure Awards, organised by the Hong Kong Institute of Certified Public Accountants.

Q **What plans do you have for enhancing KMB's brand image?**

A In 2013, KMB celebrated its 80th Anniversary with many events that were well received by the public, such as a celebratory carnival showcasing KMB's vintage buses, the publication of the "80 Years with KMB" book, and the "Journey with You: Hong Kong Bus Story" exhibition at the Hong Kong Museum of History. In the coming years, we will continue to organise corporate campaigns and civic activities such as those participated in by our volunteer club, FRIENDS OF KMB, which continues to go from strength to strength, with an enthusiastic membership of about 4,300 volunteers.

Q **Do you believe that Hong Kong is still the most efficient city in terms of its bus operations?**

A While Hong Kong is a recognised leader in applying supply-side solutions such as expanding the rail network, many other metropolitan cities have adopted extensive demand-side traffic management practices that we can learn from. These include prioritising mass transport while containing vehicle growth, employing smart technologies to manage traffic flows, and enhancing junctions and pedestrian space. To take one example, investment in smart IT systems would enable surveillance systems to carry out traffic enforcement duties which are currently undertaken manually by enforcement personnel. Although such international best practices would need to be tailored to the local environment, many cities with population densities similar to Hong Kong's such as London, Seoul and Singapore have rigorously implemented innovative demand-side traffic management practices with noticeable success.

MANAGEMENT DISCUSSION AND ANALYSIS

From Left to Right:

Simon TU Sik Man,
Executive Director of Sun Bus Holdings Limited

Kenrick FOK Choi Fook,
Operations and Project Director of
Long Win Bus Company Limited

Vivien CHAN Pik Kwan,
Corporate Affairs Director

William HO Sai Kei,
Finance and Administration Director

Edmond HO Tat Man,
Managing Director

Evan AU YANG Chi Chun,
Deputy Managing Director

James Conrad LOUEY,
Commercial Director

Mark Andre SAVELLI,
Transport Development Director

Owen ECKFORD,
Operations Director

Business Review

Sustainability Report

Financial Review

Hong Kong Franchised Public Bus Operations

Franchised public bus operations are the Group's core business. The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited offer passengers world-class, innovative and value-for-money bus services across the Kowloon Peninsula, the New Territories and Hong Kong Island, while driving advances in bus design and environmental protection.

THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED ("KMB")

Founded in 1933, KMB, the Group's wholly-owned flagship subsidiary, provides extensive public bus services across the territory. KMB serves approximately 2.6 million passenger-trips a day on its fleet of over 3,800 buses running on some 390 routes. Its workforce of about 12,000 employees, including some 8,400 bus captains, is committed to providing a world-class service to its customers.

OPERATIONAL EXCELLENCE

With 80 years' experience operating franchised public bus services in Hong Kong, KMB pursues long term sustainable operational excellence. The accreditation which KMB has obtained for various aspects of its operations, including quality management, environmental protection, and occupational health and safety, testifies to its commitment to establishing the highest standards of operational excellence.

1999

KMB became the first public bus company and the fourth organisation in Hong Kong to obtain ISO 9001:1994 certification on a corporate-wide basis for its quality management systems.

2002

KMB obtained ISO 9001:2000 certification for the excellence of its management systems.

2003

KMB's Lai Chi Kok and Sha Tin Depots were awarded ISO 14001:1996 certification for their environmental management systems, making KMB the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation. In the following two years, KMB's Lai Chi Kok and Sha Tin Depots were further upgraded to ISO 14001:2004 certification.

2007

KMB's four main operating depots at Lai Chi Kok, Sha Tin, Kowloon Bay and Tuen Mun were certified by the Q-Mark Council of the Federation of Hong Kong Industries as having met the Green Mark Standard in the Hong Kong Green Mark Certification Scheme.

2009

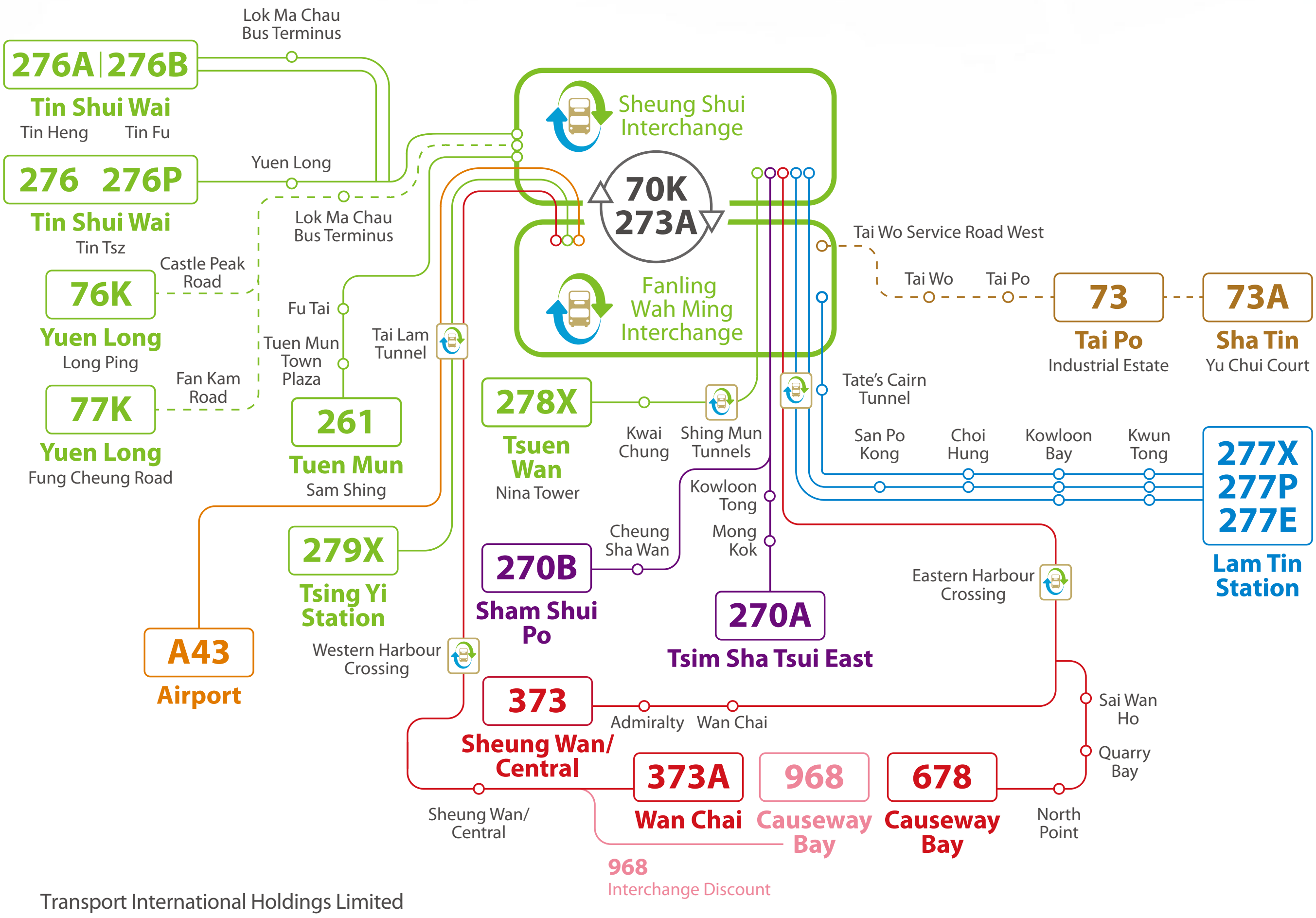
KMB received the latest ISO 9001:2008 certificates from the Hong Kong Quality Assurance Agency ("HKQAA") on completion of upgrading audits in its four certification areas: KMB Headquarters; Traffic Department and the four operating depots; the Overhaul Centre; and the Unit Overhaul Depot.

2012

KMB's Operations Division was awarded Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certification by the HKQAA. The accreditation recognised KMB's implementation of effective risk management systems in its bus operations and maintenance activities. KMB is the first franchised bus company in Hong Kong to achieve this certification.

The accreditation which KMB has obtained for various aspects of its operations, including quality management, environmental protection, and occupational health and safety, testifies to its commitment to establishing the highest standards of operational excellence.


273A
KMB
BUS STOP


276A | 276B
Tin Shui Wai
Tin Heng
Tin Fu
Lok Ma Chau Bus Terminus
276 276P
Tin Shui Wai
Tin Tsz
Yuen Long
Lok Ma Chau Bus Terminus
Castle Peak Road
76K
Yuen Long
Long Ping
Fan Kam Road
77K
Yuen Long
Fung Cheung Road
Fu Tai
Tuen Mun Town Plaza
Tai Lam Tunnel
261
Tuen Mun
Sam Shing
A43
Airport
279X
Tsing Yi Station
Western Harbour Crossing
Sheung Shui Interchange
70K
273A
Fanling Wah Ming Interchange
278X
Tsuen Wan
Nina Tower
Kwai Chung
Shing Mun Tunnels
Kowloon Tong
Cheung Sha Wan
Mong Kok
270B
Sham Shui Po
270A
Tsim Sha Tsui East
373
Sheung Wan/ Central
Admiralty
Wan Chai
Sheung Wan/ Central
373A
Wan Chai
968
Causeway Bay
678
Causeway Bay
968
Interchange Discount
North Point
Quarry Bay
Sai Wan Ho
Eastern Harbour Crossing
Tai Wo Service Road West
Tai Wo
Tai Po
73
Tai Po
Industrial Estate
73A
Sha Tin
Yu Chui Court
Tate's Cairn Tunnel
San Po Kong
Choi Hung
Kowloon Bay
Kwun Tong
277X
277P
277E
Lam Tin Station

The upgraded Fanling Bus-Bus Interchange at Wah Ming enhances network connectivity and efficiency

PERFORMANCE PLEDGE

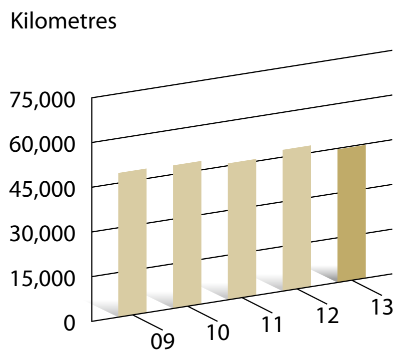
We are committed to providing our customers with safe and efficient bus services of the highest quality. The key benchmarks set by the Group for the operational performance of its public bus services are mechanical reliability and operational capability.

Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2013, the mechanical reliability of KMB's fleet was 44,667 km : 1 against a target of 45,000 km : 1.

Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2013, the operational capability achieved was 97.9% against a target of 100%.

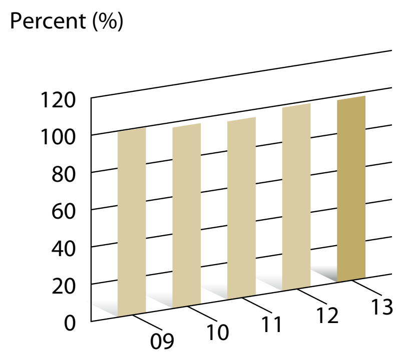
MORE ABOUT NORTH DISTRICT ROUTE REORGANISATION

Mechanical reliability – KMB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

Operational capability – KMB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

BUS FLEET AND FLEET UPGRADE

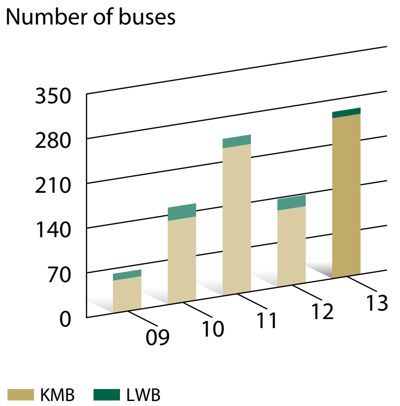
Constant innovation and bus fleet modernisation are two of KMB's major priorities for service improvement.

In 1997, KMB collaborated with its bus suppliers to introduce the world's first super-low floor, wheelchair accessible double-deck buses to Hong Kong. Various innovative features, including the On-board Electronic Bus Stop Announcement System, the Octopus Smart Card System and Hong Kong's first "Multi-media On-board" platform offering infotainment to passengers, were progressively installed on KMB buses. In 2003, KMB pioneered the introduction of a new generation of buses offering a wider bus saloon and entrance, a revolutionary straight staircase design for easier access to the upper deck and a new air-conditioning system with advanced circulation inside the bus compartment.

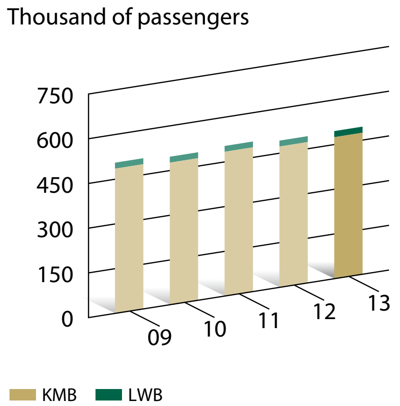
We are committed to building a better environment through investing in environment-friendly buses that meet the strict exhaust emission standards of the European Council of Environmental Ministers. This commitment was demonstrated by the introduction of Asia's first Euro V double-deck bus in 2009 when legislation, which is still effective today, required only that newly-registered diesel vehicles meet Euro IV emission standards. To further improve fleet environmental performance, KMB has collaborated with a British bus manufacturer to co-develop the new generation Euro V double-deck E500 bus, which was deployed in Hong Kong in May 2013. The new generation E500 bus, equipped with new driveline technology and a more energy-efficient air-conditioning system, has a lighter build which reduces fuel consumption and results in 10% lower carbon emissions. Its chassis is also compatible with future Euro VI engine development and hybrid technology.

In 2013, we continued to make substantial investments in new buses featuring the latest safety, environmental and design features. A total of 250 new super-low floor air-conditioned buses, consisting of 239 Euro V double-deck buses and 11 Euro V single-deck buses, were added to the KMB fleet.

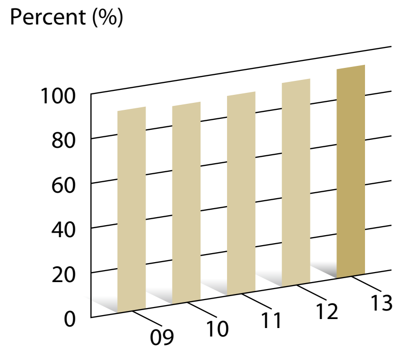
Number of new buses introduced to the fleet



Total fleet capacity at 31 December



Fleet utilisation – KMB



Percentage of actual number of buses operated on the road to licensed bus fleet

KMB's green fleet makes it a first mover in the local bus industry

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2013	3,652	168	**3,820**
Additions during year	244	11	**255**
Disposals during year	(228)	(2)	**(230)**
As at 31 December 2013	3,668	177	**3,845**

As part of our fleet enhancement project, we have been replacing retiring single-deck buses with brand new wheelchair accessible super-low floor single-deck buses with a stylish design and greater headroom to provide passengers with a comfortable ride.

In 2013, we continued to make substantial investments in new buses featuring the latest safety, environmental and design features. A total of 250 new super-low floor air-conditioned buses, consisting of 239 Euro V double-deck buses and 11 Euro V single-deck buses, were added to the KMB fleet.

As at 31 December 2013, KMB operated a total of 3,845 air-conditioned buses, comprising 3,668 double-deck buses and 177 single-deck buses.

In addition, it had on order 226 air-conditioned double-deck Euro V buses for delivery in 2014.

BUS SERVICE NETWORK

At the end of 2013, KMB operated a network of 392 bus routes covering Kowloon, the New Territories and Hong Kong Island. To enhance the efficiency of its bus network, KMB continues to review the viability of bus routes in the light of changes in the external operating environment, including railway expansion, population redistribution and the building of new highways. Matching resource allocation to the new demand patterns does not only safeguard long term sustainability; it also enables expansion into new growth markets such as routes serving boundary-crossing points. Strategic bus network reorganisation therefore remains central to KMB's response to ongoing changes in market conditions.

In 2013, we submitted 75 route reorganisation proposals to the Government, 64 of which were put forward for consultation with District Councils. We also introduced the 'Area Approach', whereby instead of looking at the performance of individual routes on a piecemeal basis, we reviewed the entire route network of a particular district to devise a comprehensive and holistic reorganisation package based on sound transport planning principles. In this way, we were able to offer the following benefits to the travelling public:

- Eliminating wasteful duplication between different modes of transport, thereby releasing resources for redeployment in new growth areas;
- Straightening routes that were previously unduly circuitous;
- Introducing new express routes that utilise the new highway infrastructure;
- Offering new connectivity between routes using Bus-Bus Interchanges according to the 'Hub and Spoke' principle;
- Simplifying the network of "historic" bus routes with the aim of improving their effectiveness.

Following the commissioning of the second phase of the Tuen Mun Road Bus-Bus Interchange in July 2013, bus routes serving Tuen Mun District have been reorganised for increased connectivity and network coverage. The interchange is equipped with many passenger amenities such as free WiFi, seating and improved signage. In addition, the Area Approach for North District covering 21 routes was successfully implemented in three phases starting in August 2013. The success of these area reviews is reflected in increased passenger numbers and in improved network connectivity.

In addition to route reorganisation, some 111 proposals relating to service frequency adjustments were submitted to the Government for consideration. Following consideration of the route reorganisation and service frequency adjustment proposals, 31 buses were saved, while nine buses were redeployed to new routes such as Route 5M, serving Kai Tak Development Area, and other growth initiatives.

Building on the success of the route reorganisations in Tuen Mun and North District, we have developed proposals

for the remaining districts in our network area for formal consultation in 2014. By engaging the local communities and keeping stakeholders involved in the reorganisation proposals, we are confident that full implementation of the Area Approach will bring material benefits to our customers and to the wider public through a more relevant deployment of our fleet that reflects today's circumstances.

Area-based route reorganisation has brought benefits to the residents of North District

A summary of the bus network reorganisation carried out in 2013 is tabulated below:

	Proposed		**Implemented**	
	Number of proposals	**Number of buses to be saved**	**Number of proposals**	**Number of buses saved**
Route reorganisation	75	47	41	8 (17.0%)#
Service frequency reduction	111	76	44	23 (30.3%)#
Total	**186**	**123**	**85**	**31 (25.2%)#**

As percentage of proposed number of buses to be saved

KMB's Five Route Day Pass offers convenience to travellers seeking to visit Hong Kong's major tourist spots

BUS SERVICE RELIABILITY

Deteriorating traffic conditions have been adversely affecting the reliability of our bus services over recent years to the extent that a large number of KMB routes are recording an actual journey time greater than that published in the Government gazette. To cope with the worsening traffic congestion and to do our best to ensure that buses depart from the terminus on time, we comprehensively rescheduled approximately 100 routes in 2013 and will introduce more improvement initiatives of this type in the coming years. We remain committed to offering safe, reliable and value-for-money services aimed at maintaining the bus as the mode of choice for Hong Kong residents and visitors alike – including our existing valued customers who make more than 2.6 million journeys with KMB on a daily basis.

We will continue to work closely with the HKSAR Government to mitigate both the traffic congestion and enforcement-related issues. Our advocacy will incorporate proposals for more bus priority measures, including traffic signal priority, extended hours for bus-only lanes and a vision for a Bus Rapid Transit (BRT) system, as found in other cities around the world.

BUS ROUTE PROMOTION

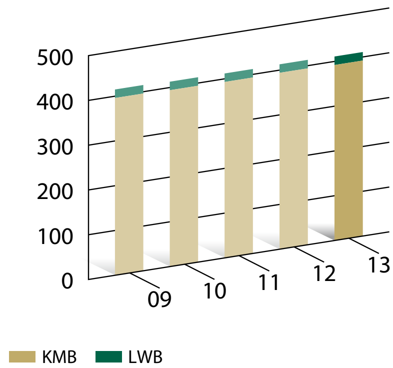
An extensive route promotion programme was carried out in 2013 to support the North District Area

Approach, the commissioning of the Tuen Mun Road Bus-Bus Interchange and the route reorganisation programme. A total of 89 bus routes were involved in the bus route marketing exercise. Besides the use of bus-stop poles, mega panels at bus shelters, the KMB smartphone app and the KMB website, passenger communication leaflets and district level network maps were distributed at the community level, and promotional flyers were distributed or mailed to residents of targeted districts.

In addition to the bus route promotion programme, KMB has continued to participate in joint promotion campaigns with numerous shopping malls. Passengers can redeem a free bus journey ticket upon reaching a designated spending target at participating malls. A Five Route Day Pass was also launched to appeal to the tourist segment of the market. Initially, the pass was restricted to holidays and weekends but starting from 7 September 2013, the pass was made available on a daily basis. Moreover, to encourage more elderly people to take the bus following the launch of the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities, we conducted targeted direct mail campaigns, sending tailor-made promotional leaflets which gave details of bus routes and major attractions along the way, to selected public housing estates. A total of nine direct mail campaigns were conducted in 2013.

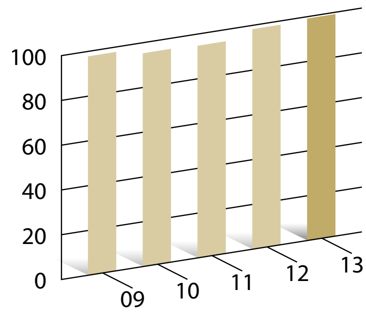
Number of bus routes operated at 31 December

Number of bus routes

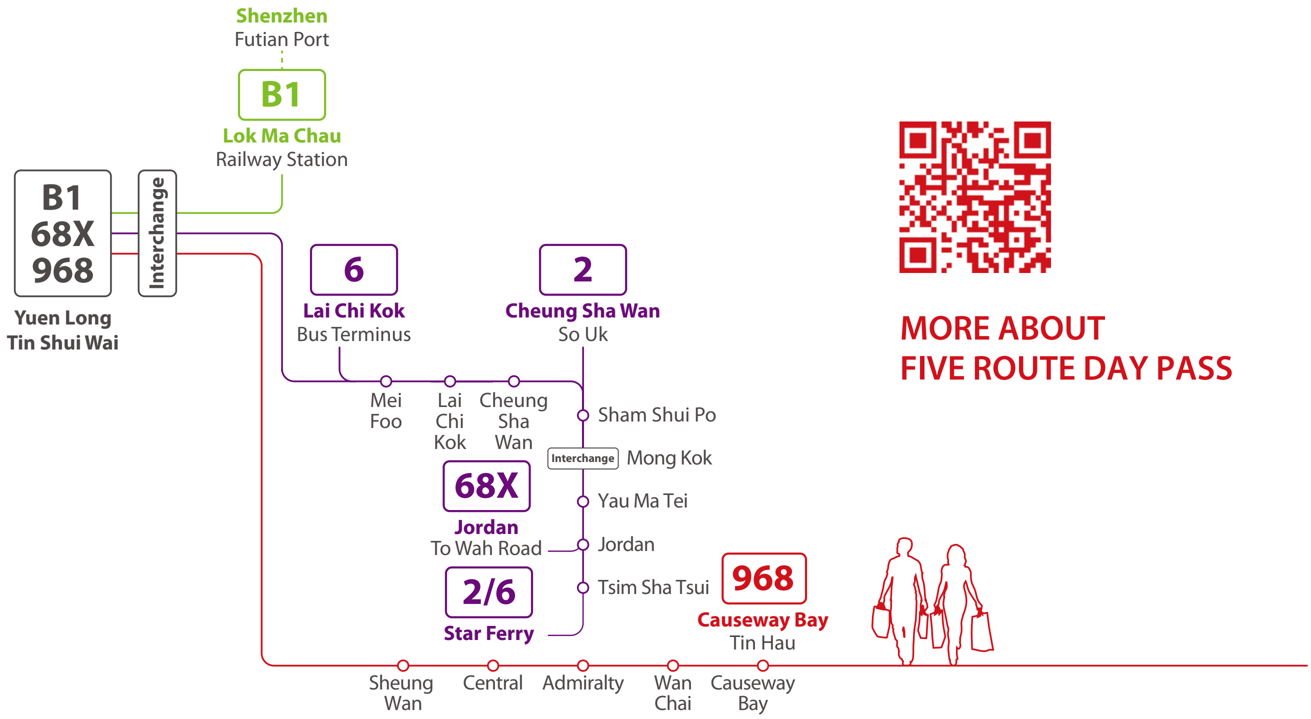


Achievement of schedule – KMB

Percent (%)



Percentage of actual number of buses operated on the road to scheduled bus allocation



MORE ABOUT FIVE ROUTE DAY PASS

DEPOTS

KMB's four major depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun provide routine maintenance and repair services for its bus fleet. Ten smaller depots provide parking and minor maintenance services, while major bus overhaul work is done at the KMB Overhaul Centre. Continuous improvements are made to our depot facilities to ensure that a consistently high level of productivity and service quality is maintained.

Major Depots Serving KMB and LWB Buses

Depot	Areas served/main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2013	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,018	1990	The depot land was acquired at market price from the Government in 1986 under Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,109	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	855	2002	The depot land has been leased from the Government through short term tenancy#
Tuen Mun Depot	West New Territories	148,961	863	1979	The depot land was acquired at public auction in 1974
KMB Overhaul Centre	Bus overhaul	380,915	N/A	1983	The depot land was acquired at market price from the Government in 1979 under Private Treaty Grant
LWB depot:					
Siu Ho Wan Depot	Lantau Island	82,422	172	1998	The depot land has been leased from the Government through short term tenancy#
Total		**2,749,287**	**4,017**		

Under the short term tenancy, rentals at market rates are payable to the HKSAR Government

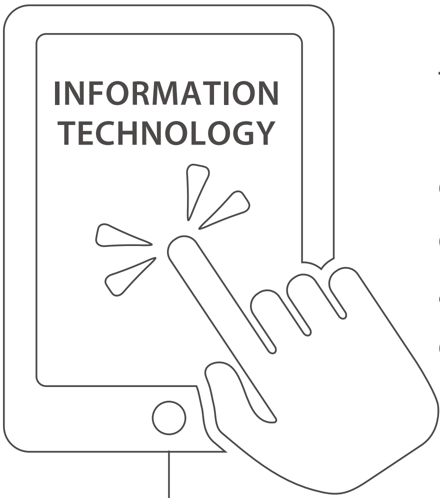
KMB SMARTPHONE APP

By the end of 2013, the KMB/LWB free Smartphone App Version 2 (the "App") had been downloaded by more than two million iPhone, iPad, iPod Touch, Android and Windows phone users. The App allows users to access real-time special traffic information and conduct route searches directly on the map or by major landmarks. It also gives suggestions on bus routes with the fewest en-route stops and lowest fare to any destination a passenger selects. The App offers users a choice of ways to search for a bus route, providing route maps, timetables and photos of every bus stop. Its powerful "Nearby Bus Stop" function makes use of global positioning technology to automatically identify the location of the user and list all bus routes within a 200-metre radius together with the location of the corresponding bus stops. In addition, for greater peace of mind, the App also features the pioneering "Alight Reminder" function, which emits an alert sound (or vibration) two bus stops before the selected destination is reached. The App comes in traditional Chinese, simplified Chinese and English versions.

iPhone Version

Android Version

Windows Version



KMB's advanced information technology enhances productivity, provides effective monitoring of daily operational performance and improves internal and external communications.

CUSTOMER SERVICE

Bus Estimated Time of Arrival Display

Developed in-house, the Bus Estimated Time of Arrival ("ETA") display at the Tuen Mun Road Bus-Bus Interchange is the first system of its kind in Hong Kong. Using global positioning technology, the ETA system calculates the estimated arrival time of buses travelling via the interchange. The system currently provides information on eight long-haul routes using the interchange.

Integrated Bus Service Information Display System

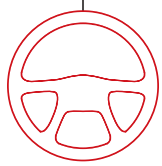
The Integrated Bus Service Information Display System ("IBSID") is installed at KMB's major bus termini, displaying information on bus route destinations, departure times, fares and major traffic disruptions via large display panels. IBSID also relays pictures of the traffic and operating conditions in the area surrounding the termini to KMB headquarters as well as to the termini themselves via closed circuit television. At the end of 2013, IBSID had been installed in 28 bus termini.

Electronic Bus Stop Announcement System

The On-Board Electronic Bus Stop Announcement System is installed fleetwide on KMB, broadcasting voice announcements in Cantonese, English and Putonghua and showing the name of the next bus stop on light emitting diode ("LED") displays. As well as giving passengers details of the next stop in advance, the system also broadcasts safety reminders and bus service messages.

Lost Property Management System

The Lost Property Management System ("LPM") keeps track of lost items from initial recovery to reclaim by passengers or eventual disposal, enabling lost property claims and inquiries to be handled efficiently. In 2013, LPM processed about 30,000 lost property cases, representing approximately 70,000 lost property items.



OPERATIONS

Terminus Management System

KMB's Terminus Management System ("TER") facilitates the management of daily bus operations at 165 termini by automatically displaying the next departure time and any special instructions when the bus captain presents his or her personalised Octopus card upon arrival at the bus terminus. Information on the arrival and departure of buses is also recorded and transmitted to headquarters and depots so that service adjustments can be made when necessary.

Traffic Operations Management System

KMB's Traffic Operations Management System ("TOM") eases bus captain duty assignment through the use of handheld radio frequency identification ("RFID") readers by means of which depot staff identify the parking location of buses for retrieval by bus captains at our duty dispatch offices. TOM also keeps management up to date on duty dispatch matters.

KMB uses advanced information technology extensively for performance monitoring, internal and external communications and productivity enhancement. At the end of 2013, a total of 2,162 personal computers were in use across KMB's facilities, each interlinked via high-speed communication lines to 89 computer servers located at headquarters. This data network serves to integrate the operations at headquarters, bus depots, bus termini and customer service centres. Some 47 software applications, including in-house developed programs and proprietary software, are used for day-to-day operational purposes and financial management. The continuous upgrading of information technology systems allows us to improve our customer service by enhancing fleet and depot operations, human resources management and cost control.

Operations Communications Management System

KMB's Operations Communications Management System ("OCM") improves the speed and accuracy of message distribution to depots and departments by streamlining the handling of real-time information on operational incidents such as traffic accidents, road congestion and weather conditions as logged by KMB's Radio Control Section.

Bus Onboard Monitoring System

The Bus Onboard Monitoring System ("BOM") provides reports on the driving performance of bus captains for analysis by depots and departments, with a view to raising training standards with regard to driving safety and passenger comfort.

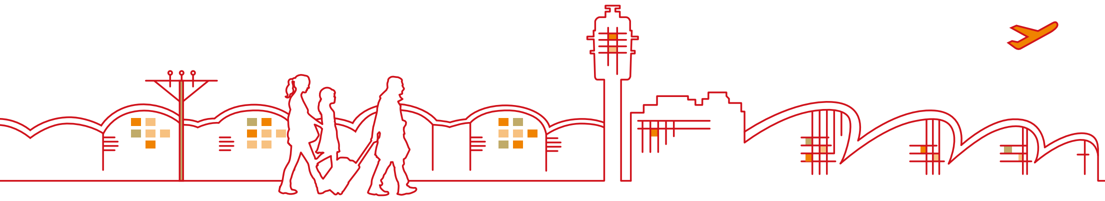
Bus Maintenance Information System

The Bus Maintenance Information System ("BMS") monitors maintenance costs and helps with the assignment of jobs by providing management with information on bus type, repair and maintenance records, overhaul of major units and maintenance workers' work records. BMS also keep tracks of the performance of retreaded tyres to optimise their use and ensure safety and environmental protection.

HUMAN RESOURCES & FINANCIAL MANAGEMENT

Advanced Finance and Administration Systems

KMB's SAP ERP e-Business Software for financial and human resources management enhances the efficiency of financial planning, control and reporting as well as improving the overall quality of human resources administration and planning. In combination with an advanced electronic document management system, e-tendering, e-payslips, and company-wide email, this software substantially reduces paper use and improves internal and external communications, document distribution, filing and retrieval.



Established on 1 June 1997, LWB operates franchised public bus services linking the New Territories with Hong Kong International Airport and North Lantau. The areas currently served by LWB's network include the Airport, Tung Chung, and leisure and tourism developments such as Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.

LONG WIN BUS COMPANY LIMITED ("LWB")

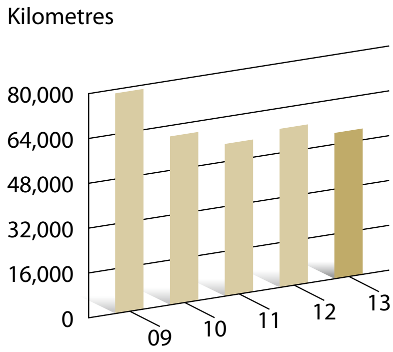
The new ten-year franchise for LWB, which was granted by the HKSAR Government in April 2012, came into effect on 1 May 2013.

Serving travel demand from Mainland visitors, new developments at the Airport and construction work in nearby areas, LWB's ridership continued to grow in 2013. With its comprehensive network, LWB is well positioned to provide transport services to construction workers on the Hong Kong-Zhuhai-Macao Bridge and housing projects at Tung Chung, and those working at the new air cargo terminal.

PERFORMANCE ASSURANCE

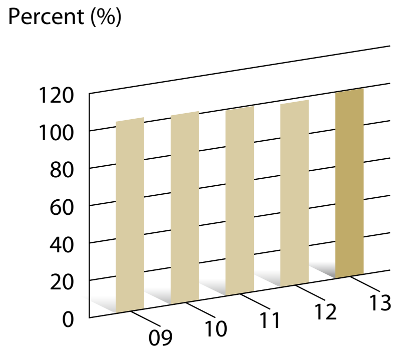
By constantly reviewing its operations, LWB is able to ensure that safety and efficiency are maintained at the highest levels for its bus fleet. Two key performance indicators, namely, mechanical reliability and operational capability, are used to measure its operational performance. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction during the peak morning hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2013, LWB's buses achieved 52,053 km : 1 in mechanical reliability and 99.6% in operational capability, against a target of 50,000 km : 1 and 100% respectively.

Mechanical reliability – LWB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

Operational capability – LWB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

LWB has been ISO 9001:2008 certified for quality management systems since November 2012.

BUS FLEET AND FLEET UPGRADE

In 2013, in order to meet increasing passenger demand and improve its overall service, LWB strengthened its fleet by introducing ten new Euro V super-low floor air-conditioned double-deck buses to replace older buses. New buses incorporate advanced features such as the Bus Telematics System, which provides enhanced functions for fleet management, and on-board CCTV systems that monitor passengers' luggage and improve security.

As at 31 December 2013, LWB operated 172 air-conditioned super-low floor double-deck buses, all with wheelchair access and equipped with the electronic bus stop announcement system.

LWB's air-conditioned double-deck bus fleet	**Total number of buses**
As at 1 January 2013	**165**
Additions during year (Note)	**12**
Disposals during year	**(5)**
As at 31 December 2013	**172**

Note: Including ten new buses and two re-licensed buses.

At the end of the year, LWB had on order 40 Euro V super-low floor air-conditioned double-deck buses for delivery in 2014.

BUS SERVICE NETWORK

At the end of 2013, LWB operated 19 routes. To improve service levels, LWB added a total of four buses to Routes A43, E33 and E34 in 2013, while Route A41P was extended to Wu Kai Sha in August 2013 to cater for new population intake. In addition, ten new Octopus Bus-Bus Interchange Schemes, 11 new section fares and one new same-day return fare concession scheme for airport staff were introduced during the year.

LWB is committed to finding ways to meet the growth in passenger demand arising from the increase in tourism and leisure activities, while maintaining its high standards of network coverage and service for all its passengers. LWB aims to meet the needs and expectations of its customers by continuing to provide efficient, direct and user-friendly bus services.

DEPOT

LWB operates a depot at Siu Ho Wan for daily bus maintenance, refuelling, bus washing and fleet parking. The depot is equipped with a waste water treatment system to ensure that the quality of waste water complies with statutory requirements before being discharged into the public drainage system.

LWB passengers benefit from convenient and fast services to and from the airport

● LWB's bus termini on Lantau Island

LWB aims to meet the needs and expectations of its customers by continuing to provide efficient, direct and user-friendly bus services.

SAFETY AND CUSTOMER SERVICE

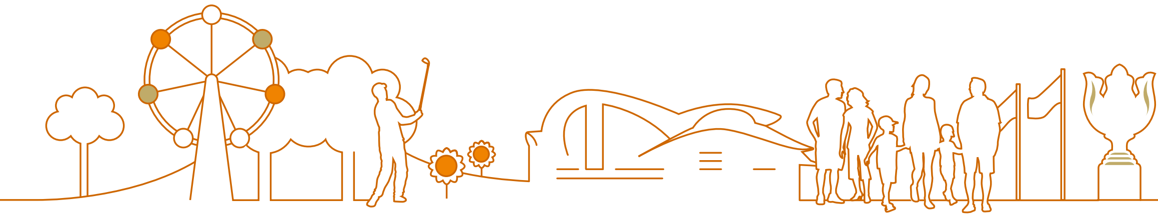
LWB conducts regular and thorough inspections of its buses under a stringent maintenance regime to make sure that they are maintained to the highest standards. Driving instructors monitor bus captains' driving performance and customer service, while safety briefings and safety reminders ensure that bus captains are kept informed of the latest safety messages. Additionally, LWB runs quality campaigns to recognise and reward good performance.

LWB's website www.lwb.hk provides passengers with convenient access to route information. The route information displays at LWB's en-route bus stops provide the estimated arrival time for buses on some bus routes, and the upgraded smartphone app allows customers to receive bus information on their smartphones.

ENVIRONMENTAL PROTECTION

LWB is committed to contributing towards a better environment. In 2013, LWB introduced ten new Euro V buses, bringing the number of Euro V buses in its fleet up to 25%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro II and Euro III buses to reduce the emission of particulate matter.

The electrostatic air filtration function in the air-conditioning system of LWB buses significantly improves the air quality in the bus compartment, while the Eco-driveline system reduces fuel consumption and exhaust emissions.



Hong Kong Non-franchised Transport Operations

The Group's non-franchised transport operations offer a wide range of transport services to business commuters, tourists, shoppers, students and residents of large residential developments, as well as providing cross-boundary shuttle bus services and chartered hire services.

SUN BUS HOLDINGS LIMITED AND ITS SUBSIDIARIES (THE "SBH GROUP")

As a leading non-franchised bus operator in Hong Kong, the SBH Group provides premium and value-for-money tailor-made transport services to different customers.

Led by its flagship subsidiary, Sun Bus Limited ("SBL"), the SBH Group offers a range of bus services designed for specific market segments. Its fleet serves large housing estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.

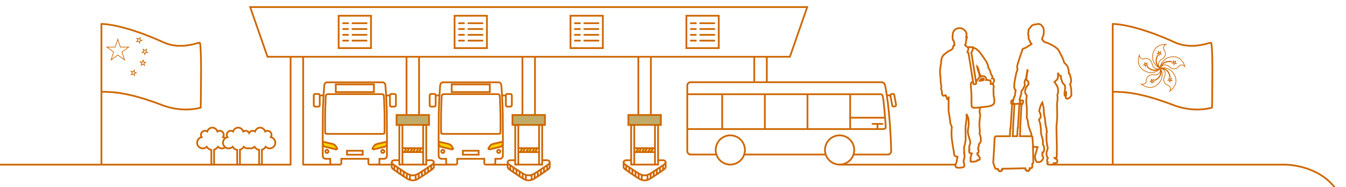
During the year, the SBH Group continued to strengthen its services by buying the latest environment-friendly buses available on the market. In 2013, 33 Euro V buses were added to its fleet to replace older buses. At the end of 2013, the SBH Group had a fleet of 386 buses. To be a first mover in trials of the latest generation of engines, the SBH Group has ordered two Euro VI buses for delivery in 2014. It will continue to introduce more new Euro V/VI buses as part of its fleet upgrade programme.

SBL is committed to continuously strengthening all aspects of its management and operations. SBL was ISO 9001:2000 certified in 2008, making it the first commercial non-franchised bus company in Hong Kong to achieve ISO 9001:2000 certification. SBL has subsequently been upgraded by the Hong Kong Quality Assurance Agency to ISO 9001:2008 certification – an endorsement of SBL's quality management systems.

SBL's ISO 9001:2008 certification is a ringing endorsement of its quality management systems.

SBL provides premium, value-for-money services to a wide range of customers

QUALITY SERVICES



NHKB jointly operates the cross-boundary shuttle bus service, commonly known as the "Huang Bus" service, with its Shenzhen counterpart, serving commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.

NEW HONG KONG BUS COMPANY LIMITED ("NHKB")

In 2013, NHKB operated a fleet of 15 air-conditioned super-low floor single-deck buses on its 24-hour cross-boundary shuttle bus service between Lok Ma Chau and Huanggang. To enhance passenger comfort and convenience, NHKB's terminus at the San Tin Public Transport Interchanges is equipped with four comfortable air-conditioned waiting lounges and an integrated information display system.

The competition from rail and public minibus services has intensified since the opening of the Lok Ma Chau Spur Line, the Lok Ma Chau Public Transport Interchange and the Hong Kong-Shenzhen Western Corridor. The relocation of the Control Point Office in Huanggang, which requires passengers to walk further for immigration clearance, has also had an impact on NHKB's patronage growth. As a result, the demand for NHKB's cross-boundary bus services has declined, with a fall in patronage from 4.9 million passenger trips in 2012 to 4.7 million passenger trips in 2013.

Notwithstanding the decline in patronage, the demand for cross-boundary bus services is expected to grow in line with the stronger social and economic ties between Hong Kong and China Mainland, and the likely growth in visitor numbers as residents from more major Mainland cities become eligible for the Individual Visit Scheme. NHKB is geared up to maintain its shuttle bus service as a preferred means of transport for cross-boundary travellers through the provision of convenient and quality services.

● NHKB's bus termini

To enhance passenger comfort and convenience, NHKB's terminus at San Tin is equipped with four comfortable air-conditioned waiting lounges and an integrated information display system.

NHKB's shuttle bus services are well received by cross-boundary travellers and commuters

China Mainland Transport Operations

In 2013, the Group operated a range of transport services in Shenzhen (深圳) and Beijing (北京) in line with its strategy of exploring transport related business opportunities in China Mainland which offer reasonable returns.

SHENZHEN BUS GROUP COMPANY LIMITED (深圳巴士集團股份有限公司) ("SBG")

SBG is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other Mainland investors. The Group has a 35% stake in SBG.

Since starting operations in January 2005, SBG has provided public bus, minibus and taxi services in Shenzhen City (深圳市). As at 31 December 2013, SBG operated 530 taxis and 5,451 buses on around 270 routes. In 2013, due mainly to the intensified competition from the new lines in Shenzhen's underground railway system, the number of bus passenger-trips served by SBG decreased by 4.8% to 834.8 million compared to 877.3 million passenger-trips in 2012.

SBG further improved its operational efficiency and strengthened its cost control measures in 2013 to address the strong competition from the underground railway and continuing inflation in China Mainland. Various measures were taken to improve SBG's competitiveness in the public transport market, including strategic bus network reorganisation and the rescheduling of bus routes that operate with ticketing staff, which have enabled productivity to be improved without compromise to service quality. Rigorous budgetary control measures were also adopted to mitigate the impact of rising operating costs. In 2013, SBG continued to introduce more feeder bus routes connecting neighbourhoods with underground railway stations and to extend its route network to nearby districts.

SBG serves passengers across its network of 270 routes

Taking the green initiative, SBG operates a fleet of electric taxis in Shenzhen

SBG is ISO 9001:2000 certified for the provision of transport services, transit designs and support services in Shenzhen City.

Since 2007, SBG has been ISO 9001:2000 certified for the provision of transport services, transit designs and support services in Shenzhen City. SBG has installed engines meeting up to Euro IV emission standards and uses environment-friendly fuel to improve the environmental performance of its bus fleet. It is also increasing the scale of trials of buses and taxis using new clean energy sources such as liquefied natural gas and electricity, and is collecting additional research data for better application of these new technologies. SBG will continue to upgrade its services and enhance its competitiveness in Shenzhen and other markets.

BEIJING BEIQI KOWLOON TAXI COMPANY LIMITED (北京北汽九龍出租汽車股份有限公司) ("BBKT")

Founded in Beijing in 2003, BBKT was the first Sino-foreign joint stock company to enter China Mainland's taxi hire and car rental business sectors. KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, holds an equity interest of 31.38% in BBKT.

ISO 9001:2000 certified for its quality management systems in taxi services since 2006, BBKT is well placed as one of the leading operators in Beijing to offer the highest levels of service in a competitive market. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus in the exploration of business opportunities in the booming but challenging car rental market, the car rental business of BBKT has been transferred to a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司).

In spite of the challenges brought by rising staff costs and other operating expenses, BBKT continues to build the efficiency and effectiveness of its operations on sound sustainability principles, introducing some 560 hybrid taxis during the year. With a fleet of 3,719 taxis at year-end, BBKT made satisfactory progress in 2013 and will continue to build on its solid reputation for quality service provision while exploring profitable avenues for new business opportunities.

BEIJING BEIQI FIRST COMPANY LIMITED (北京北汽福斯特股份有限公司) ("BBF")

Established in April 2013, BBF is a Sino-foreign joint stock company which carries on the car rental business formerly operated by BBKT.

With the same shareholding structure as BBKT, BBF is ideally positioned to take advantage of the growing business opportunities afforded by business commuters as well as the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2013, BBF had 1,170 vehicles available for charter, mainly in Beijing and Tianjin. The growing affluence and increasing internationalisation of the Mainland bode well for the identification of new market opportunities in Beijing and other cities on the Mainland.

BBKT is one of the largest taxi companies in Beijing

Property Holdings and Development

The Group's portfolio of investment properties, which comprises a shopping mall, an office building and an industrial property, generates a stream of rental income for the Group.

LAI CHI KOK PROPERTIES INVESTMENT LIMITED ("LCKPI")

LCKPI, a wholly-owned subsidiary of TIH, is the developer of Manhattan Hill, the luxury residential complex in Lai Chi Kok, Kowloon.

Manhattan Hill is a prestigious residential complex consisting of five high-rise towers with a height ranging from 41 to 43 storeys above podium level, comprising 1,115 apartments ranging from 668 square feet to 5,008 square feet. Two private clubhouses provide residents with luxurious sports and leisure facilities.

The sale of Manhattan Hill's residential units began in November 2006. The last residential unit and 13 car parking spaces were sold in 2012, leaving only one car parking space, which was sold in the first half of 2013.

LCK COMMERCIAL PROPERTIES LIMITED ("LCKCP")

LCKCP, a wholly-owned subsidiary of TIH, is the owner of Manhattan Mid-town, the commercial complex of Manhattan Hill.

LCKCP owns the upmarket Manhattan Mid-town shopping mall, the two-level retail podium at Manhattan Hill, which is easily accessible by bus, rail or car from all parts of the territory, including Hong Kong Island and Hong Kong International Airport. Since its opening in March 2009, the shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities. At the end of 2013, 99% of the entire lettable area of the 50,000 square feet shopping mall had been leased out to a mix of shops and restaurants, generating recurring rental income for the Group.

LCK REAL ESTATE LIMITED ("LCKRE")

LCKRE, a wholly-owned subsidiary of TIH, is the owner of the Group's headquarters building in Lai Chi Kok, Kowloon.

LCKRE owns the 17-storey commercial office building located at 9 Po Lun Street, Lai Chi Kok, Kowloon, with a total gross floor area of about 156,700 square feet. The building is situated next to the Manhattan Hill development. Currently, about 70% of the total gross floor area is used by the Group as headquarters. The remaining gross floor area is set aside for the provision of shops and restaurants. At the end of 2013, the entire lettable floor area was leased out, generating steady rental income for the Group.

KT REAL ESTATE LIMITED ("KTRE")

KTRE, a wholly-owned subsidiary of TIH, together with Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), are owners of the site at Kwun Tong Inland Lot No. 240 (the "Kwun Tong Site") at 98 How Ming Street, Kowloon, as tenants in common in equal shares.

The Kwun Tong Site is to be jointly developed by KTRE and TRL for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP, has been appointed by KTRE and TRL as project manager for the management, supervision and control of the development of the Kwun Tong Site to ensure that the development meets the highest industry standards.

TM PROPERTIES INVESTMENT LIMITED ("TMPI")

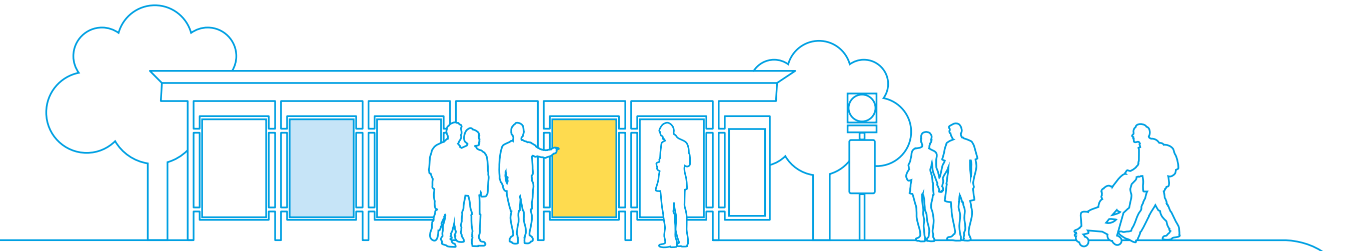
TMPI, a wholly-owned subsidiary of TIH, is the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories of Hong Kong.

TMPI owns an industrial property consisting of a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet. Since March 2011, the entire lettable area of this property has been leased out to generate recurring rental income for the Group.

The Group's Property Holdings and Development

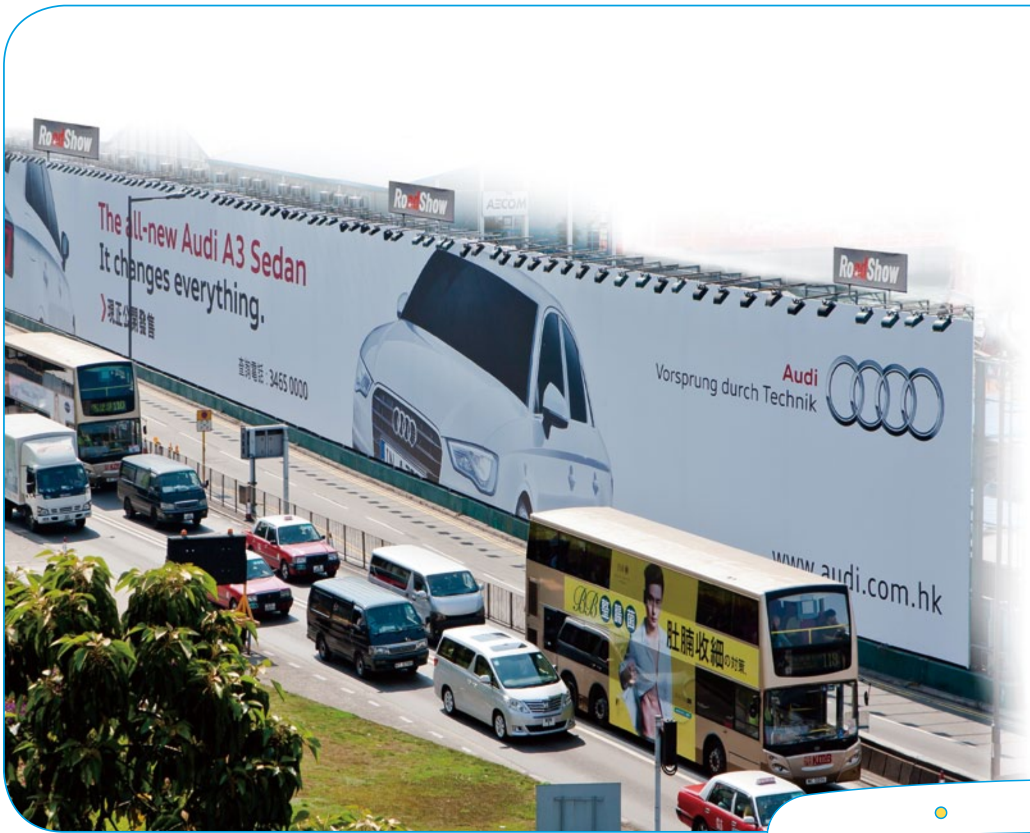
Property	**Usage**	**Total Gross Floor Area** (square feet)	**Group's Interest** (%)	**Remarks**
Kwun Tong Inland Lot 240, 98 How Ming Street, Kwun Tong, Kowloon	(Note)	1,150,000	50	The site was acquired at public auction in 1967
Manhattan Mid-town 1 Po Lun Street, Lai Chi Kok, Kowloon	Shopping Center	50,000	100	The site was acquired at market price through private purchase in 1955
TIH Headquarters Building, 9 Po Lun Street, Lai Chi Kok, Kowloon	Office / Shops	156,700	100	The site was acquired at market price through private purchase in 1955
Tuen Mun Town Lot No. 80, 1 Kin Fung Circuit, Tuen Mun, New Territories	Industrial / Godown	105,900	100	The site was acquired at public auction in 1974

Note: Application for lease modification to non-residential (excluding hotel) use is in process.



Media Sales Business

RoadShow provides marketing and advertising professionals with a wide range of innovative ways of spreading their messages effectively to their audiences.



RoadShow's billboard at the entrance to the Cross-Harbour Tunnel is a powerful advertising platform

ROADSHOW HOLDINGS LIMITED AND ITS SUBSIDIARIES

RoadShow Holdings Limited ("RoadShow") was established by the Group as its media sales arm. The Group currently has a 73.0% interest in RoadShow, which has separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001.

BUS-TV

RoadShow's Bus-TV business specialises in the broadcast of tailor-made programmes and advertisements, looking after the production and sourcing of programme content as well as the marketing and selling of airtime. 2013 was a challenging year for Bus-TV owing to a significant reduction in the number of buses on which it operates from 4,800 in July 2012 to 3,600 thereafter. RoadShow was able to adapt to such changes quickly and effectively by implementing a number of initiatives designed to improve its overall sales approach. To this end, RoadShow further enhanced and strengthened its broadcast syndication and soft implementation capabilities.

In the coming year, RoadShow will continue to fully integrate Bus-TV with other RoadShow platforms in line with its ultimate aim of achieving greater synergy and better serving its clients.

BUS-BODY

Bus-Body advertising continued to perform with healthy, steady business growth in 2013. The already strong client base was reinforced and sustained progress was made in attracting new partners, especially in the highly lucrative blue-chip sector. The positive response of advertisers and agencies to the unique integration of Bus-TV, Bus-Body and In-Bus via Theme Buses shows that Bus-Body is a highly creative and impactful platform with which brands can strengthen their appeal among their target audiences.

IN-BUS

The performance of the In-Bus segment was stable in 2013. During the year, RoadShow implemented many special measures to ensure it could achieve further growth and continue to move forward. Examples include increasing the attractiveness of its platforms by unveiling new advertising formats and enhancing creativity and interactivity through more innovative leveraging of technology.

BUS-SHELTERS

RoadShow has operated its Bus-Shelter business in conjunction with JCDecaux Cityscape Limited since 2001. In 2013, the encouraging growth of this division contributed significantly to increasing its market share and strengthening its market position as one of the leading out-of-home advertising agencies in Hong Kong.

INTEGRATED MARKETING SERVICES

2013 also witnessed a phenomenal surge in demand for RoadShow's market-leading Integrated Marketing Services. Key customers include not only advertisers, event management and production specialists, but also creative development and public relations professionals. To maintain the demand growth, RoadShow will strive to organise tailor-made integrated campaigns for such customers in order to create more value for them.

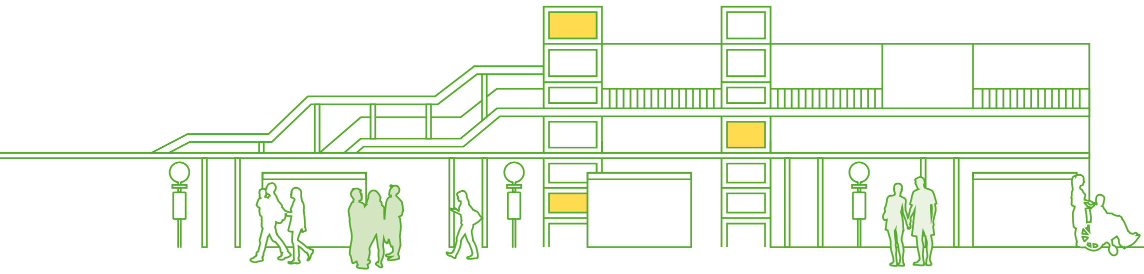
Through its multi-media platforms, unique content production and high-quality event management services, RoadShow remains perfectly placed to meet agencies and advertisers' integrated media and marketing service needs. In addition to its established Bus-TV and Bus-Body platforms, RoadShow further extended its coverage by the end of 2013 to include Billboard, E-Portal, and Mobile Application Software. The content production team continued to produce many customised programmes for different clients. RoadShow further added to its already excellent reputation in event management by organising a variety of product launches, concerts and other events. RoadShow continues to be the go-to option when it comes to creating a multi-media matrix for impactful advertising campaigns that far exceed partners' expectations.

BILLBOARD

Since its inauguration in December 2012, Billboard has proven an innovative new business direction for RoadShow. The prime display site at the entrance to the Cross-Harbour Tunnel offers unprecedented impact for advertisers wishing to reach a vast target audience. Since March 2013, RoadShow has also been managing various billboard advertising spaces on Route 3 (Country Park Section), including the toll plaza of the Tai Lam Tunnel.

By expanding its operations into the billboard arena, RoadShow has not only further reinforced its leading role in the out-of-home media market, but has also added new elements to its multi-dimensional platforms.

In the coming year, RoadShow will continue its efforts in expanding its Billboard network to further enhance its market share. RoadShow also plans to invest more resources in its sustained expansion, as it continues to look to develop new technologies and advertising formats with which it can enhance its advertising displays and create maximum impact across Hong Kong.



Care for Customers

Our vision is to be a globally-recognised leader in public transport. We are committed to meeting our customers' needs and expectations and providing them with the highest quality transport services at good value for money.

The Tuen Mun Road Bus-Bus Interchange provides passengers with wider connectivity to and from other districts

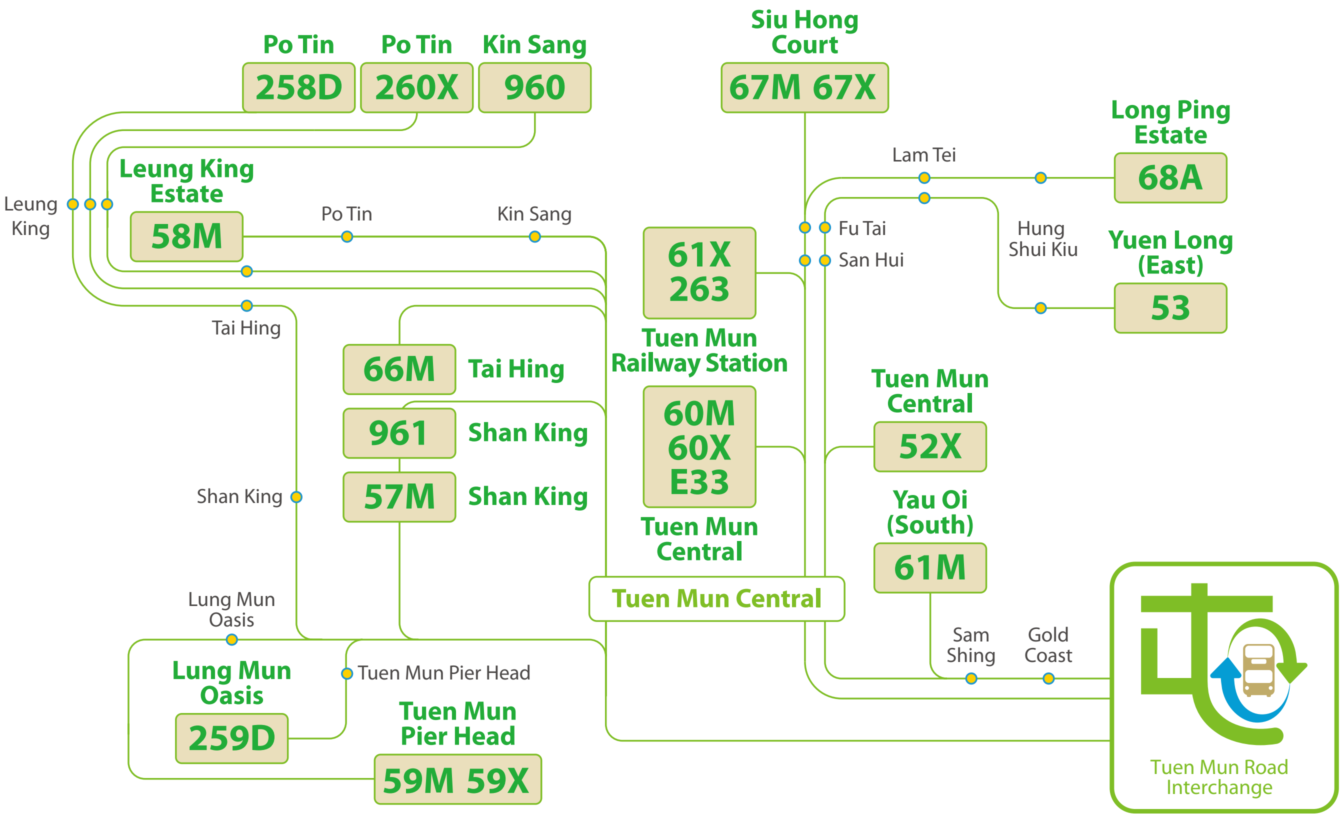
OCTOPUS BUS-BUS INTERCHANGE SCHEMES ("OCTOPUS BBI SCHEMES")

The Octopus BBI Schemes offered by our franchised bus services both provide fare discounts to passengers on the second leg of journeys and broaden our network coverage. They contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors. At the end of 2013, KMB operated 109 Octopus BBI Schemes covering 269 routes, while LWB had 16 Octopus BBI Schemes covering 12 routes, including those serving Hong Kong Disneyland and AsiaWorld-Expo. We will continue to explore ways of further enhancing our Octopus BBI coverage, both on the KMB and LWB networks and through inter-modal schemes jointly operated with other public transport operators.

TUEN MUN ROAD BUS-BUS INTERCHANGE

Since opening at the end of 2012, the Tuen Mun Road Bus-Bus Interchange ("TMRI") Discount Scheme has undergone several phases of expansion. Presently a total of 29 bus routes serve the TMRI and offer BBI discounts. The implementation of the TMRI scheme has also made possible bus route reorganisation including the redistribution of resources from lowly utilised routes to those with growing demand. The number of passengers using the TMRI now stands at around 20,000 on a typical weekday. Besides facilitating more efficient use of resources, the TMRI scheme has improved overall network connectivity, bringing passengers faster and more direct bus services at reasonable fares. This is a win-win formula that can be adopted as a model in other districts within KMB's operating area.

MORE ABOUT TUEN MUN ROUTE REORGANISATION



FIVE ROUTE DAY PASS $50 FOR UNLIMITED TRAVEL

To provide more convenient and enjoyable bus journeys for local passengers and tourists, KMB issued a brand new "Five Route Holiday Day Pass" ("Holiday Day Pass") on 7 April 2013. Holiday Day Pass holders were able to travel without limit on the day of purchase on the five designated routes to access tourist spots in Kowloon, the New Territories and Hong Kong Island.

The five designated routes are:

Route		Full Fare (in HK$)
B1	Lok Ma Chau Station ←→ Tin Shui Wai Station	12.70
968	Yuen Long (West) ←→ Causeway Bay (Tin Hau)	22.70
68X	Jordan (To Wah Road) ←→ Hung Shui Kiu (Hung Yuen Road)	13.60
2	So Uk ←→ Star Ferry	4.70
6	Lai Chi Kok ←→ Star Ferry	4.90

With effect from 7 September 2013, the Holiday Day Pass was extended to run on weekdays and was renamed the "Five Route Day Pass" ("Day Pass"). The standard price of the Day Pass is HK$52.50 (half fare HK$26.30 for children under 12 and for senior citizens aged 65 and over), but passengers can enjoy a special fare of HK$50 (half fare HK$25 for children under 12 and for senior citizens aged 65 and over) during the promotional period, which runs from 7 September 2013 to 6 March 2014.

THE OCTOPUS SMART CARD

Since its introduction in 1997, the electronic Octopus Smart Card System has proved extremely popular with public transport users in Hong Kong. Today, Octopus is the world's leading contactless smart card system, with the highest penetration rate, the highest transaction volume and the widest range of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in terms of value and number of transactions. In 2013, about 90% of our franchised bus fare revenue was collected via Octopus cards, which provide convenience for passengers and cost savings for the Group in terms of cash collection and administration.

CRYSTAL BUS STOP POLES

To enhance our signage in busy urban areas, in 2013, KMB added 80 crystal bus stop poles, raising the total number of such poles to around 280. Designed for clarity and readability, the pole features a rectangular crystal bus-stop sign showcasing the traditional KMB red circular pattern. The pole's multi-sided, 360-degree rotating route information panel provides passengers with easy access to route information. Besides relevant route numbers, the signs display bus stop names in English and Chinese in larger fonts than traditional bus stop poles. The pole's pollution-free LED lighting is powered by a silicon rechargeable battery and has treble the lifespan and over six times the electricity-saving capacity of fluorescent tubes. Crystal bus stop poles are fitted with a timer to regulate the lighting operating time and further save energy.

BUS SHELTERS

Our bus shelter improvement programme aims to make the environment more pleasant for passengers who are waiting for buses. In 2013, KMB added 20 new bus shelters, raising the total to 2,462. The installation of 2,750 advertising panels means that bus shelters are able to generate advertising income for our franchised bus operations as well as providing convenience to our passengers.

FACILITY ENHANCEMENT AT BUS-BUS INTERCHANGES

In 2013, to tie in with the opening of new Bus-Bus Interchanges ("BBI") at Tuen Mun Road, Wah Ming and Sheung Shui, KMB upgraded the passenger waiting areas with additional facilities, including prominent rooftop signage, large graphic information boards, benches, queue railings with built-in seating and a free WiFi service. KMB has also introduced the pioneering Estimated Time of Arrival System ("ETA System") at the TMRI, which notifies passengers of the arrival time of the next bus on LED display panels.

CUSTOMER SERVICE CENTRES

KMB's eight customer service centres provide a convenient one-stop service for passengers, who may obtain bus route information from our customer service ambassadors. Octopus card services and KMB souvenirs are also available from the centres, which are located at public transport interchange hubs in Tsim Sha Tsui, Hung Hom, Lam Tin, Mei Foo, Tsuen Wan, Sha Tin, Tuen Mun and Tin Shui Wai.

By using the Digital Map Passenger Enquiry System in the centres' multimedia kiosks, customers can make route searches that show landmarks on their chosen routes on a three-dimensional map. A simplified Chinese version has been installed in the system to meet the needs of the growing number of Mainland visitors. Customers may also use the multimedia kiosks to browse the KMB website.

To cater to the needs of cross-boundary passengers, in April 2013 KMB set up a ticketing office at Lok Ma Chau to provide Octopus services and sales of the newly launched "Five Route Day Pass".

LWB's customer service and ticketing office at the airport provides a one-stop centre for ticketing, customer enquiries and lost property handling.

CUSTOMER SERVICE HOTLINES

The award-winning customer service hotline (2745 4466) is an effective communication channel between KMB and its customers. In 2013, the hotline handled over 2.8 million calls, an average of about 234,000 calls a month. While a hotline operator service is available every day from 7:00 a.m. to 11:00 p.m., a trilingual hotline system providing bus route information, service updates, traffic news and a voicemail service in Cantonese, English and Putonghua, is available around the clock. KMB was the first local transport operator to send bus route information and digital maps of bus stop locations to customers' mobile phones via SMS.

LWB's customer service helpline (2261 2791) dealt with a total of 18,854 calls in 2013, an average of 1,571 calls a month. Besides responding to passengers' enquiries, comments and suggestions, the helpline handles lost and found enquiries.

The KMB fleet is serviced and maintained to internationally recognised standards

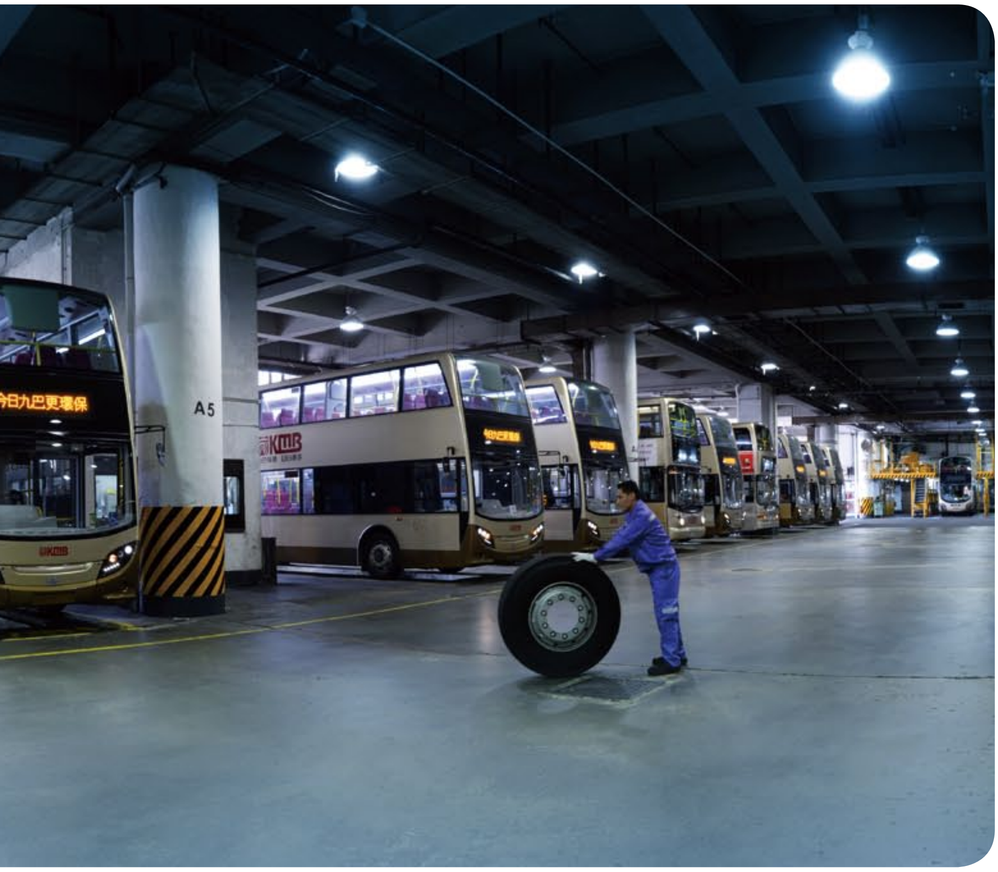
As a world-class public bus operator, our first priority is to ensure that safety in our daily operations meets or exceeds our customers' expectations.

SAFETY POLICY

We are committed to providing safe, reliable and high quality bus services to all our passengers. Our Safety Policy is based on a commitment made by all staff members to providing a safe and healthy environment for everyone who may be affected by our bus operations and work activities in order to minimise the risk of injury and ill health. Staff at all levels are responsible for ensuring that all legal requirements and other requirements applicable to our bus operations and work activities are in compliance.

As a world-class public bus operator, our first priority is to ensure that safety in our daily operations meets or exceeds our customers' expectations. We adopt a Plan-Do-Check-Act ("PDCA") framework for safety and health management and strive for continual improvement in safety performance in all aspects of our business.

Our Safety Policy is reviewed regularly to ensure its appropriateness for sustaining our operational excellence.



KMB's Operations Division has been accredited with Occupational Health and Safety Assessment Series (OHSAS) 18001 Certification since August 2012, a unique qualification in Hong Kong's franchised bus industry.

SAFETY MANAGEMENT SYSTEM

KMB's safety governance framework ensures that the highest levels of safety performance and sustainable operations are achieved in line with international standards. In 2012, KMB's Operations Division was awarded the Occupational Health and Safety Assessment Series (OHSAS) 18001 Certificate by the Hong Kong Quality Assurance Agency, the first franchised bus company in Hong Kong to receive such certification. The surveillance audit for OHSAS 18001 was conducted by the certification body in June 2013 to ensure the continued effectiveness of the safety management system. No non-conformity was found in the surveillance audit.

KMB's safety culture is underpinned by a strategic plan for the development, implementation and review of a safety management system which goes beyond legal and statutory requirements. In pursuit of the highest achievable safety standards, KMB's PDCA approach seeks continual improvements in the safety performance and sustained operational excellence of all aspects of its business, as well as enhancement of frontline staff's awareness of occupational health and safety issues.

Recognising that taking a proactive approach to risk management is key to all safety management activities, KMB has executed effective risk management measures based on OHSAS 18001 in the areas of bus operations and maintenance activities. We plan further to implement an effective risk control system which ensures that safety risks are controlled to levels appropriate to the nature of our operations.

SAFE DRIVING CULTURE

Bus Design and Maintenance

KMB's engineers continue to co-develop with leading manufacturers new bus types that are particularly suited to Hong Kong's climatic and operational environment. New KMB double-deck buses are equipped with the three-in-one integrated safety CCTV monitoring system, which enables bus captains to monitor the upper deck, keep an eye on objects behind the bus when reversing and observe alighting passengers. To improve security on buses, prototypes of an on-board image-recording system covering the entrance and exit, the driver's cabin, the lower and upper decks and the staircase are being trialled. Various technological measures have been taken to improve safety, including speed limiting devices, which limit the speed of buses to 70 km/h. The electronic tachograph (KMBLOG) and the telematics system, which record vehicle speed and other operating parameters, have been integrated into our fleets. At the end of 2013, each bus in the KMB and LWB fleets was equipped with KMBLOG or the telematics system for fleet management.

Our franchised buses are subject to regular random checks by the Transport Department of the HKSAR Government. All buses in the KMB and LWB bus fleets are subject to an ISO-certified maintenance regime, comprising daily, monthly, half-yearly and annual road-worthiness inspections carried out at our depots. The upshot of our rigorous maintenance procedures is mechanical performance that our passengers can trust.

Bus Captain Training and Development

We are committed to bus captain training that safeguards passenger safety and enables the provision of reliable and comfortable bus services. KMB's Bus Captain Training School at Sha Tin Depot provides new and existing bus captains with comprehensive training programmes which ensure bus captains give top priority to safe driving. By recreating real-world driving environments, the Training School's state-of-the-art Driving Simulator Studio helps bus captains improve their overall driving skills and especially their response to unpredictable scenarios. We also organise a number of safety awards and competitions which promote the concept of excellence in driving to our bus captains.

To enhance bus captains' awareness of safe driving and reinforce our safe driving messages, bus captains are provided with driving aids which contain driving regulations and safety notes relevant to a bus captain's daily work, including the "Bus Captain Safe Driving Handbook", the "Safe Driving Card" and "Driving Tips". A safety video on defensive driving skills has been produced and uploaded to the staff website. Besides being required to watch the safety video, bus captains are also required to comply with the Bus Captain Working Procedures, as well as the procedures relating to Bus Terminus Safety Operations and Traffic Accident Handling.

To encourage our bus captains to uphold the principle of road safety, the Route Safety Performance Award and the Route Safety Improvement Award continued to be run in 2013 to promote the importance of safe driving.

In pursuit of improvement in its service quality, KMB puts a great deal of effort into building up a team of professional and safety-oriented bus captains committed to providing service excellence. In 2012, the "KMBuddy Driver Programme" was launched to help new bus captains quickly adapt to their work environment and make them more aware of road safety. Retired bus captains with extensive driving experience and a good safety record ride with newly appointed bus captains and help impart a positive driving attitude by sharing their driving experience. The programme was further extended in 2013 to reinforce its effectiveness.

DRIVING TIPS DATABASE FOR BUS CAPTAINS

A database of "Driving Tips in Special Attention Areas", the first of its kind in Hong Kong, is available on our staff website to help bus captains drive more smoothly and safely. The database provides bus captains with structured instructions and practical driving tips on bus routes in special attention areas across KMB's operating area, supplemented by photos and drawings. In this way, the expertise and knowledge of experienced bus captains can be shared with their colleagues. Key driving tips have been extracted to make up a "Safe Driving Tips Album", which is available at bus termini.

The staff website also provides a channel for bus captains to give their suggestions on driving tips, allowing the database to be continuously updated and fine-tuned in conjunction with the ongoing study of the routes involved. Taken together, these measures help provide our passengers with pleasant and safe journeys, while lending support to our bus captains.

CARE FOR PASSENGERS

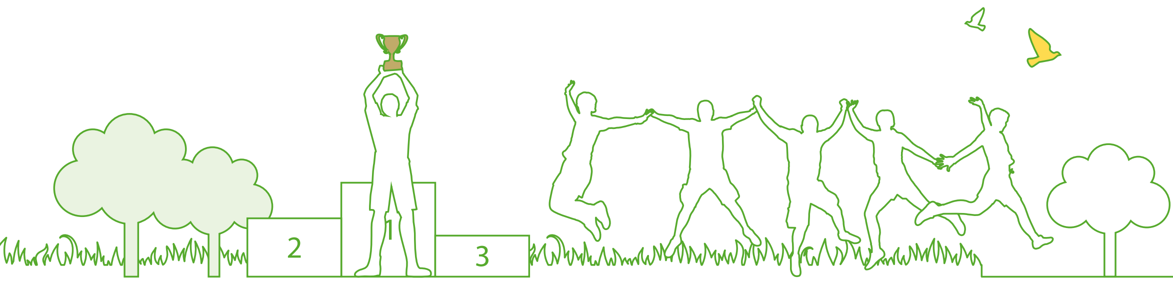
In line with its policy of providing passengers with safe bus journeys, KMB launched a new series of safety messages on 27 July 2013. Broadcast on both the Bus Stop Announcement System ("BSAS") and the Multi-media On-board ("MMOB") system, the safety messages serve as friendly reminders to passengers to hold the handrails whenever moving around or standing on buses.

For greater impact, KMB invited a renowned local actor whose voice is familiar to Hong Kong people to give the messages in Cantonese. The BSAS version consisted of five safety messages in Cantonese, Putonghua and English, the MMOB version was centred on a visual animation with the theme "KMB Bus Boy says: Please hold the handrails – Safety first". KMB followed this up by rolling out on 16 September 2013 a new safety video with a similar message called "Hold the Handrails – Safety First", which was broadcast in Cantonese on the MMOB system in KMB buses.

PROMOTION OF SAFE DRIVING

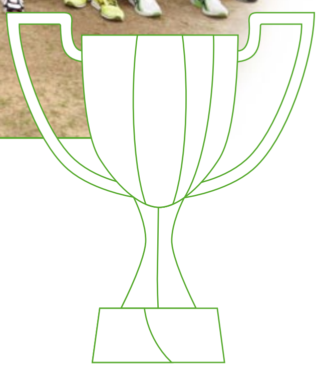
Since January 2013, seminars have been held on a monthly basis in association with the Police to further promote safe driving and share driving tips with new bus captains. In addition, October 2013 saw the introduction of a forum called "Tool-box talk", at which frontline supervisory staff convey daily safety messages to bus captains to enhance their safety awareness.

The KMBuddy Driver Programme helps new bus captains adapt quickly to their work environment



Care for Employees

We remain committed to developing our workforce for the delivery of the highest quality service. A comprehensive training and recognition programme is in place to motivate staff by rewarding excellent performance.



HUMAN RESOURCES POLICY

To maintain a safe, respectful and harmonious workplace, KMB adopts a set of comprehensive human resources policies laying down principles that include the promotion of gender equality, the protection against sexual harassment, the prevention of bribery and the protection of personal privacy. Together with other company guidelines, these policies are published on the staff website. We strictly observe Hong Kong's labour laws and ensure that our suppliers respect labour rights in respect of employment and freedom of association, and prohibit child labour and forced labour in all aspects relating to our business.

LONGER MEAL TIME

Since the third quarter of 2012, KMB has extended the meal time of its bus captains to 60 minutes. Additional bus captains have accordingly been recruited and trained to cover the service gaps resulting from the increase in rest times and meal break times. Additional amenities for use by bus captains and other frontline staff, including rest areas, toilets, drinking water dispensers, microwave ovens and refrigerators, have been installed at many bus termini.

RECRUITMENT

To maintain sufficient manpower to support the delivery of quality bus services, in 2013, we continued to adopt various recruitment channels to attract bus captain applicants. These include the Bus Captain Referral Programme, under which staff are given incentives to encourage qualified candidates to apply for the post of bus captain, advertisements on bus bodies, the use of recruitment teams at bus termini and joint recruitment days with non-government organisations.

A breakdown of the workforce of the Group by division at the end of 2013 is given below together with figures for 2012:

Division	2013	2012
Franchised Public Bus Operations		
• KMB	**11,999**	12,006
• LWB	**469**	460
Sub-total	**12,468**	12,466
Non-franchised Transport Operations	**624**	656
Media Sales Business(1)	**163**	145
Mainland Transport Operations(2)	**5**	5
Total	**13,260**	13,272

(1) Including the employees of the Group's subsidiary companies in China Mainland

(2) Excluding the employees of the Group's joint venture companies in China Mainland

STAFF COMMUNICATIONS

To reinforce two-way communication between management and staff representatives from KMB and LWB, six Joint Consultative Committees have been established. The five KMB Committees met every month, while the LWB Committee met every two months, in each case to review issues such as safety and operating procedures, the working environment and staff welfare. Further, KMB and LWB staff are kept updated on a variety of useful information, including company announcements, highlights of past activities, annual leave balances, weather updates and details of upcoming events, via the staff website. The monthly corporate magazine KMB Today is also an effective channel for keeping staff informed of corporate developments as well as those in the industry.

STAFF DEVELOPMENT

An important aspect of the continuous upgrade of our service quality is our commitment to developing staff at all levels. To this end, appropriate training and development courses are arranged from time to time to strengthen the management and operational skills of managerial and frontline staff.

In 2013, we offered a range of training and development courses for our management staff, including programmes covering team management skills, leadership skills, coaching skills, motivating skills, negotiation and influencing skills, and creativity and innovation. A Development Programme was arranged for Inspectors and Terminus Supervisors to enhance their supervisory skills and personal competencies. Further training programmes included a time management and Excel workshop to sharpen the skills of our clerical staff.

Some 300 staff attended courses organised by the Occupational Safety and Health Council and the Labour Department of the HKSAR Government in 2013. The Equal Opportunities Commission was also invited to conduct a seminar for staff members at all levels to inform them of the latest legal requirements. For the eighth successive year, KMB and LWB management attended a seminar on the latest developments in the business world given by a renowned Harvard Business School teacher who specialises in business strategy.

BUS CAPTAIN TRAINING

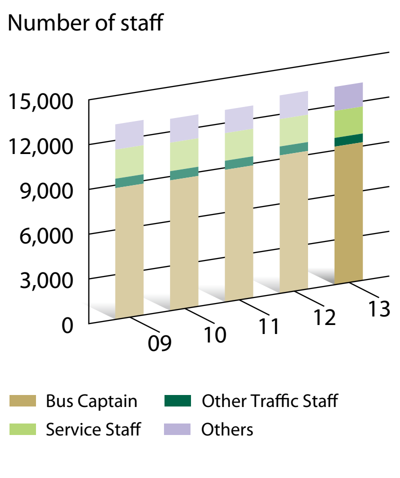
KMB accords the highest priority to the training of its bus captains and sets strict requirements for their driving performance. In 2013, the KMB Bus Captain Training School at Sha Tin once again provided comprehensive training and improvement training courses to about 6,300 drivers, including both new bus and experienced bus captains. At the end of 2013, a total of 67 experienced driving instructors and 45 training buses were employed at the Training School.

The focus of the School's systematic training is the improvement of bus captains' defensive driving skills through comprehensive and carefully designed courses. New bus captains undertake a series of basic training courses that focus on handling a bus, road safety awareness, safe driving techniques, road regulations, bus parking, night driving, different bus types, familiarisation with bus routes and on-board facilities, and customer service skills. Before delivering services to the public, all new bus captains must pass rigorous internal assessments to ensure that they can carry out their duties safely and effectively. Continuous improvement training courses are provided to experienced bus captains to reinforce their road safety awareness and defensive driving skills. All bus captains also receive eco-driving training, which focuses on good practices to strengthen their environmental awareness.

The Training School's state-of-the-art Driving Simulator Studio recreates a real-world environment to help bus captains improve their driving skills and sharpen their responses to different traffic scenarios. The simulator is environment-friendly as it does not take up road space or consume fuel. The Training School's four simulator stations comprise a driving cabin equipped with driving seat, steering wheel, accelerator, brake and instrument panel, as well as multiple plasma displays broadcasting high-resolution three-dimensional images. Further authenticity is provided by the simulation of the interaction between the bus and the road surface and by recordings of the sounds typically heard in a bus cabin. Driving instructors are on hand to provide individual feedback, and this is supported by the generation of a computer report covering speed, trip duration and passenger comfort.

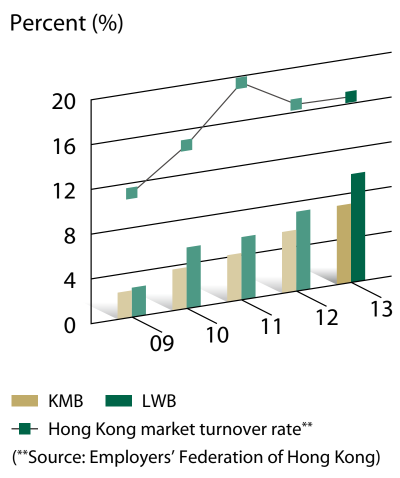
Instructors regularly review the content of the training programmes, which are updated to cater for new bus types and

Number of staff in the Group at 31 December



Staff turnover rate

(voluntary resignation only)



training items. To release more time for on-road practice, online training has replaced classroom lectures for tutoring new bus captains in traffic rules, safety tips and company regulations. To promote a self-learning culture, a dedicated e-learning platform has also been set up.

TECHNICAL AND APPRENTICE TRAINING

KMB's Technical Training School has been training maintenance staff in the latest bus technologies since 1973. In 2013, 182 in-house training sessions were run for 1,759 skilled workers and 18 training sessions were arranged in collaboration with our bus manufacturers for 235 engineers, supervisors and foremen.

To ensure a steady supply of skilled maintenance workers for our bus fleet, the School runs a four-year apprenticeship training scheme for school leavers. 39 apprentices graduated in 2013, bringing the total number of graduates since the School's establishment to 2,316. At the end of 2013, 175 apprentices were enrolled.

The quality of KMB's apprentice training was once again recognised in 2013 with a KMB apprentice placing Third Runner-up in the Vocational Training Council's Best Apprentice in the Automobile Trade Competition. He was invited to visit the Toyota Motor Plant in Japan.

PERFORMANCE ASSESSMENT

KMB and LWB use a systematic performance assessment mechanism to monitor the performance of bus captains and ensure that services are maintained at the highest level. Any bus captain failing to meet these high standards will receive remedial training, with a Performance Management Team helping bus captains identify their strengths and weaknesses. A similar performance assessment mechanism is in place to monitor the Group's non-franchised bus captains. Outstanding performance will be rewarded by bonus schemes and awards.

The KMB Simulator Studio recreates a real-world environment to help bus captains sharpen their driving skills

REWARDING SERVICE EXCELLENCE

KMB organises a number of competitions and awards to reward outstanding performers and encourage continuous dedication to customer service.

Safe Driving Award

Introduced in 1990 to promote road safety, the Safe Driving Award recognises bus captains who have driven without any liable accidents for periods of five years, ten years, 15 years, 20 years, 25 years and 30+ years, respectively. In 2013, a total of 703 KMB and LWB bus captains received the Safe Driving Award in recognition of their outstanding safety records.

Safe Driving Annual Awards and Good Service Annual Awards

In 2013, in recognition of their consistently good performance, 5,534 Good Service Annual Awards and 3,846 Safe Driving Annual Awards were presented to KMB and LWB bus captains, while 307 terminus staff received the Good Service Annual Awards.

The companies within the Group's Non-franchised Transport Operations Division again ran their own good service and safe driving award schemes in 2013 in order to pay tribute to the exemplary performance of their staff members.

Outstanding Service Awards

The Outstanding Service Awards are organised annually to recognise the outstanding contributions of our staff. In 2013, 62 staff members received the award in recognition of their excellent performance. Team awards were also presented to groups who worked together to outstanding effect.

MEDICAL CENTRES

Four Medical Centres on KMB premises provide dedicated outpatient services for our staff, as well as medical checks for new employees and annual medical checks as required.

REST AREAS FOR FRONTLINE STAFF

Taking account of the results of staff surveys, we renovated several staff canteens to operate as self-service cafeterias where frontline staff can take their meal breaks and rest.

KMB promotes work-life balance, encouraging staff to take part in sporting and leisure activities

Refrigerators, microwave ovens and televisions are also provided for the convenience of staff in rest areas.

WORK-LIFE BALANCE

To promote healthy work-life balance, health talks are organised regularly for members of staff and their families. To encourage life-long learning, books and magazines in our in-house library may be checked out on the staff website.

STAFF ACTIVITIES

Run for Charity

In 2013, our Long Distance Running Teams participated again in charity runs such as the Community Chest Corporate Challenge and the Standard Chartered Hong Kong Marathon and won a number of top awards. In December 2013, KMB's teams came first and second in the Corporate Relay event at the ICC-100-SHKP Vertical Run for the Chest.

Long Distance Run

The KMB Long Distance Run 2013 organised by the Human Resources Department was held on 14 April at Wu Kai Sha Sports Ground. The event aimed at encouraging a healthy lifestyle among staff members and their families. To celebrate KMB's 80th Anniversary, we held the KMB 80th Anniversary Cup and the awards were presented by the Managing Director. More than 240 staff and their family members took part in the run and enjoyed a day of fun.

Dragon Boat Race

The KMB Dragon Boat Team won three awards (Men's B Heat – First; Men's B Bronze Cup Final – Champions; and Stanley Plaza Mixed Silver Plate Final – Champions) at the Stanley International Dragon Boat Championships held on 12 June 2013. The KMB senior management team held a celebration lunch with team members after the event.

Inter-depot Competitions

Various inter-depot competitions and tournaments were organised in 2013, including match-ups in table-tennis, football and long-distance running.

The Outstanding Service Awards are organised annually to recognise the outstanding contributions of our staff.

Care for the Environment

The Group is dedicated to working for a better environment through its various contributions to environmental preservation.

ENVIRONMENTAL POLICY

KMB is committed to building a better environment through environmental conservation and protection.

KMB recognises the potential environmental impacts associated with its services and is dedicated to mitigating and minimising these impacts by implementing the following measures:

- Preventing pollution and continuously improving our environmental performance through the establishment and achievement of objectives and targets
- Conserving resources by reducing waste at source and recycling and reusing resources
- Minimising and controlling emissions from our buses by implementing control measures and by providing professional bus repair and maintenance engineering services
- Enhancing staff environmental awareness by providing training in relation to our environmental policy and our environmental objectives and targets, as well as in relation to the potential environmental impacts arising from our operations
- Communicating our environmental policy and relevant environmental requirements to our contractors and suppliers, and making the policy available to the public
- Responding to environmental inquiries from external parties promptly and ensuring effective communication on environmental issues internally
- Ensuring compliance with all applicable local environmental legislation and other relevant requirements

EXCELLENCE IN ENVIRONMENTAL MANAGEMENT

ISO 14001 is the internationally recognised standard for environmental management systems, providing a framework for organisations to manage aspects of their operations that affect the environment. KMB's Sha Tin and Lai Chi Kok Depots were awarded ISO 14001 certification from the Hong Kong Quality Assurance Agency in 2001 and 2003 respectively.

KMB, the first listed public transport organisation in Hong Kong to receive Green Mark Certification, was recertified in 2013 by the Q-Mark Council of the Federation of Hong Kong Industries for the period from May 2013 to April 2016. This certification recognises that KMB's four main depots at Kowloon Bay, Lai Chi Kok, Sha Tin and Tuen Mun meet the prescribed standards with regard to the delivery of franchised bus services and the repair and maintenance of buses under the Hong Kong Green Mark Certification Scheme. KMB undergoes quarterly surveillance audits to ensure that the most rigorous environmental management standards are maintained for the duration of each certification period.

We look to reduce the potential environmental impacts associated with our services in the following four major areas: environment-friendly buses, green use of consumables, environmental waste treatment and a green workplace.

ENVIRONMENT-FRIENDLY BUSES

KMB and LWB are committed to building a better environment through continuous investment in the latest environmental technology and equipment. Our new buses generally have environmental performances far exceeding the legal requirements in Hong Kong. The Group takes very seriously its responsibility as an industry leader to introduce innovative technologies and equipment that both improve our environmental performance and contribute to the development of a sustainable environment in Hong Kong.

Euro IV and Euro V Engines

In order to further enhance emission standards, KMB introduced Euro IV and Euro V double-deck buses in May 2006 and February 2009 respectively. Currently, it operates the largest fleet of Euro IV and V buses in Hong Kong.

At 31 December 2013, 39 urea solution dispensing units had been installed in KMB depots to further improve the environmental performance of Euro IV and Euro V buses. 715 KMB Euro IV and Euro V buses are equipped with a

Selective Catalytic Reduction ("SCR") catalytic converter, which when used with urea solution can reduce the emission of nitrogen oxides, since ammonia formed from the solution can convert nitrogen oxides into nitrogen gas and water vapour. To meet the growing number of environment-friendly buses operated by KMB, the depot at Tin Shui Wai will be equipped with urea solution dispensing units in 2014 and more such units will be installed at the depots at Lai Chi Kok, Kowloon Bay, Tseung Kwan O and Tsing Yi, bringing the total number of urea solution dispensing units to 65 by the end of the year.

Within the Group's Non-franchised Transport Operations Division (comprising the SBH Group and New Hong Kong Bus Company Limited), a total of 384 buses are equipped with Euro III, Euro IV or Euro V engines.

Green Fleet

At the end of 2013, KMB and LWB had a total of 4,017 buses, all of them meeting the strict exhaust emission standards of the European Council of Environmental Ministers. To bring their exhaust emissions to higher Euro standards in terms of particulate matter, a total of 2,905 buses have been equipped with either Diesel Oxidation Catalysts ("DOC") or Diesel Particulate Filters ("DPF"). Compared with emission levels in 1992, the year when the Euro I emission standard was first introduced in the European Union, the average particulate emission level of the entire KMB bus fleet has been reduced by about 93.8%, while the level of nitrogen oxide emissions has been reduced by about 61.4%.

The number of KMB and LWB buses meeting the respective emission standards at 31 December 2013 is shown below:

	Number of Buses			Emission Level (in terms of particulate matter)		
Engine Type	**KMB**	**LWB**	**Total**	**Euro II**	**Euro III**	**Euro IV/V**
Euro I#	423	0	423	423	0	0
Euro II	200	0	200	200	0	0
Euro II*	1,339	79	1,418	0	0	1,418
Euro III	42	10	52	0	52	0
Euro III*	1,056	8	1,064	0	0	1,064
Euro IV	106	32	138	0	0	138
Euro V	679	43	722	0	0	722
	3,845	**172**	**4,017**	**623**	**52**	**3,342**

Equipped with DOC

* Equipped with DPF

Exploring Zero- and Low-emission Bus Technologies

Serving Hong Kong for 80 years in the pursuit of excellence, KMB has always been committed to introducing the latest bus technologies. We have put a great deal of effort into enhancing environmental protection by exploring various kinds of zero- and low-emission technologies in recent years.

Zero-emission Supercapacitor Bus

We conducted trials of the zero-emission supercapacitor bus ("gBus") in Hong Kong from August 2010 to April 2011, during which satisfactory results were achieved. Following the trials of the first generation gBus, KMB introduced the next generation supercapacitor bus ("gBus^2"), which has double the electricity storage capacity and hence twice the driving range (8-10 kilometres when fully charged). This means that fewer charging stations need to be installed en-route, allowing gBus^2 to operate on some short-distance routes without any en-route charging stations. The performance of gBus^2 in trials from March to September 2012 was satisfactory.

gBus^2 does not require an extensive network of continuous overhead cables to operate and because of the rapid charging of supercapacitors, charging can be conducted at bus stops while passengers board and alight. Only around 30 seconds' charging is required to store enough electricity for gBus^2 to

KMB launched Hong Kong's first electric bus for franchised bus services in September 2013

run each extra kilometre. In line with KMB's commitment to environmental protection, used supercapacitors and batteries will be collected by suppliers for recycling.

In March 2012, KMB submitted a proposal to the HKSAR Government and received approval for the proposed trial deployment of supercapacitor buses on two routes. They are Route 284, a circular route in Sha Tin, and a new route, numbered 5M, a circular route running between Fuk To Street in Ngau Tau Kok and Tak Long Estate in the Kai Tak Development Area, with a total of four bus stops. Charging stations are proposed to be set up at the end points of the routes. The trial is expected to commence in the fourth quarter of 2014.

Zero-emission Battery-electric Bus

At the same time, we continue to explore other zero-emission technologies, including the battery-electric bus, which has made significant advances in its operating range. In September 2012, KMB took delivery of its first battery-powered single-deck bus ("eBus"), jointly developed by KMB and a renowned electric bus manufacturer, for tests to assess its suitability for Hong Kong's operating environment.

eBus, which is 12 metres in length, is powered by lithium iron phosphate batteries and capable of running at a speed of around 70 km per hour with a maximum of 66 passengers on board. Full charging at the bus depot takes only around three hours. When fully charged, eBus can travel distances of more than 180 km. After seven months of road tests with no passengers on board that focused on driving range, reliability, durability, battery performance and motor and mechanical performance, as well as performance in different weather and road conditions, KMB deployed it to provide staff shuttle services, running between Lai Chi Kok Depot and KMB Headquarters, starting from May 2013. To further assess its performance on one of the busiest roads in Hong Kong, KMB put eBus into service on Route 2, which runs between Tsim Sha Tsui Star Ferry Bus Terminus and So Uk via Nathan Road, in the morning and evening peak hours for one month, starting on 9 September 2013. Thus, eBus became Hong Kong's first zero-emission franchised bus providing passenger services - a milestone both for KMB and the local public bus industry. KMB will review the operational performance of eBus to guide it in the procurement of the next batch of eBuses for further trial deployment in Hong Kong.

To ensure eBus matches KMB's existing bus fleet, the manufacturer has adopted a number of imported components in its design, including front-axle, steering system, air-conditioning system, bus gates, passenger seats, floor, bus body paint and related components. All these components meet European standards as well as KMB's strict standards for its vehicles. eBus is also equipped with several specially designed enhanced features, such as the battery-monitoring system, which allows bus captains to check the voltage, current and temperature of the batteries and turn off the electricity supply if necessary.

Procurement of Zero- or Low-emission Buses

To protect public health and improve roadside air quality, the HKSAR Government has allocated HK$180 million for Hong Kong's franchised bus companies, including KMB, to procure a total of 36 electric buses for trial runs on different bus routes to assess their performance in different operating conditions. KMB and LWB will be receiving funding assistance from the HKSAR Government to procure 14 single-deck eBuses and eight single-deck gBuses for trial deployment. KMB and LWB have started the tendering and procurement process.

As for low-emission technology, KMB placed an order under the HKSAR Government's subsidy scheme for three hybrid diesel-electric air-conditioned 3-axle 12-metre double-deck buses in the third quarter of 2012. These hybrid buses are expected to be trialled on urban routes in the second half of 2014.

As zero-emission buses are more operationally flexible and require significantly less capital investment than other zero-emission mass transport modes such as rail, we will continue to work with the HKSAR Government to explore the feasibility of deploying such buses in areas that are especially suited to their services, in particular, busy corridors. We will continue to follow the development of the latest bus technologies and collaborate with our manufacturers and suppliers to develop zero- and low-emission solutions for Hong Kong.

GREEN USE OF CONSUMABLES

Near Zero Sulphur Diesel

Since 2009, all KMB and LWB buses have been using Near Zero Sulphur Diesel ("NZSD"), which contains only 0.001% sulphur. NZSD significantly reduces the exhaust emission levels of sulphur oxides and particulates, contributing to a cleaner environment.

Synthetic Transmission Oil

Introduced fleet-wide in 2005, synthetic transmission oil has reduced waste oil by 80% and lengthened the oil drain interval from 30,000 to 150,000 kilometres.

Eco-Driveline System

The Eco-Driveline System, which has been a standard feature on all our new buses since 2003, reduces exhaust emissions by an average of 6%-10% compared with conventional drivelines by improving fuel economy. The system integrates a high-torque engine, a six-speed double-overdrive automatic gearbox controlled by a sophisticated gear-shift programme and an optimised final drive to provide smoother rides.

Electrostatic Filters

KMB's buses are equipped with electrostatic filters, which provide effective filtration of very fine particles. Electrostatic precipitation involving multi-layered collecting plates enables the filters to capture micron-sized contaminants and particles such as dust and pollen more effectively than traditional air filters. Tests demonstrate that electrostatic filters can filter out 80% of fine dust. At the end of 2013, electrostatic filters had been installed on 1,449 KMB buses.

Foam-element Air Filters

KMB and LWB are replacing traditional paper-element air filters with high performance foam-element air filters with an average life span of about 12 months, six times longer than that of conventional paper filters. The use of foam-element air filters maintains the operational performance of our buses while significantly reducing the amount of solid waste requiring disposal.

Variable Capacity Air-conditioning Compressor

Power-saving variable capacity air-conditioning compressors are installed on all KMB buses ordered after 2008. The compressors provide more adaptive and refined thermal control in the bus compartment in the most fuel-efficient manner in all weather conditions.

Tyre Retreading and Recycling

In 2013, 28,500 used tyres were retreaded in KMB's retreading workshop, bringing the number retreaded since 1972 to more than 780,000. Additionally, more than 17,000 scrapped tyres and 200 tonnes of tyre chips, which would otherwise have been disposed of at landfills, were collected by an agent for recycling into various rubber products. Through retreading, the life span of a new bus tyre, which can typically be used for seven months, can be extended by around 14 months, as each tyre can normally be retreaded twice.

Cartridge Recycling Programme

Since 2001, KMB has supported the cartridge recycling programme run by Friends of the Earth (HK). Up to the end of 2013, KMB had collected a total of 6,436 cartridges from printers and fax machines for recycling.

ENVIRONMENTAL WASTE TREATMENT

KMB implements a company-wide waste reduction programme aimed at reducing the amount of solid waste requiring disposal. Good results were again achieved in 2013 in the recycling of commonly used items, including the plastic cartridges used in fax machines and printers, rechargeable batteries, fluorescent tubes and waste paper. Since 2009, around 819 kilograms of print circuit boards, which would otherwise have been disposed of at landfills, have been collected by a recycling agent. In 2013, our achievements in environmental preservation were again recognised by award of the "Class of Excellence" WasteWi$e Label from the Environmental Campaign Committee.

Environmental Treatment of Chemical Waste and Waste Oil

In 2013, around 315,000 kilograms of solid chemical waste were treated and stored by type in designated areas at our bus depots before disposal by a registered chemical waste collector at the Government's Chemical Waste Treatment Centre. Around 715,000 litres of waste oil were collected from our depots and other bus maintenance sites by a registered waste oil recycling agent for recycling or disposal in line with the statutory standards.

Waste Water Recycling

Environmental protection has always been an important consideration in KMB's operations. Our depots are equipped with 11 automatic waste water treatment and recycling systems with a daily treatment capacity of 520 cubic metres. After chemicals have been added to separate solid impurities from the waste water that is produced during daily depot operations, the impurities are disposed of at landfills and the treated water discharged into public drains. 70% of the water that is used every day to clean our bus fleet is treated and recycled through these systems, helping reduce water consumption. We also operate a "Save Water" campaign at our depots and headquarters to encourage staff to save water.

Waste Scrap Metal Recycling

To further reduce the disposal of solid waste, in 2013, more than 957 tonnes of scrap metal from used bus parts that were replaced at the daily, monthly, half-yearly and annual inspections were collected from KMB depots for recycling. Approximately 94% of that metal was scrap iron, which, together with non-ferrous metals, can be recycled repeatedly at low cost and low energy consumption, especially in comparison to the cost of refining from the original ores. To enable more effective scrap collection, KMB has collection points at its four main depots and its overhaul centre. The scrap metal is handled by waste collectors appointed by KMB in accordance with its annual tendering process for recycling and re-use.

GREEN WORKPLACE

All our depots feature a range of green facilities including waste water treatment and recycling systems, and environment-friendly fire service systems. The lighting, air-conditioning and ventilation systems are equipped with energy-saving features, while we also conduct regular air sampling in depot areas to ensure that a healthy environment is maintained.

As part of its commitment to promoting a low carbon environment, KMB is progressively installing energy efficient lamps in place of high bay lamps at its depots. In 2013, the use of energy saving induction lamps at Sha Tin Depot, Kowloon Bay Depot and KMB Overhaul Centre enabled KMB to reduce its total electricity consumption by 4%.

In 2013, KMB, the first organisation in Hong Kong to participate in the fluorescent tube recycling campaign, sent around 86,000 used fluorescent tubes to the Government's Chemical Waste Treatment Centre for recycling, bringing the total number recycled to around 623,000 since 2006. KMB's five collection points at Lai Chi Kok Depot, Kowloon Bay Depot, Sha Tin Depot, Tuen Mun Depot and the KMB Overhaul Centre collect used fluorescent tubes from around 3,800 buses, more than 2,000 bus-shelter light boxes at bus shelters, and the bus depots themselves. Whenever a fluorescent tube is replaced, the packing material of the new tube is used to wrap the old one. The used fluorescent tubes are stored in a designated area until a licensed contractor collects them for recycling. Having removed the mercury from the used tubes, the contractor crushes them into glass granules, allowing the mercury, glass granules and other metal parts to be reused.

At the Group's Lai Chi Kok Headquarters, the Green Office concept drove both the design and renovation of the premises. Pre-set timers are used to turn lights off when they are not needed or when natural light is sufficient, and air-conditioning thermostats are set to 25.5°C to conserve energy and protect air quality in support of the Government's Action Blue Sky Campaign. Lower-energy LED lighting has also been introduced in common areas of the headquarters building including the main lobby to reduce electricity consumption and the demand for air-conditioning.

Self-developed Filter Compressing Machine

The use of the in-house developed Filter Compressing Machine at KMB's Sha Tin Depot has led to a reduction of 60% in disposed fuel or oil filters. The waste oil squeezed from the filters during the compressing process can also be recycled.

Engagement with Stakeholders

A wide variety of communication channels are maintained with our stakeholders, including passengers, suppliers, manufacturers, the Government, and political and community groups.

COMMUNICATING WITH THE COMMUNITY

Corporate Social Responsibility Charter

The KMB Corporate Social Responsibility ("CSR") Charter is regularly published with reference to the Global Reporting Initiative ("GRI") G3 Guidelines and the GRI sector supplement for Logistics and Transportation. The CSR Charter details KMB's corporate values, its care for customers and employees, its connection with the community, its engagement with stakeholders, its commitment to the environment and its promotion of sustainable development.

Media Outreach

In 2013, KMB held a number of media sessions and briefings to celebrate its 80th Anniversary. To mark the day 80 years ago on which KMB was established, a mega event was held on 13 April on the rooftop of Sha Tin Depot to coincide with the Bus Captain of the Year Competition. Besides a kick-off ceremony cum carnival, the day featured a showcase of vintage KMB buses, and the culmination of the "Amazing Bus Ride Challenge" – a contest in which six teams competed to explore KMB's bus services across the territory. The attendance of some 26,000 people at the carnival was a new record for KMB. On 17 July, a seminar to tie in with the launch of the book "80 Years with KMB" by local historian Mr Ko Tim Keung was held at the 2013 Hong Kong Book Fair. The book proved to be one of the bestsellers at the Book Fair. Another memorable event was the opening ceremony of Hong Kong's largest ever bus exhibition, "Journey with You: Hong Kong Bus Story", which was held at the Hong Kong Museum of History between 25 September and 11 November. The day following the opening ceremony was marked by a visit from the international martial arts superstar Mr Donnie Yen, an avid bus fan. Two veteran KMB staff, Messrs Wong Lam and Sun Po On, were accompanied by the media on a visit to the exhibition, after which they shared their reminiscences in an interview. The exhibition was rounded off by a hand-made bus model showcase and race on the rooftop of Sha Tin Depot. KMB also arranged the "Rendezvous of the Century" – a meeting between two vintage KMB buses, Daimler A and Albion 55, and the 2013 "New Bus for London".

Other media sessions were held to highlight KMB's initiatives in bus route reorganisation, such as the opening of the Tuen Mun Road Bus-Bus Interchange (Tuen Mun-bound) and the area approach route reorganisation in North District, and route promotion, including the "Five Route Day Pass".

Media sessions showcasing KMB's environmental initiatives included one to celebrate the launch of Hong Kong's first battery-powered electric franchised bus, eBus, which began passenger services on 9 September on Route 2 between Star Ferry and So Uk.

Passenger Liaison Group Meetings

Since 1993 and 2000 respectively, KMB and LWB have held Passenger Liaison Group ("PLG") meetings to collect the views of passengers and gain a better understanding of their wishes and

The opening of the ground-breaking Tuen Mun Road Bus-Bus Interchange generated great interest from the media expectations. In 2013, KMB held six PLG meetings, with wide-ranging discussion of interchange schemes, environment-friendly buses, network connectivity and boundary services. KMB's operations and service quality have greatly benefited from the suggestions received over the years.

KMB's 2013 PLG Report is available for browsing on the KMB website. LWB also held six PLG meetings and adopted a number of suggestions made by participants in line with its goal of improving its services in 2013.

Information Publications

In 2013, for the route reorganisation exercise, KMB distributed some 460,000 route maps and leaflets to inform passengers of changes to its services and market its new routes. LWB also distributed various information leaflets providing bus route and departure information for LWB's Airport routes, including "LWB Bus Services for North Lantau and the Airport", the Airbus Card and individual route leaflets, as well as location maps for hotels and Hong Kong Disneyland. Leaflets for tourists and the Hong Kong Tourism Board giving hotel and transport information have been distributed since 2010.

Corporate Websites

The TIH website (www.tih.hk) keeps investors up to date with the activities of the Group and its various businesses. KMB's award-winning website (www.kmb.hk) serves the needs of the travelling public. The website features Hong Kong's first map-based point-to-point bus route search function for a public bus company, giving details of relevant routes. The "Street View" feature on its point-to-point route search function gives passengers a 360-degree photo tour of the street near the chosen bus stop.

The KMB website won the Gold Prize in the Top 10.hk Website Competition, organised by the Hong Kong Internet Registration Corporation Limited, and once again the Diamond Award in the 2013 Web Care Award, organised by the Internet Professional Association, for its barrier-free access.

WORKING WITH SUPPLIERS

Supply Chain Management

Policies on Managing Environmental and Social Risks in the Supply Chain

To align our vendors to share our approach to sustainability, we require all new vendors to declare their compliance with KMB's "Environmental Care, Health and Safety of Suppliers / Sub-contractors" guidelines. For major purchasing projects, such as the purchase of new buses, we incorporate "Corporate Responsibility Considerations" in tender assessment criteria.

Operating Practices Relating to Engaging Suppliers and Sub-contractors

Our suppliers and sub-contractors' operations are expected to be conducted in a socially and environmentally responsible manner as well as being compliant with all legal and regulatory requirements.

Corporate Code of Conduct

Environmental Care, Health and Safety of Suppliers / Sub-contractors

We expect all our suppliers and their sub-contractors to demonstrate their commitment to environmental care and a healthy and safe workplace for their employees by adopting the following measures:

- Continual improvement of environmental performance:
  - Enhancing employee awareness of environmental issues;
  - Encouraging energy conservation;
  - Promoting reduction of waste by proper treatment and finding alternative uses for waste; and

User-friendly route maps and leaflets are distributed to inform passengers about service changes upon route reorganisation

  - Complying with all relevant legislative requirements.
- Implementation and enforcement of proper health and safety procedures by:
  - Providing and maintaining a safe and risk-free operating environment by adopting good systems, equipment and tools;
  - Enforcing appropriate procedures for the use, handling, storage and transport of materials, as well as adopting safe working methods; and
  - Complying with all relevant legislation.

Forced Labour and Child Labour

Suppliers and their sub-contractors pledge not to use forced labour in any form or child labour (persons below the local minimum age or below the age of 16).

To ensure that our suppliers conduct their operations with a full consideration of the environmental and social aspects, we require our tenderers to provide us with an account of the following aspects of their operations and view their performance in these areas as a key factor when considering the awarding of contracts:

- The tenderer's awareness of environmental care, health and safety, and the prevention of the use of forced labour and child labour.
- Measures taken by the tenderer to check compliance of its key suppliers / sub-contractors with its standards on Environmental Care, Health and Safety of Suppliers/Sub-contractors, and Forced Labour and Child Labour.
- Any major social controversies, fines or settlements related to the activities of the tenderer's suppliers / sub-contractors.

Legal and Regulatory Compliance

Our suppliers are expected to fulfil all our contracts in a proper and lawful manner and in no way violate the laws of the HKSAR.

Prevention of Bribery and of Corrupt Practices in Procurement

We manage all suppliers, sub-contractors and consultants equally without prejudice, whether they are local or overseas. We promote fair and open competition and aim to develop and secure long-term relationships with suppliers and sub-contractors based on mutual trust. We make sure that the procurement of supplies and services is conducted with the highest ethical standards to ensure a high quality end product and the continued confidence of customers, suppliers and the public. We also ensure that those involved in the selection of and purchase from suppliers and sub-contractors avoid misuse of authority or engagement in situations which could interfere, of appear to interfere, with their ability to make free and independent decisions regarding purchase and procurement.

Procurement and Tendering Procedures

The criteria for the procurement and tendering of services or goods are based solely upon price, quality, need and other relevant factors, including environmental and social responsibility standards.

Our procurement and tendering actions are based on the following principles:

- Impartial selection of capable and responsible suppliers and sub-contractors;
- Fair competition;
- Selection of appropriate contract types according to needs;
- Compliance with laws, relevant regulations and contractual obligations; and
- Adoption of an effective monitoring system and management controls to detect and prevent bribery, fraud or other malpractices in the processes of procurement and tendering. Procurement and tendering protocols for implementing this policy will specifically include procedures and practices designed to detect and prevent fraudulent activities.

Suppliers are asked to declare any close personal or business relationships they may have with any of our directors, staff or handling agents. They are also requested to make a report to the Independent Commission Against Corruption if an employee has committed any offence of corruption under the Prevention of Bribery Ordinance (Chapter 201, Laws of Hong Kong). Should a supplier or sub-contractor be found to have committed any offence of corruption under this Ordinance, we reserve the right to immediately terminate all outstanding contract(s) without allowing the supplier or sub-contractor recourse to any compensation or claim for loss.

Community Outreach

The Group's commitment to community service and charitable sponsorship was recognised once again in 2013, with KMB and RoadShow being granted an extension to the "10 Consecutive Years Caring Company Logo" in the Caring Company Award, organised by the Hong Kong Council of Social Service. In addition, KMB received the Award of Distinction from The Community Chest of Hong Kong.

COMMUNITY SPONSORSHIP

The Group regularly sponsors and participates in different community programmes, including the New Territories Walk for Millions, Dress Casual Day and the Corporate Challenge Half Marathon, which are organised by The Community Chest of Hong Kong, and the Green Power Hike organised by Green Power Hong Kong. It also takes part in other events and activities organised by the HKSAR Government, charities and professional and environmental groups.

In addition to its participation in industry-improvement campaigns and social awareness initiatives, the Group also sponsored various sporting and cultural events in 2013. The Hong Kong Management Association Quality Award, the University of Hong Kong's Distinguished Transport Lecture Series, the Hong Kong Sports Stars Awards, the Outward Bound Hong Kong Corporate Challenge, the Sowers Action Challenging 12 Hours and the Volunteer Movement of the Social Welfare Department were all beneficiaries during the year.

KMB's efforts in responsible corporate citizenship were once again recognised with the Tai Po District Civic Education Outstanding Enterprise Award for 2012-2013.

In 2013, RoadShow continued to support a wide range of charities by broadcasting community service messages and charity appeals on the Multi-media On-board systems installed on KMB buses.

FRIENDS OF KMB

KMB's volunteer club, FRIENDS OF KMB, has been promoting environmental protection, civic education and other social service activities since it was set up in 1995. In 2013, 4,300 members put in a combined total of more than 17,500 hours on various aspects of community service, including volunteering at children's homes and old people's centres, and participating in charity and environmental protection events. Since 2008, FRIENDS OF KMB has run a voluntary campaign in collaboration with the Christian Zheng Sheng Association, called "I have a home in Hong Kong". Children from Hunan and Fujian Provinces who have lost their parents or suffer from medical conditions are invited to join host families in Hong Kong for a week at Chinese New Year. FRIENDS OF KMB has also participated in the "Green Volunteer Scheme" organised by the Leisure and Cultural Services Department since 2010. The club's involvement in the scheme has included planting flowers and assisting with tree conservation in Sham Shui Po District to brighten the urban landscape. To encourage more young people to get involved in their local communities, FRIENDS OF KMB has lowered its membership age to 12. Over the past 17 years, FRIENDS OF KMB has amassed more than 150,000 hours of voluntary service. The club's work was honoured with the award of first runner-up in the Highest Service Hour Award (Private Organisation – Best Customer Participation) and the award of merit in the Highest Service Hour Award (Private Organisation – Category 1) organised by the Social Welfare Department.

REACHING OUT TO PASSENGERS WITH SPECIAL NEEDS

The Group continues to provide regular support for events organised for passengers with special needs. To mark International Day of Persons with Disabilities, KMB and LWB provided free bus services for disabled people and their escorts on 10 November 2013. KMB and LWB also offered free rides to passengers aged 65 and over on Senior Citizens' Day, 17 November 2013.

The Group continues to invest in equipment that makes travel more convenient for passengers with special needs. Large characters and numbers are displayed on the liquid crystal display destination panels at the front of buses for the benefit of passengers at bus stops. KMB's whole fleet is equipped with the Electronic Bus Stop Announcement System, which provides voice announcements in Cantonese, English and Putonghua, as well as displaying the name of the next bus stop in Chinese and English. All new buses are equipped with a super-low floor step-free entrance, a wheelchair space and a non-slip handrail near the entrance.

Together with representatives from other public bus operators, organisations for the disabled and the Transport Department, KMB and LWB participate in the Working Group on Access to Public Transport by People with Disabilities.

CUSTOMER SERVICE AMBASSADORS

To enhance customer service during the North District network enhancement programme, KMB recruited and trained 62 ambassadors to provide on-site assistance at bus stops and bus termini to address passengers' travelling queries. The ambassadors distributed information leaflets and collected feedback at Sheung Shui, Wah Ming, Ching Ho and Luen Wo Hui bus termini, and at en-route bus stops in Lam Tin and Wan Chai. The ambassador programme lasted for six weeks, from mid-August until the end of September 2013.

THE GROUP

SUMMARY OF FINANCIAL PERFORMANCE

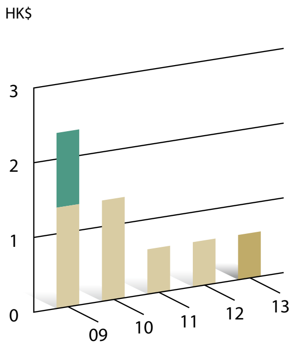
	2013 HK$ million	2012 HK$ million (Restated)	Change HK$ million	Change %
Turnover	**7,420.4**	7,181.0	239.4	+3.3
Other net income	**271.4**	185.8	85.6	+46.1
Operating expenses	**(7,286.4)**	(7,195.2)	91.2	+1.3
Finance costs	**(7.3)**	(9.4)	(2.1)	-22.3
Share of profits of associates	**34.8**	34.5	0.3	+0.9
Reversal of impairment loss on other financial assets	**25.6**	–	25.6	N/A
Profit before taxation	**458.5**	196.7	261.8	+133.1
Profit attributable to equity shareholders of the Company	**371.3**	165.8	205.5	+123.9
Earnings per share (HK$)	**0.92**	0.41	0.51	+123.9

REVIEW OF 2013 FINANCIAL PERFORMANCE

The Group's Results for the Year

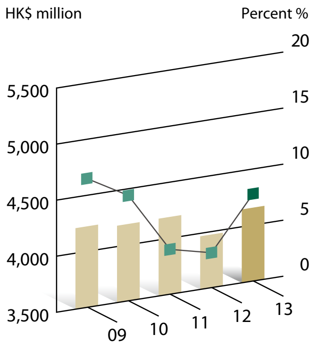
The Group's profit attributable to equity shareholders for the year ended 31 December 2013 was HK$371.3 million compared with the restated profit of HK$165.8 million for 2012. The restatement of the 2012 profit attributable to equity shareholders from the previously reported amount of HK$309.2 million was due to the adoption of the revised Hong Kong Accounting Standard 19, Employee Benefits (the "Revised HKAS 19"), which has become effective for accounting period commencing on 1 January 2013. Earnings per share for 2013 were HK$0.92 compared with HK$0.41 (restated) for 2012.

Dividends per share



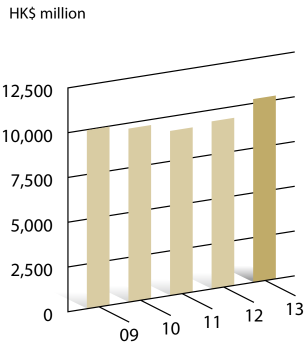
Ordinary dividends
Special dividends

Return on average net fixed asset employed
(exclude property development and disposal)

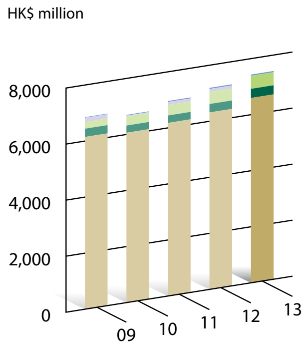


Average net fixed asset
Return on average net fixed asset

Total assets at 31 December



Group turnover



Franchised public bus operations
Non-franchised transport operations
Media sales business
Property sales
Gross rentals from investment properties

The turnover and profit generated from the Group's six Divisions for the year ended 31 December 2013 are shown below:

HK$ million	Turnover 2013	Turnover 2012	Profit/(loss) before taxation 2013	Profit/(loss) before taxation 2012 (Restated)
Franchised Public Bus Operations Division	**6,602.5**	6,319.0	**18.0**	(202.1)
Non-franchised Transport Operations Division	**324.6**	301.1	**34.9**	34.6
Property Holdings and Development Division	**31.3**	139.7	**147.7**	120.5
Media Sales Business Division	**462.0**	421.2	**124.5**	96.5
Financial Services Division	**–**	–	**71.0**	44.3
China Mainland Transport Operations Division	**–**	–	**34.8**	34.5
	7,420.4	7,181.0	**430.9**	128.3
Finance costs			**(7.3)**	(9.4)
Unallocated net operating income			**34.9**	77.8
Profit before taxation and non-controlling interests			**458.5**	196.7
Income tax			**(55.1)**	(6.0)
Non-controlling interests			**(32.1)**	(24.9)
Profit attributable to equity shareholders of the Company			**371.3**	165.8

Segment information on the Group's main businesses is set out in note 13 to the financial statements on pages 166 to 168 of this Annual Report.

Key Changes to the Group's Revenue and Operating Expenses

For the year ended 31 December 2013, the Group's turnover amounted to HK$7,420.4 million, an increase of HK$239.4 million or 3.3% compared to HK$7,181.0 million for 2012. The increase was due mainly to the year-on-year increase of HK$283.5 million in the turnover of the Group's franchised public bus operations, primarily resulting from the 4.9% fare increase of KMB which was implemented with effect from 17 March 2013. Furthermore, the turnover of the Group's media sales business division also increased by HK$40.8 million from HK$421.2 million for 2012 to HK$462.0 million for 2013. Such increase was mainly attributable to the growth in core business in Hong Kong. However, the aforesaid positive factors were partly offset by the year-on-year decrease in the property sales revenue of HK$111.1 million as the last residential unit of Manhattan Hill was sold in 2012.

The Group's total operating expenses for 2013 amounted to HK$7,286.4 million, an increase of HK$91.2 million or 1.3% compared to HK$7,195.2 million (restated) for 2012. The increase was mainly due to the year-on-year increase in staff costs of HK$161.1 million resulting from the 3.9% annual pay rise granted to staff in 2013.

The Group's share of profits of associates for 2013 amounted to HK$34.8 million (2012: HK$34.5 million), an increase of HK$0.3 million or 0.9% compared to 2012.

Income tax expense for the year amounted to HK$55.1 million (2012: HK$6.0 million (restated)). The breakdown of the income tax expense is set out in note 6 to the financial statements on page 161 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 86 to 91 of this Annual Report.

Dividend

The Board has recommended an ordinary final dividend of HK$0.45 per share (2012: HK$0.45 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 22 May 2014 or at any adjournment thereof, the proposed final dividend, together with the interim dividend of HK$0.15 per share (2012: HK$0.15 per share) paid in October 2013, would result in a total dividend of HK$0.60 per share for 2013 (2012: HK$0.60 per share).

KEY CHANGES TO FINANCIAL POSITION

Fixed Assets and Capital Expenditure

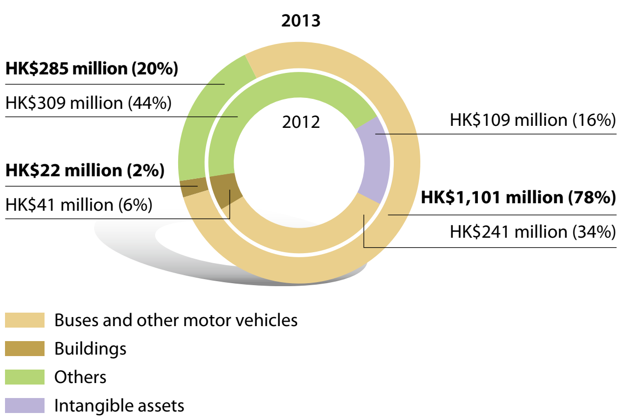
The Group's fixed assets mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and other equipment, investment properties, and interest in leasehold land. None of the Group's fixed assets was pledged or charged as at 31 December 2013.

In 2013, the Group incurred capital expenditure of HK$1,408.4 million (2012: HK$700.1 million). The increase was mainly due to more new buses were purchased by KMB and LWB for fleet replacement during the year. The breakdown of the capital expenditure is shown in notes 14(a) and 15 to the financial statements on pages 169 and 173 respectively of this Annual Report.

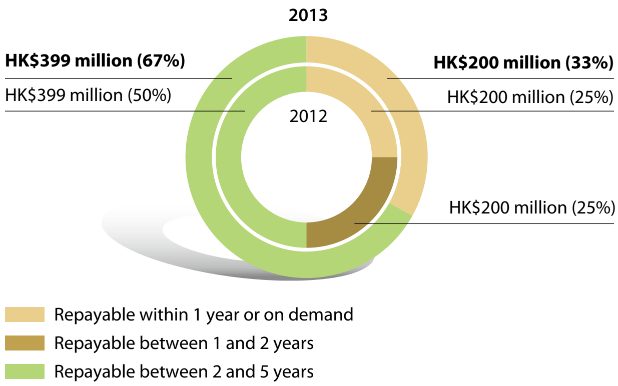
Intangible Assets and Goodwill

As at 31 December 2013, the Group's intangible assets and goodwill amounted to HK$132.1 million (2012: HK$132.1 million) and HK$84.1 million (2012: HK$84.1 million) respectively. The intangible assets represent passenger service licences and transport operating rights of the Group's non-franchised transport operations.

Capital expenditure



Debt maturity profile at 31 December



Current Assets and Current Liabilities

As at 31 December 2013, the Group's total current assets amounted to HK$3,545.5 million (2012: HK$3,696.2 million), mainly comprising liquid funds of HK$2,628.8 million (2012: HK$3,096.6 million) and accounts receivable of HK$431.6 million (2012: HK$432.1 million). The Group's liquid funds at the end of 2013 were mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

Total current liabilities as at 31 December 2013 amounted to HK$1,536.5 million (2012: HK$1,470.6 million), which mainly included the current portion of bank loans, accounts payable and other accruals.

Bank Loans and Overdrafts

As at 31 December 2013, bank loans and overdrafts, all unsecured, amounted to HK$599.1 million (2012: HK$798.6 million). The maturity profile of bank loans and overdrafts of the Group as at 31 December 2013 and 31 December 2012 is shown in the chart above.

As at 31 December 2013, the Group had undrawn banking facilities totaling HK$610.0 million (2012: HK$609.9 million), of which HK$600.0 million (2012: HK$600.0 million) was of a committed nature.

Capital Commitments

The Group's capital commitments as at 31 December 2013, including those authorised by the Board but not provided for, amounted to HK$2,234.2 million (2012: HK$3,063.9 million). These commitments are to be financed by borrowings and from the Group's working capital.

A summary of the capital commitments is set out below:

HK$ million	2013	2012
Development of the Kwun Tong Site	1,788.2	1,788.8
Purchase of buses and other motor vehicles	219.3	1,097.5
Purchase of other fixed assets	178.5	177.6
Construction of depots and other depot facilities	48.2	–
Total	2,234.2	3,063.9

As at 31 December 2013, the Group had 269 (2012: 407) new buses on order for delivery in 2014.

FUNDING AND FINANCING

Liquidity and Financial Resources

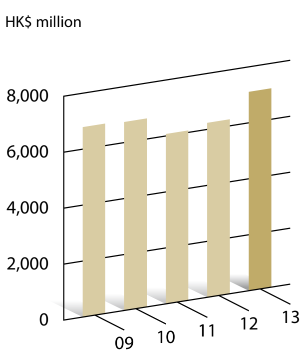
The Group closely monitors its liquidity requirement and financial resources with an aim to ensure that the Group has sufficient reserves of cash and liquid assets, as well as adequate undrawn committed banking facilities to meet the demands for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts. In general, the Group's major operating companies are responsible for their individual cash management including the short term investment of cash surpluses for yield enhancement and the raising of loans to cover expected cash demands to meet their operational and investment needs. For the other subsidiaries, the sources of finance are mainly from the capital base of their parent company. The management regularly reviews the Group's funding policy to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through proper planning and close monitoring of the level of debts, and maintaining adequate committed stand-by banking facilities, management ensures that the Group's routine treasury operation is able to effectively meet its normal funding and ad hoc investment requirements.

Net Cash and Liquidity Ratio

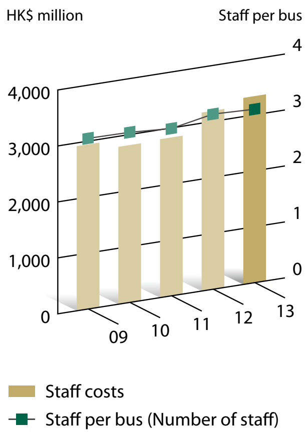
As at 31 December 2013, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$2,029.7 million (2012: HK$2,298.0 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.3 (2012: 2.5). The details of the Group's net cash by currency are set out as follows:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans and overdrafts HK$ million	Net cash HK$ million
At 31 December 2013				
Hong Kong dollars		**1,485.3**	**(599.1)**	**886.2**
Renminbi	**784.6**	**1,003.9**	**–**	**1,003.9**
United States dollars	**17.9**	**139.6**	**–**	**139.6**
British Pounds Sterling	**–**	**–**	**–**	**–**
Total		**2,628.8**	**(599.1)**	**2,029.7**
At 31 December 2012				
Hong Kong dollars		2,527.8	(798.6)	1,729.2
Renminbi	290.1	359.3	–	359.3
United States dollars	26.8	208.8	–	208.8
British Pounds Sterling	0.1	0.7	–	0.7
Total		3,096.6	(798.6)	2,298.0

Shareholders' fund at 31 December



Staff costs and staff per bus
(Franchised public bus operations)



Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2013 was HK$7.3 million, a decrease of HK$2.1 million compared with HK$9.4 million for 2012. The decrease was mainly due to the decrease in the average bank borrowings of the Group as well as the fall in the average interest rate from 1.14% per annum for 2012 to 1.06% per annum for 2013.

For the year ended 31 December 2013, the Group was in a net interest income position as its interest income exceeded the total finance costs by HK$59.0 million (2012: HK$58.3 million).

Net Cash Flow

For the year ended 31 December 2013, there was a net increase in cash and cash equivalents of HK$476.2 million (2012: a net decrease of HK$1,248.8 million) and the sources are set out below:

	2013	2012
	HK$ million	HK$ million
Net cash generated from/(used in):		
• Operating activities	**1,072.4**	1,160.7
• Investing activities	**(129.8)**	(2,074.9)
• Financing activities	**(466.4)**	(334.6)
Total	**476.2**	(1,248.8)

In 2013, the net cash generated from the operating and investing activities of the Group was HK$942.6 million (2012: net cash outflow of HK$914.2 million). The main components included: (i) net cash generated from the operating activities of the franchised public bus operations of HK$927.2 million (2012: HK$855.6 million); (ii) cash proceeds received from the sale of Manhattan Hill properties of HK$1.6 million (2012: HK$113.5 million); (iii) payment of capital expenditure of HK$1,203.3 million (2012: HK$686.5 million); and (iv) a decrease in bank deposits placements with original maturities of over three months of HK$977.0 million (2012: an increase of HK$1,358.0 million).

During the year, bank loans decreased by HK$200.0 million (2012: decreased by HK$70.0 million). Before the payment of dividends to equity shareholders in 2013, the net cash inflow for 2013 was HK$718.4 million, compared to the net cash outflow of HK$1,006.6 million for 2012.

Details of the Group's cash flow movement for the year ended 31 December 2013 are set out in the consolidated cash flow statement on page 140 of this Annual Report.

Treasury Risk Management

The Group's activities are exposed to various financial risks, including foreign currency risk, interest rate risk, fuel price risk, credit risk, as well as cash flow and liquidity risk. The overall treasury risk management policies and practices of the Group focus on the unpredictability of financial markets and seek to minimise any adverse impact on the Group's performance.

Foreign Currency Risk Management

The Group's foreign currency exposure mainly arises from the payments for new buses and overseas motor vehicle components, which are denominated in British Pounds Sterling (GBP), and from the placement of Renminbi deposits. The Group's treasury team closely monitors the prevailing foreign exchange market conditions and measures foreign currency risk by employing sensitivity analyses, taking into account current and anticipated exposures. Forward foreign exchange contracts will be entered into in a strategic manner when opportunities arise to hedge the foreign currency fluctuations. For the year ended 31 December 2013, the Group entered into a number of forward foreign exchange contracts for the hedging of approximately 5% (2012: 21%) of the total GBP requirements. There were no forward foreign exchange contracts outstanding as at the year ends of 2013 and 2012.

Interest Rate Risk Management

The Group manages its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps are used when appropriate. As at 31 December 2013, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. This strategy enabled the Group to take full advantage of the continuous low interest rates environment in 2013. The Group will regularly review its strategy on interest rate risk management and devise appropriate strategies to cope with its interest rate risk exposure.

The Group's major subsidiary, KMB, has been assigned an "A" credit rating with stable outlook by Standard & Poor's since 14 January 2002. The credit rating agency viewed KMB as an integrated economic entity of Transport International Holdings Limited. Accordingly, their ratings on KMB also reflect the Group's credit profile.

Fuel Price Risk

The results of the Group's core franchised public bus operations can be significantly affected by fuel price movements. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated and considered the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be equally as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long term. Therefore the Group did not enter into any fuel oil hedging contracts in 2013. To mitigate the impact of fuel prices fluctuation, the Group's two major subsidiaries, KMB and LWB, have rigorously explore ways to conserve fuel consumption, such as collaborating with bus manufacturers to produce new generation buses with reduced weight, introducing battery-powered electric buses (eBuses) and conducting eco-driving training for our bus captains. In addition, we have also worked with the HKSAR Government on other measures, including but not limited to the reorganisation of bus services on an area approach basis. Management will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management with an aim to finding ways to counter the adverse impact of surging fuel prices.

Credit Risk

The Group's credit risk is mainly attributable to trade and other receivables and debt investments. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on a customer's past history of making payments when due and ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group regularly performs ageing analysis on receivables and conducts appropriate follow-up measures to minimise any credit risk associated with these receivables. Debt investments are only made with counterparties with acceptable investment grade credit ratings. Given their sound credit standing and short maturities of the debt investments, management does not expect any investment counterparty to fail to meet its obligations. The credit quality of counterparties is closely monitored over the life of the transaction. The Group has no significant concentrations of credit risk and does not provide guarantees to third parties which would expose the Group to credit risk.

Cash Flow and Liquidity Risk Management

The Group has not been exposed to significant cash flow and liquidity risks as it has maintained an adequate level of cash reserves. The Group closely monitors its liquidity and financial resources by preparing and reviewing a rolling 12-month cash flow projection on a monthly basis to ensure that there are sufficient cash balances and undrawn committed banking facilities to meet the demands for daily operational needs, debt repayments, dividend payments, capital expenditures and new investments. The Group will continue to review its strategy to ensure that cost-efficient funding is available to cope with the unique operating environment of each of its subsidiaries.

Under normal circumstances and barring unforeseen drastic upsurge in fuel oil prices for a prolonged period of time, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, will also be low as its revenue is essentially received on a cash basis. However, if fuel prices continuously maintain at a high level and KMB is not able to fully implement its route reorganization programme in a timely manner or obtain sufficient fare increase magnitude from the HKSAR Government to counter the rising operation costs, this will pose financial pressure on KMB's daily operations.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for over 48.4% of the total operating cost of the Group in 2013. The Group closely monitors its headcount and staff remuneration against productivity and market trends. For the year ended 31 December 2013, total remuneration of employees of the Group amounted to HK$3,299.2 million (2012: HK$3,156.7 million), representing an increase of 4.5%. The number of employees of the Group at the year end of 2013 decreased by 0.1% from 13,272 at the year end of 2012 to 13,260 at the year end of 2013.

INDIVIDUAL BUSINESS UNITS

FRANCHISED PUBLIC BUS OPERATIONS

The Kowloon Motor Bus Company (1933) Limited ("KMB")

	Unit	2013	2012 (Restated)
Turnover	HK$ million	**6,320.8**	6,056.2
Other net income	HK$ million	**67.5**	78.3
Total operating expenses	HK$ million	**(6,405.6)**	(6,355.7)
Loss from operations	HK$ million	**(17.3)**	(221.2)
Finance costs	HK$ million	**(7.3)**	(9.3)
Loss before taxation	HK$ million	**(24.6)**	(230.5)
Income tax credit	HK$ million	**3.4**	38.3
Loss after taxation	HK$ million	**(21.2)**	(192.2)
Net loss margin		**(0.3)%**	(3.2)%
Passenger volume	Million passenger trips	**952.8**	942.9
Kilometres operated	Million km	**300.7**	307.6
Staff number at year-end	Number of staff	**11,999**	12,006
Fleet size at year-end	Number of buses	**3,845**	3,820
Total assets value	HK$ million	**5,444.3**	4,693.0

Although being granted a fare increase of 4.9% with effect from 17 March 2013, KMB continued to record a loss after taxation of HK$21.2 million for 2013 (2012: Loss after taxation of HK$192.2 million, which has been restated from the previously reported amount of HK$51.5 million as a result of the adoption of the Revised HKAS 19 with effect from 1 January 2013). Since this was the second consecutive year in which KMB incurred a loss and for the purpose of restoring its financial viability for the provision of sustainable quality services, on 29 November 2013, KMB submitted an application to the Transport Department for a fare increase of 4.3%. The fare increase application is currently under review by the HKSAR Government.

KMB's fare revenue for 2013 increased by HK$260.1 million or 4.4% to HK$6,202.8 million as compared with HK$5,942.7 million for 2012. Such increase was mainly due to the fare increase of 4.9% which took effect on 17 March 2013 and a slight year-on-year growth in ridership. KMB's total ridership for 2013 was 952.8 million passenger trips (a daily average of 2.61 million passenger trips), an increase of 1.1% compared with 942.9 million passenger trips (a daily average of 2.58 million passenger trips) for 2012. The increase in ridership was mainly due to the increase in patronage by elderly passengers as a result of the introduction of the HKSAR Government's Public Transport Fare Concession Scheme for Elderly and Eligible Persons with Disabilities with effect from 5 August 2012. Advertising revenue for the year also increased by 3.6% from HK$112.0 million for 2012 to HK$116.0 million for 2013.

Total operating expenses for 2013 amounted to HK$6,405.6 million, an increase of HK$49.9 million or 0.8% compared to HK$6,355.7 million (restated) for 2012. The increase was mainly attributed to the increase of HK$137.3 million in staff costs resulting from the pay rise at an average rate of 3.9% which took effect for KMB's operations and maintenance staff on 1 June 2013 and for other staff on 1 September 2013, and the additional costs incurred on spare parts, tunnel toll and other operating expenses due to general inflation. The aforesaid increases in operating expenses were, however, partially offset by the decrease in fuel costs arising from mileage reduction as a result of route rationalisation, and the decrease in depreciation charges.

Long Win Bus Company Limited ("LWB")

	Unit	2013	2012 (Restated)
Turnover	HK$ million	**394.5**	374.2
Other net loss	HK$ million	**(2.2)**	(1.7)
Total operating expenses	HK$ million	**(349.7)**	(343.9)
Profit from operations	HK$ million	**42.6**	28.6
Finance costs	HK$ million	**–**	(0.2)
Profit before taxation	HK$ million	**42.6**	28.4
Income tax expense	HK$ million	**(7.2)**	(4.7)
Profit after taxation	HK$ million	**35.4**	23.7
Net profit margin		**9.0%**	6.3%
Passenger volume	Million passenger trips	**33.2**	31.3
Kilometres operated	Million km	**25.8**	25.4
Staff number at year-end	Number of staff	**469**	460
Fleet size at year-end	Number of buses	**172**	165
Total assets value	HK$ million	**243.6**	191.8

The profit after taxation of LWB for 2013 amounted to HK$35.4 million, representing an increase of HK$11.7 million or 49.4% compared with HK$23.7 million for 2012 which has been restated due to the adoption of the Revised HKAS 19.

LWB's fare revenue for 2013 amounted to HK$393.6 million, an increase of HK$21.1 million or 5.7% compared to HK$372.5 million for 2012. This increase was mainly due to the year-on-year growth in ridership by 6.1% as a result of increasing transport demand from international travellers and from construction workers involved in various infrastructural projects at the Airport and in the expanding Hong Kong Disneyland. In 2013, LWB recorded a total ridership of 33.2 million passenger trips (a daily average of 90,899 passenger trips), as compared to 31.3 million passenger trips (a daily average of 85,409 passenger trips) for 2012.

LWB's total operating expenses for the year amounted to HK$349.7 million, an increase of HK$5.8 million or 1.7% compared to HK$343.9 million (restated) for 2012. The increase was mainly due to the increase in staff costs as a result of annual pay rise and in other operating expenses due to general inflation.

NON-FRANCHISED TRANSPORT OPERATIONS

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$30.6 million for 2013, representing an increase of HK$0.1 million or 0.3% compared to HK$30.5 million for 2012. Turnover increased by 7.8% from HK$301.1 million for 2012 to HK$324.6 million for 2013. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its subsidiaries (the "SBH Group")

The SBH Group, with Sun Bus Limited as the flagship company, is a leading non-franchised bus operator in Hong Kong. It provides customized high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.

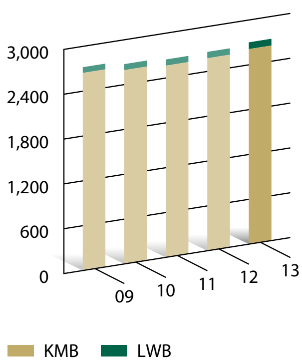
The turnover of the SBH Group for 2013 amounted to HK$286.5 million, an increase of HK$24.8 million or 9.5% compared to HK$261.7 million for 2012. The increase was mainly attributed to business growth and additional turnover generated by two cross-boundary non-franchised bus operators which were added to the SBH Group in the second half of 2012. Total operating costs for 2013 also increased as a result of increases in salaries, fuel costs and other operating expenses due to general inflation.

In line with the SBH Group's commitment to quality service and environmental protection, SBH Group added 33 Euro V buses to its fleet for business expansion, service enhancement and fleet replacement. As at 31 December 2013, the SBH Group had a fleet of 386 buses (2012: 386 buses).

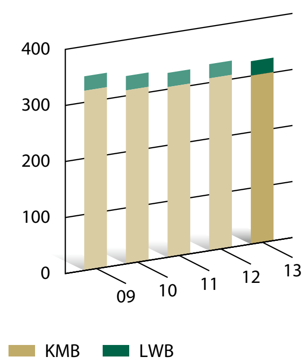
New Hong Kong Bus Company Limited ("NHKB")

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. Following the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange, and the increasing number of cross-boundary transport options available for passengers, NHKB faced keen competition from railway and public minibus services and its ridership has been decreasing. NHKB's total patronage for 2013 decreased to 4.7 million passenger trips (an average monthly ridership of 0.39 million passenger trips) from 4.9 million passenger trips (an average monthly ridership of 0.41 million passenger trips) for 2012. The adverse impact from the loss of ridership was, however, partly compensated by the fare increase for mid-night services from HK$8 per trip to HK$9 per trip which took effect from 13 May 2013. At the end of 2013, NHKB had a fleet of 15 buses, same as the number at the end of 2012.

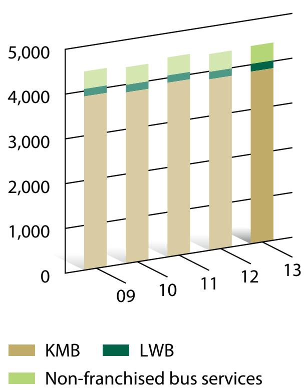
Average number of passenger trips per day
(Franchised public bus operations)



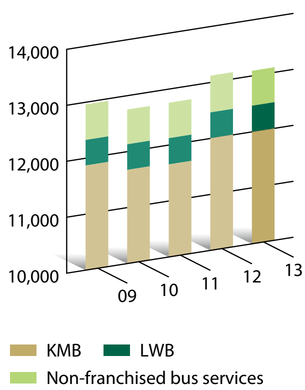
Bus kilometres operated
(Franchised public bus operations)



Number of licensed buses at 31 December



Number of staff at 31 December



PROPERTY HOLDINGS AND DEVELOPMENT

Lai Chi Kok Properties Investment Limited ("LCKPI")

LCKPI, a wholly-owned subsidiary of the Group, is the developer of Manhattan Hill, a luxury residential complex located in Lai Chi Kok, West Kowloon, comprising 1,115 residential units with a total gross floor area of over one million square feet.

The last residential unit of Manhattan Hill and 13 car parking spaces were sold in 2012, leaving only one car parking space which was sold in 2013, generating an after-tax profit of HK$1.3 million (2012: HK$76.3 million). On completion of the development project, LCKPI reached a final agreement with its contractors and sub-contractors on the contract settlement sums. Based on the quantity surveyors' certified final accounts of the work done, pre-tax development costs amounting to HK$108.2 million were written back to the income statement during 2013 on a one off basis. As a result of this write-back and the aforesaid sale of one car parking space, LCKPI recorded a profit after taxation of HK$93.9 million for 2013, representing an increase of HK$17.6 million compared with HK$76.3 million for 2012.

As at 31 December 2013, there was no completed property held for sale (2012: HK$0.4 million under current assets on the consolidated balance sheet).

LCK Commercial Properties Limited ("LCKCP")

LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with a mix of high quality shops and restaurants. As at 31 December 2013, about 99% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

As at 31 December 2013, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK$94.4 million (2012: HK$100.8 million).

LCK Real Estate Limited ("LCKRE")

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. At 31 December 2013, about 36% of the total gross floor area of the building was leased out to external parties with the remaining offices held by the Group for its own use.

As at 31 December 2013, the building was stated on the consolidated balance sheet at cost less accumulated depreciation and impairment losses in the amount of HK$31.9 million (2012: HK$33.2 million).

KT Real Estate Limited ("KTRE")

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. SHKRE is currently handling matters relating to the modification of the lease and the submission of the building plan. The Group intends to hold the development for long-term investment purposes.

As at 31 December 2013, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK$14.9 million (2012: HK$13.4 million). The capital commitment outstanding and not provided for as at 31 December 2013 was HK$1,788.2 million (2012: HK$1,788.8 million).

TM Properties Investment Limited ("TMPI")

TMPI, a wholly-owned subsidiary of the Group, is the owner of an industrial property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, at 1 Kin Fung Circuit, Tuen Mun. The property has been leased out to generate additional rental income for the Group since March 2011.

As at 31 December 2013, the carrying value of the industrial property (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK$7.4 million (2012: HK$8.6 million).

MEDIA SALES BUSINESS

RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group")

HK$ million	**2013**	2012
Turnover	**462.0**	421.2
Other revenue	**26.2**	22.0
Total operating revenue	**488.2**	443.2
Total operating expenses	**(389.3)**	(346.7)
Profit from operations	**98.9**	96.5
Reversal of impairment loss on other financial assets	**25.6**	–
Profit before taxation	**124.5**	96.5
Income tax expense	**(15.9)**	(17.0)
Profit after taxation	**108.6**	79.5
Non-controlling interests	**(3.8)**	(4.7)
Profit attributable to equity shareholders	**104.8**	74.8

For the year ended 31 December 2013, the RoadShow Group reported a total operating revenue of HK$488.2 million (2012: HK$443.2 million) and a profit attributable to equity shareholders of HK$104.8 million (2012: HK$74.8 million). The improvement in the results was mainly attributable to business growth and the reversal of impairment loss on a portion of the loans to an investee in Mainland China of HK$25.6 million.

The revenue generated from the RoadShow Group's Hong Kong media sales services in 2013 amounted to HK$461.4 million, an increase of HK$44.4 million or 10.6% compared with HK$417.0 million in 2012. Such increase was mainly attributable to the growth in core business in Hong Kong.

The total operating expenses for 2013 increased by HK$42.6 million or 12.3% from HK$346.7 million in 2012 to HK$389.3 million in 2013, which was in line with the growth of the media sales business.

Further information relating to the RoadShow Group is available in its 2013 final results announcement and annual report.

CHINA MAINLAND TRANSPORT OPERATIONS

As at 31 December 2013, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$724.0 million (2012: HK$671.5 million). Such investments are mainly related to the operation of passenger public transport services in Shenzhen (深圳), and taxi and car rental services in Beijing (北京). For the year ended 31 December 2013, the Group's China Mainland Transport Operations Division reported an after-tax profit of HK$34.8 million (2012: HK$34.5 million).

Summary of Investments in China Mainland Transport Operations as at 31 December 2013

	Shenzhen	Beijing
Nature of business	Bus and taxi hire services	Taxi and car rental services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	January 2005	April 2003
The Group's investment cost (RMB million)	387	80
The Group's effective interest	35%	31.38%
Fleet size at year-end 2013 (Number of vehicles)	5,981	4,889
Bus passenger volume (Million trips)	834.8	N/A
Bus kilometres travelled (Million km)	386.6	N/A
Staff number at year-end 2013	21,427	5,521

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司)("SBG")

SBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SBG, representing a stake of 35%. SBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating some 5,981 vehicles serving on around 270 routes. In 2013, SBG recorded a total ridership of 834.8 million passenger trips, a decrease of 4.8% compared with 877.3 million passenger trips for 2012, due mainly to the increased competition from the new railway lines. SBG has continued to make steady progress by enhancing its productivity and management capability, and recorded a profit in 2013.

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司)("BBKT")

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus in the exploration of business opportunities in the booming but challenging car rental market, the car rental business of BBKT has been transferred to a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), which has the same shareholding structure as BBKT. As at 31 December 2013, BBKT had a fleet of 3,719 taxis and 5,374 employees. BBKT made satisfactory progress and recorded a profit in 2013.

Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司)("BBF")

Established in April 2013, BBF is a Sino-foreign joint stock company which carries on the car rental business formerly operated by BBKT. With the same shareholding structure as BBKT, BBF is ideally positioned to take advantage of the growing business opportunities afforded by business commuters as well as the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2013, BBF had 1,170 vehicles available for charter mainly in Beijing and Tianjin (天津) and 147 employees. BBF recorded a profit in 2013.

CONTINUING CONNECTED TRANSACTIONS

The particulars of the following continuing connected transactions of the Group are set out below in compliance with the reporting requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) THE GROUP

Transactions with Sun Hung Kai Properties Insurance Limited ("SHKPI")

As detailed in note 33(a)(iii) to the financial statements on page 205 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, during the year pursuant to which SHKPI agreed to provide insurance coverage and services to the Group (the "2013 Insurance Arrangements"), and such insurance policies took effect from 1 January 2013 for a period of one year. The transactions under the 2013 Insurance Arrangements constituted continuing connected transactions of the Company under the Listing Rules. For the year ended 31 December 2013, the annual insurance premium paid and payable by the Group to SHKPI under the 2013 Insurance Arrangements amounted to HK$70,875,000. On 23 October 2013, the Group further entered into various insurance arrangements (the "2014/15 Insurance Arrangements") with SHKPI pursuant to which SHKPI will continue to provide insurance coverage and services to the Group. The insurance policies entered into pursuant to the 2014/15 Insurance Arrangements would take effect from 1 January 2014 to 30 June 2015. In respect of the insurance premium payable by the Group under the 2014/15 Insurance Arrangements, it is estimated that such insurance premium payable by the Group to SHKPI for the year ending 31 December 2014 and the six-month period ending 30 June 2015 shall not exceed HK$86,000,000 and HK$43,000,000 respectively. Such cap amounts are determined mainly with reference to the estimated number of motor vehicles on which business of the Group will be conducted, the estimated number of staff employed, the estimated value of fixed assets for which insurance coverage will be required, and the insurance premium rates as specified under the 2014/15 Insurance Arrangements. The increase in the estimated insurance premium for the year ending 31 December 2014 compared to that for 2013 is mainly due to the substantial increase in the employees' compensation insurance premium as a result of rising compensation claims. The insurance premium payable by the Group under the 2014/15 Insurance Arrangements will be satisfied by internal resources. The transactions under the 2013 Insurance Arrangements and the 2014/15 Insurance Arrangements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 18 October 2012 and 23 October 2013.

(b) BUS FOCUS LIMITED ("BUS FOCUS")

Service Agreement and Supplemental Service Agreement with JCDecaux Cityscape Limited ("JCDecaux Cityscape")

On 12 November 2008, Bus Focus, an indirect non-wholly owned subsidiary of the Company and RoadShow Holdings Limited ("RoadShow"), and JCDecaux Cityscape, a connected person of the Company and RoadShow within the meaning of the Listing Rules, entered into a service agreement pursuant to which Bus Focus agreed to appoint JCDecaux Cityscape exclusively to provide the media sales agency services and maintenance and operational services in respect of selected bus shelters owned by KMB for a term commencing from 1 August 2008 to 31 July 2012 (the "Service Agreement").

On 3 July 2012, Bus Focus and JCDecaux Cityscape agreed to extend the term of the Service Agreement for a further period from 1 August 2012 to 30 June 2017 (the "Supplemental Service Agreement").

Pursuant to Service Agreement and the Supplemental Service Agreement, the management fee payable by Bus Focus to JCDecaux Cityscape for the year ended 31 December 2013 was HK$22,614,000. There was no sales rebate payable by Bus Focus to JCDecaux Cityscape and no shortfall of guarantee rental receivable by Bus Focus from JCDecaux Cityscape.

The transactions contemplated under the Service Agreement and the Supplemental Service Agreement are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement. Particulars of these continuing connected transactions were disclosed in the joint announcement of the Company and RoadShow dated 13 November 2008, the announcement of RoadShow dated 29 March 2011 and the circular of RoadShow dated 30 July 2012.

(c) SUN BUS LIMITED ("SUN BUS")

Shuttle Bus Services Agreement with Park Island Transport Company Limited ("PITC")

As detailed in note 33(a)(i) to the financial statements on page 205 of this Annual Report, Sun Bus, an indirect wholly-owned subsidiary of the Company and PITC, a subsidiary of SHKP, entered into a service agreement pursuant to which PITC engaged Sun Bus to provide various residents shuttle bus services between Park Island and the Tsing Yi MTR Station, and/or any other routes starting from Ma Wan as the parties may otherwise agree, subject to the approval of the Transport Department (the "Shuttle Bus Services Agreement"). For the year ended 31 December 2013, the amount received or receivable by Sun Bus (inclusive of the fees for basic services, overtime services, on-demand additional services, if any, and toll charges incurred) under the Shuttle Bus Services Agreement amounted to HK$5,439,000.

The transactions contemplated under the Shuttle Bus Services Agreement are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement. Particulars of these continuing connected transactions were disclosed in the announcement of the Company dated 4 June 2013.

In compliance with the Listing Rules, the Directors, including the Independent Non-executive Directors of the Company, have reviewed and confirmed the following:

1. each of the foregoing continuing connected transactions with SHKPI, JCDecaux Cityscape and PITC was entered into:

   (i) in the ordinary and usual course of business of the Group;

   (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

   (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;

2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2013 did not exceed the cap amount of HK$76,000,000 as disclosed in the announcement dated 18 October 2012;

3. the management fee paid and payable by Bus Focus to JCDecaux Cityscape under the Service Agreement and the Supplemental Service Agreement for the year ended 31 December 2013 did not exceed the cap amount of HK$26,500,000 as disclosed in the circular of RoadShow dated 30 July 2012;

4. the sales rebate paid and payable by Bus Focus to JCDecaux Cityscape under the Supplemental Service Agreement for the year ended 31 December 2013 did not exceed the cap amount of HK$7,500,000 as disclosed in the circular of RoadShow dated 30 July 2012;

5. the shortfall of guaranteed rental received and receivable by Bus Focus from JCDecaux Cityscape under the Service Agreement and the Supplemental Service Agreement for the year ended 31 December 2013 did not exceed the cap amount of HK$20,000,000 as disclosed in the circular of RoadShow dated 30 July 2012; and

6. the amount received or receivable by Sun Bus (inclusive of the fees for basic services, overtime services, on-demand additional services, if any, and toll charges incurred) from PITC under the Shuttle Bus Services Agreement for the year ended 31 December 2013 did not exceed the cap amount of HK$8,000,000 as disclosed in the announcement of the Company dated 4 June 2013.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.38 of the Listing Rules. Copies of the auditor's letter have been provided by the Company to The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE REPORT

Sound corporate governance principles of accountability, transparency, honesty and integrity are crucial for upholding our corporate values and enabling the Group to achieve sustainable business success. The Group endeavours to maintain the highest standards of corporate governance by meeting all statutory and regulatory requirements, by adopting the best practices and policies that are fully adhered to at all levels from board members to frontline staff and by taking into account the interests of the Group's stakeholders, the development of its business, and the changing external environment.

CORPORATE GOVERNANCE FRAMEWORK

We believe that strong corporate governance is essential for delivering sustainable value, fostering a culture of business integrity and maintaining stakeholder confidence. Our Corporate Governance Framework (the "Framework"), which is built on the sound corporate governance principles of accountability, transparency, honesty and integrity, is a performance-oriented benchmark against which the Board and senior management can evaluate our business performance and conduct the Group's businesses according to planned strategic goals. The Framework is flexible enough to cater for evolving regulatory requirements, environmental and local community needs, and changes in social expectations and international developments. The sound management policies and practices derived from the Framework are adopted at all operation levels throughout the Group's businesses to ensure that the highest standards of corporate governance are constantly maintained.

We achieve our corporate governance objectives through implementation of the following sound management structures and practices:

- Diverse and optimal board composition, efficient management reporting systems and a professional management team, which ensure that the Directors and management are able to make informed and valuable decisions in the best interests of our stakeholders;
- Effective internal controls, which provide safeguards against risks of failure to achieve business objectives, protect the Group's assets and ensure that any irregularities, deviations, material misstatements and abuses can be quickly identified and corrected; and
- Transparent and effectual communication channels, which ensure prompt communication of the Group's affairs to shareholders, customers and other stakeholders.

CODE OF CORPORATE GOVERNANCE COMPLIANCE

We are committed to continuously improving our current practices to ensure compliance with new regulatory developments and to finding ways to mitigate risk whenever possible. The Company closely adheres to the principle of corporate governance practices contained in the Corporate Governance Code of the Listing Rules ("CG Code"). The CG Code sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only.

The Company complied with the applicable code provisions in the CG Code throughout the year ended 31 December 2013, 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 (resigned as an Non-executive Director of the Company on 27 January 2014), were unable to attend the Annual General Meeting of the Company held on 23 May 2013 due to other engagements. In respect of the recommended best practices, the Company closely follows the recommendations 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 adopted throughout the Group in the best interests of its stakeholders.

- Our Internal Controls and Risk Management Framework conforms to the criteria established by the Committee of Sponsoring Organisations of the Treadway Commission and the relevant ISO Standards, which together provide comprehensive guidance for our corporate governance practices.

- The Board and the Standing Committee both meet regularly (six times each in 2013) to discuss major strategic and operational matters relating to the Group's businesses. Agenda and accompanying discussion papers are normally sent to the Board and the Standing Committee members one week before the date of the meeting.

- The Company has established a Board Diversity Policy to ensure that there is an appropriate balance of skills, knowledge and experience, ethnicity and gender on the Board.

- 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 roles separately.

- All members of the Nomination Committee and Remuneration Committee are Independent Non-executive Directors. Their independence is essential for identifying high-calibre candidates in an objective way and reviewing the composition and appropriateness of the Board with a view to ensuring the long term success of the Group, as well as for ensuring that the remuneration of the executive and non-executive Directors is set on a formal, transparent and objective basis.

- We have drawn up a written Code of Conduct applicable to all Directors and staff. This code, which is accessible on KMB's staff website, emphasises the role of ethical values and conscience in business activities.

- In addition to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, the Code of Conduct and Staff Handbook provide guidelines on the handling and dissemination of price-sensitive information.

- 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 any suspected misconduct, malpractice or impropriety relating 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, balanced and understandable information about the Company in a timely manner (including its financial performance, strategic goals and plans, material developments, governance and risk profile). The Policy is published on the Company's website.

- We issue a separate Remuneration Report, which sets out the Company's remuneration policy, as well as the terms of reference and methodologies adopted to determine the remuneration of Directors.

- The Sustainability Report issued in this Annual Report sets out in detail the Company's annual performance in respect of environmental, social and governance matters.

THE BOARD OF DIRECTORS

Board Composition

Currently, the Company's Board of Directors comprises 15 members: five Independent Non-executive Directors, seven Non-executive Directors and three Executive Directors (including the Managing Director and the Deputy Managing Director). Daily management of the Group's business is delegated to the senior management, who are the Executive Directors of the Company, under the supervision of four designated Board Committees: the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board and the Board Committees are all chaired by Independent Non-executive Directors.

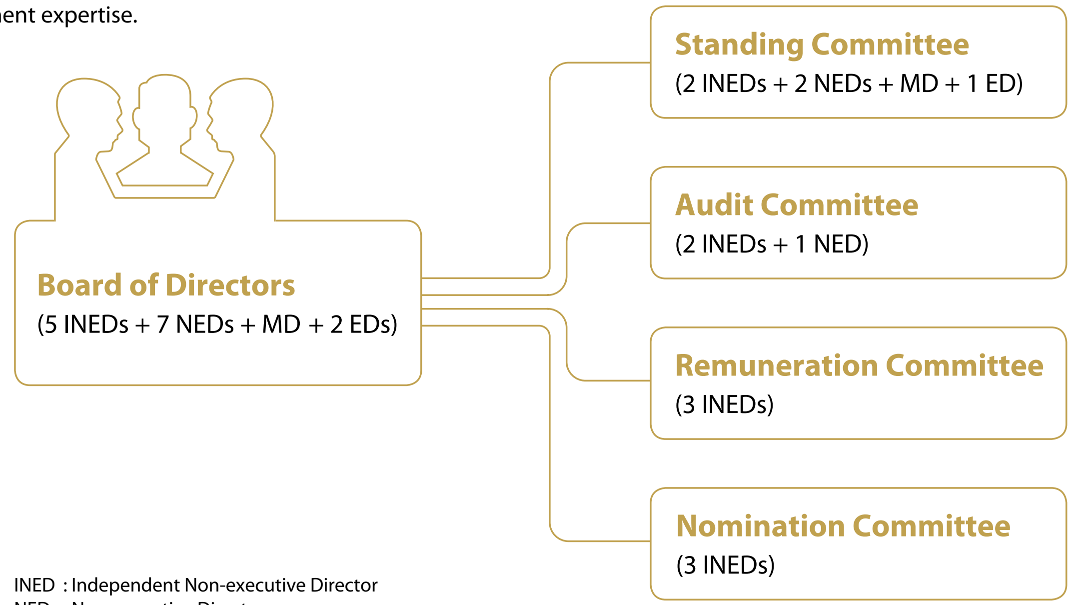
The Non-executive Directors scrutinise the Group's performance in achieving agreed corporate goals and objectives and monitor performance reporting. They contribute through attending Board meetings at which they bring in an independent view on various issues concerning the Group's strategy, policy, performance, accountability, resources, key appointments, and standards of conduct. They are not involved in the day-to-day running of the Group's businesses but serve as the custodians of the governance process.

Independent Non-executive Directors (whose designations as Independent Non-executive Directors are explicitly given in all corporate communications of the Company) help ensure that the interests of all shareholders as a whole are fully and impartially taken into account by the Board in respect of major issues and connected transactions. Pursuant to Rule 3.13 of the Listing Rules, all Independent Non-executive Directors submitted written confirmation of their independence to both the Stock Exchange and the Company, and the Company considers each of them to be independent. Of the 15 members of the Board, five are Independent Non-executive Directors. As such, the Company complies 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 exceeds 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.

Board Diversity

The Company recognises increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. A formal policy on Board diversity was adopted by the Board in 2013.

Our Executive and Non-executive Directors have diverse backgrounds and possess both the breadth and depth of relevant experience and expertise to steer and oversee the business of the Group to ensure that value is delivered in a sustainable manner and shareholders' interests are protected. The current mix of our Board members is balanced, with representation from business, the professions and academia.



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

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

Age Group	Male	Female
41 – 50	2	1
51 – 60	5	0
61 – 70	4	0
Over 70	3	0
Total	**14**	**1**

The Role of the Board

The Board is responsible for the strategic leadership of the Group and for running the Group's businesses in the best interests of its stakeholders. Its role is to provide leadership of the Company and to direct and monitor the performance of the management. The primary responsibilities of the Board include:

- formulating the Group's objectives, strategies, policies, business plans and corporate values;
- monitoring the performance of the management;
- reviewing the effectiveness of internal controls and risk management;
- approving major financing arrangements and the annual operating budget;
- evaluating major acquisitions, disposals and certain material contracts;
- setting dividend policy; and
- overseeing the management of relationships with stakeholders, including shareholders, customers, the HKSAR Government, suppliers, employees and the community.

The Roles of Chairman and Managing Director

The posts of Chairman and Managing Director are held separately by Dr Norman LEUNG Nai Pang, an Independent Non-executive Director, and Mr Edmond HO Tat Man, an Executive Director, respectively, neither of whom have any financial, business, family or other relationship with each other. This separation ensures that there is a clear distinction between the roles and responsibilities of the Chairman and the Managing Director.

The key 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 by giving each Director an opportunity to express his/her different views at Board meetings and to voice their concerns;
- Ensuring that the Board works effectively, performs its responsibilities and discusses all principal and appropriate issues in a timely manner;
- Ensuring all Directors receive adequate, accurate, clear, complete and reliable information promptly;
- Taking appropriate steps to provide effective communication with shareholders and to ensure that shareholders' views are communicated to the Board as a whole; and
- Ensuring good corporate governance practices are in place.

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;
- Providing all such information to the Board as is necessary to enable the Board to monitor the performance of Management;
- Leading an effective executive team to manage the Group's day-to-day businesses
- Closely monitoring operational and financial results in accordance with plans and budgets;
- Putting adequate operational, planning and financial-control systems in place; and
- Managing the Company's relationships with its stakeholders.

The Chairman also meets once a year with the Non-executive Directors, in the absence of the Managing Director and other Executive Directors, to discuss the Group's business affairs. This meeting was held on 17 October 2013.

Appointment, Re-election, Cessation and Rotation of Directors

Directors are appointed by the Company under a formal, considered and transparent procedure. 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. 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. 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. All Directors have a current term of office not longer than three years. The shareholders are empowered to 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 the Independent Non-executive Director continues to be independent and why it recommends that shareholders vote in favour of his or her re-election.

Appointment of Directors

Mr Allen FUNG Yuk Lun was appointed as a Non-executive Director of the Company, KMB and LWB with effect from 1 January 2014. Mr Fung, as a Director appointed by the Board to fill the casual vacancy occasioned by the retirement of The Hon. Sir Sze-yuen CHUNG on 17 May 2012, will hold office as Director until the next annual general meeting of the Company to be held on 22 May 2014, when he shall be eligible for re-election, and will then be subject to retirement by rotation and re-election at subsequent annual general meetings of the Company.

Mr Roger LEE Chak Cheong was appointed as a Non-executive Director of the Company, KMB and LWB with effect from 3 March 2014. Mr Lee, as a Director appointed by the Board to fill the casual vacancy occasioned by the resignation of Dr Walter KWOK Ping Sheung on 27 January 2014, will hold office as Director until the next annual general meeting of the Company to be held on 22 May 2014, when he shall be eligible for re-election, and will then be subject to retirement by rotation and re-election at subsequent annual general meetings of the Company.

Resignation of Director

For personal reasons, Dr Walter KWOK Ping Sheung resigned as a Non-executive Director of the Company, KMB and LWB with effect from 27 January 2014. Dr Kwok confirmed that he had no disagreement with any member of the Board of the Company and that he was not aware of any matters in relation to his resignation that need to be brought to the attention of the shareholders of the Company.

Rotation of Directors

At the annual general meeting held on 23 May 2013, (the "2013 AGM"), three Directors, namely, Dr Norman LEUNG Nai Pang, Dr Walter KWOK Ping Sheung and Mr William LOUEY Lai Kuen, retired by rotation and were re-elected as Directors of the Company.

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 22 May 2014 (the "2014 AGM"), Dr John CHAN Cho Chak, Mr NG Siu Chan, Mr Gordon SIU Kwing Chue, Mr John Anthony MILLER, Mr Evan AU YANG Chi Chun, Mr Allen FUNG Yuk Lun and Mr Roger LEE Chak Cheong will retire 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 2014 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 the 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 Company and the Stock Exchange websites.

Board Proceedings

Board Meetings

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

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 the meetings. The draft agenda for regular Board meetings is prepared by the Company Secretary and approved by the Chairman of the Company. Directors may request inclusion of items in the agenda of Board meetings. 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 consider the affairs to be discussed and make informed decisions in the best interest of the Company.

At Board meetings, senior management together with the responsible key corporate executives report to the Board on the operations and financial performance of the Group's various business areas.

The Company Secretary is responsible for taking minutes of all Board meetings, recording in detail the matters considered by the Board and the decisions made 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. For each financial reporting period, each Director is requested to review and confirm to the Company whether he/she, or any party related to him/her, has any material interest, direct or indirect, in any transaction (including pending or incomplete transactions) related to the Group or is to be a party to one at any time during the financial reporting period. In accordance with 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. Any such 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 obliged to ensure that all connected transactions entered into are in compliance with the Listing Rules. In 2013, the Company was involved in three continuing connected transactions, details of which are disclosed on pages 91 to 93 of this Annual Report.

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 contains 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 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 2013 with the standard of dealings 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 2013 are set out on pages 127 and 128 of this Annual Report.

Induction and Professional Development

Our Company Secretary is responsible for providing tailored induction programmes for new Directors and ongoing development for all Directors to ensure that they 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 the 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 as monthly media reports including press articles relevant to the Company's businesses. In 2013, 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.

Time Commitment of Directors

The Company has received confirmation from all Directors that they gave sufficient time and attention to the Company's affairs throughout 2013.

Directors' Indemnities and Protections

Suitable insurance cover is in place 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 2013 and remain in force.

DELEGATION BY THE BOARD OF DIRECTORS

The Board has established four designated Board Committees: the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Group's affairs. Each Committee has written terms of reference and adequate authority and resources to discharge its duties. The terms of reference are kept under regular review and 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^	Chairman			
Dr John CHAN Cho Chak, GBS, JP^	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, GBS, OBE, JP^		Chairman	Member	Member
Mr Raymond KWOK Ping Luen, JP#	Member			
Mr Gordon SIU Kwing Chue, GBS, CBE, JP^		Member		Member
Ms Winnie NG#	Member			
Mr John Anthony MILLER, SBS, OBE#		Member		
Mr Charles LUI Chung Yuen, M.H.*	Member			
Mr Edmond HO Tat Man*	Member			
Professor LIU Pak Wai, SBS, JP^			Member	

^ Independent Non-executive Director
# Non-executive Director
* Executive Director

Standing Committee

The Standing Committee was established to advise and assist the Board in formulating strategic opportunities and significant investment proposals as well as monitoring their implementation by management. In 2013, the Standing Committee held six meetings with senior management to review and discuss financial, operational and strategic plans 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 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 116 to 122 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 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 auditors. 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 are regularly updated with reference to the recommendations of the CG Code of the Listing Rules.

In 2013, the Audit Committee and 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 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 wished to bring up with the Audit Committee in the absence of the 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 major work performed by the Audit Committee during the year 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 of the financial statements, and the scope of internal and external audit work;

- Reviewed the revised accounting standards and any prospective changes to accounting standards, taking into consideration their impact on the financial reporting of the Company and the Group;

- Reviewed with the external auditors the effectiveness of the audit procedures and any questions raised by them in respect of the interim and annual financial statements and results announcements, as well as management's response to such questions;

- Discussed and reviewed the internal audit reports prepared by the Head of Internal Audit Department covering among other things 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;

- 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

- Monitored and reviewed the operation of the whistleblowing policy.

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 2013 and the annual financial statements for the year ended 31 December 2013 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 both 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 financial statements of the Company for the year ending 31 December 2014.

Remuneration Committee

The Remuneration Committee is delegated by the Board with the authority for formulating 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 2013 are set out in the Remuneration Report on pages 112 to 115 of this Annual Report.

Nomination Committee

The role of the Nomination Committee is to identify appropriate candidates with suitable skills and experience for consideration by the Board. The objective is to ensure 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 established by the Board;

- Reviewing and monitoring the structure, size and composition (including evaluating the balance and blend of skills, knowledge, experience and diversity) 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.

Attendance Records

The Directors' attendance at the Annual General Meeting, Board Meetings and Committee Meetings in 2013 is given below:

Members of the Board of Directors	Meetings Attended / Held					
	2013 AGM	Board	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors						
Dr Norman LEUNG Nai Pang, GBS, JP (Chairman)	1/1	6/6	6/6			
Dr John CHAN Cho Chak, GBS, JP (Deputy Chairman)	1/1	6/6	6/6		3/3	2/2
Dr Eric LI Ka Cheung, GBS, OBE, JP	1/1	5/6		2/2	3/3	2/2
Mr Gordon SIU Kwing Chue, GBS, CBE, JP	1/1	6/6		2/2		2/2
Professor LIU Pak Wai, SBS, JP	1/1	6/6			3/3	
Non-executive Directors						
Mr Raymond KWOK Ping Luen, JP (with Mr Roger LEE Chak Cheong as alternate)	0/1	0/6	6/6			
Dr Walter KWOK Ping Sheung, JP (with Mr Godwin SO Wai Kei, as alternate)(Note 1)	0/1	0/6				
Mr NG Siu Chan (with Ms Winnie NG as alternate)	1/1	4/6				
Mr William LOUEY Lai Kuen	1/1	6/6				
Ms Winnie NG	1/1	6/6	6/6			
Mr John Anthony MILLER, SBS, OBE	1/1	6/6		2/2		
Mr Allen FUNG Yuk Lun (Note 2)	0/0	0/0				
Mr Roger LEE Chak Cheong (Note 3)	0/0	0/0				
Executive Directors						
Mr Charles LUI Chung Yuen, M.H.	1/1	5/6	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				
Alternate Directors						
Ms Winnie NG (Alternate Director to Mr NG Siu Chan)		2/2				
Mr YUNG Wing Chung (Alternate Director to Mr Raymond KWOK Ping Luen, JP)(Note 4)		1/1				
Mr Roger LEE Chak Cheong (Alternate Director to Mr Raymond KWOK Ping Luen, JP)(Note 3)		4/5				
Mr Godwin SO Wai Kei (Alternate Director to Dr Walter KWOK Ping Sheung, JP)(Note 5)		6/6				
In attendance						
External Auditors	1/1			2/2		

Notes:
1. Resigned as Non-executive Director on 27 January 2014.
2. Appointed as Non-executive Director on 1 January 2014.
3. Served as Alternate Director to Mr Raymond KWOK Ping Luen for the period from 1 April 2013 to 2 March 2014 and appointed as Non-executive Director on 3 March 2014.
4. Served as Alternate Director to Mr Raymond KWOK Ping Luen until 31 March 2013.
5. Served as Alternate Director to Dr Walter KWOK Ping Sheung until 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014.

During 2013, six Board meetings were held, which exceeded the minimum of four board meetings a year as required by 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 implementing the Group's strategies and for day-to-day management of the Group's businesses is delegated under the supervision of the Board and the relevant Board Committees to senior management, comprising Executive Directors of the Company and the management team, who possess extensive experience and expertise in different areas. Senior management provides 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.

The Role of the Company Secretary

The Company Secretary of the Company, Miss Lana WOO, is a member of The Hong Kong Institute of Chartered Secretaries. She is responsible for advising the Board on governance matters and for facilitating the induction and professional development of Directors. Although she reports to the Managing Director of the Company, all Directors may call upon her for advice and assistance at any time in respect of their duties and the effective operation of the Board and Board Committees. The Company Secretary is an officer of the Company and is appointed by the Board. During 2013, the Company Secretary undertook more than 15 hours of professional training to update her knowledge.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible 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 both interim and annual reports, as well as "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 statutory requirements.

The financial statements of the Company and the Group for the year ended 31 December 2013 given on pages 134 to 207 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. 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 2013.

Internal Controls and Risk Management

The Board has the overall responsibility for establishing, maintaining and reviewing the effectiveness of the Group's internal control system with a view to safeguarding the Group's assets and stakeholders' interests, minimising operational system risks, and providing reasonable assurance against material misstatement of information (whether financial or non-financial). To ensure effective monitoring of its day-to-day operations, stringent internal control measures are in place at all levels of the Group.

The Audit Committee, which is established by the Board to oversee the Group's internal control framework and assess its effectiveness, plays an important 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.

Control Environment

A well-structured internal control framework with clearly defined authority and responsibility, a culture of integrity and high ethical standards at both the management and staff levels, and an effective risk management system are fundamental 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 fostering a culture of high moral standards at both management and staff levels and ensuring that an effective risk management system is in place. The Board and the Audit Committee oversee management performance and measure the effectiveness of the internal controls.

Internal Control Framework

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

The Board

- establishes high ethical and moral standards and monitors management compliance with these standards
- maintains a sound and effective internal control system
- monitors and oversees the performance of the Internal Control Framework.

The Audit Committee

- oversees the Internal Control Framework
- provides instructions for the design and implementation of a sound and effective internal control system
- ensures the independence and transparency of the internal audit function
- approves audit plans and ensures that the findings of the Internal Audit Department are properly addressed by management
- coordinates the communication between the internal and external auditors
- reports to the Board on the performance of the Company's internal control system.

Management

- designs, implements and maintains an effective internal control system
- supervises staff to ensure that they carry out their duties in accordance with the requirements of internal control practices
- cooperates with and supports the work of the Internal Audit Department
- plays the central role in monitoring the Group's Quality Management System.

The Internal Audit Department

- devises action plans to monitor the effectiveness of the internal control system
- coordinates with various operating units and monitors their compliance with internal control practices
- conducts rigorous reviews and stringent testing of the internal control system and makes recommendations for improvement
- reports directly to the Audit Committee on a periodic basis
- provides independent and objective assurance of the effectiveness of the internal control practices.

Quality Management System

The adoption of the Quality Management System ("QMS") enables the Group to respond to the risks inherent in its operations through effective control practices. An effective and efficient QMS based on the benchmarks required by the International Organisation for Standardisation ("ISO") has been implemented in its three major subsidiaries, KMB, LWB and Sun Bus Limited ("SBL"). 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 2012, LWB also obtained ISO 9001:2008 quality management system certification.

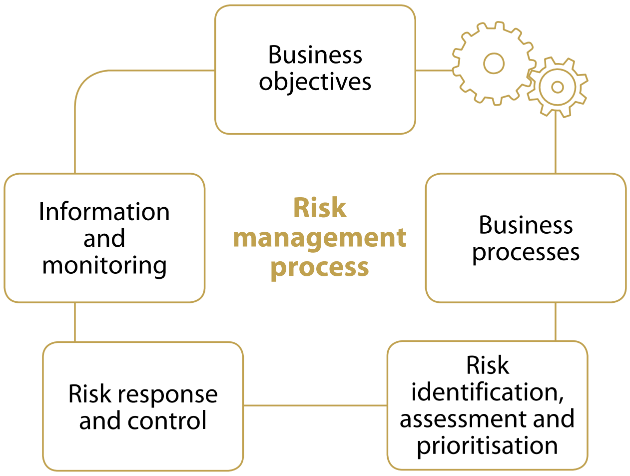
A systematic and well-structured documentation model facilitates the Group's development of strategic and operational planning and serves as a performance indicator against which a business unit may measure its effectiveness. Under ISO requirements, all major financial and operational procedures and instructions, including illustrative flow charts, need to be clearly documented and approved by authorised persons. Such documentation, covering KMB, LWB and SBL'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 examined and updated from time to time in line with changes in work processes. Trained internal quality auditors regularly conduct on-site audits to ensure that daily operations are performed according to the documented procedures. The detection of any non-conformity will result in preventive and corrective measures being taken immediately. Management meetings are held every three months to review the effectiveness and compliance of the QMS. Improvement plans are continuously formulated and implemented to enhance the effectiveness of QMS.

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. If any areas for improvement are identified during the ISO audit, recommendations are made for follow-up action. In 2013, no non-conformity in the QMS was found in the ISO audits of KMB, LWB 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 realising our corporate values. Policies and procedures have been developed and implemented 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 potential improvements or appropriate responses and controls formulated and 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 regularly according to changes in circumstances. As an integral part of the risk management process, the BCP 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 acceptable pre-defined levels. The BCP identifies and evaluates the major risks of business functions that would be affected in terms of likelihood and consequences of disruption, 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 reduce the disruption will be taken promptly.

Business Ethics

Setting a culture of high ethical values and management integrity is key to a sound control environment. Our policy is to prohibit directors or employees from soliciting any advantage from customers, suppliers or any other person in connection with our business. The Code of Conduct and the Staff Handbook, which are freely accessible 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, such as: (a) soliciting, accepting and offering advantages; (b) entertainment; (c) use of proprietary information; (d) handling of conflicts of interest; (e) misuse of assets and resources; (f) loans; (g) gambling; (h) outside employment; and (i) proper use of official position, these guidelines underline the social responsibilities of the Group. The Code also emphasises transparency, objectivity, integrity and reliability in the handling of financial information, and disclosure in financial reports. In addition, the Staff Handbook reminds all staff members that they must not make use of their position to solicit or receive any advantage from the public; and that in the event of their encountering a situation in which they are offered gifts or money from the public while carrying out their daily duties, they must inform the management to receive instructions with regard to the proper handling of the gift/money.

Whistleblowing Policy

The Group is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, a whistleblowing policy has been developed by the Audit Committee of the Company to encourage employees, business partners, suppliers and any third party who have concerns about any suspected misconduct or malpractice within the Group to report potential violations of the code and fraudulent, unethical acts or non-compliances with laws. The Group will respond to the concerns expressed fairly and properly.

The Group's whistleblowing policy and procedures, which are published on the Company's website, apply to employees at all levels and in all divisions as well as to business partners, suppliers and any third party that deals with the Group.

The Audit Committee has overall responsibility for the whistleblowing policy, but has delegated day-to-day responsibility for overseeing and implementing it to the Company Secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the Audit Committee. The Company Secretary monitors and reviews the use and effectiveness of the whistleblowing policy on a regular basis.

Comprehensive Internal Audit Function

The Internal Audit Department 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 that 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 assess 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.

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. 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.

In 2013, the major work performed 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 any internal control weaknesses were appropriately addressed;
- Performing an internal consulting service 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 2013.

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

The Company is aware of its obligations under the Listing Rules and the Securities and Futures (Amendment) Ordinance and has established proper procedures and internal control measures 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. In addition, all staff are required to follow the Code of Conduct and the Staff Handbook to keep unpublished price-sensitive and/or inside information strictly confidential.

External Audit

The external auditors play a key role in ensuring the integrity of the disclosure of financial information. Major findings in relation to the audit of the Company's interim and annual financial statements, if any, 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 to give written confirmation of their independent status to the Audit Committee.

The Company engaged KPMG as external auditors to audit the financial statements of the Company for the year ended 31 December 2013. KPMG has formally confirmed in writing to the Audit Committee that for the year ended 31 December 2013 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 2013 are set out below:

	HK$ million
Audit related services	7.1
Non-audit related services	0.3
Total	**7.4**

ENGAGEMENT WITH STAKEHOLDERS

Shareholders

At 31 December 2013, the Company had 4,336 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 2013 are disclosed in the Report of the Directors on page 129 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.

At the end of 2013, 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	1,450	33.44	473,808	0.12
1,001 – 5,000	1,688	38.93	4,042,124	1.00
5,001 – 10,000	503	11.60	3,843,421	0.95
10,001 – 100,000	576	13.28	17,175,901	4.26
Above 100,000	119	2.75	378,104,159	93.67
	4,336	100.00	403,639,413	100.00

Note: 40.97% 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.

Shareholder Communications Policy

Transparency is indispensable to good corporate governance. The Board has established a Shareholder Communications Policy, which is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Group adopts 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 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

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. The Annual Report has both English and Chinese versions and is available in both print and electronic versions. Shareholders can elect to receive a printed version (in English, Chinese or both languages) or the electronic version. For the sake of preserving the environment and saving costs, we encourage our shareholders to opt for the electronic version of all the Company's corporate communications: the annual and interim reports, notices of meetings, listing documents, circulars and forms of proxy. 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.

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2013, the Company won the following prestigious awards:

- Gold Award for Traditional Annual Report and Bronze Award for Written Text in the International ARC Awards;
- Special Mention in the Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants; and
- Honourable Mention in the Hong Kong Management Association ("HKMA") Best Annual Reports Awards.

Annual General Meeting

The Company's general meetings are its principal channels of communication with its shareholders. 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 2013 AGM was held on 23 May 2013 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 2012;
- Approval of an ordinary final dividend of HK$0.45 per share for the year ended 31 December 2012;
- Re-election of Dr Norman LEUNG Nai Pang, Dr Walter KWOK Ping Sheung and Mr William LOUEY Lai Kuen as Directors of the Company;
- Re-appointment of KPMG as auditors of the Company, and authorisation of the Directors to fix their remuneration;
- Granting of a general mandate to the Directors to issue shares not exceeding 20% of the issued share capital;
- Granting of a general mandate to the Directors to exercise the 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.

The details and poll voting results of the 2013 AGM were published on the websites of the Company and the Stock Exchange on 23 May 2013.

The 2014 Financial Calendar of the Company is set out as follows:

Announcement of 2013 final results	**24 March 2014**
Dispatch of 2013 Annual Report and accompanying circular to shareholders	**17 April 2014**
Last day to register transfer to qualify to attend and vote at the 2014 AGM	**14 May 2014**
Book closure for 2014 AGM (both dates inclusive)	**15 – 22 May 2014**
Date of 2014 AGM	**22 May 2014**
Last day to register transfer to qualify for 2013 final dividend	**27 May 2014**
Book closure for 2013 final dividend	**28 May 2014**
Payment of 2013 final dividend	**10 June 2014**
Announcement of 2014 interim results	**mid-August 2014**
Payment of 2014 interim dividend	**mid-October 2014**
Financial year end date	**31 December 2014**

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.

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 Communications Policy, which is available on the Company's website.

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. The Company Secretary is responsible for attending to these enquiries in the first instance.

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. No changes were made to the Company's constitutional documents in 2013.

General Public

The following communication channels are used by the Group to keep the general public informed of affairs and achievements of the Group:

Website – The Company's website 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 informed of the bus services of KMB and LWB, the two major subsidiaries of the Group, regular press sessions are held to update the media on the latest developments of the bus companies in areas including services, facilities, safety and environmental protection.

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

In 2013, the KMB website won the Gold Prize in the 2012 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, which also features regularly updated corporate, financial and media information relating to the Group.

Employees

Effective communication between management and our 13,000 staff members is vital to our continued success as well as a means of helping develop teamwork and efficiency.

The Group's staff website is an important platform on which staff can 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. The periodic corporate magazine, KMB Today, keep our employees, especially frontline staff, abreast of news and events relating to the Group and the industry. The column "Message from the Managing Director" in KMB Today is an important conduit for enhanced communication between management and staff.

The Staff Handbook, available on the staff website, sets out the Company's human resources policies and provides clear guidelines for all staff to follow.

REMUNERATION REPORT

The principal remuneration policies adopted by the Group ensure that Directors and members of senior management are rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, while having regard to market practices and packages offered for similar posts by comparable companies.

The level of remuneration for the Directors, senior management and staff is determined based on the principles of performance, fairness, transparency and market competitiveness, and is applied with different remuneration elements designed to attract, retain and motivate individuals to contribute to the Group.

Under the authority delegated by the Board, the Remuneration Committee is responsible for ensuring that the Company applies properly structured and fair remuneration policies, which align with the interests of Directors, staff and other stakeholders of the Company. It formulates and makes recommendation to the Board on the remuneration packages of Directors and employees of the Company and its subsidiaries (the "Group").

Currently, the Remuneration Committee has three members, all of whom are Independent Non-executive Directors. The Committee is chaired by Dr John CHAN Cho Chak, who is the Deputy Chairman of the Company, and the other members are Dr Eric LI Ka Cheung and Professor LIU Pak Wai. The Remuneration Committee is authorized to obtain independent professional advice on relevant issues whenever required.

The principal remuneration policies adopted by the Group are summarised below:

- Remuneration policy and practice including that relating to the Directors should be fair and transparent;
- No Director or member of senior management is involved in deciding his or her own remuneration; and
- Participants should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, while having regard to market practices and packages offered for similar posts by comparable companies.

The Remuneration Committee's written terms of reference, which are posted on the Company's website, fully comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee include:

- Formulating the policies on remuneration of the Directors and the employees of the Group for the approval of the Board;
- Establishing guidelines for determining the remuneration of Directors, including terms and conditions of employment, remuneration and retirement benefits of the Executive Directors;
- Reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, as well as Non-executive Directors;
- Setting appropriate criteria for performance related bonuses for employees, having regard to their achievements against the assessment criteria by reference to the market norms, and the Group's business objectives and targets; and

- Reviewing and considering proposals from the Managing Director regarding human resources or related policies and making appropriate recommendations to the Board.

In 2013, the Remuneration Committee:

- Reviewed the remuneration policy for 2013;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarking it against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business;
- Reviewed the annual performance related bonuses for Group employees, with reference to their achievements and the performance of the Group, measured against the assessment criteria and taking into consideration market norms; and
- Examined employees' wage and salary increments by reference to the relevant factors and on a merit basis.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

In line with good corporate governance practices, assessment of the remuneration of Directors is based on formalised principles, which take into account both market practices and a tried and tested methodology. Consistent with the previous years, Directors' fees for 2013 were determined based on the methodology developed in the "Higgs Report" in the United Kingdom on the "Review of the Role and Effectiveness of Non-executive Directors", which takes into account the expected workload, the scale and complexity of the business, and the responsibility of Directors. Reference was also made to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited. The fee structure for Directors in 2013 is set out as follows:

	Fee per annum HK$
Board Members	
– Chairman	**369,600**
– Other Director	**264,000**
Audit Committee Members	
– Chairman	**92,400**
– Other member	**66,000**
Remuneration Committee Members	
– Chairman	**46,200**
– Other member	**33,000**
Nomination Committee Members	
– Chairman	**30,800**
– Other member	**22,000**
Standing Committee Members (except Executive Directors)	
– Chairman	**323,400**
– Other member	**231,000**

Save as disclosed above, none of our Independent Non-executive Directors or Non-executive Directors received any pension benefits or bonuses from the Group in 2013.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2013, together with 2012 comparatives, are given in note 7 to the consolidated financial statements on pages 162 and 163 of this Annual Report.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF SENIOR MANAGEMENT AND OTHER EMPLOYEES

The remunerations of the members of senior management, namely Mr Edmond HO Tat Man, Mr Evan AU YANG Chi Chun and Mr Charles LUI Chung Yuen, who are Executive Directors of the Company and whose biographies are set out in the Directors' Profiles on pages 116 to 122 of this Annual Report, as well as those of other employees are benchmarked against the remuneration for similar positions in comparable local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Depending on the performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The level of any such discretionary bonus is subject to review and approval by the Remuneration Committee and the Board after taking into account the Group's performance. No senior management members are members of the Remuneration Committee. The main components of remuneration for senior management members and other employees are as follows:

Base Compensation

Base compensation, including salaries, allowances and fringe benefits is reviewed annually. The annual review process takes into consideration the Group's performance, market practices and individual performance.

Discretionary Bonus

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to comprehensive performance appraisal by their immediate supervisors. Only those who obtain at least a satisfactory performance rating are considered for the award of an incentive bonus.

Staff Retirement Schemes

The Group operates two non-contributory defined benefit retirement schemes, the KMB Monthly Rated Employees Provident Fund Scheme (the "Monthly Scheme") and the KMB Daily Rated Employees Retirement Fund Scheme (the "Daily Scheme"). It also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the Hong Kong MPF Ordinance") in 2000.

i) The Monthly Scheme

The Monthly Scheme was formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426)(the "ORSO"). It is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member's completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of an independent actuary who values the retirement scheme at regular intervals. The scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Monthly Scheme) on or after 1 December 2000.

ii) The Daily Scheme

The Daily Scheme was formally established under trust and registered under the ORSO. It is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee and further multiplied by a benefit factor applicable to the member's completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary's recommendations. The Scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Daily Scheme) on or after 1 December 2000.

iii) SHKP MPF Employer Sponsored Scheme

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme ("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 relevant employees' salaries, depending on their employment terms and length of service with the Group. Employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong MPF Ordinance, subject to a cap of monthly relevant income of HK$25,000.

DIRECTORS' PROFILES

DR NORMAN LEUNG NAI PANG

GBS, JP, LLD, BA

Chairman and Independent Non-executive Director, aged 73. Dr Leung has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He has been appointed as the Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. Dr Leung is the Chairman of the Standing Committee of the Company. He is the Executive Chairman of Television Broadcasts Limited and an Independent Non-executive Director of Sun Hung Kai Properties Limited, both of which are companies listed on the Hong Kong Stock Exchange. Dr Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, Council Chairman of City University of Hong Kong from 1997 to 2003 and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013. He is the Pro-Chancellor of City University of Hong Kong.

DR JOHN CHAN CHO CHAK

GBS, JP, DBA(Hon), DSocSc (Hon), BA, DipMS, CCMI, FCILT, FHKIoD

Deputy Chairman and Independent Non-executive Director, aged 70. Dr Chan was the Managing Director of Transport International Holdings Limited (the "Company") from 4 September 1997 to 7 April 2008; the Managing Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") from 1 November 1993 to 31 December 2006 and from 8 May 1997 to 31 December 2006 respectively; and the Senior Executive Director of KMB and LWB from 1 January 2007 to 7 April 2008. He has been a Non-executive Director of the Company, KMB and LWB since 8 April 2008, and was re-designated as Independent Non-executive Director of the Company with effect from 4 January 2012. He was appointed as the Deputy Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. He is the Chairman of the Remuneration Committee and the Nomination Committee as well as a member of the Standing Committee of the Company. He is also the Chairman and Non-executive Director of RoadShow Holdings Limited, an indirect subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited and an Independent Non-executive Director of Hang Seng Bank Limited, Guangdong Investment Limited and Swire Properties Limited. He was formerly an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited, 2000-03 and a member of the Hong Kong Civil Service, 1964-78 and 1980-93. Key posts held in Government included Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. Dr Chan was formerly also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited, 1978-80. He is currently a Director of The Community Chest of Hong Kong, Chairman of the Court of The Hong Kong University of Science and Technology and Member of the Exchange Fund Advisory Committee. In December 2000, Dr Chan won the Executive Award in the DHL/SCMP HK Business Awards 2000 and received an Honorary University Fellowship from The University of Hong Kong. He was awarded the degrees of Doctor of Business Administration (honoris causa) by the International Management Centres in 1997 and Doctor of Social Sciences (honoris causa) by The Hong Kong University of Science and Technology in 2009, The University of Hong Kong in 2011 and Lingnan University in 2012. He is a Companion of the Chartered Management Institute, a Fellow of the Chartered Institute of Logistics and Transport and a Fellow of the Hong Kong Institute of Directors.

RAYMOND KWOK PING LUEN

JP, MA(Cantab), MBA, Hon DBA, Hon LLD

Non-executive Director, aged 60. Mr Kwok has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a member of the Standing Committee of the Company. He has been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 September 1981 and 8 May 1997 respectively. Mr Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is Chairman and Managing Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also Chairman of SUNeVision Holdings Ltd., Chairman of SmarTone Telecommunications Holdings Limited and a Non-executive Director of Wing Tai Properties Limited.

In civic activities, Mr Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce and Vice Chairman of the Council of The Chinese University of Hong Kong.

NG SIU CHAN

Non-executive Director, aged 83. Mr Ng has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 1983 and 8 May 1997 respectively. Mr Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited.

Mr Ng is the father of Ms Winnie Ng, who is a Director of the Company, KMB and LWB, and also Founder and Deputy Chairman and Non-executive Director of RoadShow Holdings Limited.

WILLIAM LOUEY LAI KUEN

BSc(Econ)

Non-executive Director, aged 54. Mr Louey has been a Director of Transport International Holdings Limited since 4 September 1997 and of its subsidiaries, The Kowloon Motor Bus Company (1933) Limited since 14 January 1993 and Long Win Bus Company Limited since 8 May 1997.

Formerly, Mr Louey had a successful career in the United Kingdom, with an international merchant bank for five years and an international accounting firm for three years afterwards.

In memory of his grandfather, Mr William S D Louey, William S D Louey Educational Foundation was set up in 1995 to offer scholarship and bursaries to students with academic excellence from Hong Kong and Greater China to pursue their studies abroad. The Foundation has extended its financial support to promising candidates from other countries in recent years. In 1999, Mr Louey was invited to join the committee of the China Oxford Scholarship Fund, and subsequently in 2011, appointed as Member of Vice-Chancellor's Circle, University of Oxford.

Between 2003 and 2012, he also served as Executive Committee Member of The Friends of Cambridge University in Hong Kong, the sponsor of Prince Philip Scholarship.

In recognition of his exceptional contribution to education, Mr Louey was presented with Elizabeth Wordsworth Fellowship by St Hugh's College in February 2013, the very first recipient of this top accolade bestowed by University of Oxford.

CHARLES LUI CHUNG YUEN

M.H., BEc, AASA, FCILT

Executive Director, aged 79. Mr Lui has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively. He is also a member of the Standing Committee of the Company. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited ("KMB (China)") on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003.

WINNIE NG

BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD

Non-executive Director, aged 50, has been Director of The Kowloon Motor Bus Company (1933) Limited since 1995 and Director of Transport International Holdings Limited (the "Company") and Long Win Bus Company Limited since 1997, and is also Founder and Deputy Chairman of RoadShow Holdings Limited ("RoadShow"). Ms Ng has received numerous awards and recognition. In 2010, she was named a Woman of Excellence and was also selected as one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution. In previous years, she won the Yazhou Zhoukan Young Chinese Entrepreneur Award, was named one of China's 100 Outstanding Women Entrepreneurs, was Mason Fellow of Harvard University, and was the Caring Heart Award recipient.

Ms Ng has been appointed Member of Standing Committee of the Company since 23 October 2008 to assist and advise the Board in formulating policy, and to monitor implementation by management. She was Executive Director of the Company from 1995 until 13 October 2008 and looked after business development, procurement, insurance, facilities management, marketing and sales, and corporate relations. She also founded and spearheaded the listing of RoadShow, whose business model has been adopted by many companies in Hong Kong, China, and the rest of the world.

Active in public service, she is Council Member of The Better Hong Kong Foundation, Vice Chairperson and Director of Friends of Bauhinia, Member of Hospital Authority, Member of Hong Kong Tourism Board, Member of Vocational Training Council, Member of Employees Retraining Board, Member of Public Relations Committee of The Community Chest, and is also involved with a number of other public and community boards.

Ms Ng is daughter of Director Mr Ng Siu Chan and also acts as his alternate director. Ms Ng holds an MBA degree from University of Chicago and an MPA degree from Harvard University. She is a Fellow of the Chartered Institute of Marketing.

DR ERIC LI KA CHEUNG

GBS, OBE, JP, LLD, DSocSc, BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Independent Non-executive Director, aged 60. Dr Li has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 10 December 1998. Dr Li was appointed an Independent Non-executive Director of RoadShow Holdings Limited since 16 September 2004. He is the Senior Partner of Li, Tang, Chen & Co., Certified Public Accountants. Dr Li is an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited, Wong's International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited and Bank of Communications Co. Ltd. (until 25 June 2013), all of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was formerly an Independent Non-executive Director of China Vanke Co., Ltd., Sinofert Holdings Limited, CATIC International Holdings Limited and Meadville Holdings Limited (a company listed on the Stock Exchange until its withdrawal of its listing status on 19 April 2010). He is also an Independent Non-executive Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the Chairman of the Legal Aid Services Council. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.

EDMOND HO TAT MAN

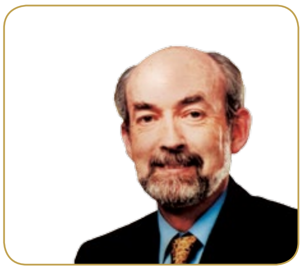
MA(Cantab), MBA, FCILT, MHKIoD

Managing Director, aged 52. Mr Ho has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 1 January 2001, and a Director of RoadShow Holdings Limited since 13 October 2008. He is also a member of the Standing Committee of the Company. He joined KMB in September 1998 and served as Finance and Administration Director from January 1999 to April 2003. Mr Ho was promoted to Deputy Managing Director of the Company, KMB and LWB with effect from 10 January 2002. He has been appointed Managing Director of KMB and LWB since 1 January 2007 and Managing Director of the Company with effect from 8 April 2008. Mr Ho is currently a Director of the Business Environment Council and a member of the General Committee of the Employers' Federation of Hong Kong. Positions previously held by him included Investment Director of a merchant bank and executive director of a number of transport infrastructure management and investment companies in Hong Kong and in the Mainland of China. He was formerly also a director of four Sino-foreign joint venture companies of an international leading soft drink brand. Mr Ho holds a master's degree in engineering from Cambridge University and an MBA degree from The University of Hong Kong.

GORDON SIU KWING CHUE

GBS, CBE, JP, MSS(Birmingham, UK)

Independent Non-executive Director, aged 68. Mr Siu was appointed Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 26 October 2004. He is also a member of the Audit Committee and Nomination Committee of the Company. Mr Siu is currently an Independent Non-executive Director of China Resources Enterprise, Limited and Television Broadcasts Limited. Mr Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in July 2002 with a service of over 36 years. His positions in Government included Deputy Secretary for the Civil Service (1981-1985), Secretary-General of OMELCO (1985-1988), Postmaster General (1988-1989), Commissioner for Transport (1989-1992), Director, New Airport Projects Co-ordination Office (1992-1993), Secretary for Economic Services (1993-1996), Secretary for Transport (1996-1997), Head, Central Policy Unit (1997-1999) and Secretary for Planning, Environment & Lands (1999-2002). Mr Siu was awarded the honours of Commander of the Most Excellent Order of the British Empire (CBE) in 1997 and Gold Bauhinia Star (GBS) in 2002, and appointed a non-official Justice of the Peace in 2003.



JOHN ANTHONY MILLER

SBS, OBE, MPA(Harvard), BA(Lond)

Non-executive Director, aged 63. Mr Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. Mr Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization in Geneva. Key positions held over a career spanning 35 years prior to Mr Miller's retirement include Permanent Secretary for Financial Services and the Treasury 2002-2004, Director of Housing and Chief Executive of the Housing Authority 1996-2002, Director-General of Trade 1993-1996, Director of Marine 1991-1993, Information Coordinator in the Chief Secretary's Office 1989-1991 and Private Secretary to the Governor 1979-1982. Mr Miller is Chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited. He is also a Non-executive Director of SmarTone Telecommunications Holdings Limited and SUNeVision Holdings Ltd. (until 31 December 2013). Mr Miller holds an MPA degree from Harvard University and a BA degree from London University.

EVAN AU YANG CHI CHUN

BA, MBA

Deputy Managing Director, aged 42. Mr Au Yang has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 20 May 2010. Mr Au Yang is a Board member of the American Chamber of Commerce in Hong Kong and serves as the Chairman of its Environment Steering Group. He is also a member of the Advisory Committee for the School of Energy and Environment at City University of Hong Kong, a member of the Local Advisory Committee for the Division of Environment at The Hong Kong University of Science and Technology, and the Vice-Chairman of the Asia Pacific Division of the International Association of Public Transport (UITP). Prior to joining KMB in October 2009, Mr Au Yang was an Associate Partner at McKinsey & Company. As a leader of the Transport, Infrastructure & Logistics Practice at McKinsey, Mr Au Yang advised senior management of leading multinational and Chinese enterprises over a range of strategic issues. Before management consultancy, Mr Au Yang held positions at two international financial institutions in Hong Kong and Singapore in the structured finance and foreign exchange areas. Mr Au Yang received a BA degree in Economics and Political Science from Brown University and an MBA degree from Kellogg School of Management at Northwestern University in the United States of America.

PROFESSOR LIU PAK WAI

SBS, JP

Independent Non-executive Director, aged 66. Professor Liu was appointed Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 September 2011. He was appointed as a member of the Remuneration Committee with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. He received his AB degree from Princeton University and PhD degree from Stanford University in the United States of America. He is the Research Professor and formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong and holds a number of positions related to his field of study, including Executive Committee Chairman of the Institute of Global Economics and Finance, Director of the Economic Research Centre of the Hong Kong Institute of Asia-Pacific Studies and Vice-President of the East Asian Economic Association. Professor Liu is also an Independent Non-executive Director of Hang Lung Properties Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, a director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority and was a Non-executive Director of the Securities and Futures Commission and the Chairman of its Remuneration Committee. In public service, he serves as a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, the Working Group on Long Term Fiscal Planning and the Products Advisory Committee of the Securities and Futures Commission. He was a past member of the Commission on Strategic Development, the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR.

ALLEN FUNG YUK LUN

BA, Ph.D.

Non-executive Director, aged 45. Mr Fung has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2014. He is an Executive Director of Sun Hung Kai Properties Limited ("SHKP") and a Non-executive director of SmarTone Telecommunications Holdings Limited and SUNeVision Holdings Limited. He is also a member of the Executive Committee of SHKP and the Chief Executive Officer of the SHKP Group's non-property related portfolio investments. Mr Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr Fung was a Teaching Fellow at Harvard University from 1993 to 1994 and a visiting Assistant Professor of History at Brown University from 1996 to 1997. Mr Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. During his time in McKinsey, he primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr Fung was the co-leader of the infrastructure practice for McKinsey. He was the Managing Partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a Director of McKinsey globally, being the first Hong Kong Chinese to become a Director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr Fung is the Chairman of the Hong Kong Society for the Protection of Children, a council member of both The Hong Kong Federation of Youth Groups and The Hong Kong Management Association, and a member of the Executive Committee of the Hong Kong Council of Social Service. He is also an advisory member of the Faculty of Business and Economics at The University of Hong Kong.

ROGER LEE CHAK CHEONG

BSc, MSc, MICE, CEng

Non-executive Director, aged 51. Mr Lee has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 2014. Mr Lee also served as an Alternate Director to Mr Raymond Kwok Ping Luen of the Company, KMB and LWB for the period from 1 April 2013 to 2 March 2014. Mr Lee is the Head of the Transport Advisory Department of Sun Hung Kai Properties Limited ("SHKP"). Mr Lee is a Director of Park Island Transport Company Limited since 2011 and a Director of Wilson Group Limited since 2013. Prior to joining SHKP in 2006, he was a Director with MVA Hong Kong Limited, a leading traffic and transport consultancy in Hong Kong. Before returning to Hong Kong, Mr Lee has worked for the West Sussex County Council, the London Borough of Bexley and the East Sussex County Councils in England between 1986 and 1994. Mr Lee obtained a Bachelor Degree in Civil Engineering from University of Westminster, England in 1985 and a Master Degree in Transportation Planning & Engineering from University of Southampton, England in 1986. He gained his Chartered Engineer status in 1992 and is a member of the Institution of Civil Engineers, United Kingdom since 1992.

KEY CORPORATE EXECUTIVES

Company / Position	Name
Transport International Holdings Limited	
Company Secretary	Lana WOO MBA, BA, CGA, FCIS
The Kowloon Motor Bus Company (1933) Limited	
Finance and Administration Director	William HO Sai Kei BBA, MBA, CA(Canada), FCPA
Commercial Director	James Conrad LOUEY BSc
Corporate Affairs Director	Vivien CHAN Pik Kwan BA, MA, EMBA
Transport Development Director	Mark Andre SAVELLI BSc, FCILT, CDir, MIoD
Operations Director	Owen ECKFORD BE, MEngSc, LLB
Head of Depots	HO Chi Man MA, CMILT
Head of Accounts Department	Peter S H MACK MBA, MSc(Finance), LLB(Peking), ACA, CPA, ACIS
Head of Corporate Communications Department	Susanna K C SIN MA in Politics
Head of Customer Service Department	CHAN Pik Yin BA
Acting Head of Commercial Deployment Department	Jacky W H CHENG BBA, BEng
Head of Commercial and Facilities Management Department	Thomas T M TONG MSc, MBA, CEng, MIStructE, MHKIE, RPE, AP, RSE
Head of Financial Planning and Costing Department	Doris K K LAU MBA, ACA, CPA
Head of Human Resources Department	Susanna P Y WONG BSocSc, MIHRM
Head of Information Technology Department	Alfred K M YUEN BSc(Hons)
Head of Insurance Department	Clara M F LEUNG ACII, Chartered Insurance Practitioner
Head of Internal Audit Department	Thomas M L LEUNG BSc(Hons), ACA, FCCA, CPA, CGA
Head of Office Administration Department	Queenie L M YAU BBA
Head of Planning and Development Department	Alok JAIN BEng, MEng, CMILT
Head of Purchasing Department	Eric M H LEE MBA, BMath, GDEHKL, M.Inst.Pa
Head of Safety and Service Quality Department	Gary K F WONG MSc(SafMgt), GD(OHS)
Head of Service Department	LEUNG Kin Wang BSc
Principal Engineer, Bus Engineering	SHUM Yuet Hung BSc(Eng), MSc, MSc(Eng), MBA, MIRTE, FIMechE, CEng, FHKIE, ACGI, MSOE, RPE, CEnv
Head of Traffic Department	Wendy W M SIU BA, CMILT
Head of Treasury Department	Simon C S CHEUNG MBA, BSc, CGA, FCCA, CMILT
Acting General Manager (Kowloon Bay Depot)	Paul K H YEUNG BA, MBA
Acting General Manager (Lai Chi Kok Depot)	Andrew C W KWAN CMILT
General Manager (Shatin Depot)	FUNG Siu Hung BSc(Econ), MA, CMILT
General Manager (Tuen Mun Depot)	WOO Kin Keung
Long Win Bus Company Limited	
Operations and Project Director	Kenrick FOK Choi Fook CMILT
General Manager	MA Siu Wah BA, CMILT, AMInstTA, PgD
KMB (China) Holdings Limited and New Hong Kong Bus Company Limited	
General Manager	Simon TU Sik Man MBA, CMILT
Sun Bus Holdings Limited	
Executive Director	Simon TU Sik Man MBA, CMILT
General Manager	Benjamin C H WONG CMILT
RoadShow Holdings Limited	
Managing Director	Alex MO Tik Sang
Chief Financial Officer and Company Secretary	Jo MAN Miu Sheung ACA, CPA
Chief Operating Officer	Thomas LO Sui Sing
General Manager, Marketing and Sales (Greater China)	Simon SIU Kar Chun
Operations and Planning Director	Ada LO Ching

FINANCIAL REPORTS

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report and the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 134 to 207 of this Annual Report.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of HK$371,319,000 (2012 (restated): HK$165,837,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK$0.15 (2012: HK$0.15) per share was paid to the shareholders on 17 October 2013. The Directors now recommend that a final dividend of HK$0.45 (2012: HK$0.45) per share in respect of the year ended 31 December 2013 be paid to shareholders on 10 June 2014.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$317,000 (2012: HK$504,000).

FIXED ASSETS

During the year, major additions to the fixed assets of the Group were buses under construction with a total cost of HK$1,092,875,000 (2012: HK$137,067,000) and tools and other fixed assets with a total cost of HK$284,905,000 (2012: HK$309,336,000). Buses with a total cost of HK$679,148,000 (2012: HK$334,388,000) were licensed and put into service during the year following the completion of construction. Other movements in fixed assets during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

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

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	(Managing Director)
Gordon SIU Kwing Chue*, GBS, CBE, JP	
John Anthony MILLER, SBS, OBE	
Evan AU YANG Chi Chun	(Deputy Managing Director)
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	(Appointed on 1 January 2014)
Roger LEE Chak Cheong	(Served as Alternate Director to Mr Raymond KWOK Ping Luen, JP for the period from 1 April 2013 to 2 March 2014 and appointed as Director on 3 March 2014)
Godwin SO Wai Kei	(Served as Alternate Director to Dr Walter KWOK Ping Sheung, JP for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen, JP on 3 March 2014)
YUNG Wing Chung	(Served as Alternate Director to Mr Raymond KWOK Ping Luen, JP until 31 March 2013)
Dr Walter KWOK Ping Sheung, JP	(Resigned on 27 January 2014)

* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), Dr John Chan Cho Chak, Mr Ng Siu Chan, Mr Gordon Siu Kwing Chue, Mr John Anthony Miller, Mr Evan Au Yang Chi Chun, Mr Allen Fung Yuk Lun and Mr Roger Lee Chak Cheong will retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 116 to 122 of this Annual Report.

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

The Directors of the Company who held office at 31 December 2013 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

(a) Interests in issued shares of the Company

	Ordinary shares of HK$1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	2,000	–
Raymond KWOK Ping Luen	393,350	–	–	–	393,350	0.097%
NG Siu Chan	–	21,000,609	–	–	21,000,609	5.203%
William LOUEY Lai Kuen	6,251,416	–	–	–	6,251,416	1.549%
Charles LUI Chung Yuen	12,427	–	–	2,651,750 (Note 1)	2,664,177	0.660%
Winnie NG	41,416	–	–	21,000,609 (Note 2)	21,042,025	5.213%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Evan AU YANG Chi Chun	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Roger LEE Chak Cheong (Served as Alternate Director to Mr Raymond KWOK Ping Luen for the period from 1 April 2013 to 2 March 2014 and appointed as Director on 3 March 2014)	–	–	–	–	–	–
Godwin SO Wai Kei (Served as Alternate Director to Dr Walter KWOK Ping Sheung for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014)	–	–	–	–	–	–
Dr Walter KWOK Ping Sheung	61,522	–	–	–	61,522	0.015%

* Independent Non-executive Director

Notes:

(1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,651,750 shares in the Company.

(2) Ms Winnie Ng has interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

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

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

	Ordinary shares of HK$0.1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	–	–	–	–	–	–
Raymond KWOK Ping Luen	37,400	–	–	–	37,400	0.004%
NG Siu Chan	–	123,743	–	–	123,743	0.012%
William LOUEY Lai Kuen	412,371	–	–	–	412,371	0.041%
Charles LUI Chung Yuen	–	–	–	209,131 (Note 1)	209,131	0.021%
Winnie NG	1,000,000	–	–	123,743 (Note 2)	1,123,743	0.113%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Evan AU YANG Chi Chun	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Roger LEE Chak Cheong (Served as Alternate Director to Mr Raymond KWOK Ping Luen for the period from 1 April 2013 to 2 March 2014 and appointed as Director on 3 March 2014)	–	–	–	–	–	–
Godwin SO Wai Kei (Served as Alternate Director to Dr Walter KWOK Ping Sheung for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014)	–	–	–	–	–	–
Dr Walter KWOK Ping Sheung	6,600	–	–	–	6,600	0.001%

* Independent Non-executive Director

Notes:

(1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.

(2) Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 31 December 2013, none of the Directors had any non-beneficial interest in the share capital of the Company.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 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 Securities and Futures Ordinance in more than 5% of the issued shares of SHKP.

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

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

At 31 December 2013, 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)	–	133,271,012	133,271,012	33.0%
Arklake Limited (note 1)	68,600,352	–	68,600,352	17.0%
HSBC International Trustee Limited	35,837,445	–	35,837,445	8.9%
Kwong Tai Holdings (PTC) Limited (note 3)	21,000,609	–	21,000,609	5.2%

Notes:

(1) The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.

(2) Under The Code on Takeovers and Mergers ("the Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP has been holding 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, the above transitional provisions applied to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.

(3) The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both are Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRE-EMPTIVE RIGHTS

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

SENIOR MANAGEMENT

The Executive Directors of the Company, Mr Charles Lui Chung Yuen, Mr Edmond Ho Tat Man and Mr Evan Au Yang Chi Chun are members of the senior management of the Group whose brief particulars are set out on pages 118, 119 and 121 respectively of this Annual Report.

STAFF RETIREMENT SCHEMES

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

(a) Defined benefit retirement schemes

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

The most recent actuarial valuations of the two schemes were at 1 January 2014 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

The KMB Monthly Rated Employees Scheme

(i) The scheme was established with effect from 15 February 1978.

(ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note overleaf) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment return at 5.5% and salary escalation at 4.5% per annum; mortality rates 2011 Hong Kong Life Tables; and normal retirement age of 65.

(iii) The market value of the scheme assets at 31 December 2013 was HK$1,220,501,000 (2012: HK$1,139,345,000).

(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 2013 and 2012.

(v) The ongoing funding surplus in the scheme was HK$466,756,000 (2012: HK$396,072,000) and the solvency surplus was HK$467,188,000 (2012: HK$397,142,000) at 31 December 2013.

STAFF RETIREMENT SCHEMES (continued)

(a) Defined benefit retirement schemes (continued)

The KMB Daily Rated Employees Scheme

(i) The scheme was established with effect from 1 July 1983.

(ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment return at 5.5% and salary escalation at 4.5% per annum; mortality rates 2011 Hong Kong Life Tables; and normal retirement age of 60.

(iii) The market value of the scheme assets at 31 December 2013 was HK$2,578,882,000 (2012: HK$2,464,553,000).

(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 2013 and 2012.

(v) The ongoing funding surplus in the scheme was HK$1,062,420,000 (2012: HK$908,635,000) and the solvency surplus was HK$1,125,371,000 (2012: HK$976,885,000) at 31 December 2013.

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(w)(ii) and 21 to the financial statements).

(b) Defined contribution retirement scheme

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

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to 1 June 2012). Contributions to the SHKP Scheme during the year are charged to the income statement as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2013 were insignificant to the Group.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group as at 31 December 2013 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 2013, except that 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 23 May 2013 as provided for in code provision A.6.7 due to other engagements. A report on the principal corporate governance practices adopted by the Company is set out on pages 94 to 111 of this Annual Report.

PROPERTIES

Particulars of the investment properties and completed property held for sale of the Group are shown on pages 88 to 89 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2013.

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, 24 March 2014

TO THE SHAREHOLDERS OF TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Transport International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 134 to 207, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Turnover	3 & 13	**7,420,374**	7,181,010
Other net income	1(c)(vi) & 4	**271,350**	185,829
Cost of properties sold		**(394)**	(21,489)
Staff costs	1(c)(vi) & 5(a)	**(3,529,075)**	(3,367,954)
Depreciation and amortisation		**(768,794)**	(842,725)
Fuel and oil		**(1,536,513)**	(1,593,553)
Spare parts and stores		**(270,391)**	(239,412)
Toll charges		**(396,424)**	(390,883)
Other operating expenses		**(784,721)**	(739,232)
Profit from operations		**405,412**	171,591
Finance costs	5(b)	**(7,307)**	(9,433)
Share of profits of associates		**34,765**	34,526
Reversal of impairment loss on other financial assets	20(c)	**25,611**	–
Profit before taxation	5	**458,481**	196,684
Income tax	1(c)(vi) & 6(a)	**(55,087)**	(5,968)
Profit for the year	1(c)(vi)	**403,394**	190,716
Attributable to:			
Equity shareholders of the Company		**371,319**	165,837
Non-controlling interests		**32,075**	24,879
Profit for the year		**403,394**	190,716
Profit for the year attributable to equity shareholders of the Company:			
Arising from Manhattan Hill properties		**93,854**	76,320
Arising from the Group's other operations		**277,465**	89,517
	1(c)(vi)	**371,319**	165,837
Earnings per share – basic and diluted:	11		
Arising from Manhattan Hill properties		**$0.23**	$0.19
Arising from the Group's other operations		**0.69**	0.22
		$0.92	$0.41

The notes on pages 141 to 207 form part of these financial statements. Details of dividends paid and payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12. Details of restatement made to the consolidated income statement for the year ended 31 December 2012 are disclosed in note 1(c)(vi).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Profit for the year		**403,394**	190,716
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will not be reclassified to profit or loss:			
Remeasurements of the employee benefit assets, net of tax of $143,465,000 (2012: $45,648,000)	1(c)(vi)	**726,021**	231,005
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		**24,793**	1,075
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	10	**(7,810)**	8,995
Total comprehensive income for the year	1(c)(vi)	**1,146,398**	431,791
Attributable to:			
Equity shareholders of the Company		**1,114,323**	406,912
Non-controlling interests		**32,075**	24,879
Total comprehensive income for the year		**1,146,398**	431,791

The notes on pages 141 to 207 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	At 31 December 2013 $'000	At 31 December 2012 $'000 (Restated)	At 1 January 2012 $'000 (Restated)
Non-current assets				
Fixed assets	14(a)			
– Investment properties		**115,338**	120,398	123,135
– Investment property under development		**14,913**	13,397	11,741
– Interest in leasehold land		**67,402**	69,414	71,426
– Other properties, plant and equipment		**4,289,246**	3,648,572	3,914,255
		4,486,899	3,851,781	4,120,557
Intangible assets	15	**132,122**	132,122	44,178
Goodwill	16	**84,051**	84,051	63,315
Non-current prepayments	17	**12,484**	3,741	1,667
Interest in associates	19	**723,953**	671,521	668,136
Other financial assets	20	**229,355**	591,020	472,465
Employee benefit assets	1(c)(vi) & 21(a)	**1,017,614**	325,882	263,203
Deferred tax assets	27(b)	**4,790**	4,499	3,536
		6,691,268	5,664,617	5,637,057
Current assets				
Completed property held for sale		**–**	351	19,702
Spare parts and stores		**60,344**	46,224	59,420
Accounts receivable	22	**449,566**	455,071	348,444
Other financial assets	20	**367,907**	48,435	15,032
Deposits and prepayments		**21,282**	27,946	30,340
Current tax recoverable	27(a)	**17,617**	21,581	110,757
Pledged and restricted bank deposits	23(a)	**65,682**	62,885	45,455
Cash and cash equivalents	23(a)	**2,563,130**	3,033,703	2,928,606
		3,545,528	3,696,196	3,557,756
Current liabilities				
Bank loans and overdrafts	24	**200,003**	200,082	70,040
Accounts payable and accruals	25	**1,185,707**	1,116,877	1,066,876
Contingency provision – insurance	26	**140,999**	135,997	136,297
Current tax payable	27(a)	**9,808**	17,627	4,541
		1,536,517	1,470,583	1,277,754
Net current assets		**2,009,011**	2,225,613	2,280,002
Total assets less current liabilities		**8,700,279**	7,890,230	7,917,059

CONSOLIDATED BALANCE SHEET

at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	At 31 December 2013 $'000	At 31 December 2012 $'000 (Restated)	At 1 January 2012 $'000 (Restated)
Non-current liabilities				
Bank loans	24	**399,093**	598,497	797,901
Deferred tax liabilities	1(c)(vi) & 27(b)	**683,017**	531,435	518,765
Contingency provision – insurance	26	**297,621**	310,718	309,575
Provision for long service payments	28	**19,806**	28,859	37,254
		1,399,537	1,469,509	1,663,495
Net assets	1(c)(vi)	**7,300,742**	6,420,721	6,253,564
Capital and reserves				
Share capital	29(b)	**403,639**	403,639	403,639
Reserves		**6,704,515**	5,832,376	5,667,648
Total equity attributable to equity shareholders of the Company		**7,108,154**	6,236,015	6,071,287
Non-controlling interests		**192,588**	184,706	182,277
Total equity	1(c)(vi)	**7,300,742**	6,420,721	6,253,564

Approved and authorised for issue by the Board of Directors on 24 March 2014

Norman LEUNG Nai Pang
Chairman

Edmond HO Tat Man
Managing Director

The notes on pages 141 to 207 form part of these financial statements.

BALANCE SHEET

at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Plant and equipment	14(b)	**–**	–
Investments in subsidiaries	18(a)	**1,188,423**	1,188,423
		1,188,423	1,188,423
Current assets			
Deposits and prepayments		**271**	726
Amounts due from subsidiaries	18(b)	**8,179,041**	8,395,304
Cash and cash equivalents	23(a)	**6,734**	31,859
		8,186,046	8,427,889
Current liabilities			
Accounts payable and accruals	25	**39,895**	39,781
Amounts due to subsidiaries	18(b)	**7,591,529**	7,591,422
		7,631,424	7,631,203
Net current assets		**554,622**	796,686
Net assets		**1,743,045**	1,985,109
Capital and reserves	29(a)		
Share capital		**403,639**	403,639
Reserves		**1,339,406**	1,581,470
Total equity		**1,743,045**	1,985,109

Approved and authorised for issue by the Board of Directors on 24 March 2014

Norman LEUNG Nai Pang
Chairman

Edmond HO Tat Man
Managing Director

The notes on pages 141 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital	Other reserves	Exchange reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				(note 29(c)(i))	(note 29(c)(ii))				
Balance at 1 January 2012		403,639	1,102,614	158,874	7,205	4,847,728	6,520,060	182,277	6,702,337
Impact of change in accounting policy		–	–	–	–	(448,773)	(448,773)	–	(448,773)
Restated balance at 1 January 2012	1(c)(vi)	403,639	1,102,614	158,874	7,205	4,398,955	6,071,287	182,277	6,253,564
Changes in equity for 2012:									
Profit for the year (restated)		–	–	–	–	165,837	165,837	24,879	190,716
Other comprehensive income for the year (restated)		–	–	1,075	8,995	231,005	241,075	–	241,075
Total comprehensive income for the year (restated)		–	–	1,075	8,995	396,842	406,912	24,879	431,791
Dividend approved in respect of the previous year	12(b)	–	–	–	–	(181,638)	(181,638)	–	(181,638)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(22,450)	(22,450)
Dividend approved in respect of the current year	12(a)	–	–	–	–	(60,546)	(60,546)	–	(60,546)
		–	–	–	–	(242,184)	(242,184)	(22,450)	(264,634)
Balance at 31 December 2012 and 1 January 2013 (restated)	1(c)(vi)	**403,639**	**1,102,614**	**159,949**	**16,200**	**4,553,613**	**6,236,015**	**184,706**	**6,420,721**
Changes in equity for 2013:									
Profit for the year		**–**	**–**	**–**	**–**	**371,319**	**371,319**	**32,075**	**403,394**
Other comprehensive income for the year		**–**	**–**	**24,793**	**(7,810)**	**726,021**	**743,004**	**–**	**743,004**
Total comprehensive income for the year		**–**	**–**	**24,793**	**(7,810)**	**1,097,340**	**1,114,323**	**32,075**	**1,146,398**
Dividend approved in respect of the previous year	12(b)	**–**	**–**	**–**	**–**	**(181,638)**	**(181,638)**	**–**	**(181,638)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(24,193)**	**(24,193)**
Dividend approved in respect of the current year	12(a)	**–**	**–**	**–**	**–**	**(60,546)**	**(60,546)**	**–**	**(60,546)**
		–	**–**	**–**	**–**	**(242,184)**	**(242,184)**	**(24,193)**	**(266,377)**
Balance at 31 December 2013		**403,639**	**1,102,614**	**184,742**	**8,390**	**5,408,769**	**7,108,154**	**192,588**	**7,300,742**

The notes on pages 141 to 207 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Operating activities			
Cash generated from operations	23(c)	**1,047,868**	1,049,506
Interest received		**82,305**	72,449
Interest paid		**(6,707)**	(8,848)
Tax (paid)/refunded			
– Hong Kong Profits Tax		**(47,720)**	49,234
– The People's Republic of China ("PRC") income tax		**(485)**	(94)
– PRC withholding tax		**(2,911)**	(1,525)
Net cash generated from operating activities		**1,072,350**	1,160,722
Investing activities			
Increase in pledged and restricted bank deposits		**(2,797)**	(17,430)
Decrease/(increase) in bank deposits with original maturities of over three months		**977,020**	(1,357,973)
Payment for the purchase of fixed assets		**(1,204,959)**	(565,474)
Receipt of government grant for the purchase of fixed assets		**1,650**	–
Payment for purchase of available-for-sale debt securities		**–**	(171,047)
Proceeds from disposal of fixed assets		**7,284**	18,075
Proceeds on maturity of available-for-sale debt securities		**48,076**	15,000
Acquisition of subsidiaries, net of cash acquired	31(b)	**–**	(104,583)
Transaction costs for acquisition of subsidiaries		**–**	(861)
Dividends received from associates		**6,761**	32,142
Dividends received from unlisted equity securities		**37,200**	77,252
Net cash used in investing activities		**(129,765)**	(2,074,899)
Financing activities			
Repayment of bank loans		**(200,000)**	(70,000)
Dividends paid to equity shareholders of the Company		**(242,184)**	(242,184)
Dividends paid to non-controlling interests		**(24,193)**	(22,450)
Net cash used in financing activities		**(466,377)**	(334,634)
Net increase/(decrease) in cash and cash equivalents		**476,208**	(1,248,811)
Cash and cash equivalents at 1 January		**436,610**	1,689,528
Effect of foreign exchange rate changes		**30,318**	(4,107)
Cash and cash equivalents at 31 December	23(a)	**943,136**	436,610

The notes on pages 141 to 207 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments in securities (see note 1(g)), and employee benefit assets (see note 1(w)(ii)) are stated at their fair value, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements - presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual improvements to HKFRSs 2009-2011 cycle*
- Amendments to HKFRS 7 – *Financial instruments: disclosures – offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

(i) Amendments to HKAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

(ii) HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, Consolidation – special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

(iii) HKFRS 11, *Joint arrangements*

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements.

Upon adoption of HKFRS 11, the Group has reclassified investments in jointly controlled assets to joint operations. The investments continue to be recognised on a line-by-line basis and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(iv) HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 18 and 19.

(v) HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14 and 32(f). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(vi) Revised HKAS 19, *Employee benefits*

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the "corridor method" was previously applied. This change in accounting policy has been applied retrospectively by restating the balances as at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as shown in the following page.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(vi) Revised HKAS 19, *Employee benefits* (continued)

	As previously reported $'000	Effect of adopting revised HKAS 19 $'000	As restated $'000
Consolidated income statement for the year ended 31 December 2012:			
Other net income	228,544	(42,715)	185,829
Staff costs	3,238,980	128,974	3,367,954
Income tax expense	34,297	(28,329)	5,968
Profit for the year	334,076	(143,360)	190,716
Basic and diluted earnings per share	$0.77	$(0.36)	$0.41
Consolidated statement of comprehensive income for the year ended 31 December 2012:			
Remeasurement of employee benefit assets	–	231,005	231,005
Total comprehensive income for the year	344,146	87,645	431,791
Consolidated balance sheet at 31 December 2012:			
Employee benefit assets	758,371	(432,489)	325,882
Deferred tax liabilities	602,796	(71,361)	531,435
Net assets/total equity	6,781,849	(361,128)	6,420,721
Retained profits	4,914,741	(361,128)	4,553,613
Consolidated balance sheet at 1 January 2012:			
Employee benefit assets	800,656	(537,453)	263,203
Deferred tax liabilities	607,445	(88,680)	518,765
Net assets/total equity	6,702,337	(448,773)	6,253,564
Retained profits	4,847,728	(448,773)	4,398,955

The Group's net employee benefit assets at 31 December 2013 are lower by $223,615,000 than it would have been if the policy had not been changed.

The impact of the adjustments on profit attributable to equity shareholders of the Company for the year ended 31 December 2012 is set out as follows:

	2012 $'000
As previously reported	309,197
Adjustment to other net income	(42,715)
Adjustment to staff costs	(128,974)
Adjustment to income tax expense	28,329
As restated	165,837

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(vii) Annual improvements to HKFRSs 2009-2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such statement is presented.

Since the group considers that the restatement resulting from the adoption of revised HKAS 19 has a material impact on the opening financial position, an additional consolidated balance sheet as at 1 January 2012 has been presented in these financial statements.

(viii) Amendments to HKFRS 7 – *Financial instruments: disclosures – offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)) or joint venture.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(l)(ii)).

(e) Associates and joint operations

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

If an investment is an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint operations (continued)

The Group recognises in the financial statements its share of a joint operation's assets and any liabilities incurred jointly with other operators according to their nature. Liabilities and expenses incurred directly in respect of its interest in the joint operation are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the joint operation, together with its share of any expenses incurred by the joint operation, are recognised in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's accounting policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in securities which are not held for trading are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in the income statement in accordance with the accounting policies set out in notes 1(t)(v) and 1(t)(iv) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in the income statement.

When these investments are derecognised or impaired (see note 1(l)(i)), the cumulative gain or loss is reclassified to the income statement. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in the accounting policy set out in note 1(t)(vi).

(i) Other property, plant and equipment

Properties held for own use and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense. Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Buildings situated on leasehold land	– The shorter of 40 years and the unexpired terms of the leases
Leasehold land classified as being held under finance leases	– The unexpired terms of the leases
Buses	– 14 years
Other motor vehicles	– 5 to 14 years
Others	– 2 to 7 years

No depreciation is provided for buses under construction.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, in accordance with the accounting policies as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policies as set out in note 1(l)(ii). All of the Group's leasehold land classified as held under finance lease has been fully paid.

(ii) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(k) Intangible assets (other than goodwill)

Passenger service licences and transport operating rights that are assessed and regarded by the Group to have indefinite useful lives are stated at cost less accumulated impairment losses (see note 1(l)(ii)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to the consolidated income statement on a straight-line basis over the asset's estimated remaining useful life.

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with the accounting policies set out in note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with the accounting policies set out in note 1(l)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the financial asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- intangible assets;
- goodwill; and
- investment in subsidiaries in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, their recoverable amounts are estimated annually whether or not there is indication of impairment.

- Calculation of the recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and 1(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(m) Completed property held for sale

Inventories in respect of completed property held for sale are carried at the lower of cost and net realisable value. Cost of completed property developed by the Group is determined by apportionment of the total development costs for that development project attributable to the unsold property. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(n) Spare parts and stores

Spare parts and stores are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance the accounting policies set out in note 1(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with the accounting policies set out in note 1(s)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.

(ii) Revenue arising from the sale of completed property held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on property sold prior to the date of revenue recognition are included in accounts payable and accruals in the balance sheet.

Where property is sold under deferred terms with part of the sale proceeds being receivable after an interest-free period, that portion of the differences between the sale prices with and without such terms representing finance income is allocated to the income statement on a basis that takes into account the effective yield on the amounts of the sale proceeds receivable over the interest-free period.

(iii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public. Income from production of advertising content and materials is recognised when the related services are provided.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(v) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in the PRC is Renminbi ("RMB"). The presentation currency of the Group is Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the average foreign exchange rates for the year. Balance sheet items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollar at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(w) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in the income statement. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in the income statement at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the balance sheet date on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 16 and 21(f) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 26, is based on past claims experience and recent claims development. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Depreciation/amortisation

Fixed assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Impairment of assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(d) Recognition of deferred tax assets

At 31 December 2013, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 27(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in the income statement for the period in which such a reversal takes place.

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 18 to the financial statements.

Turnover comprises fare revenue from the operation of franchised public bus and non-franchised transport services, revenue from sales of properties, revenue from media sales and gross rentals from investment properties recognised during the year and is analysed as follows:

	2013 $'000	2012 $'000
Fare revenue from franchised public bus services	**6,596,373**	6,315,180
Revenue from non-franchised transport services	**326,371**	301,417
Media sales revenue	**466,359**	424,673
Revenue from sales of properties	**1,600**	112,720
Gross rentals from investment properties	**29,671**	27,020
	7,420,374	7,181,010

The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. Further details regarding the Group's principal activities are disclosed in note 13 to the financial statements.

4 OTHER NET INCOME

	2013 $'000	2012 $'000 (Restated)
Reversal of development cost accrual relating to Manhattan Hill (note (a))	**108,246**	–
Interest income on other financial assets not at fair value through profit or loss	**66,237**	67,695
Interest income on instalments receivable from sales of properties	**29**	66
Dividend income from unlisted equity securities	**37,200**	77,252
Net movement in balance of passenger rewards (note (b))	**(4,160)**	(2,851)
Claims received	**34,286**	21,546
Net miscellaneous business receipts	**6,512**	7,147
Net gain on disposal of fixed assets	**2,756**	580
Available-for-sale debt securities: reclassified from equity on maturity (note 10)	**292**	1
Net foreign exchange loss	**(957)**	(2,463)
Sundry revenue	**20,909**	16,856
	271,350	185,829

Notes:

(a) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract (the "Prime Cost Contract") with Chun Fai Construction Co. Ltd. ("CFCCL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, for the provision of management contractor services relating to the property under development of the Group ("Manhattan Hill"). In 2004, a supplementary agreement to the Prime Cost Contract (the "Supplementary Agreement") was entered into between LCKPI and CFCCL for the purposes of upgrading the design, materials and quality of the workmanship of Manhattan Hill. Pursuant to the Prime Cost Contract, as supplemented by the Supplementary Agreement, the aggregate consideration payable to CFCCL should not exceed $1,617,743,000.

In prior years, LCKPI has accrued the amount payable to CFCCL in accordance with the terms set out in the Prime Cost Contract and the Supplementary Agreement. At 31 December 2012, outstanding balance payable for this contract amounted to $95,805,000. During the year, the statement of final account in respect of this contract has been concluded and a finalised amount of $21,413,000 is confirmed to be payable to CFCCL. The balance of the accrued amount of $74,392,000 is reversed during the period.

Further, a provision of $33,854,000 made in prior years in respect of sub-contractors for the development of Manhattan Hill was also reversed during the current period upon the finalisation of the statement of final account.

(b) Under the revised Modified Basket of Factors ("MBOF") approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net fixed assets is required to be set aside and accumulated in a balance of passenger rewards which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2013 and 2012 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2013, included in accounts payable and accruals (note 25), was $10,706,000 (2012: $6,546,000).

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 $'000	2012 $'000 (Restated)
(a) Staff costs		
Defined benefit retirement plan expense (note 21(e))	**135,754**	128,974
Contributions to defined contribution retirement plans	**95,145**	81,618
Movements in provision for long service payments (note 28)	**(1,062)**	689
Total retirement cost	**229,837**	211,281
Salaries, wages and other benefits	**3,299,238**	3,156,673
	3,529,075	3,367,954
(b) Finance costs		
Interest on bank loans and overdrafts not at fair value through profit or loss	**7,307**	9,433
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	**(29,671)**	(27,020)
Less: direct outgoings	**9,033**	8,256
	(20,638)	(18,764)
Note: Included contingent rental income of $50,000 (2012: $343,000).		
(d) Other items		
Amortisation of land lease premium	**2,012**	2,012
Depreciation	**766,782**	840,713
Impairment loss on trade and other receivables (note 22(b))		
– recognised	**27**	912
– written-back	**(75)**	(27)
(Write-back)/write-down of spare parts and stores	**(1,518)**	16,691
Operating lease charges: minimum lease payments in respect of properties, buses and terminal shelters	**37,934**	37,481
Auditors' remuneration		
– audit services	**5,602**	5,121
– other services	**1,857**	1,488
Acquisition related costs	**–**	861

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2013 $'000	2012 $'000 (Restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	**44,453**	53,033
(Over)/under-provision in respect of prior years	**(714)**	315
	43,739	53,348
Current tax – The People's Republic of China ("PRC") Income Tax		
Provision for the year	**611**	163
PRC withholding tax	**2,911**	1,525
	47,261	55,036
Deferred tax		
Origination and reversal of temporary differences	**7,826**	(49,068)
	55,087	5,968

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2013 $'000	2012 $'000 (Restated)
Profit before taxation	**458,481**	196,684
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**81,248**	34,265
Tax effect of non-deductible expenses	**7,533**	5,650
Tax effect of non-taxable income	**(34,124)**	(36,514)
Tax effect of unused tax losses not recognised	**995**	1,739
(Over)/under-provision in respect of prior years	**(714)**	315
Others	**149**	513
Actual tax expense	**55,087**	5,968

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

		2013				
	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
		$'000	$'000	$'000	$'000	$'000
Executive Directors						
Charles Lui Chung Yuen	(a)	264	840	65	–	1,169
Edmond Ho Tat Man	(a)	374	4,815	–	578	5,767
Evan Au Yang Chi Chun	(a)	264	4,254	3	213	4,734
Non-executive Directors						
Raymond Kwok Ping Luen		495	–	–	–	495
Ng Siu Chan		264	–	–	–	264
William Louey Lai Kuen		264	–	–	–	264
Winnie Ng	(a)	671	–	–	–	671
John Anthony Miller	(a)	440	–	–	–	440
Roger Lee Chak Cheong	(b)	–	–	–	–	–
Godwin So Wai Kei	(c)	–	–	–	–	–
Dr Walter Kwok Ping Sheung	(d)	264	–	–	–	264
Yung Wing Chung	(e)	50	–	–	–	50
Independent Non-executive Directors						
Dr Norman Leung Nai Pang		693	–	–	–	693
Dr John Chan Cho Chak	(a) & (f)	726	–	–	–	726
Dr Eric Li Ka Cheung	(a)	614	–	–	–	614
Gordon Siu Kwing Chue		352	–	–	–	352
Professor Liu Pak Wai		297	–	–	–	297
The Hon Sir Sze-yuen Chung	(g)	–	–	–	–	–
		6,032	9,909	68	791	16,800

7 DIRECTORS' REMUNERATION (continued)

		2012				
	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
		$'000	$'000	$'000	$'000	$'000
Executive Directors						
Charles Lui Chung Yuen	(a)	264	840	62	–	1,166
Edmond Ho Tat Man	(a)	374	4,240	400	509	5,523
Evan Au Yang Chi Chun	(a)	264	3,746	353	187	4,550
Non-executive Directors						
Raymod Kwok Ping Luen		495	–	–	–	495
Ng Siu Chan		264	–	–	–	264
William Louey Lai Kuen		264	–	–	–	264
Winnie Ng	(a)	671	–	–	–	671
John Anthony Miller	(a)	440	–	–	–	440
Godwin So Wai Kei	(c)	–	–	–	–	–
Dr Walter Kwok Ping Sheung	(d)	264	–	–	–	264
Yung Wing Chung	(e)	218	–	–	–	218
Independent Non-executive Directors						
Dr Norman Leung Nai Pang		671	–	–	–	671
Dr John Chan Cho Chak	(a) & (f)	690	–	–	–	690
Dr Eric Li Ka Cheung	(a)	592	–	–	–	592
Gordon Siu Kwing Chue		330	–	–	–	330
Professor Liu Pak Wai		285	–	–	–	285
The Hon Sir Sze-yuen Chung	(g)	139	–	–	–	139
		6,225	8,826	815	696	16,562

Notes:

(a) The amounts included emoluments from the Company and certain of its subsidiaries.

(b) Mr Roger Lee Chak Cheong served as Alternate Director to Mr Raymond Kwok Ping Luen for the period from 1 April 2013 to 2 March 2014 and appointed as Director on 3 March 2014.

(c) Mr Godwin So Wai Kei served as Alternate Director to Dr Walter Kwok Ping Sheung for the period from 1 January 2013 to 27 January 2014 and appointed as Alternate Director to Mr Raymond Kwok Ping Luen on 3 March 2014.

(d) Dr Walter Kwok Ping Sheung resigned on 27 January 2014.

(e) Mr Yung Wing Chung served as Alternate Director to Mr Raymond Kwok Ping Luen until 31 March 2013. He has been appointed as a Non-executive Director of RoadShow Holdings Limited ("RoadShow") with effect from 20 November 2008. His emolument was solely in respect of his services as a director of RoadShow for the period from 1 January 2013 to 31 March 2013.

(f) Dr John Chan Cho Chak was redesignated as Independent Non-executive Director with effect from 4 January 2012.

(g) The Hon Sir Sze-yuen Chung retired on 17 May 2012.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: two) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2013 $'000	2012 $'000
Fees	**748**	638
Salaries, allowances and benefits in kind	**15,473**	14,138
Discretionary bonuses	**2,673**	2,774
Retirement scheme contributions	**1,045**	825
	19,939	18,375

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2013	2012
$2,000,001 – $2,500,000	**1**	2
$2,500,001 – $3,000,000	**1**	–
$3,500,001 – $4,000,000	**–**	1
$4,000,001 – $4,500,000	**1**	–
$4,500,001 – $5,000,000	**1**	1
$5,500,001 – $6,000,000	**1**	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $120,000 (2012: $299,884,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 12.

10 OTHER COMPREHENSIVE INCOME

	2013 $'000	2012 $'000
Available-for-sale debt securities:		
Change in fair value recognised during the year	**(7,518)**	8,996
Reclassification adjustment for amount transferred to profit or loss on maturity (note 4)	**(292)**	(1)
	(7,810)	8,995

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $371,319,000 (2012 (restated): $165,837,000) and 403,639,413 shares in issue during the years ended 31 December 2013 and 2012. The calculation of basic earnings per share arising from Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of $93,854,000 (2012: $76,320,000) and $277,465,000 (2012 (restated): $89,517,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2013 and 2012.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

12 DIVIDENDS

(a) Dividends paid/payable to equity shareholders of the Company attributable to the year

	2013		2012	
	Per share	**Total**	Per share	Total
	$	**$'000**	$	$'000
Interim dividend declared and paid	**0.15**	**60,546**	0.15	60,546
Final dividend proposed after the balance sheet date	**0.45**	**181,638**	0.45	181,638
	0.60	**242,184**	0.60	242,184

The final dividend proposed after the balance sheet date has not been recognised as liability at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013		2012	
	Per share	**Total**	Per share	Total
	$	**$'000**	$	$'000
Final dividend in respect of the previous financial year, approved and paid during the year	**0.45**	**181,638**	0.45	181,638

13 SEGMENT REPORTING

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

Franchised bus operation:	The provision of franchised public transport services in Hong Kong.
Media sales business:	The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.
Property development:	The development of residential properties for sale.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services, leasing of investment properties and interest in associates.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

13 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments for the years ended 31 December 2013 and 2012 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000 (Restated)	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Restated)
Revenue from external customers	**6,602,469**	6,318,984	**462,002**	421,154	**2,466**	113,197	**353,437**	327,675	**7,420,374**	7,181,010
Inter-segment revenue	**111,700**	110,028	**–**	–	**–**	–	**62,021**	25,586	**173,721**	135,614
Reportable segment revenue	**6,714,169**	6,429,012	**462,002**	421,154	**2,466**	113,197	**415,458**	353,261	**7,594,095**	7,316,624
Reportable segment profit/(loss)	**14,198**	(168,502)	**108,622**	79,499	**93,854**	76,320	**77,921**	80,288	**294,595**	67,605
Interest income	**4,806**	9,762	**9,921**	11,885	**–**	–	**29**	213	**14,756**	21,860
Interest expense	**(7,307)**	(9,433)	**–**	–	**–**	–	**–**	–	**(7,307)**	(9,433)
Depreciation and amortisation for the year	**(713,349)**	(793,676)	**(11,262)**	(10,784)	**–**	–	**(44,183)**	(38,265)	**(768,794)**	(842,725)
Reversal/(provision) of impairment loss on trade and other receivables	**–**	–	**–**	–	**–**	–	**48**	(885)	**48**	(885)
Reversal of impairment loss on other financial assets	**–**	–	**25,611**	–	**–**	–	**–**	–	**25,611**	–
Reversal of development cost accrual relating to Manhattan Hill	**–**	–	**–**	–	**108,246**	–	**–**	–	**108,246**	–
Staff costs	**(3,332,876)**	(3,190,174)	**(81,973)**	(72,743)	**–**	–	**(107,443)**	(98,192)	**(3,522,292)**	(3,361,109)
Share of profits of associates	**–**	–	**–**	–	**–**	–	**34,765**	34,526	**34,765**	34,526
Income tax (expense)/credit	**(3,768)**	33,596	**(15,871)**	(16,991)	**(18,522)**	(10,991)	**(16,912)**	(11,569)	**(55,073)**	(5,955)
Reportable segment assets	**5,810,785**	4,944,061	**778,623**	766,483	**2,505**	3,080	**1,542,326**	1,488,383	**8,134,239**	7,202,007
– including interest in associates	**–**	–	**–**	–	**–**	–	**723,953**	671,521	**723,953**	671,521
Additions to non-current segment assets during the year	**1,358,228**	544,787	**11,226**	6,696	**–**	–	**38,988**	148,641	**1,408,442**	700,124
Reportable segment liabilities	**2,680,417**	2,557,478	**94,171**	110,369	**11,538**	149,161	**104,968**	71,290	**2,891,094**	2,888,298

13 SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment revenue, profit/(loss), assets and liabilities

	2013 $'000	2012 $'000 (Restated)
Revenue		
Reportable segment revenue	**7,178,637**	6,963,363
Revenue from all other segments	**415,458**	353,261
Elimination of inter-segment revenue	**(173,721)**	(135,614)
Consolidated turnover	**7,420,374**	7,181,010
Profit/(loss)		
Reportable segment profit/(loss)	**216,674**	(12,683)
Profit from all other segments	**77,921**	80,288
Unallocated profits	**108,799**	123,111
Consolidated profit after taxation	**403,394**	190,716
Assets		
Reportable segment assets	**6,591,913**	5,713,624
Assets from all other segments	**1,542,326**	1,488,383
Unallocated assets	**2,102,557**	2,158,806
Consolidated total assets	**10,236,796**	9,360,813
Liabilities		
Reportable segment liabilities	**2,786,126**	2,817,008
Liabilities from all other segments	**104,968**	71,290
Unallocated liabilities	**44,960**	51,794
Consolidated total liabilities	**2,936,054**	2,940,092

(c) Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided or the properties were sold, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's fixed assets, intangible assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interest in associates.

	Specified non-current assets	
	2013	2012
	$'000	$'000
Hong Kong (place of domicile)	**4,615,665**	3,981,540
The PRC	**811,360**	757,935
	5,427,025	4,739,475

14 FIXED ASSETS

(a) The Group

	Buildings $'000	Buses and other motor vehicles $'000	Buses under construction $'000	Tools and others $'000	Sub-total $'000	Investment property under development $'000	Investment properties $'000	Interest in leasehold land $'000	Total fixed assets $'000
Cost:									
At 1 January 2012	1,415,486	9,554,350	260,319	3,147,797	14,377,952	13,761	163,159	115,513	14,670,385
Additions									
– through acquisition of subsidiaries (note 31(b))	–	12,081	–	–	12,081	–	–	–	12,081
– others	37,613	33,398	137,067	309,336	517,414	1,656	1,375	–	520,445
Disposals	(2,860)	(279,353)	–	(218,024)	(500,237)	–	–	–	(500,237)
Exchange adjustments	–	–	–	8	8	–	–	–	8
Transfers	(4,467)	334,388	(334,388)	–	(4,467)	–	4,467	–	–
At 31 December 2012	1,445,772	9,654,864	62,998	3,239,117	14,402,751	15,417	169,001	115,513	14,702,682
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2012	916,748	6,869,457	–	2,677,699	10,463,904	2,020	40,024	44,087	10,550,035
Charge for the year	29,310	479,370	–	325,229	833,909	–	6,804	2,012	842,725
Written back on disposal	(2,860)	(278,724)	–	(201,158)	(482,742)	–	–	–	(482,742)
Exchange adjustments	–	–	–	8	8	–	–	–	8
Transfers	(1,775)	–	–	–	(1,775)	–	1,775	–	–
At 31 December 2012	941,423	7,070,103	–	2,801,778	10,813,304	2,020	48,603	46,099	10,910,026
Net book value:									
At 31 December 2012	504,349	2,584,761	62,998	437,339	3,589,447	13,397	120,398	69,414	3,792,656
Add: Deposits paid in respect of buses on order					58,825	–	–	–	58,825
Deposits acquired through acquisition of subsidiaries (note 31(b))					300	–	–	–	300
					3,648,572	13,397	120,398	69,414	3,851,781
Cost:									
At 1 January 2013	**1,445,772**	**9,654,864**	**62,998**	**3,239,117**	**14,402,751**	**15,417**	**169,001**	**115,513**	**14,702,682**
Additions	**21,989**	**44,992**	**1,092,875**	**284,905**	**1,444,761**	**1,516**	**(704)**	**–**	**1,445,573**
Disposals	**(18,318)**	**(454,882)**	**–**	**(116,982)**	**(590,182)**	**–**	**–**	**–**	**(590,182)**
Exchange adjustments	**–**	**–**	**–**	**24**	**24**	**–**	**–**	**–**	**24**
Transfers	**(4,625)**	**679,148**	**(679,148)**	**–**	**(4,625)**	**–**	**4,625**	**–**	**–**
At 31 December 2013	**1,444,818**	**9,924,122**	**476,725**	**3,407,064**	**15,252,729**	**16,933**	**172,922**	**115,513**	**15,558,097**
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2013	**941,423**	**7,070,103**	**–**	**2,801,778**	**10,813,304**	**2,020**	**48,603**	**46,099**	**10,910,026**
Charge for the year	**31,272**	**452,870**	**–**	**275,641**	**759,783**	**–**	**6,999**	**2,012**	**768,794**
Written back on disposal	**(18,318)**	**(454,821)**	**–**	**(112,515)**	**(585,654)**	**–**	**–**	**–**	**(585,654)**
Exchange adjustments	**–**	**–**	**–**	**26**	**26**	**–**	**–**	**–**	**26**
Transfers	**(1,982)**	**–**	**–**	**–**	**(1,982)**	**–**	**1,982**	**–**	**–**
At 31 December 2013	**952,395**	**7,068,152**	**–**	**2,964,930**	**10,985,477**	**2,020**	**57,584**	**48,111**	**11,093,192**
Net book value:									
At 31 December 2013	**492,423**	**2,855,970**	**476,725**	**442,134**	**4,267,252**	**14,913**	**115,338**	**67,402**	**4,464,905**
Add: Deposits paid in respect of buses on order					**21,994**	**–**	**–**	**–**	**21,994**
					4,289,246	**14,913**	**115,338**	**67,402**	**4,486,899**

14 FIXED ASSETS (continued)

(b) The Company

	Other fixed assets	
	2013	2012
	$'000	$'000
Cost:		
At 1 January and 31 December	**201**	201
Accumulated depreciation:		
At 1 January and 31 December	**201**	201
Net book value:		
At 31 December	**–**	–

(c) All the Group's buildings, investment properties, investment property under development and interest in leasehold land are held in Hong Kong. The analysis of the net book value of properties is as follows:

	The Group	
	2013	2012
	$'000	$'000
Medium-term leases	**438,557**	429,653
Short-term leases	**251,519**	277,905
	690,076	707,558
Representing:		
Buildings	**492,423**	504,349
Investment properties	**115,338**	120,398
Investment property under development	**14,913**	13,397
Interest in leasehold land	**67,402**	69,414
	690,076	707,558

(d) Investment properties and investment property under development are stated at cost less accumulated depreciation and impairment loss. The fair values of the investment properties and investment property under development were $2,642,910,000 and $1,835,000,000 respectively (2012: $1,607,000,000 and $1,640,000,000 respectively) as at 31 December 2013. The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's management have had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at each interim and annual reporting date. As at 31 December 2013, investment property under development recognised in fixed assets of $14,913,000 (2012: $13,397,000) is related to the Group's interests in a joint operation.

14 FIXED ASSETS (continued)

(e) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment property under development disclosed at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	The Group			
	2013			
	Fair value	Fair value measurements categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value disclosures				
Investment properties in Hong Kong:				
– commercial properties	**1,673,910**	**–**	**–**	**1,673,910**
– industrial property	**969,000**	**–**	**–**	**969,000**
Investment property under development in Hong Kong:	**1,835,000**	**–**	**–**	**1,835,000**

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FIXED ASSETS (continued)

(e) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties	Investment approach	Discount/premium on market rent	-30% to 35%
	Market comparison approach	Discount/premium on quality of shops	-30% to 10%
Investment properties in Hong Kong – industrial property	Market comparison approach	Discount/premium on quality of redevelopment	-10% to 10%
		Estimated construction cost adjustment	\$3,000 to \$3,500 per square foot
		Estimated lease modification cost adjustment	\$300,000,000
Investment property under development in Hong Kong	Market comparison approach	Discount/premium on location characteristics of the property	-20% to 15%

The fair values of currently leased and currently vacant commercial properties in Hong Kong are determined by investment approach and direct comparison approach respectively. The investment approach takes into account the current rental income and expected future market rental, adjusted by quality of the properties. The capitalisation rate used is the average yield rate of same type of properties in Hong Kong published by the Government of Hong Kong Special Administrative Region ("the HKSAR Government") for 2013. The fair value measurement is positively correlated to the expected premium on future market rental and negatively correlated to the capitalisation rate. The fair value of commercial properties using direct comparison approach is determined by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to quality of the Group's commercial properties to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of the industrial property in Hong Kong, taken into account its future redevelopment value, is determined using market comparison approach. The market comparison approach determined the fair value of the gross development value with reference to recent transaction data of nearby project, adjusted for a premium or a discount specific to the quality of the Group's property compared to the recent transaction. Higher premium for higher quality redevelopment will result in a higher gross development value. The fair value measurement has also taken into account the estimated development cost (including construction cost and lease modification cost) to arrive at the fair value of the industrial property. The fair value measurement is negatively correlated to the estimated development cost. The redevelopment of the industrial property is considered as its highest and best use under HKFRS 13.

The fair value of investment property under development located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property under development compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

14 FIXED ASSETS (continued)

(f) The Group leased out investment properties under operating leases. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. Certain leases include contingent rentals being the excess of a percentage of the monthly turnover generated by the lessees over the monthly minimum lease rentals.

The total future minimum lease payments from investment properties under non-cancellable operating leases are receivable as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**20,952**	26,501
After 1 year but within 5 years	**6,993**	22,118
	27,945	48,619

(g) In 2013, the Group received a subsidy of $1,650,000 from the HKSAR Government for bus purchases. The purpose of the subsidy is to encourage the use of diesel-electric hybrid buses by granting financial assistance to franchised public bus operators to purchase the diesel-electric hybrid buses for trial. The Group has to use the diesel-electric hybrid buses for trial on certain routes agreed by the HKSAR Government for two years. The subsidy received has been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(i).

15 INTANGIBLE ASSETS

(a) Passenger service licences and transport operating rights

	The Group	
	2013	2012
	$'000	$'000
Cost and net book value:		
At 1 January	**132,122**	44,178
Additions through acquisition of subsidiaries (note 31(b))	**–**	87,944
At 31 December	**132,122**	132,122

For those passenger service licences and transport operating rights of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

(b) Intangible assets that are regarded to have indefinite useful lives have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 16 to the financial statements.

16 GOODWILL

	The Group	
	2013	2012
	$'000	$'000
Cost and carrying amount:		
At 1 January	**84,051**	63,315
Additions through acquisition of subsidiaries (note 31(b))	**–**	20,736
At 31 December	**84,051**	84,051

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations are as follows:

	2013	2012
	%	%
Growth rate	**3.0**	3.0
Discount rates	**10.8 – 11.5**	12.3

The growth rate used does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the cash-generating unit based on the value-in-use calculations is higher than its carrying amount. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in the consolidated income statement.

17 NON-CURRENT PREPAYMENTS

Non-current prepayments and deposits comprise prepayments and deposits for purchase of fixed assets, security for the due payment of licence fees and office rental. The amounts are neither past due nor impaired.

18 INTEREST IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2013	2012
	$'000	$'000
Unlisted shares, at cost	**1,188,423**	1,188,423

18 INTEREST IN SUBSIDIARIES (continued)

(b) Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of settlement/repayment. The amounts due from subsidiaries are neither past due nor impaired.

(c) Particulars of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Percentage of ownership interest			
Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares of $1 each	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares of $1 each	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares of $1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares of $1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares of $1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares of $1 each	100	–	100	Provision of non-franchised bus services in Hong Kong

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

			Percentage of ownership interest			
Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares of $1 each	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares of $100 each	100	–	100	Provision of non-franchised bus services
GD Bonwell Champion Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares of $1 each	100	–	100	Provision of non-franchised bus services
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares of $1 each	100	–	100	Provision of non-franchised bus services
Zhan Gang Tourist Transportation Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	500,000 shares of $1 each	100	–	100	Provision of non-franchised bus services
Right Concept Transportation Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	5 shares of $1 each	100	–	100	Provision of non-franchised bus services
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property development

18 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

			Percentage of ownership interest			
Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
LCK Commercial Properties Limited	Hong Kong	1 share of $1	100	–	100	Property investment
KT Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
TM Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
KMB (Beijing) Taxi Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
KMB (Shenzhen) Transport Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
RoadShow Holdings Limited	Incorporated in Bermuda and operates in Hong Kong	997,365,332 shares of $0.1 each	73	–	73	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
RoadShow Creations Limited	Hong Kong	2 shares of $1 each	73	–	100	Trading of bus souvenirs
RoadShow Media Limited	Hong Kong	2 shares of $1 each	73	–	100	Provision of media sales and management services for advertising on transit vehicles, shelters and for the Multi-media On-board business
RoadShow Productions Limited	Hong Kong	2 shares of $1 each	73	–	100	Production of content for Multi-media On-board systems
Bus Power Limited	Hong Kong	1 share of $1	73	–	100	Provision of media sales services for advertising on transit vehicle exteriors

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited, at 31 December 2013 amounted to $757,252,000 (2012: $524,251,000).

18 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

The following table lists out the information relating to RoadShow Holdings Limited, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 $'000	2012 $'000
NCI percentage	**27%**	27%
Current assets	**711,193**	629,706
Non-current assets	**73,316**	136,777
Current liabilities	**99,928**	110,212
Non-current liabilities	**129**	157
Net assets	**684,452**	656,114
Carrying amount of NCI	**192,588**	184,706
Revenue	**488,214**	443,173
Profit for the year	**108,622**	79,499
Total comprehensive income	**107,140**	81,323
Profit allocated to NCI	**32,075**	24,879
Dividend paid to NCI	**22,450**	24,193
Cash flows from operating activities	**25,627**	51,582
Cash flows from investing activities	**59,764**	29,961
Cash flows from financing activities	**(80,002)**	(85,939)

Note: The amount includes the amount of NCI of RoadShow Holdings Limited.

19 INTEREST IN ASSOCIATES

	The Group	
	2013 $'000	2012 $'000
Share of net assets	**610,719**	584,241
Goodwill	**69,272**	66,766
Amount due from an associate (note (a))	**48,884**	25,436
Amount due to an associate (note (a))	**(4,922)**	(4,922)
	723,953	671,521

(a) Amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. The amount due from an associate is neither past due nor impaired.

19 INTEREST IN ASSOCIATES (continued)

(b) The following list contains the particulars of associates which are unlisted corporate entities and principally affected the results or assets of the Group:

				Percentage of ownership interest			
Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Beijing Beiqi First Company Limited ("BBF") (note (b))	Sino-foreign joint stock company	The PRC	RMB 100,000,000	31.4	–	31.4	Provision of car rental services (note (a))
Beijing Beiqi Kowloon Taxi Company Limited ("BBKT")	Sino-foreign joint stock company	The PRC	RMB 66,000,000	31.4	–	31.4	Provision of taxi hire services (note (a))
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB 951,430,306	35	–	35	Provision of bus and taxi hire services (note (a))

Notes:

(a) BBF, BBKT and Shenzhen Bus Group Company Limited, transportation operators in the PRC, enable the Group to have exposure to this market through local expertise.

(b) In April 2013, the car rental business of BBKT was transferred to a newly incorporated company, BBF. BBF has the same shareholding structure as BBKT. The spin-off of business has had no impact on the Group's interest in associates.

Summarised financial information of a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Bus Group Company Limited	
	2013	2012
	$'000	$'000
Gross amounts of the associate		
Current assets	**1,234,367**	1,824,290
Non-current assets	**2,248,370**	2,314,601
Current liabilities	**1,557,037**	2,244,008
Non-current liabilities	**515,237**	537,836
Total equity	**1,410,463**	1,357,047
Revenue	**1,937,233**	2,113,330
Profit for the year	**78,254**	79,173
Other comprehensive income	**–**	–
Total comprehensive income	**78,254**	79,173
Dividend received from the associate	**25,030**	25,436

19 INTEREST IN ASSOCIATES (continued)

Summarised financial information of a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below: (continued)

	Shenzhen Bus Group Company Limited	
	2013	2012
	$'000	$'000
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**1,410,463**	1,357,047
Group's effective interest	**35%**	35%
Group's share of net assets of the associate	**493,662**	474,966
Goodwill	**69,272**	66,766
Carrying amount in the consolidated financial statements	**562,934**	541,732

Aggregate information of associates that are not individually material:

	2013	2012
	$'000	$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**47,785**	42,509
Aggregate amounts of the Group's share of those associates		
Profit for the year	**7,470**	5,571
Other comprehensive income	**–**	–
Total comprehensive income	**7,470**	5,571

20 OTHER FINANCIAL ASSETS

	The Group	
	2013	2012
	$'000	$'000
Instalments receivable from sales of properties (note (a))	**–**	1,040
Unlisted equity securities, at cost (note (b))	**15,355**	15,355
Loans to investee (note (c))	**25,611**	–
Available-for-sale debt securities, at fair value (note (d))		
– listed in Hong Kong	**68,638**	69,131
– listed outside Hong Kong	**477,615**	531,592
– unlisted	**10,043**	22,337
	597,262	639,455
Less: Loans to investee classified as current assets	**(25,611)**	–
Available-for-sale debt securities classified as current assets		
– listed outside Hong Kong	**(332,253)**	(36,249)
– unlisted	**(10,043)**	(12,186)
	(367,907)	(48,435)
Other financial assets classified as non-current assets	**229,355**	591,020

20 OTHER FINANCIAL ASSETS (continued)

(a) At 31 December 2012, instalments receivable from sales of properties were neither past due nor impaired. Such receivable was fully repaid by customer in 2013.

(b) The unlisted equity securities of $15,355,000 (2012: $15,355,000) relate to an investment of the Group for which no impairment loss is considered necessary.

(c) During the year ended 31 December 2011, the Group requested an investee to repay the loans totaling $70,154,000 due to the Group upon expiry. However, the investee had defaulted on the agreed repayment schedule. As a result, the Group recorded full impairment losses of $70,154,000 and $15,882,000 on the loans to and amount due from the investee, respectively. During the year ended 31 December 2013, the Group began the negotiations with two independent third parties to dispose of the Group's entire interest in the investee and the loans to and amount due from the investee (the "Disposals"). At 31 December 2013, the management considered that the conclusion of the agreements in relation to the Disposals was highly probable and a portion of the loans to the investee amounting to $25,611,000 was expected to be recovered. Accordingly, a reversal of impairment loss on the loans to investee of $25,611,000 was recognised during the year ended 31 December 2013. Agreements in relation to the Disposals have been subsequently executed after the year end (see note 34(a).

(d) Debt securities are issued by corporate entities with credit rating ranging from BBB- to AAA. As at 31 December 2013 and 2012, the Group's available-for-sale debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

21 EMPLOYEE RETIREMENT BENEFITS

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for employees upon retirement. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. The members' benefits are determined based on the employees' final remuneration and length of service.

The plans are funded by contributions from the Group in accordance with an actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 31 December 2013 and were prepared by Towers Watson Hong Kong Limited which has among its staff fellow members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 137% (2012: 110%) covered by the plan assets held by the trustee.

21 EMPLOYEE RETIREMENT BENEFITS (continued)

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement plans have similar risks and features, information about the two plans is aggregated and disclosed below:

(a) The amount recognised in the consolidated balance sheet is as follows:

	The Group	
	2013	2012
	$'000	$'000 (Restated)
Present value of funded obligations (note (c))	**(2,781,769)**	(3,278,016)
Fair value of plan assets (note (b))	**3,799,383**	3,603,898
	1,017,614	325,882

A portion of the above asset/liability is expected to be recovered/paid after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable/payable in the next twelve months, as future refund or reduction of contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement plans for the year ending 31 December 2014 is $Nil.

(b) Plan assets consist of the following:

	The Group	
	2013	2012
	$'000	$'000
Equity securities:		
– Hong Kong and China	**962,051**	1,020,484
– Europe	**571,286**	457,113
– North America	**697,473**	603,128
– Other Asia Pacific	**656,721**	586,159
	2,887,531	2,666,884
Bonds	**773,460**	817,503
Cash and others	**138,392**	119,511
	3,799,383	3,603,898

All of the equity securities and bonds have quoted prices in active markets.

21 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Movements in the present value of the defined benefit obligations:

	The Group	
	2013	2012
	$'000	$'000
At 1 January	**3,278,016**	3,124,902
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**-**	(104,530)
– Actuarial (gains)/losses arising from changes in financial assumptions	**(398,639)**	255,060
– Actuarial (gains)/losses arising from liability experience	**(24,365)**	13,014
	(423,004)	163,544
Benefits paid by the plans	**(229,412)**	(188,039)
Current service cost	**136,814**	132,553
Interest cost	**19,355**	45,056
	(73,243)	(10,430)
At 31 December	**2,781,769**	3,278,016

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 10.7 and 6.9 years respectively (2012: 11.3 years and 7.4 years respectively).

(d) Movements in plan assets:

	The Group	
	2013	2012
	$'000	$'000
At 1 January	**3,603,898**	3,388,105
Administrative expenses paid	**(769)**	(888)
Benefits paid by the plans	**(229,412)**	(188,039)
Interest income	**21,184**	49,523
Return on plan assets, excluding interest income	**446,482**	440,197
Refund of scheme surplus (note)	**(42,000)**	(85,000)
At 31 December	**3,799,383**	3,603,898

Note: In accordance with terms set out in the Group's two defined benefit retirement schemes, upon settlement of all employee benefit obligations, any excessive assets can be refunded to the Group. During the year ended 31 December 2013, an amount of $42,000,000 (2012: $85,000,000) has been refunded to the Group.

21 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Amounts recognised in the consolidated statement of comprehensive income are as follows:

	The Group	
	2013	2012
	$'000	$'000 (Restated)
Current service cost	**136,814**	132,553
Net interest on net defined benefit asset	**(1,829)**	(4,467)
Administrative expenses paid	**769**	888
Total amounts recognised in profit or loss	**135,754**	128,974
Actuarial (gains)/losses	**(423,004)**	163,544
Return on plan assets, excluding interest income	**(446,482)**	(440,197)
Total amounts recognised in other comprehensive income	**(869,486)**	(276,653)
Total defined benefit income	**(733,732)**	(147,679)

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	The Group	
	2013	2012
Discount rates		
– Monthly Rated Employees Scheme	**2.4%**	0.6%
– Daily Rated Employees Scheme	**2.0%**	0.6%
Future salary increases	**4.5%**	4.5%

The below analysis shows how the defined benefit obligation as at 31 December 2013 would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

	The Group	
	Increase in 0.25%	Decrease in 0.25%
	$'000	$'000
Discount rate	**(55,293)**	**58,224**
Future salary increases	**51,552**	**(50,117)**

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

22 ACCOUNTS RECEIVABLE

	The Group	
	2013	2012
	$'000	$'000
Trade and other receivables	**431,667**	432,212
Instalments receivable from sale of properties	**–**	52
Interest receivable	**18,004**	22,960
Less: allowance for doubtful debts (note 22(b))	**(105)**	(153)
	449,566	455,071

All of the accounts receivable are expected to be recovered within one year.

(a) Ageing analysis

Included in accounts receivable are trade receivables and instalments receivable from sale of properties (net of allowance for doubtful debts) with the following ageing analysis, based on the due date, as of the balance sheet date:

	The Group	
	2013	2012
	$'000	$'000
Current	**220,302**	189,407
1 to 3 months past due	**37,977**	57,367
More than 3 months past due	**20,946**	9,873
	279,225	256,647

According to the Group's credit policy set out in note 32(a) to the financial statements, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

(b) Impairment of trade and other receivables and instalments receivable from sale of properties

Impairment losses in respect of trade and other receivables and instalments receivable from sale of properties are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables and instalments receivable from sale of properties directly (see note 1(l)(i)).

22 ACCOUNTS RECEIVABLE (continued)

(b) Impairment of trade and other receivables and instalments receivable from sale of properties (continued)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2013	2012
	$'000	$'000
At 1 January	**153**	104
Impairment loss recognised (note 5(d))	**27**	912
Write-back of impairment loss (note 5(d))	**(75)**	(27)
Uncollectible amounts written off	**–**	(836)
At 31 December	**105**	153

At 31 December 2013, the Group's trade and other receivables of $105,000 (2012: $194,000) were individually determined to be impaired. The individually impaired receivables related to customers that have defaulted on repayment and management assessed that none or only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $105,000 (2012: $153,000) were recognised as at 31 December 2013.

(c) Accounts receivable that is not impaired

The ageing analysis of accounts receivable that is neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2013	2012
	$'000	$'000
Neither past due nor impaired	**390,643**	387,816
Past due but not impaired		
1 to 3 months past due	**37,977**	57,366
More than 3 months past due	**20,946**	9,848
	58,923	67,214
	449,566	455,030

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The remaining receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**272,351**	262,413	**6,734**	31,859
Bank deposits	**2,356,461**	2,834,175	**–**	–
	2,628,812	3,096,588	**6,734**	31,859
Less: pledged and restricted bank deposits (note (b))	**(65,682)**	(62,885)	**–**	–
Cash and cash equivalents in the balance sheets	**2,563,130**	3,033,703	**6,734**	31,859
Less: bank deposits with original maturities of over three months	**(1,619,991)**	(2,597,011)		
Bank overdrafts	**(3)**	(82)		
Cash and cash equivalents in the consolidated cash flow statement	**943,136**	436,610		

(b) Pursuant to certain licence agreements between certain subsidiaries of the Group and certain subsidiaries of RoadShow and between a third party and certain subsidiaries of RoadShow, the subsidiaries of RoadShow have provided bank guarantees regarding the due performance of its subsidiaries under the respective licence agreements. RoadShow has pledged bank deposits of $61,400,000 (2012: $60,200,000) to banks for the bank guarantees issued.

In addition, the Group is required to maintain the balance of passenger rewards (note 4) in designated bank accounts under the revised MBOF approach. As at 31 December 2013, the related restricted bank deposits amounted to $4,282,000 (2012: $2,685,000).

23 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of profit before taxation to cash generated from operations:

	2013 $'000	2012 $'000 (Restated)
Profit before taxation	**458,481**	196,684
Adjustments for:		
Depreciation and amortisation	**768,794**	842,725
Reversal of impairment loss on other financial assets	**(25,611)**	–
Finance costs	**7,307**	9,433
Dividend income from unlisted equity securities	**(37,200)**	(77,252)
Interest income	**(66,266)**	(67,761)
Share of profits of associates	**(34,765)**	(34,526)
Transaction costs for acquisition of subsidiaries	**–**	861
Net gain on disposal of fixed assets	**(2,756)**	(580)
Reversal of development cost accrual relating to Manhattan Hill	**(108,246)**	–
Effect of foreign exchange rate	**(30,156)**	5,115
Operating profit before changes in working capital	**929,582**	874,699
Change in working capital:		
Increase in non-current prepayments	**(1,107)**	–
Decrease in employee benefit assets	**177,754**	213,974
(Increase)/decrease in spare parts and stores	**(14,120)**	13,196
Decrease/(increase) in trade and other receivables	**497**	(101,514)
Decrease in instalments receivable from sale of properties	**1,092**	2,348
Decrease in deposits and prepayments	**664**	2,488
Decrease in completed property held for sale	**351**	19,351
(Decrease)/increase in accounts payable and accruals	**(29,697)**	32,516
(Decrease)/increase in contingency provision – insurance	**(8,095)**	843
Decrease in provision for long service payments	**(9,053)**	(8,395)
Cash generated from operations	**1,047,868**	1,049,506

24 BANK LOANS AND OVERDRAFTS

At 31 December 2013, the bank loans and overdrafts were repayable as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year or on demand	**200,003**	200,082
After 1 year but within 2 years	–	200,000
After 2 years but within 5 years	**399,093**	398,497
	399,093	598,497
	599,096	798,579

All of the bank loans and overdrafts were unsecured.

25 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables	**211,276**	235,858	–	–
Balance of passenger rewards (note 4)	**10,706**	6,546	–	–
Other payables and accruals	**963,725**	874,473	**39,895**	39,781
	1,185,707	1,116,877	**39,895**	39,781

All accounts payable and accruals as at 31 December 2013 and 2012 are expected to be settled within one year.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the balance sheet date:

	The Group	
	2013	2012
	$'000	$'000
Due within 1 month or on demand	**197,075**	200,236
Due after 1 month but within 3 months	**12,697**	33,862
Due after more than 3 months	**1,504**	1,760
	211,276	235,858

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 month or on demand as disclosed above are within three months from the invoice date.

26 CONTINGENCY PROVISION – INSURANCE

	The Group	
	2013	2012
	$'000	$'000
At 1 January	**446,715**	445,872
Provision charged to the consolidated income statement	**43,115**	47,746
Payments made during the year	**(51,210)**	(46,903)
At 31 December	**438,620**	446,715
Representing:		
Current portion	**140,999**	135,997
Non-current portion	**297,621**	310,718
	438,620	446,715

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the balance sheet date in connection with the Group's bus operations.

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2013	2012
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**44,453**	53,033
Provisional Profits Tax paid	**(52,717)**	(56,927)
	(8,264)	(3,894)
Profits Tax recoverable acquired through acquisition of subsidiaries (note 31(b))	**–**	(389)
	(8,264)	(4,283)
PRC Income Tax payable	**455**	329
Net current tax recoverable	**(7,809)**	(3,954)
Representing:		
Current tax recoverable	**(17,617)**	(21,581)
Current tax payable	**9,808**	17,627
Net current tax recoverable	**(7,809)**	(3,954)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group						
Deferred tax arising from:	Depreciation allowances in excess of the related depreciation	Intangible assets	Provisions	Tax losses	Defined benefit assets	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2012	546,892	–	(45,390)	(31,857)	132,109	2,155	603,909
Impact of change in accounting policy	–	–	–	–	(88,680)	–	(88,680)
Restated balance at 1 January 2012	546,892	–	(45,390)	(31,857)	43,429	2,155	515,229
Addition through acquisition of subsidiaries (note 31(b))	1,900	14,511	–	(1,284)	–	–	15,127
(Credited)/charged to the consolidated income statement (restated)	(31,154)	–	9,210	7,979	(35,307)	204	(49,068)
Charged to the other comprehensive income (restated)	–	–	–	–	45,648	–	45,648
	(29,254)	14,511	9,210	6,695	10,341	204	11,707
At 31 December 2012 (restated)	517,638	14,511	(36,180)	(25,162)	53,770	2,359	526,936
At 1 January 2013	**517,638**	**14,511**	**(36,180)**	**(25,162)**	**53,770**	**2,359**	**526,936**
Charged/(credited) to the consolidated income statement	**114,641**	**–**	**9,385**	**(89,334)**	**(29,348)**	**2,482**	**7,826**
Charged to the other comprehensive income	**–**	**–**	**–**	**–**	**143,465**	**–**	**143,465**
At 31 December 2013	**632,279**	**14,511**	**(26,795)**	**(114,496)**	**167,887**	**4,841**	**678,227**

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Amounts recognised in the consolidated balance sheet:

	The Group	
	2013	2012
	$'000	$'000 (Restated)
Net deferred tax assets	**(4,790)**	(4,499)
Net deferred tax liabilities	**683,017**	531,435
	678,227	526,936

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of $32,692,000 (2012: $31,697,000) in respect of tax losses of $198,129,000 (2012: $191,922,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. At 31 December 2013, the tax losses do not expire under the current tax legislation. At 31 December 2012, tax losses of $349,000 would expire in the coming five years.

28 PROVISION FOR LONG SERVICE PAYMENTS

Details of the provision for long service payments of the Group are as follows:

	The Group	
	2013	2012
	$'000	$'000
At 1 January	**28,859**	37,254
Movements (credited)/charged to the consolidated income statement (note 5(a))	**(1,062)**	689
Payments made during the year	**(7,991)**	(9,084)
At 31 December	**19,806**	28,859

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Contributed surplus $'000	Retained profits $'000	Total equity $'000
At 1 January 2012		403,639	1,300,000	223,770	1,927,409
Changes in equity for 2012:					
Dividend approved in respect of the previous year	12(b)	–	–	(181,638)	(181,638)
Profit and total comprehensive income for the year	9	–	–	299,884	299,884
Dividend approved in respect of the current year	12(a)	–	–	(60,546)	(60,546)
At 31 December 2012		403,639	1,300,000	281,470	1,985,109
At 1 January 2013		**403,639**	**1,300,000**	**281,470**	**1,985,109**
Changes in equity for 2013:					
Dividend approved in respect of the previous year	12(b)	**–**	**–**	**(181,638)**	**(181,638)**
Profit and total comprehensive income for the year	9	**–**	**–**	**120**	**120**
Dividend approved in respect of the current year	12(a)	**–**	**–**	**(60,546)**	**(60,546)**
At 31 December 2013		**403,639**	**1,300,000**	**39,406**	**1,743,045**

The Company's reserves available for distribution to shareholders at 31 December 2013 amounted to $1,339,406,000 (2012: $1,581,470,000). After the balance sheet date, the Directors proposed a final dividend of $0.45 (2012: $0.45) per share, amounting to $181,638,000 (2012: $181,638,000). The final dividend proposed has not been recognised as liability at the balance sheet date.

29 CAPITAL AND RESERVES (continued)

(b) Authorised and issued share capital

	2013 $'000	2012 $'000
Authorised:		
600,000,000 ordinary shares of $1 each	**600,000**	600,000
Issued and fully paid:		
403,639,413 ordinary shares of $1 each	**403,639**	403,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(ii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale debt securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in note 1(g).

(d) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital structure on the basis of the level of net cash compared to the amount of capital. For this purpose the Group defines net cash as cash and cash equivalents and pledged and restricted bank deposits less interest-bearing loans and borrowings in the balance sheet. Capital comprises all components of equity.

Net cash and equity at 31 December 2013 and 2012 were as follows:

	The Group		The Company	
	2013 $'000	2012 $'000 (Restated)	2013 $'000	2012 $'000
Cash and cash equivalents (note 23(a))	**2,563,130**	3,033,703	**6,734**	31,859
Pledged and restricted bank deposits (note 23(a))	**65,682**	62,885	**–**	–
Less: Bank loans and overdrafts (note 24)	**(599,096)**	(798,579)	**–**	–
Net cash	**2,029,716**	2,298,009	**6,734**	31,859
Total equity	**7,300,742**	6,420,721	**1,743,045**	1,985,109

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirement.

30 COMMITMENTS

(a) Capital commitments

(i) At 31 December 2013, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the financial statements:

	The Group	
	2013	2012
	$'000	$'000
Contracted for	**335,061**	1,032,702
Authorised but not contracted for	**111,006**	242,337
	446,067	1,275,039

(ii) At 31 December 2013, the Group's share of capital commitments of the joint operation in respect of investment property under development not provided for in the financial statements is as follows:

	The Group	
	2013	2012
	$'000	$'000
Contracted for	**22,320**	22,338
Authorised but not contracted for	**1,765,834**	1,766,507
	1,788,154	1,788,845

(b) Operating leases

At 31 December 2013, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**6,843**	6,743
After 1 year but within 5 years	**5,130**	8,020
	11,973	14,763

The Group leases a number of properties under operating leases. The leases typically run for a period of one to five years. The leases do not include contingent rentals.

30 COMMITMENTS (continued)

(c) Certain exclusive licences to conduct media sales agency and management business on selected bus shelters and to solicit advertising business on billboards and advertising spaces owned by the Government of the Hong Kong Special Administrative Region and other independent third parties have been granted to the Group, and the respective licences will expire in periods from 2014 to 2017. Under such licences, the Group has committed to pay licence fees or royalty fees at a pre-determined percentage of the net advertising rental received. The future minimum guaranteed licence fees or royalty fees are as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**49,178**	41,588
After 1 year but within 5 years	**79,161**	114,117
	128,339	155,705

31 BUSINESS COMBINATIONS

(a) Acquisition of subsidiaries

(i) On 23 May 2012, the Group acquired the entire equity interests in GD Bonwell Yip Wai Tours Co. Limited, GD Bonwell Champion Tours Co. Limited and Hong Kong Champion Transportation Company Limited for business expansion and service enhancement. These newly acquired subsidiaries were incorporated in Hong Kong and together carry out a business in the provision of non-franchised transport services.

The total turnover and total loss after taxation contributed by this acquisition for the period from the date of acquisition to 31 December 2012 were $2,448,000 and $831,000 respectively. If this acquisition had occurred on 1 January 2012, the Group's turnover and profit for the year would have been approximately $7,184,727,000 and $191,313,000 (restated) respectively. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012 together with the consequential tax effects.

(ii) On 13 September 2012, the Group acquired the entire equity interests in Zhan Gang Tourist Transportation Company Limited and Right Concept Transportation Limited, for business expansion and service enhancement. These newly acquired subsidiaries were incorporated in Hong Kong and together carry out a business in the provision of non-franchised transport services.

The total turnover and total loss after taxation contributed by this acquisition for the period from the date of acquisition to 31 December 2012 were $2,009,000 and $293,000 respectively. If this acquisition had occurred on 1 January 2012, the Group's turnover and profit for the year would have been approximately $7,190,624,000 and $188,668,000 (restated) respectively. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012 together with the consequential tax effects.

31 BUSINESS COMBINATIONS (continued)

(b) Consideration transferred and identifiable assets acquired and liabilities assumed

The acquisitions completed during the year ended 31 December 2012 had the following effect on the Group's assets and liabilities on the dates of acquisition:

	2012 $'000
Fixed assets	
– buses and other motor vehicles (note 14(a))	12,081
– deposits paid in respect of buses on order (note 14(a))	300
Intangible assets (note 15(a))	87,944
Cash and cash equivalents	1,117
Deposits and prepayments	94
Current tax recoverable (note 27(a))	389
Accounts payable and accruals	(1,834)
Deferred tax liabilities (note 27(b)(i))	(15,127)
Fair value of identifiable net assets	84,964
Total consideration, satisfied in cash	105,700
Goodwill (note 16 and note (i))	20,736
Cash consideration paid	105,700
Cash and cash equivalents acquired	(1,117)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	104,583

Note (i): The goodwill is attributable mainly to the synergies expected to be achieved from integrating the entities into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, instalments receivable from sale of properties and debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year.

For instalments receivable from sale of properties, the properties sold serve as collateral.

Debt investments are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution.

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking account into any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables are set out in notes 20 and 22.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2013					2012				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	204,065	3,640	400,534	608,239	599,093	207,200	204,379	404,486	816,065	798,497
Bank overdrafts	3	–	–	3	3	82	–	–	82	82
Accounts payable and accruals	1,185,707	–	–	1,185,707	1,185,707	1,116,877	–	–	1,116,877	1,116,877
	1,389,775	3,640	400,534	1,793,949	1,784,803	1,324,159	204,379	404,486	1,933,024	1,915,456

The Company

	2013					2012				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Amounts due to subsidiaries	7,591,529	–	–	7,591,529	7,591,529	7,591,422	–	–	7,591,422	7,591,422
Other payables and accruals	39,895	–	–	39,895	39,895	39,781	–	–	39,781	39,781
	7,631,424	–	–	7,631,424	7,631,424	7,631,203	–	–	7,631,203	7,631,203

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2013 and 2012, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing assets and liabilities at the balance sheet date.

	The Group			
	2013		2012	
	Effective interest rate p.a.	Amount	Effective interest rate p.a.	Amount
	%	$'000	%	$'000
Fixed rate assets:				
Bank deposits	**2.3**	**2,356,461**	1.6	2,834,175
Available-for-sale debt securities	**3.6**	**556,296**	3.6	623,060
		2,912,757		3,457,235
Variable rate assets/(liabilities):				
Cash at bank	**0.1**	**67,805**	0.1	51,401
Instalments receivable	**–**	**–**	5.0	1,092
Bank overdrafts	**5.0**	**(3)**	5.0	(82)
Bank loans	**0.9**	**(599,093)**	1.1	(798,497)
		(531,291)		(746,086)

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $4,324,000 (2012: $6,145,000). Other components of consolidated equity would have decreased/ increased by approximately $6,150,000 (2012: $11,354,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2012.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which it relates. The currencies giving rise to this risk are primarily British Pounds Sterling, United States dollars and Renminbi.

The Group hedges approximately 5% (2012: 21%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. During the years ended 31 December 2013 and 2012, the Group used forward foreign exchange contracts to hedge its currency risk.

At 31 December 2013 and 2012, the Group had no forward foreign exchange contracts outstanding.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2013			2012		
	Renminbi	British Pounds Sterling	United States dollars	Renminbi	British Pounds Sterling	United States dollars
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	823,383	26	139,645	187,147	661	208,808
Accounts payable and accruals	(2,337)	(264,039)	(3,613)	(1,758)	(45,017)	(4,953)
Available-for-sale debt securities	–	–	546,253	–	–	600,723
Loan to investee	25,611	–	–	–	–	–
Amount due from an associate	48,884	–	–	25,436	–	–
Overall net exposure	895,541	(264,013)	682,285	210,825	(44,356)	804,578

In addition, the Group is exposed to currency risk arising from inter-company receivables denominated in Renminbi which is not the functional currency of the lender. Such inter-company receivables amounted to RMB122,836,000 as at 31 December 2013, equivalent to $157,193,000 (2012: RMB123,050,000, equivalent to $151,770,000).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

The Group

	2013			2012		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease))	Effect on other components of equity (increase/ (decrease))	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease))	Effect on other components of equity (increase/ (decrease))
		$'000	$'000		$'000	$'000
Renminbi	**4%**	**42,133**	**–**	1%	3,631	–
	(4%)	**(42,133)**	**–**	(1%)	(3,631)	–
British Pounds Sterling	**2%**	**(4,409)**	**–**	5%	(1,846)	–
	(2%)	**4,409**	**–**	(5%)	1,846	–
United States dollars	**1%**	**1,362**	**5,463**	1%	2,039	6,007
	(1%)	**(1,362)**	**(5,463)**	(1%)	(2,039)	(6,007)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2012.

Renminbi is not a fully convertible currency. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

(e) Fuel price risk

It is the Group's policy to closely monitor the fuel price movements. The Company had not entered into any fuel oil swap contract during the years ended 31 December 2013 and 2012.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	The Group					
	2013			2012		
	Fair value	Fair value measurements categorised into		Fair value	Fair value measurements categorised into	
		Level 1	Level 2		Level 1	Level 2
	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements						
Assets:						
Available-for-sale debt securities						
– Listed	**546,253**	**546,253**	**–**	600,723	600,723	–
– Unlisted	**10,043**	**–**	**10,043**	22,337	–	22,337

During the years ended 31 December 2013 and 2012, there were no transfers between instruments in Level 1 and Level 2.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted available-for-sale debt securities in Level 2 is determined by discounting the future cash flows of the securities at the current market interest rate.

(iii) Fair values of financial instruments carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012 except as follows:

(1) Amounts due from/to subsidiaries and associates of the Group and the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(2) Unlisted equity securities of $15,355,000 (2012: $15,355,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less accumulated impairment losses at the balance sheet date.

33 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

(a) Transactions with related companies

	Note	2013 $'000	2012 $'000
Service fees for provision of coach services	(i) & (ii)	**59,059**	52,312
Insurance premium paid	(iii)	**70,875**	68,675
Reversal of accrual for management contractor services for property under development	4(a)	**74,392**	–
Amount paid for letting and sales agency agreement	(iv)	**14**	–
Amount paid and accrued for management agreement	(v)	**4,839**	5,073
Amount paid and accrued for property project management services	(vi)	**–**	–
Reversal of accrual for management contractor services for investment property	(vii)	**1,489**	–
Interest income received and receivable from unsecured fixed rate notes	(viii)	**–**	51
Repayment of principal of unsecured fixed rate notes on maturity	(viii)	**–**	15,000
Amount paid and accrued for project management service and lease modification	(ix)	**–**	–

Notes:

(i) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to $6,906,000 (2012: $2,189,000). Outstanding balances due from these companies at 31 December 2013 amounted to $1,908,000 (2012: $264,000).

(ii) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $52,153,000 (2012: $50,123,000). Outstanding balances due from these companies at 31 December 2013 amounted to $13,485,000 (2012: $15,365,000).

(iii) In 2012, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group in 2013 (the "2013 Insurance Arrangements"). The amount paid and payable under the 2013 Insurance Arrangements amounted to $70,875,000 (2012: $68,675,000). Outstanding balance payable for this contract at 31 December 2013 amounted to $97,000 (2012: $Nil).

(iv) LCKPI entered into a Letting and Sales Agency Agreement (the "Original Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and the car parking spaces of Manhattan Hill. On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement (the "Letter Agreement") pursuant to which LCKPI continues to appoint SHKRE as the letting and sales agent of Manhattan Hill under the same terms and conditions of the Original Agreement except that the maximum amount of the agency fees payable under the Original Agreement and the Letter Agreement shall, altogether, not exceed $65,000,000. The amount paid and payable under the contract during the year amounted to $14,000. There was no outstanding balance payable for this contract at 31 December 2013 (2012: $2,676,000).

(v) In 2003, LCKPI entered into the Management Agreement with Hong Yip Service Company Limited ("Hong Yip"), a subsidiary of SHKP, to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a completed unit of the property.

In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a fellow subsidiary of Hong Yip, to amend and supplement the management agreement (the "Supplemental Deed"). It is agreed among the three parties that Royal Elite will replace Hong Yip to be the manager and to perform and discharge the duties and obligations as the manager under the deed(s) of mutual covenant. All terms defined in the Management Agreement are adopted in the Supplemental Deed. Amount paid and payable for the Management Agreement amounted to $4,839,000 (2012: $5,073,000). There was no outstanding balance payable for this contract at 31 December 2013 (2012: $22,000).

(vi) In 1999, the Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to Manhattan Hill. The contract sum of the project management services is $15,000,000, or the lower of 1% of the project costs and $20,000,000, whichever is higher. There was no outstanding balance payable for this contract at 31 December 2013 (2012: $3,800,000).

(vii) On 16 April 2008, LCK Commercial Properties Limited ("LCKCP"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement ("the Prime Cost Agreement") with CFCCL for the provision of management contractor services and for carrying out and completing the alteration and addition works to the retail podium of Manhattan Hill ("Manhattan Mid-town"). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCCL should not exceed $37,400,000. During the year, the statement of final account in respect of this contract has been concluded and a finalised amount of $930,000 was confirmed payable to CFCCL. The remaining balance of $1,489,000 was reversed during this year. There was no outstanding balance payable for this contract at 31 December 2013 (2012: $2,419,000).

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

(viii) On 6 March 2009, KMB Financial Services Limited ("KMBFS"), a wholly-owned subsidiary of the Company, purchased certain unsecured fixed rate notes (the "Fixed Rate Notes") issued by Sun Hung Kai Properties (Capital Market) Limited ("SHKPCM"), a wholly-owned subsidiary of SHKP, with a total nominal value of $15,000,000 from a bank in an open secondary market, at a cost of $15,000,000. The Fixed Rate Notes are interest bearing at 2.65% per annum. Interest income received from SHKPCM amounted to $51,000 in 2012. The principal amount of the Fixed Rate Notes have been repaid by SHKPCM upon maturity on 17 February 2012.

(ix) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a subsidiary of SHKP, entered into an agreement with SHKRE, pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong (the "Kwun Tong Site") and the construction of the Kwun Tong Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20,000,000; and (2) the lower of (a) 1% of the project cost and (b) $25,000,000.

The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification; and (2) $3,840,000.

Outstanding balance payable for this contract as at 31 December 2013 amounted to $2,000,000 (2012: $2,000,000).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions as described in notes (a)(i), (a)(iv) and (a)(v) above constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. However, other than coach services provide to Park Island Transport Company Limited ("Park Island") amounted to $5,439,000 (2012: $Nil), they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.33(3) of the Listing Rules. Regarding the coach services provided to Park Island, the Company has complied with the reporting requirement under Chapter 14A of the Listing Rules by including the relevant disclosure in the section headed "Continuing Connected Transactions" under "Financial Review" on pages 91 to 93 of the Annual Report.

The Coach Service Arrangement as described in note (a)(ii) above, in which the relevant SHKP Group companies acted as agents for collection of the coach service fees, did not fall within the definition of connected transactions under Chapter 14A of the Listing Rules.

The related party transaction as described in note (a)(iii) above constitutes a continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the reporting requirement under Chapter 14A of the Listing Rules by including the relevant disclosure in the section headed "Continuing Connected Transactions" under "Financial Review" on pages 91 to 93 of the Annual Report.

The related party transactions as described in notes (a)(vi), (a)(vii), (a)(viii) and (a)(ix) and note 4(a) above constitute connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The relevant reporting requirements pursuant to Chapter 14A of the Listing Rules have been complied with by including disclosures in the Company's annual report published immediately following the entering into of such transactions. No transaction amounts in respect of those transactions have been incurred during the year ended 31 December 2013 except for reversal of prior year accruals (2012: $Nil).

34 NON-ADJUSTING POST BALANCE SHEET EVENT

(a) On 9 January 2014, AdSociety Advertising Agency Limited, a wholly-owned subsidiary of the Company entered into an equity transfer agreement to sell and transfer its entire equity interest in an investee to an independent third party at RMB30,000,000 (equivalent to $38,370,000) and a creditor's rights transfer agreement to sell and assign its entire interest in the loans to and amount due from the investee to another independent third party at RMB20,000,000 (equivalent to $25,611,000). Up to the date of these financial statements, an aggregate of RMB20,000,000 (equivalent to $25,611,000) has been received from an independent third party for the transfer of the loans to and amount due from investee.

(b) After the balance sheet date, the Directors proposed an ordinary final dividend for the year. Further details are disclosed in note 12(a) to the financial statements.

35 COMPARATIVE FIGURES

As a result of the application of Revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to the current period's presentation. Further details of this development are disclosed in note 1(c).

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation – offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	Not yet determined

The Group is in the process of making an assessment of what the impact of these amendments and new standard is expected to be in the period of initial application. So far it has concluded that the above developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

for the year ended 31 December
(Expressed in Hong Kong dollars)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	$'M	$'M	$'M	$'M	$'M	$'M	$'M	$'M	$'M	$'M
		(Restated)	(Restated)							
Income statement										
Turnover	**7,420**	7,181	6,948	6,687	6,842	7,353	12,013	8,705	6,456	6,544
Profit before taxation	**458**	197	275	931	800	694	4,074	2,002	691	913
Income tax	**(55)**	(6)	48	(75)	(118)	(18)	(206)	(133)	(96)	(169)
Profit after taxation	**403**	191	323	856	682	676	3,868	1,869	595	744
Non-controlling interests	**(32)**	(25)	8	11	(9)	(18)	(21)	(31)	(11)	(13)
Profit attributable to equity shareholders of the Company	**371**	166	331	867	673	658	3,847	1,838	584	731
Balance sheet										
Fixed assets	**4,487**	3,852	4,121	4,276	4,100	4,466	4,981	5,463	5,720	6,119
Intangible assets	**132**	132	44	23	22	15	14	8	–	–
Goodwill	**84**	84	63	63	63	63	52	49	33	30
Media assets	**–**	–	–	–	–	1	1	1	96	115
Non-current prepayments	**12**	4	2	44	19	29	38	48	63	470
Interest in associates	**724**	672	668	640	612	834	911	834	776	330
Interest in joint ventures	**–**	–	–	–	–	20	23	23	16	5
Other financial assets	**229**	591	472	636	334	136	138	46	34	15
Employee benefit assets	**1,018**	326	263	790	716	755	602	537	485	414
Net current assets	**2,009**	2,226	2,280	1,763	2,455	2,083	3,224	1,426	184	253
Employment of funds	**8,695**	7,887	7,913	8,235	8,321	8,402	9,984	8,435	7,407	7,751
Financed by:										
Share capital	**404**	404	404	404	404	404	404	404	404	404
Reserves	**6,704**	5,832	5,668	6,334	6,385	6,257	7,145	4,670	3,628	3,847
Total equity attributable to equity shareholders of the Company	**7,108**	6,236	6,072	6,738	6,789	6,661	7,549	5,074	4,032	4,251
Non-controlling interests	**192**	185	182	205	229	253	249	245	269	289
Total equity	**7,300**	6,421	6,254	6,943	7,018	6,914	7,798	5,319	4,301	4,540
Contingency provision – insurance	**298**	311	310	300	305	337	295	271	52	59
Long term bank loans	**399**	598	798	470	470	590	1,155	2,052	2,218	2,298
Other liabilities	**698**	557	551	522	528	561	736	793	836	854
Funds employed	**8,695**	7,887	7,913	8,235	8,321	8,402	9,984	8,435	7,407	7,751
Earnings per share ($)	**0.92**	0.41	0.82	2.15	1.67	1.63	9.53	4.55	1.45	1.81
Dividends per share ($)	**0.60**	0.60	0.60	1.35	2.35	1.35	5.53	2.03	2.03	2.03
Total assets per share ($)	**25.36**	23.19	22.78	24.01	24.71	25.49	29.57	29.98	23.78	23.32
Net assets per share ($)	**18.09**	15.91	15.49	17.20	17.39	17.13	19.32	13.18	10.65	11.25

Note: In order to comply with Revised Hong Kong Accounting Standard 19, *Employee benefits* that is effective for accounting period beginning on 1 January 2013, the Group adopted new accounting policies for defined benefit plans. Figures for the years 2011 and 2012 have been adjusted and it is not practicable to restate earlier years for comparison purposes.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Dr Norman LEUNG Nai Pang *
GBS, JP, LLD, BA
Chairman

Dr John CHAN Cho Chak *
GBS, JP, DBA(Hon), DSocSc(Hon), BA, DipMS, CCMI, FCILT, FHKIoD
Deputy Chairman

Raymond KWOK Ping Luen ^
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

NG Siu Chan ^

William LOUEY Lai Kuen ^
BSc(Econ)

Charles LUI Chung Yuen
M.H., BEc, AASA, FCILT
Executive Director

Winnie NG ^
BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD
(Non-executive Director and Alternate Director to Mr NG Siu Chan ^)

Dr Eric LI Ka Cheung *
GBS, OBE, JP, LLD, DSocSc, BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Edmond HO Tat Man
MA(Cantab), MBA, FCILT, MHKIoD
Managing Director

Gordon SIU Kwing Chue *
GBS, CBE, JP, MSS(Birmingham, UK)

John Anthony MILLER ^
SBS, OBE, MPA(Harvard), BA(Lond)

Evan AU YANG Chi Chun
BA, MBA
Deputy Managing Director

Professor LIU Pak Wai *
SBS, JP

Allen FUNG Yuk Lun ^
BA, Ph.D.

Roger LEE Chak Cheong ^
BSc, MSc, MICE, CEng

Godwin SO Wai Kei
(Alternate Director to Mr Raymond KWOK Ping Luen, JP ^)

BOARD COMMITTEES

Audit Committee

Dr Eric LI Ka Cheung #
Gordon SIU Kwing Chue
John Anthony MILLER

Nomination Committee

Dr John CHAN Cho Chak #
Dr Eric LI Ka Cheung
Gordon SIU Kwing Chue

Remuneration Committee

Dr John CHAN Cho Chak #
Dr Eric LI Ka Cheung
Professor LIU Pak Wai

Standing Committee

Dr Norman LEUNG Nai Pang #
Raymond KWOK Ping Luen
Dr John CHAN Cho Chak
Charles LUI Chung Yuen
Edmond HO Tat Man
Winnie NG

COMPANY SECRETARY

Lana WOO
MBA, BA, CGA, FCIS

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AUDITOR

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Central, Hong Kong

REGISTRARS

Hong Kong

Computershare Hong Kong Investor Services Limited
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Bermuda

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

REGISTER OF MEMBERS

Book closure for 2014 AGM:
15 May 2014 to 22 May 2014
(both dates inclusive)

Book closure for 2013 final dividend:
28 May 2014

DIVIDENDS

Interim

HK$0.15 per share,
paid on 17 October 2013

Final (proposed)

HK$0.45 per share,
payable on 10 June 2014

STOCK CODE

The Stock Exchange of Hong Kong: 62
Bloomberg: 62HK
Reuters: 0062.HK

CUSTOMER SERVICE HOTLINES

The Kowloon Motor Bus Company (1933) Limited
Telephone: (852) 2745 4466
Facsimile: (852) 2745 0600

Long Win Bus Company Limited
Telephone: (852) 2261 2791

Sun Bus Limited
Telephone: (852) 2371 2666

(* Independent Non-executive Director of the Company)
(^ Non-executive Director of the Company)
(# Committee Chairman)

This Annual Report is also available on our corporate website: www.tih.hk

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Stock Code: 62

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