THE GROUP

SUMMARY OF FINANCIAL PERFORMANCE

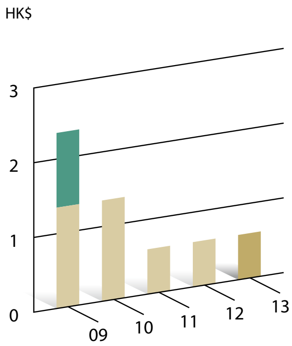
	2013	2012	Change	
	HK$ million	HK$ million (Restated)	HK$ million	%
Turnover	**7,420.4**	7,181.0	239.4	+3.3
Other net income	**271.4**	185.8	85.6	+46.1
Operating expenses	**(7,286.4)**	(7,195.2)	91.2	+1.3
Finance costs	**(7.3)**	(9.4)	(2.1)	-22.3
Share of profits of associates	**34.8**	34.5	0.3	+0.9
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

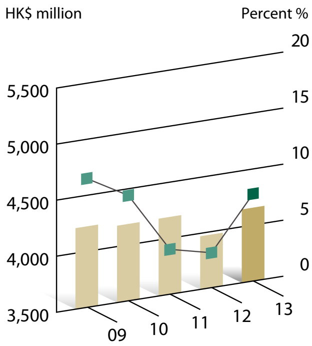
The Group's profit attributable to equity shareholders for the year ended 31 December 2013 was HK$371.3 million compared with the restated profit of HK$165.8 million for 2012. The restatement of the 2012 profit attributable to equity shareholders from the previously reported amount of HK$309.2 million 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



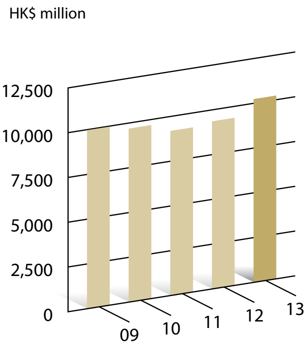
Ordinary dividends
Special dividends

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

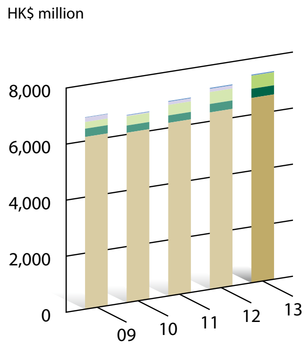


Average net fixed asset
Return on average net fixed asset

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:

	Turnover		Profit/(loss) before taxation	
HK$ million	**2013**	2012	**2013**	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

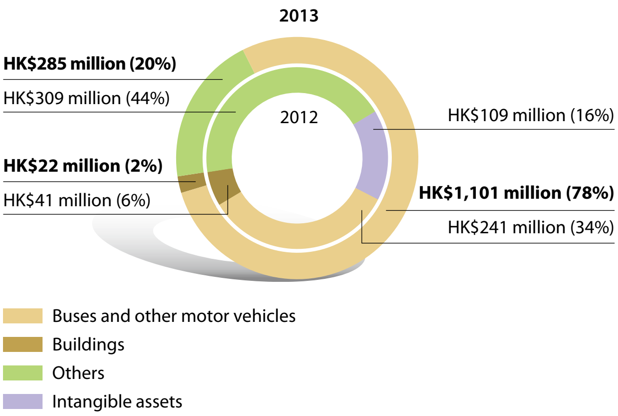
The Group's fixed assets mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and other equipment, investment properties, and interest in leasehold land. None of the Group's fixed assets was pledged or charged as at 31 December 2013.

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.

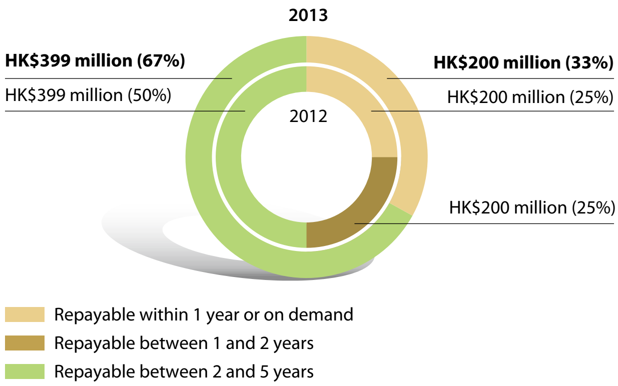
Intangible Assets and Goodwill

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

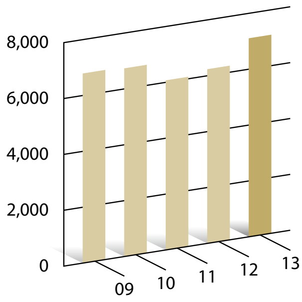
The Group closely monitors its liquidity requirement and financial resources with an aim to ensure that the Group has sufficient reserves of cash and liquid assets, as well as adequate undrawn committed banking facilities to meet the demands for daily operational needs, loan repayments, capital expenditure 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

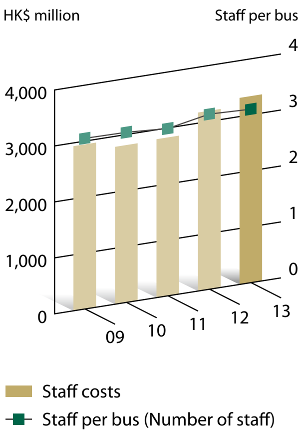
As at 31 December 2013, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$2,029.7 million (2012: HK$2,298.0 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.3 (2012: 2.5). The details of the Group's net cash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

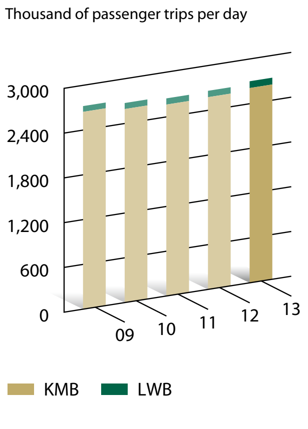
The turnover of the SBH Group for 2013 amounted to HK$286.5 million, an increase of HK$24.8 million or 9.5% compared to HK$261.7 million for 2012. The increase was mainly attributed to business growth and additional turnover generated by two cross-boundary non-franchised bus operators which were added 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).

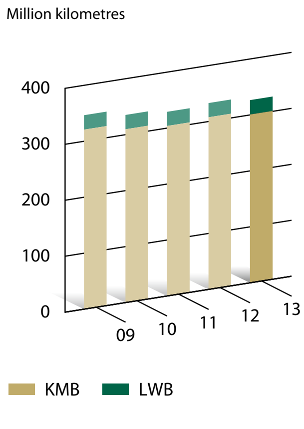
New Hong Kong Bus Company Limited ("NHKB")

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.

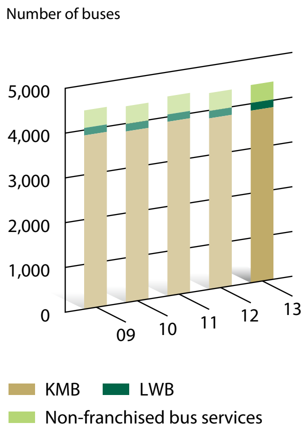
Average number of passenger trips per day
(Franchised public bus operations)



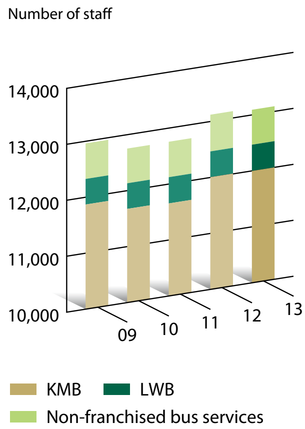
Bus kilometres operated
(Franchised public bus operations)



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.