THE GROUP

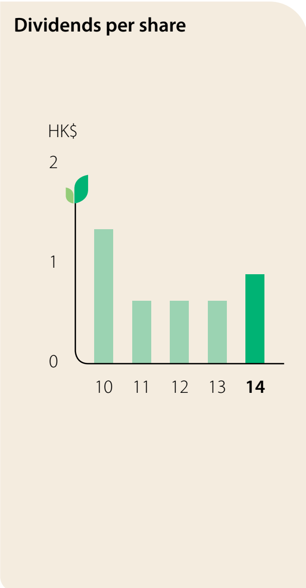
SUMMARY OF FINANCIAL PERFORMANCE

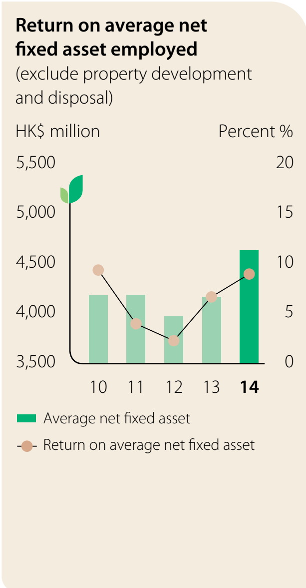
	2014	2013	**Change**	
	HK$ million	HK$ million	HK$ million	%
Turnover	**7,556.6**	7,420.4	136.2	1.8
Other net income	**115.0**	271.4	(156.4)	(57.6)
Operating expenses	**(7,233.0)**	(7,286.4)	(53.4)	(0.7)
Finance costs	**(5.0)**	(7.3)	(2.3)	(31.5)
Share of profits of associates	**37.8**	34.8	3.0	8.6
Gain on disposal of other financial assets	**36.6**	–	36.6	N/A
Reversal of impairment loss on other financial assets	**–**	25.6	(25.6)	(100.0)
Profit before taxation	**508.0**	458.5	49.5	10.8
Income tax	**(69.0)**	(55.1)	13.9	25.2
Non-controlling interests	**(23.9)**	(32.1)	(8.2)	(25.5)
Profit attributable to equity shareholders of the Company	**415.1**	371.3	43.8	11.8
Earnings per share (HK$)	**1.03**	0.92	0.11	11.8

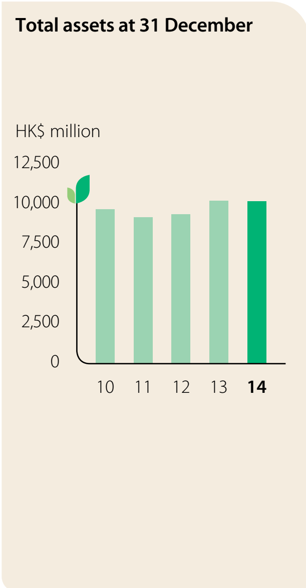
REVIEW OF 2014 FINANCIAL PERFORMANCE

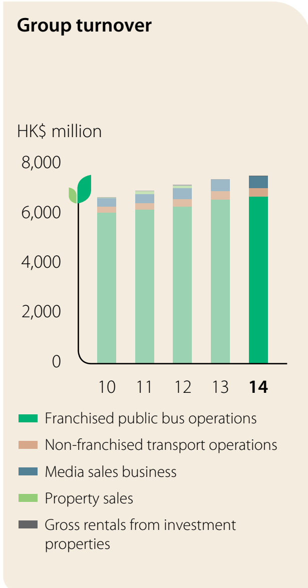
The Group's Results for the Year

The Group's profit attributable to equity shareholders for the year ended 31 December 2014 was HK$415.1 million, an increase of HK$43.8 million or 11.8% compared to HK$371.3 million for 2013. Earnings per share increased correspondingly from HK$0.92 for 2013 to HK$1.03 for 2014. The increase in profit was mainly attributed to the fact that the financial performance of the Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB") recovered in 2014, making a profit after recording consecutive losses in 2012 and 2013.









The turnover and underlying profit generated from the Group's six Divisions for the year ended 31 December 2014 are shown below:

	Turnover		Profit before taxation	
HK$ million	**2014**	2013	**2014**	2013
Franchised Public Bus Operations Division	**6,724.8**	6,602.5	**277.2**	18.0
Non-franchised Transport Operations Division	**339.8**	324.6	**40.8**	34.9
Property Holdings and Development Division	**32.5**	31.3	**40.3**	147.7
Media Sales Business Division	**459.5**	462.0	**84.7**	124.5
Financial Services Division	**–**	–	**33.0**	71.0
China Mainland Transport Operations Division	**–**	–	**37.8**	34.8
	7,556.6	7,420.4	**513.8**	430.9
Finance costs			**(5.0)**	(7.3)
Unallocated net operating (loss)/income			**(0.8)**	34.9
Profit before taxation and non-controlling interests			**508.0**	458.5
Income tax			**(69.0)**	(55.1)
Non-controlling interests			**(23.9)**	(32.1)
Profit attributable to equity shareholders of the Company			**415.1**	371.3

Segment information on the Group's main businesses is set out in note 13 to the financial statements on pages 159 to 161 of this Annual Report.

Key Changes to the Group's Turnover, Other Net Income and Operating Expenses

Turnover for 2014 amounted to HK$7,556.6 million, an increase of HK$136.2 million or 1.8% compared with HK$7,420.4 million for 2013. The increase was mainly due to the year-on-year increase in the turnover of the Group's franchised public bus operations by HK$122.3 million, primarily resulted from the implementation of a 3.9% fare increase of KMB on 6 July 2014 and the patronage growth of LWB during the year. In respect of the Group's non-franchised transport operations division, its turnover for 2014 also increased by HK$15.2 million from HK$324.6 million for 2013 to HK$339.8 million for 2014. Such increase was mainly due to the business growth in respect of new and existing customers seeking premium services.

Other net income decreased by HK$156.4 million from HK$271.4 million in 2013 to HK$115.0 million in 2014. The decrease was mainly due to a one-off write-back of pre-tax development costs of HK$108.2 million in respect of Manhattan Hill, which was made in 2013, and an exchange loss of HK$38.6 million as a result of the depreciation in Renminbi against Hong Kong dollars, which was recognised in 2014.

Total operating expenses for 2014 amounted to HK$7,233.0 million, a decrease of HK$53.4 million or 0.7% compared to HK$7,286.4 million for 2013. The decrease was mainly due to the year-on-year decrease in fuel and oil costs of HK$184.8 million or 12.0% resulting from the improvement in bus operating efficiency arising from our route reorganisation programme and lower international fuel prices in the latter half of the year. This positive factor helped to offset the increase in staff costs and other operating expenses as a result of inflation.

The Group's share of profits of associates for 2014 amounted to HK$37.8 million (2013: HK$34.8 million), an increase of HK$3.0 million or 8.6% compared to 2013.

Income tax expense for the year amounted to HK$69.0 million (2013: HK$55.1 million). The breakdown of the income tax expense is set out in note 6 to the financial statements on page 154 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 82 to 87 of this Annual Report.

Dividend

The Board has recommended an ordinary final dividend of HK$0.75 per share (2013: HK$0.45 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 21 May 2015 or at any adjournment thereof, the proposed final dividend, together with the interim dividend of HK$0.15 per share (2013: HK$0.15 per share) paid in October 2014, would result in a total dividend of HK$0.90 per share for 2014 (2013: HK$0.60 per share), representing an increase of 50% compared with 2013. Total dividend payout for the year will amount to HK$363.3 million (2013: HK$242.2 million).

KEY CHANGES TO FINANCIAL POSITION

Fixed Assets and Capital Expenditure

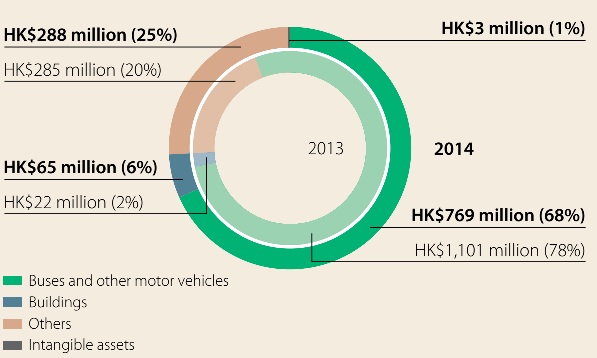
The Group's fixed assets mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and other equipment, investment properties, and interest in leasehold land. None of the Group's fixed assets was pledged or charged as at 31 December 2014.

In 2014, the Group incurred capital expenditure of HK$1,124.5 million (2013: HK$1,408.4 million). The breakdown of the capital expenditure is shown in notes 14(a) and 15(a) to the financial statements on pages 162 and 166 respectively of this Annual Report.

Intangible Assets and Goodwill

As at 31 December 2014, the Group's intangible assets and goodwill amounted to HK$134.6 million (2013: HK$132.1 million) and HK$84.1 million (2013: HK$84.1 million) respectively. The intangible assets represent mainly passenger service licences and transport operating rights of the Group's non-franchised transport operations.

Capital expenditure



Current Assets and Current Liabilities

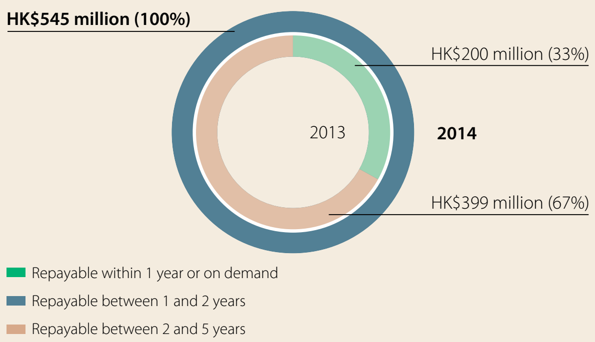
The Group's total current assets as at 31 December 2014 amounted to HK$3,370.9 million (2013: HK$3,545.5 million), mainly comprising liquid funds of HK$2,703.4 million (2013: HK$2,628.8 million) and accounts receivable of HK$518.6 million (2013: HK$449.6 million). The Group's liquid funds at the end of 2014 were mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

Total current liabilities as at 31 December 2014 amounted to HK$1,258.6 million (2013: HK$1,536.5 million), which mainly included accounts payable and accruals. The current liabilities for 2013 also included the current portion of bank loans.

Bank Loans and Overdrafts

As at 31 December 2014, bank loans and overdrafts, all unsecured, amounted to HK$544.5 million (2013: HK$599.1 million). The maturity profile of bank loans and overdrafts of the Group as at 31 December 2014 and 31 December 2013 is shown in the chart below:

Debt maturity profile at 31 December



As at 31 December 2014, the Group had undrawn banking facilities totalling HK$295.0 million (2013: HK$610.0 million), of which HK$285.0 million (2013: HK$600.0 million) was of a committed nature.

Capital Commitments

The Group's capital commitments as at 31 December 2014, including those authorised by the Board but not provided for, amounted to HK$3,572.3 million (2013: HK$2,234.2 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 on the following page:

HK$ million	2014	2013
Development of the Kwun Tong Site	**1,788.2**	1,788.2
Purchase of buses and other motor vehicles	**1,581.2**	219.3
Purchase of other fixed assets	**198.9**	178.5
Construction of depots and other depot facilities	**4.0**	48.2
Total	**3,572.3**	2,234.2

As at 31 December 2014, the Group had 605 (2013: 269) new Euro V buses on order for delivery in 2015.

FUNDING AND FINANCING

Liquidity and Financial Resources

The Group closely monitors its liquidity requirement and financial resources to ensure that cash inflows from operating activities together with the Group's reserves of cash and liquid assets and undrawn committed banking facilities are sufficient to meet the requirements for daily operational needs, loan repayments, capital expenditure as well as potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts. In general, major operating companies of the Group arrange their own financing to meet their operational and investment needs. The Group's other subsidiaries are mainly financed from the Company's capital base. The management reviews the Group's funding policy from time to time to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary.

Net Cash and Liquidity Ratio

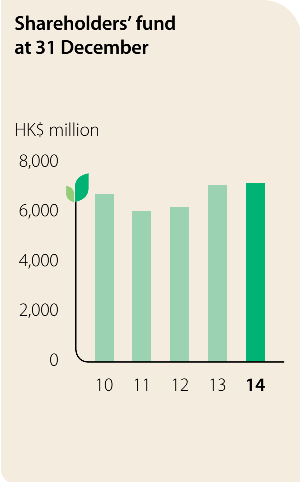
As at 31 December 2014, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$2,158.9 million (2013: HK$2,029.7 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.7 (2013: 2.3). The details of the Group's net cash by currency are set out as follows:

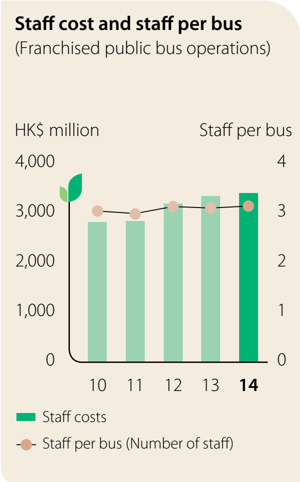
Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans and overdrafts HK$ million	Net cash HK$ million
At 31 December 2014				
Hong Kong dollars		**1,232.9**	**(544.5)**	**688.4**
Renminbi	**1,020.0**	**1,271.6**	**–**	**1,271.6**
United States dollars	**19.3**	**150.4**	**–**	**150.4**
British Pounds Sterling	**3.1**	**37.8**	**–**	**37.8**
Other currencies		**10.7**	**–**	**10.7**
Total		**2,703.4**	**(544.5)**	**2,158.9**
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
Total		2,628.8	(599.1)	2,029.7

Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2014 was HK$5.0 million, a decrease of HK$2.3 million compared with HK$7.3 million for 2013. 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 1.06% per annum for 2013 to 1.00% per annum for 2014.

For the year ended 31 December 2014, the Group was in a net interest income position as its interest income exceeded the total finance costs by HK$64.9 million (2013: HK$59.0 million).





Net Cash Flow

For the year ended 31 December 2014, there was a net increase in cash and cash equivalents of HK$473.3 million (2013: HK$476.2 million) and the sources are set out below:

HK$ million	**2014**	2013
Net cash generated from/(used in):		
• Operating activities	**1,246.7**	1,072.4
• Investing activities	**(449.7)**	(129.8)
• Financing activities	**(323.7)**	(466.4)
Total	**473.3**	476.2

In 2014, net cash generated from the operating and investing activities of the Group amounted to HK$797.0 million (2013: HK$942.6 million). The main components included: (i) net cash generated from the operating activities of the franchised public bus operations of HK$1,037.2 million (2013: HK$927.2 million); (ii) payment of capital expenditure of HK$1,202.4 million (2013: HK$1,203.3 million); (iii) decrease of HK$374.1 million (2013: HK$977.0 million) in bank deposits placements with original maturities of over three months; and (iv) proceeds received on the maturity of available-for-sale debt securities of HK$363.0 million (2013: HK$48.1 million).

During the year, bank loans decreased by HK$55.0 million (2013: HK$200.0 million). Before the payment of dividends to equity shareholders in 2014, the net cash inflow for 2014 was HK$715.5 million (2013: HK$718.4 million).

Details of the Group's cash flow movement for the year ended 31 December 2014 are set out in the consolidated cash flow statement on page 136 of this Annual Report.

Treasury Risk Management

The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

Currency Risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, as well as placement of foreign currency deposits for yield enhancement purposes. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP) and Renminbi. For exposure in British Pounds Sterling used for bus purchases, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate. As to the Renminbi deposits placed for yield enhancement, the favourable interest yield differentials between Renminbi and Hong Kong dollars would serve as a buffer against adverse foreign currency fluctuations to a certain extent.

In 2014, the Group hedged approximately 30.0% (2013: 5.0%) of its estimated foreign currency exposure in respect of bus purchases denominated in British Pounds Sterling. As at 31 December 2014, the Group had outstanding forward foreign exchange contracts amounting to GBP9.7 million (2013: Nil), which had maturities of less than one year after the balance sheet date.

Interest Rate Risk

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 2014, 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 2014. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

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 impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. 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 had not entered into any fuel oil swap contract during 2014. To mitigate the impact of fuel prices fluctuation, the Group's two major subsidiaries, KMB and LWB, have identified 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. Furthermore, 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.

Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables 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. 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 high 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. 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 institutions. 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

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 requirements for loan repayments, daily operational needs, dividend payments, capital expenditures, as well as potential business expansion and development. 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.

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 rebound sharply to a high level and KMB is not able to fully implement its route reorganisation programme or adjust its fares in a timely manner 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 about 50.0% of the total operating expenses of the Group in 2014. The Group closely monitors and aligns its headcount and staff remuneration against productivity and market trends. The Group's total remuneration excluding retirement costs for 2014 amounted to HK$3,420.3 million (2013: HK$3,299.2 million), representing an increase of 3.7%. At the end of 2014, the Group employed over 13,400 staff.

INDIVIDUAL BUSINESS UNITS

FRANCHISED PUBLIC BUS OPERATIONS

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

	Unit	**2014**	2013
Turnover	HK$ million	**6,436.7**	6,320.8
Other net income	HK$ million	**97.7**	67.5
Total operating expenses	HK$ million	**(6,295.3)**	(6,405.6)
Profit/(loss) from operations	HK$ million	**239.1**	(17.3)
Finance costs	HK$ million	**(5.0)**	(7.3)
Profit/(loss) before taxation	HK$ million	**234.1**	(24.6)
Income tax (expense)/credit	HK$ million	**(37.5)**	3.4
Profit/(loss) after taxation	HK$ million	**196.6**	(21.2)
Net profit/(loss) margin		**3.1%**	(0.3%)
Passenger volume	Million passenger trips	**955.2**	952.8
Kilometres operated	Million km	**284.7**	300.7
Staff number at year-end	Number of staff	**12,146**	11,999
Fleet size at year-end	Number of buses	**3,855**	3,845
Total assets	HK$ million	**5,448.2**	5,444.3

KMB recorded a profit after taxation of HK$196.6 million for 2014, representing a favourable variance of HK$217.8 million compared with a loss after taxation of HK$21.2 million for 2013.

KMB's fare revenue for the year was HK$6,304.0 million, an increase of HK$101.2 million or 1.6% compared with HK$6,202.8 million for 2013. Such increase was mainly due to the implementation of a 3.9% fare increase on 6 July 2014 and a slight year-on-year growth in ridership. Total ridership for 2014 was 955.2 million passenger trips (a daily average of 2.62 million passenger trips), an increase of 0.3% compared with 952.8 million passenger trips (a daily average of 2.61 million passenger trips) for 2013. Advertising revenue for the year also increased by 12.3% from HK$116.0 million for 2013 to HK$130.3 million for 2014.

Total operating expenses for 2014 amounted to HK$6,295.3 million, a decrease of HK$110.3 million or 1.7% compared with HK$6,405.6 million for 2013. The decrease was mainly attributed to the decrease of HK$172.7 million in fuel and oil costs resulting from the improvement in bus operating efficiency and lower international fuel prices in the latter half of the year. This positive factor was however partly offset by the increase of HK$60.2 million in staff costs due to annual pay rise at an average rate of 4.2%, and the increase in depreciation charges and other operating expenses due to general inflation.

Long Win Bus Company Limited ("LWB")

	Unit	2014	2013
Turnover	HK$ million	**416.0**	394.5
Other net income/(loss)	HK$ million	**4.1**	(2.2)
Total operating expenses	HK$ million	**(377.1)**	(349.7)
Profit from operations	HK$ million	**43.0**	42.6
Finance costs	HK$ million	**–**	–
Profit before taxation	HK$ million	**43.0**	42.6
Income tax	HK$ million	**(7.2)**	(7.2)
Profit after taxation	HK$ million	**35.8**	35.4
Net profit margin		**8.6%**	9.0%
Passenger volume	Million passenger trips	**34.8**	33.2
Kilometres operated	Million km	**26.1**	25.8
Staff number at year-end	Number of staff	**510**	487
Fleet size at year-end	Number of buses	**179**	172
Total assets	HK$ million	**381.8**	370.9

The profit after taxation of LWB for 2014 was HK$35.8 million, a slight increase of HK$0.4 million or 1.1% compared with HK$35.4 million for 2013.

LWB's fare revenue for 2014 amounted to HK$413.5 million, an increase of HK$19.9 million or 5.1% compared with HK$393.6 million for 2013. The increase was mainly due to the year-on-year growth in ridership by 5.0% as a result of increased transport demand from international travellers and from construction workers involved in the expansion programme of Hong Kong Disneyland and in the various infrastructural projects at and around the Airport. LWB recorded a total ridership of 34.8 million passenger trips (a daily average of 95,430 passenger trips) for 2014, as compared with 33.2 million passenger trips (a daily average of 90,899 passenger trips) for 2013.

Total operating expenses for the year amounted to HK$377.1 million, an increase of HK$27.4 million or 7.8% compared with HK$349.7 million for 2013. The increase was mainly due to the increase in staff costs, depreciation, insurance and other operating expenses resulted from service enhancement and general inflation.

NON-FRANCHISED TRANSPORT OPERATIONS

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$34.9 million for 2014, representing an increase of HK$4.3 million or 14.1% compared with HK$30.6 million for 2013. Turnover increased by 4.7% from HK$324.6 million for 2013 to HK$339.8 million for 2014. 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 is a leading non-franchised bus operator in Hong Kong. With Sun Bus Limited as its flagship company, the SBH Group provides customised 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 2014 amounted to HK$299.1 million, an increase of HK$12.6 million or 4.4% compared to HK$286.5 million for 2013. The increase was mainly attributed to business growth in respect of new and existing customers seeking premium services. Total operating costs for 2014 also increased as a result of increase in salaries 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 40 Euro V buses and two Euro VI buses to its fleet for business expansion, service enhancement and fleet replacement. As at 31 December 2014, the SBH Group had a fleet of 386 buses (2013: 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. Although the fares for the Huang Bus mid-night services and daytime services increased from HK$8 per trip to HK$9 per trip with effect from 13 May 2013 and 29 September 2014 respectively, NHKB's total patronage for 2014 slightly increased from 4.7 million passenger trips (an average monthly ridership of 0.39 million passenger trips) for 2013 to 4.8 million passenger trips (an average monthly ridership of 0.40 million passenger trips). At the end of 2014, NHKB had a fleet of 15 buses, same as the number at the end of 2013. In addition, NHKB had five Euro V super-low floor single-deck buses on order for delivery in 2015.

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.

LCKPI recorded an after-tax profit of HK$0.4 million for 2014, mainly arising from rental income generated from car parking spaces. In 2013, LCKPI made a one-off write-back of pre-tax development costs of HK$108.2 million upon reaching a final agreement with its contractors and sub-contractors on the final contract settlement sums on completion of the development project, and recorded an after-tax profit of HK$93.9 million.

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 2014, about 99% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

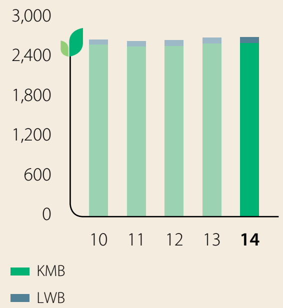
As at 31 December 2014, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK$89.7 million (2013: HK$94.4 million).

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 2014, 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.

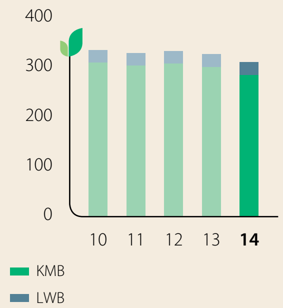
Average number of passenger trips per day
(Franchised public bus operations)

Thousand of passenger trips per day



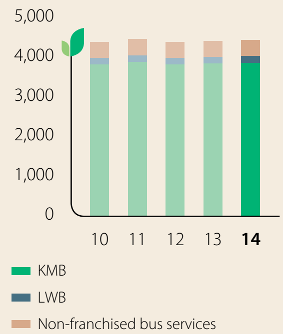
Bus kilometres operated
(Franchised public bus operations)

Million kilometres



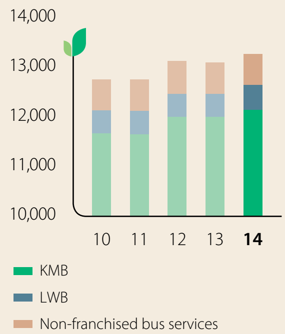
Number of licensed buses at 31 December

Number of buses



Number of staff at 31 December

Number of staff



As at 31 December 2014, the building was stated on the consolidated balance sheet at cost less accumulated depreciation and impairment losses in the amount of HK$30.6 million (2013: HK$31.9 million).

KT Real Estate Limited ("KTRE")

KTRE, a wholly-owned subsidiary of the Company, 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 2014, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK$15.6 million (2013: HK$14.9 million). The capital commitment outstanding and not provided for as at 31 December 2014 was HK$1,788.2 million (2013: HK$1,788.2 million).

TM Properties Investment Limited ("TMPI")

TMPI, a wholly-owned subsidiary of the Company, 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 2014, 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$6.1 million (2013: HK$7.4 million).

MEDIA SALES BUSINESS

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

HK$ million	**2014**	2013
Turnover	**459.5**	462.0
Other revenue	**15.7**	26.2
Total operating revenue	**475.2**	488.2
Total operating expenses	**(427.1)**	(389.3)
Profit from operations	**48.1**	98.9
Gain on disposal of other financial assets	**36.6**	–
Reversal of impairment loss on other financial assets	**–**	25.6
Profit before taxation	**84.7**	124.5
Income tax	**(8.0)**	(15.9)
Profit after taxation	**76.7**	108.6
Non-controlling interests	**(6.1)**	(3.8)
Profit attributable to equity shareholders	**70.6**	104.8

For the year ended 31 December 2014, the RoadShow Group reported a total operating revenue of HK$475.2 million (2013: HK$488.2 million) and a profit attributable to equity shareholders of HK$70.6 million (2013: HK$104.8 million). The decrease in profit for 2014 was mainly attributable to reduction in revenue due to the sluggish demand in the advertising market, particularly with regard to the retail sector, and the increase in operating costs as well as recognition of an exchange loss of approximately HK$5.1 million due to the depreciation in Renminbi against Hong

Kong dollars. In 2014, the RoadShow Group recorded a gain on disposal of other financial assets of approximately HK$36.6 million, whereas a one-off reversal of impairment loss on other financial assets of HK$25.6 million in relation to an investee in Mainland China was made in 2013.

The revenue generated from the RoadShow Group's Hong Kong media sales services in 2014 amounted to HK$459.5 million, a decrease of HK$1.9 million or 0.4% compared with HK$461.4 million in 2013.

The total operating expenses for 2014 increased by HK$37.8 million or 9.7% from HK$389.3 million in 2013 to HK$427.1 million in 2014, due mainly to the increase in licence fees and cost of production.

Further information relating to the RoadShow Group is available in its 2014 final results announcement and annual report.

CHINA MAINLAND TRANSPORT OPERATIONS

As at 31 December 2014, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$739.6 million (2013: HK$724.0 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 2014, the Group's China Mainland Transport Operations Division reported an after-tax profit of HK$37.8 million (2013: HK$34.8 million).

Summary of Investments in China Mainland Transport Operations as at 31 December 2014

	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 2014 (Number of vehicles)	**5,929**	**4,879**
Bus passenger volume (Million passenger trips)	**809.4**	**N/A**
Bus kilometres travelled (Million km)	**393.6**	**N/A**
Staff number at year-end 2014	**20,098**	**5,917**

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 530 taxis and 5,399 buses running on around 270 routes. In 2014, SBG recorded a total ridership of 809.4 million passenger trips, a decrease of 3.1% compared with 834.8 million passenger trips for 2013, 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 2014.

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 better position itself as one of the leading operators in Beijing in the booming but challenging car rental market, BBKT transferred its car rental business to another Sino-foreign 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 2014, BBKT had a fleet of 3,697 taxis and 5,767 employees. BBKT made satisfactory progress and recorded a profit in 2014.

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 2014, BBF had 1,182 vehicles available for charter mainly in Beijing and Tianjin and 150 employees. BBF recorded a profit in 2014.

CONTINUING CONNECTED TRANSACTION

The particulars of the following continuing connected transaction 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"):

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

As detailed in note 32(a)(iii) to the financial statements on page 194 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, on 23 October 2013 pursuant to which SHKPI agreed to provide insurance coverage and services to the Group (the "2014/15 Insurance Arrangements"), and such insurance policies took effect from 1 January 2014 to 30 June 2015. The transactions contemplated under the 2014/15 Insurance Arrangements constituted a continuing connected transaction of the Company under the Listing Rules. Particulars of this continuing connected transaction were disclosed in the announcement of the Company dated 23 October 2013. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2014/15 Insurance Arrangements for the year ended 31 December 2014 and for the six-month period ending 30 June 2015 as disclosed in the aforesaid announcement were HK$86,000,000 and HK$43,000,000 respectively. Such cap amounts were 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. For the year ended 31 December 2014, the insurance premium paid and payable to SHKPI was HK$82,053,000. The insurance premium payable by the Group under the 2014/15 Insurance Arrangements will be satisfied by internal resources. The transactions under 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.

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

1. the foregoing continuing connected transaction with SHKPI was entered into:-
   (i) in the ordinary and usual course of business of the Group;
   (ii) either on normal commercial terms or better; 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; and
2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2014 did not exceed the cap amount of HK$86,000,000 as disclosed in the announcement dated 23 October 2013.

The Company's auditor was engaged to report on the Group's continuing connected transaction 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 unqualified letter containing its findings and conclusions in respect of the continuing connected transaction set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.