



Employee First Customer Focused

Transport International Holdings Limited
2015 Annual Report



載通國際
Transport International

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Employee First Customer Focused

At the heart of the operations of Transport International Holdings Limited lie people. First and foremost, our commitment is to the people we serve every day through our various operations in Greater China. We are dedicated to meeting and if possible exceeding the expectations of an increasingly discerning group of customers who look for transport services of the highest quality at affordable prices. Secondly, our core strengths of innovation, efficiency and service excellence require a team of first-rate people who work together to deliver their very best by always putting our customers first.



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 is to set the highest standards in the public transport industry by providing a quality service which puts people first. We aim to achieve this vision by catering our services to our customers’ needs, adopting innovative and environment-friendly solutions, and optimising connectivity through our route network. We remain dedicated to sustainable business practices, enhanced shareholder value and the social and economic development of Greater China.



3月14日 星期一

路線	目的地	預計到達時間 (分鐘)
69M 	天水圍市中心 天盛苑·天瑞邨	2
69X 	天瑞 天耀邨·天盛苑	2
269B 	天水圍市中心 天盛苑·天瑞邨·美湖居	13
269C 	天水圍市中心 天盛苑·天瑞邨	2

38°C 28%

多謝合作!

269C
69M

A smiling woman with dark hair pulled back, wearing a light-colored cardigan over a white top, stands in front of a modern building with large glass windows. The building has a red sign that is partially visible. The sky is blue with some clouds.

Connecting PEOPLE

Making connections in
style and comfort

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 listening to our customers, and meeting or exceeding their expectations, we are able to raise the quality of all our services.

Nurturing PEOPLE

Bringing the best out of our staff
so they can give the best to you





Vision

Our vision to be a global leader in public transport is based on three principles: understanding the needs of the people we serve, introducing innovative technologies that further environmental preservation, and achieving new standards for safety, service and efficiency.



Caring PEOPLE

Giving back to the community
with whom we have grown



Values

Our corporate values are founded on delivering service standards that meet customer needs, operating with a consistent record of profitability for shareholders, and supporting the development of the communities in which we conduct our business.

BUSINESS AT A GLANCE

Transport International Holdings Limited

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 about 3,880 buses on a network of some 370 routes covering Kowloon, the New Territories and Hong Kong Island.



LONG WIN BUS COMPANY LIMITED

operates franchised public bus services with 190 buses on 23 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 providing public bus and taxi hire services in Shenzhen.



BEIJING BEIQI KOWLOON TAXI COMPANY LIMITED

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

BEIJING BEIQI FIRST COMPANY LIMITED

is a Sino-foreign joint stock company offering car rental services in Beijing.

Property Holdings and Development



LCK REAL ESTATE LIMITED

owns a 17-storey commercial 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.

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.



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 located at 1 Po Lun Street, Lai Chi Kok, 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 on-board via its "Bus-TV" business.



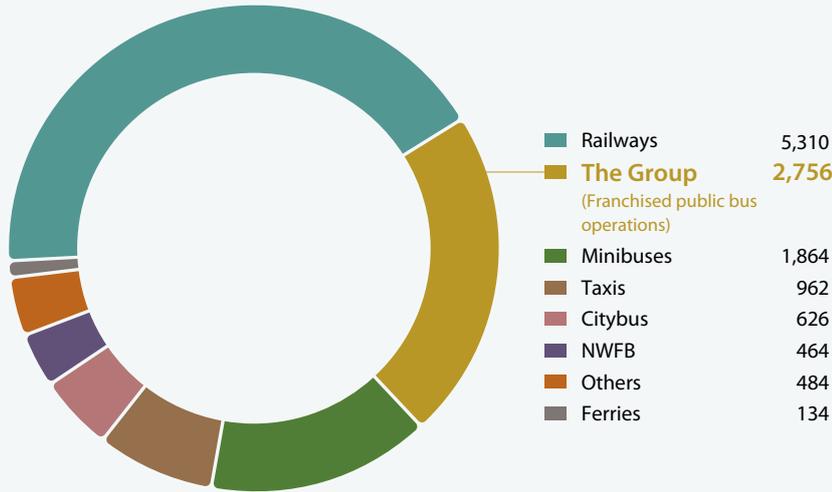
BUS POWER LIMITED*

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

AVERAGE NUMBER OF PASSENGER TRIPS PER DAY BY MODE OF PUBLIC TRANSPORT IN HONG KONG IN 2015 (IN THOUSAND)



CHINA MAINLAND



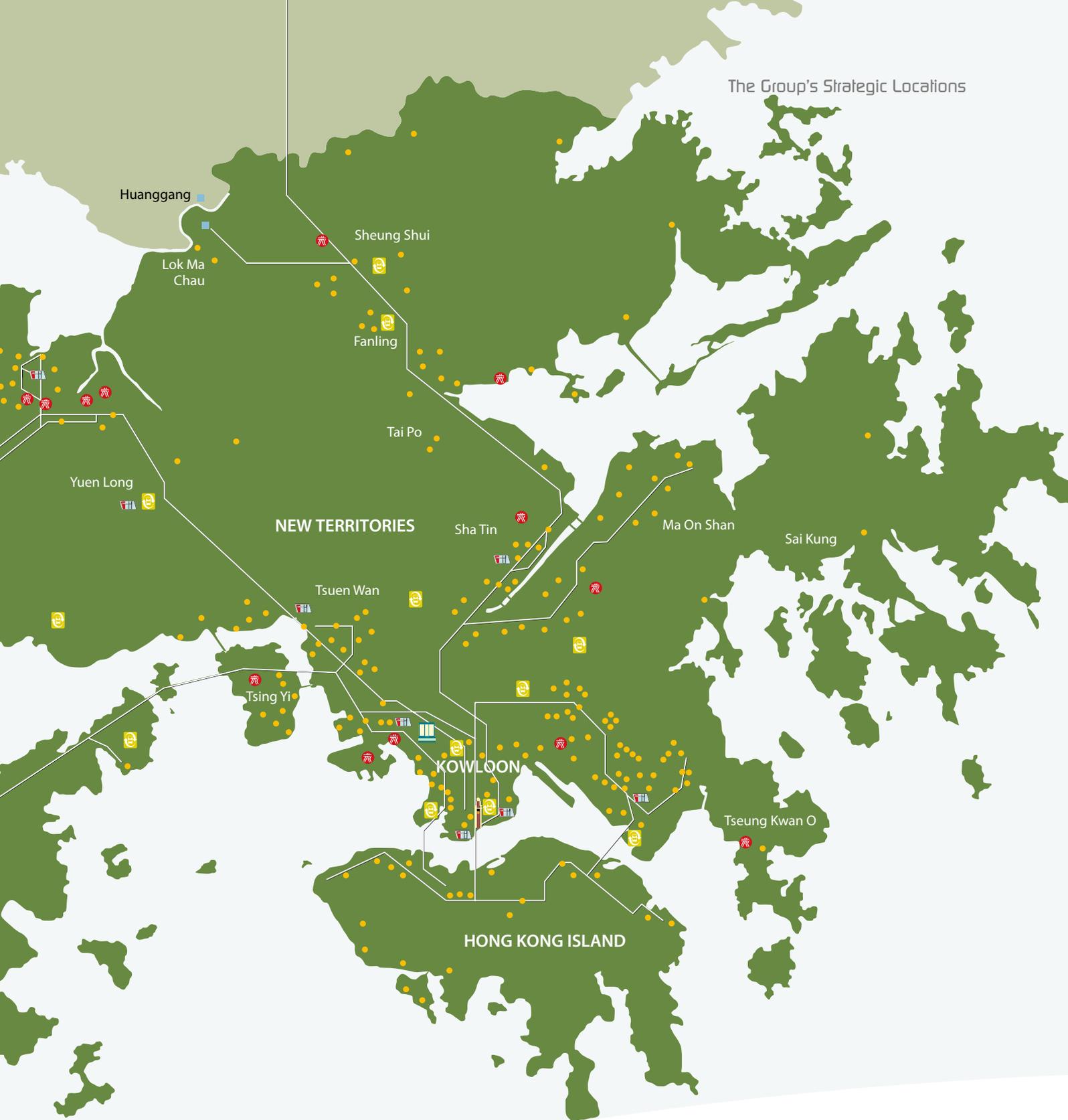
Beijing

Joint venture operating taxi hire and car rental businesses

Shenzhen

Joint venture operating public bus and taxi hire businesses

The Group's Strategic Locations



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

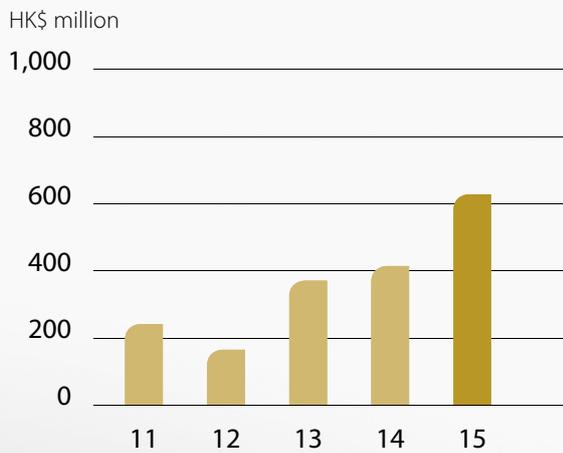
-  The Group's headquarters
-  Depots of The Kowloon Motor Bus Company (1933) Limited ("KMB")
-  Depot of Long Win Bus Company Limited ("LWB")
-  Bus Interchanges
-  Bus termini of KMB and LWB
-  Customer service centres of KMB and LWB
-  Bus termini of "Huang Bus"
-  Railways

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the Year Ended 31 December 2015

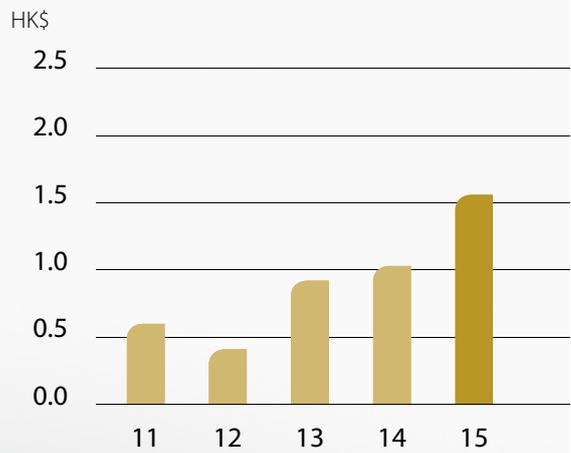
	Unit	2015	2014	Increase/ (decrease)
Financial Highlights				
Revenue:	HK\$ million	7,779.9	7,556.6	3%
– Fare revenue	HK\$ million	7,322.3	7,059.6	4%
– Media sales revenue	HK\$ million	418.7	464.5	(10%)
– Gross rentals from investment properties	HK\$ million	38.9	32.5	20%
Profit before taxation	HK\$ million	747.0	508.0	47%
Profit attributable to equity shareholders of the Company	HK\$ million	628.7	415.1	51%
Earnings per share	HK\$	1.56	1.03	51%
Ordinary dividends per share	HK\$	1.20	0.90	33%
Total equity attributable to equity shareholders of the Company	HK\$ million	7,207.7	7,197.1	–
Total assets	HK\$ million	11,069.8	10,202.3	9%
Net cash	HK\$ million	1,665.5	2,158.9	(23%)
Net finance income	HK\$ million	45.5	64.9	(30%)
Cash generated from operations	HK\$ million	1,688.3	1,195.3	41%
Key Financial Ratios				
Profit margin		8.1%	5.5%	47%
EBIT margin		9.7%	6.8%	43%
EBITDA margin		20.5%	17.2%	19%
Return on equity attributable to equity shareholders of the Company		8.7%	5.8%	50%
Gearing ratio		Net Cash	Net Cash	N/A
(ratio of net borrowings to total equity attributable to equity shareholders of the Company)				
Total borrowings/EBITDA		0.66	0.42	57%
Current ratio		1.60	2.70	(41%)
Dividend cover	Times	1.30	1.14	14%
(ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)				
Share price per share at year-end	HK\$	20.65	16.42	26%
Market capitalisation at year-end	HK\$ million	8,335.2	6,627.8	26%
Operational Highlights				
Hong Kong				
Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	2.76	2.71	2%
Number of licensed buses at year-end		4,079	4,034	1%
Number of staff at year-end		12,721	12,656	1%
Average number of staff per licensed bus at year-end		3.12	3.14	(1%)
Non-franchised Transport Operations:				
Number of licensed buses at year-end		401	401	–
Number of staff at year-end		627	621	1%
China Mainland				
China Mainland Transport Operations:				
Number of licensed buses at year-end		5,187	5,399	(4%)
Number of taxis and vehicles for rental at year-end		6,161	5,409	14%

Profit attributable to equity shareholders of the Company



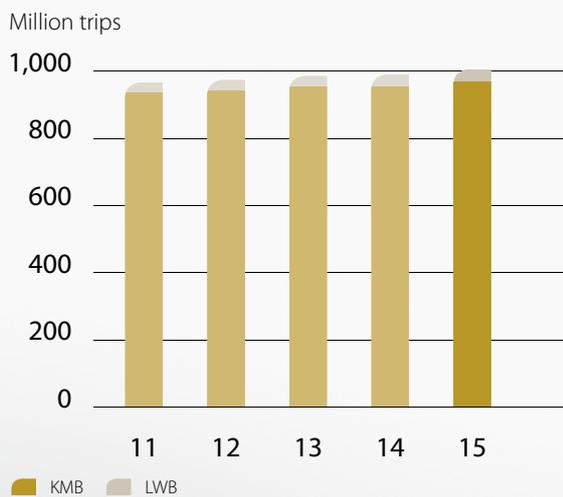
Profit attributable to equity shareholders for 2015 was HK\$628.7 million

Earnings per share



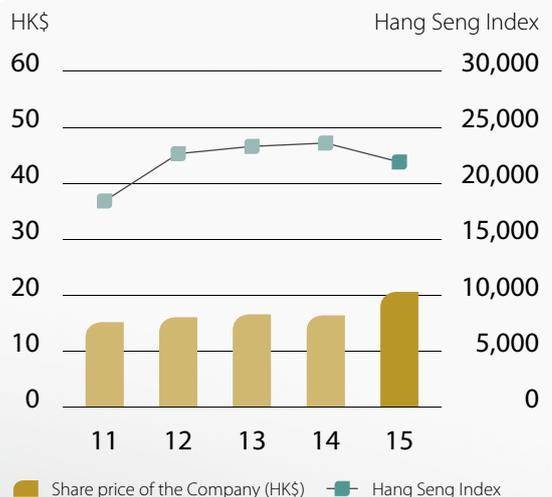
Earnings per share for 2015 was HK\$1.56

Number of passenger trips (Franchised public bus operations)



Number of passenger trips in 2015 was 1,005.9 million, up from 990.0 million in 2014

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



The closing share price of the Company at 2015 year-end was HK\$20.65 per share, up 26% compared with that of 2014 year-end

CORPORATE MILESTONES 2015

JAN

Tsing Sha Highway Bus-Bus Interchange opened

The Tsing Sha Highway Bus-Bus Interchange opened, providing convenient, direct and fast connections between the New Territories and the urban areas.



FEB

KMB won Hong Kong Top Service Brand Award

KMB won the Hong Kong Top Service Brand Award from the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong.



MAR

KMB co-presented the "Rugby on the Road" campaign

KMB joined in partnership with the Hong Kong Rugby Football Union to present the "Rugby on the Road" campaign to coincide with and celebrate the Hong Kong Rugby Sevens.



Whole-day services introduced between Tseung Kwan O and Tsuen Wan

KMB introduced two direct whole-day services between Tseung Kwan O and Tsuen Wan as part of its route network connectivity enhancement programme. The services have been well received by residents of both districts.



APR

KMB website won awards

The KMB website received the Triple Gold Award and Most Favourite Website Award from the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

JUL

KMB/LWB Mobile App Version 2.8 launched

The KMB/LWB Mobile App Version 2.8, featuring the estimated time of arrival service, was launched, and had been downloaded more than four million times by the end of the year.



SEP

KMB bade farewell to world's first super-low floor double-deck bus

KMB held a farewell ceremony for the world's first super-low floor double-deck bus, the ATR 1, which was introduced into the bus fleet in 1997.



TIH's annual report won award

TIH's 2014 annual report won the Gold Award in the Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category of the 2015 Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants.



KMB gave facelift to its iconic buses

KMB gave a facelift to its iconic buses in preparation for 2016's KMB's Vintage Bus Fleet Visits the Community programme, which will give citizens the opportunity to view historic buses at close quarters.



OCT

FRIENDS OF KMB received Award of 10,000 Hours for Volunteer Service

KMB's passenger club FRIENDS OF KMB received the Award of 10,000 Hours for Volunteer Service from the Social Welfare Department in recognition of its work among the community.

DEC

Estimated time of arrival service applied across KMB and LWB fleet

The estimated time of arrival service was applied to all solely-operated KMB and LWB routes, making them the first two bus companies in Hong Kong to provide such a service across the fleet.

KMB and LWB established Scholarship Scheme

As part of their employee caring programmes, KMB and LWB set up a Scholarship Scheme for children of full-time employees achieving excellent academic results and/or demonstrating exemplary success in non-academic pursuits.

NOV

KMB and LWB offered free rides on Senior Citizens Day

To show its care for the community, KMB and LWB offered free rides for the elderly on Senior Citizens Day.



CHAIRMAN'S LETTER

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

Norman LEUNG Nai Pang

Chairman



DEAR SHAREHOLDERS AND PARTNERS,

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

FINANCIAL PERFORMANCE IN 2015

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

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

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

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

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

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

CHAIRMAN'S LETTER

EMPLOYEE FIRST

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

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

CUSTOMER FOCUSED

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

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

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

ENHANCING COMMUNICATIONS

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

CORPORATE GOVERNANCE

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

LOOKING AHEAD

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

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

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

ACKNOWLEDGEMENTS

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

Norman LEUNG Nai Pang

Chairman

24 March 2016

CONVERSATION WITH THE MANAGING DIRECTOR

We are our own greatest competitor, constantly unleashing the power of the bus to make it the preferred choice of passengers.

Roger LEE Chak Cheong

Managing Director



Q How do you see the business environment in 2016? How will it affect the operations of the Group?

A 2016 will be a year of opportunities and challenges. At the macro level, the government's continued development of new areas like Hung Shui Kiu and Lantau Island, and the planning or construction of large-scale infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the airport's third runway will bring about growth opportunities for the Group.

As for challenges, the Group continues to be affected by the government's focus on the railway as the backbone of its transport policy. It is expected that the Kwun Tong Line Extension and South Island Line, expected to commence operations in 2016 and 2017 respectively, will adversely affect the Group's bus operations. KMB will work closely with local communities and the Transport Department to reorganise the affected routes, with a view to redeploying bus resources to routes with higher passenger demand so that passengers can be better served.

While the tightening of the labour market also poses a challenge for us in terms of hiring, training and retaining high-calibre staff, the Group will step up its training programmes to enable staff members to realise their full potential. The expected weakness in oil prices in the coming year will have a cushioning effect on the Group's rising operational costs.

In the coming year, the government is also expected to discuss extending the 10-year franchise of the Group's flagship, KMB. I am confident not only that the franchise will be renewed but also that our management team is well equipped to meet the challenges ahead and to grasp new opportunities to grow our businesses.

Q With the government's continued focus on the railway, what is the future for public buses?

A The development of the railway is an indisputable fact. However, compared to the railway, whose users often value efficiency over comfort, the competitive edge of our franchised buses lies in our ability to provide a 24-hour personalised service.

Before they leave home every day, passengers can use their mobile phone apps to choose the route and the bus which best suit them from our wide network. Knowing the time of arrival of their chosen departure in advance enables them to have their breakfast or catch up on the news before starting out. Planning the day's journey is easy and literally at one's finger tips, which is perfect for the new generation of urbanites for whom a comfortable and easy lifestyle is important. So, buses and the railway serve two different markets. We are our own greatest competitor, constantly unleashing the power of the bus to make it the preferred choice of passengers.

CONVERSATION WITH THE MANAGING DIRECTOR

Q How will KMB provide better bus services in the future?

A Every day, over 8,000 frontline bus captains serve our passengers in the name of KMB. The company has improved the facilities at bus depots and bus stops over the past year, as well as our employees' work environment. As a pioneer in the industry, we set up a staff discount barber shop to help our colleagues maintain a neat appearance and a staff discount store where they can buy groceries for their families at knock-down prices. These measures aim to initiate a virtuous cycle, since employees who are treated well will in turn serve their customers well, enabling the latter to enjoy satisfying services.

KMB keeps up with the times by using new media to increase interaction with our passengers and understand their needs. We provide caring bus services through the use of technology, by for example putting up display panels at bus stops that provide estimated bus arrival information. We are also providing seating and clear signs for passengers waiting for buses.

Safety being our number one priority, we will be strengthening various safety measures: from training employees and improving their driving, through introducing better rostering for work and rest days, to upgrading safety facilities on buses and enhancing passenger education.

Q Good corporations always give back to the community. What plans do KMB and LWB have in terms of environmental protection and corporate social responsibility?

A In terms of environmental protection, in 2015 KMB continued to make substantial investments in new buses with the latest safety, environmental and design features. At the end of 2015, there were 1,634 air-conditioned

buses at Euro V standard or above in the KMB and LWB fleets, and a further 621 buses at Euro V standard or above are expected to enter service in 2016.

Furthermore, we will shortly be introducing a batch of supercapacitor buses and battery-electric buses to test the performance of electric buses in regard to safety and service reliability. We will continue to monitor developments in battery-based technology with an eye to reducing emissions.

As for social responsibility, KMB is proud to have served the needs of the local community for more than 80 years. One way in which we are proud to celebrate this long partnership is by preserving classic bus models that have served Hong Kong down the years and making them available for the public to view at close quarters. This year, besides doing that, we will also be organising exhibitions at our bus depots, where the focus will be on our present-day operations as well as our heritage so that our passengers can learn more about our operations.

Q In light of the various infrastructure projects in LWB's operating area, how do you see the company's prospects?

A The HKSAR Government is committed to the development of Lantau, as evidenced by large-scale infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge, the third runway at the airport and the Tuen Mun-Chek Lap Kok Link. Obviously, this will create new demand for transport services that Long Win, which already plays a strategic role in connecting North Lantau, the airport and the New Territories, is in a good position to meet. As a socially responsible corporation looking to play our part in supporting Hong Kong's development, we will continue to cater to the need of visitors and citizens, which will in turn open up growth opportunities for the Group, leading to a win-win situation.

LWB will make improvements to its Airbus services, including expanding the fleet of buses, purchasing new buses and enhancing its routes. Most importantly, it will rebrand itself – from bus livery through bus interiors to bus captains' uniforms – to meet the new challenges. LWB will put 60 premium buses into service on its Airbus "A" routes. The new premium bus network will cover Tsuen Wan, Kwai Tsing, Tuen Mun, Yuen Long, Tai Po, North District and Lok Ma Chau, and will feature Bus-Bus Interchange concession schemes with KMB routes. These initiatives will provide travellers with excellent services as journey times are brought down to less than an hour, as well as providing growth opportunities for the Group.

Q How are the Group's non-franchised bus services progressing?

A The strength of Sun Bus, the flagship of the Group's non-franchised bus operations, lies in its flexibility and adaptability. It can make swift changes in response to market demands.

Sun Bus has reorganised its management team over the past year and improved its management efficiency. It has also completed negotiations on the extension of service contracts. In the coming year, Sun Bus will make better use of its substantial resources to generate synergistic benefits. We will provide the estimated time of arrival service for school buses so that parents and schools can keep track of services and arrival times.

Q Are there any new directions or plans for the Group's property ownership and development business?

A The development principle governing the Group's property holdings and development is to take full advantage of our land resources and realise the value of our assets. The Group holds the property at 9 Po Lun Street and will expand the rental floor area to enhance rental income. As for Tuen Mun Town Lot No. 80 and the site at Kwun Tong Inland Lot No. 240, we will lease the sites out through short-term tenancies before any development plans are confirmed in order to create additional income for the Group.

Q What is the outlook for the Group in 2016?

A From a macro perspective, infrastructure projects in Hong Kong will create opportunities for development. Coupled with the new transport demand patterns generated by shifts in population, this will bring about significant opportunities for the Group in the coming year. We are confident that we will be able to harness these opportunities to further expand our business. Nevertheless, we also need to properly tackle the challenge of losing passengers to an ever-expanding railway system. By improving and challenging ourselves, and by constantly staying ahead of passengers' expectations with innovative services, we aim to benefit all our stakeholders: customers, employees, shareholders, members of the public and the government alike.

MANAGEMENT DISCUSSION AND ANALYSIS

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BUSINESS REVIEW

The Group's core business is the provision of franchised public bus service in Hong Kong under The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. It also offers non-franchised tailor-made transport services for a wide range of customers in Hong Kong and a 24-hour cross-boundary shuttle bus service serving commuters and leisure travellers between Lok Ma Chau and Huanggang through the subsidiary companies, Sun Bus Holdings Limited and its subsidiaries (the "Sun Bus Group") and New Hong Kong Bus Company Limited ("NHKB") respectively. The Group has a 35% interest in a Shenzhen joint venture and a 31.38% interest in two Beijing joint ventures, which are related to the operation of public bus, minibus and taxi services in Shenzhen and taxi and car rental services in Beijing. In addition, the Group holds a portfolio of properties for investment and development purposes, and owns a 73% interest in RoadShow Holdings Limited, a media sales service provider which is listed on the main board of The Stock Exchange of Hong Kong Limited.

The business review of each individual business operations is set out on pages 26 to 51 of this Annual Report. The prospects of the Group's businesses are also discussed in the Chairman's Letter on pages 16 to 19 and the Conversation with the Managing Director on pages 20 to 23 of this Annual Report.

KEY RISKS AND UNCERTAINTIES

The Group's businesses face a number of key risks and uncertainties, including those set out below. It should be noted that the following is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risk areas outlined below.

Regulatory environment and government policies

A substantial part of the Group's revenue is generated from franchised transport operations. As a result, changes in government transport policy and regulations, such as Public Bus Services Ordinance (Cap 230) and Public Bus Services Regulations (Cap 230A), may have a significant impact on the Group's operating results and financial conditions either in the short term or in the long run. Proposals for a fare increase are subject to the approval of the HKSAR Government, who need to take into account a basket of factors, including public acceptability and affordability, which may not accord with the financial conditions of the franchised bus companies. There is no guarantee that a fare increase of a sufficient magnitude will be granted in time to enable the franchised bus companies to offset rising overheads and costs. The inflexibility inherent in this arrangement may have an adverse impact on the financial condition of the Group in an inflationary atmosphere.

Fuel prices and other financial risks

Fuel represents a major component of the Group's cost structure. Volatility in fuel prices may affect the financial stability of the Group. In addition, the Group's activities are exposed to various financial risks, including foreign currency, interest rate, credit and liquidity risks, which are elaborated in the Financial Review on pages 70 to 83 of this Annual Report.

Unexpected events and natural disasters

The operations of the Group's businesses may be subject to the impact of unexpected events such as prolonged electricity outages at depots or large-scale road blockages over an extended period of time. While the Group has implemented an effective Business Continuity Plan ("BCP") to deliver quality transport services in all circumstances, its operations may still be adversely affected by natural disasters and severe weather conditions, including floods and typhoons.

Hong Kong Franchised Public Bus Operations



The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) are leading franchised public bus operators providing world-class, environment-friendly, value-for-money bus services in Kowloon, the New Territories and Hong Kong Island. The service philosophy underpinning our operations focuses on safety, reliability, comfort and convenience.

THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED (“KMB”)

KMB, the largest franchised bus operator in Hong Kong, is the wholly-owned subsidiary of TIH. Each day, KMB serves approximately 2.65 million passenger-trips with its fleet of about 3,880 buses running on some 370 routes. With a workforce of around 12,000 employees, including some 8,600 bus captains, KMB ensures that its customers receive service of the highest order.

OPERATIONAL EXCELLENCE

With more than eight decades’ experience providing franchised public bus services in Hong Kong, KMB maintains its industry leadership through the adoption of the highest operational and service standards. In 1999, KMB became the first public bus company – and thus far, the only one – and the fourth organisation in Hong Kong to obtain ISO 9001:1994 certification on a corporate-wide basis for its quality management systems. In 2002, it was awarded ISO 9001:2000 certification for its quality management systems. The following year, Lai Chi Kok and Sha Tin Depots received ISO 14001:1996 Environmental System certification, making KMB the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation. By 2005, the two depots had been upgraded to ISO 14001:2004 certification, and two years later KMB’s four major operating depots at Lai Chi Kok, Sha Tin, Kowloon Bay and Tuen Mun received Green Mark Certification from the Q-Mark Council of the Federation of Hong

Kong Industries. In 2009, KMB received ISO 9001:2008 certification from the Hong Kong Quality Assurance Agency (“HKQAA”) on completion of upgrading audits in four certification areas: KMB Headquarters; Operations Development Department and the four operating depots; the Overhaul Centre; and the Unit Overhaul Depot. In 2012, KMB became the first franchised bus company in Hong Kong to receive Occupational Health and Safety Assessment Series (“OHSAS”) 18001:2007 certification from the HKQAA in recognition of its implementation of effective risk management systems in bus operations and maintenance activities.

With more than eight decades’ experience providing franchised public bus services in Hong Kong, KMB maintains its industry leadership through the adoption of the highest operational and service standards.



BUSINESS REVIEW

Committed to providing passengers with safe and reliable bus services, we have established mechanical reliability and operational capability as the key benchmarks of our public bus services.

PERFORMANCE PLEDGE

Committed to providing passengers with safe and reliable bus services, we have established mechanical reliability and operational capability as the key benchmarks of our public bus services.

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 2015, the mechanical reliability of KMB's fleet was 47,116 km : 1.

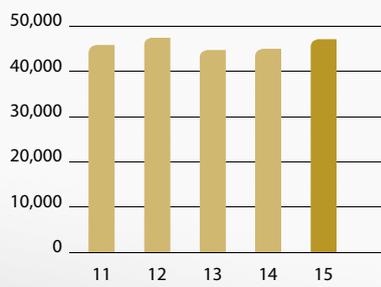
Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2015, we achieved an operational capability of 99.74%.

Buses are the preferred choice of discerning residents throughout Hong Kong



Mechanical reliability – KMB

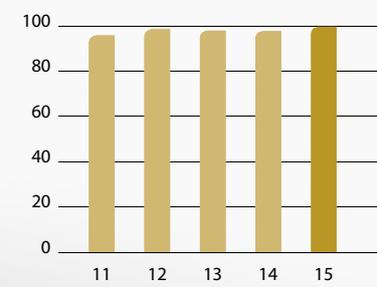
Kilometres



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

Operational capability – KMB

Percent (%)



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



BUSINESS REVIEW

BUS FLEET AND FLEET UPGRADE

KMB is committed to constant innovation as it modernises its bus fleet. Since 1997, when KMB, in collaboration with its bus suppliers, introduced the world's first super-low floor, wheelchair accessible double-deck buses to Hong Kong, different generations of technologically advanced and environment-friendly buses, with a range of 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, have been added to KMB's fleet.

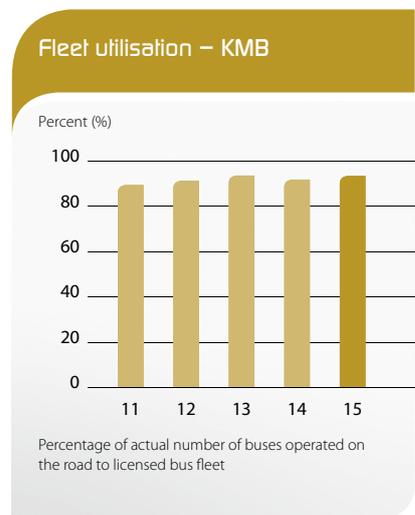
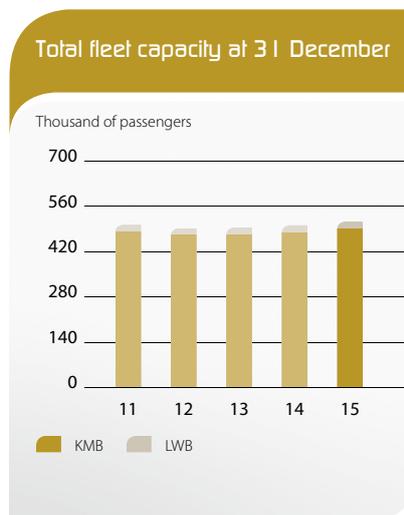
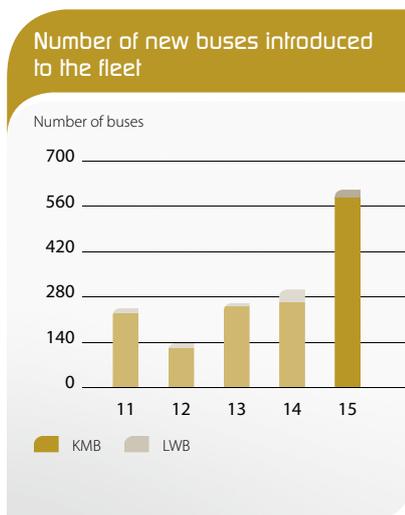
We are committed to building a better environment by investing in environment-friendly buses that meet the stringent exhaust emission standards set by the European Council of Environmental Ministers. In 2009, we demonstrated our leadership in environment-friendly bus services by becoming the first public bus company in Asia to introduce the Euro V double-deck bus at a time when legislation

required only Euro IV emission standards for newly-registered diesel vehicles. To further improve fleet environmental performance, KMB has collaborated with a British bus manufacturer to co-develop the new generation of Euro V double-deck E500 buses, which came into service in Hong Kong in May 2013. The new generation E500 bus has a lighter build, which reduces fuel consumption and results in 10% lower carbon emissions, and comes equipped with new driveline technology and a more energy-efficient air-conditioning system. Its chassis is compatible with future Euro VI engine development and hybrid technology.

In 2015, KMB continued to make substantial investments in new buses with the latest safety, environmental and design features. A total of 586 new super-low floor air-conditioned buses, consisting of 583 Euro V double-deck buses and three Government-sponsored supercapacitor air-conditioned 12-metre single-deck buses ("gBuses"), were added to the KMB fleet.



Since August 2014, when KMB introduced four 12.8-metre double deck buses to run on Route 73X, an additional 150 12.8-metre buses have been ordered, with the first batch commencing service in November





KMB's modern bus fleet is ready to serve our customers every day

2015. The 12.8-metre bus is based on the ADL E500 Turbo 12-metre bus, with an additional 0.8 metre added to the mid-body length to provide space for nine more passengers, bringing the capacity to 146. The 12.8-metre buses exhibit the same fuel efficiency and reliability that have been achieved by the 12-metre version. KMB will

continue to further expand its fleet of 12.8-metre buses in 2016 to provide increased passenger capacity on routes with high demand. As at the end of 2015, 24 12.8-metre buses had been put into service.

As at 31 December 2015, KMB operated a total of 3,889 licensed air-conditioned

buses, comprising 3,717 double-deck buses and 172 single-deck buses.

In addition, 471 air-conditioned double-deck Euro V buses and two air-conditioned double-deck Euro VI buses and five Government-sponsored supercapacitor single-deck buses were on order for delivery in 2016.

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2015	3,682	173	3,855
Additions during year	598	3	601
Disposals during year	(563)	(4)	(567)
As at 31 December 2015	3,717	172	3,889

BUSINESS REVIEW

BUS SERVICE NETWORK

At the end of 2015, KMB operated a total of 377 bus routes. To improve the efficiency and competitiveness of its bus network, KMB constantly reviews the viability of its bus routes with respect to the changing operating environment, taking into account factors such as railway expansion, population intake and redistribution, and the building of new highways. Matching resource allocation to the new demand patterns not only safeguards long term sustainability; it also enables expansion into new growth markets, such as routes serving boundary-crossing passengers. Strategic bus network reorganisation therefore remains central to KMB's response to ongoing changes in market conditions.

In 2015, we submitted 107 route reorganisation proposals to the Government, 60 of which were put forward for consultation with District Councils, of which 43 were agreed in principle by the relevant District Councils (including 26 that were implemented in 2015 and 17 that will be implemented later).

These route reorganisation packages enhance the synergy of the entire route network and offer the following benefits to the travelling public by:

- straightening routes that are unduly circuitous;
- introducing new express routes that utilise the new highway infrastructure;
- offering greater connectivity between routes by using Bus-Bus Interchanges on the 'Hub and Spoke' principle; and
- simplifying the network of "historic" bus routes to improve their effectiveness.

With the support of the HKSAR Government, large-scale route reorganisation exercises were successfully implemented in Sha Tin, Tai Po, Yuen Long / Tin Shui Wai and Tsing Yi in 2014 and 2015. The opening of the Tsing Sha Highway Bus Interchange in January 2015 means that passengers travelling from the Eastern New Territories to West Kowloon can choose from 11 bus routes to reach their destinations, at various discount combinations. Traffic congestion at peak periods can be relieved, as passengers have an alternative to the roads using the Lion Rock Tunnel and the Shing Mun Tunnels. New bus services have also been introduced for new development areas such as Shui Chuen O, Wu Kai Sha, Pak Shek Kok and Kai Tak. Further service enhancements and the introduction of new routes have been planned for these areas and for other new development areas such as Anderson Road Development Area and Hung Shui Kiu.

In 2015, two competitive tendering exercises for new bus routes were finalised by the HKSAR Government, and KMB was awarded both tenders. As a result of the first tender, Routes 290 and 290A were introduced in March 2015 to operate between Tseung Kwan O and Tsuen Wan. The call for tenders for the route package for Anderson Road Development Area was made in mid-2015 and KMB was notified that it had been awarded the tender in November 2015. Services on the routes will commence in phases from the first quarter of 2016 in line with the population intake.

The opening of the West Island Line in late 2014 has had a significant impact on the ridership of KMB's cross-harbour routes serving Western District. In response to the passenger shift from road based public transport to rail, six buses were redeployed to other routes. With new railway lines set to commence service in 2016 and 2017, namely the Kwun Tong Line Extension and the South Island Line (East), timely route reorganisation needs to be implemented with the concerted effort of all stakeholders to enable better use of resources. This will ensure improved connectivity and a sustainable and financially viable bus network that plays its part in easing traffic congestion and improving environmental management through reduced roadside emissions.

The following table summarises the bus network reorganisation carried out in 2015:

	Proposed		Implemented	
	Number of proposals	Number of buses to be saved	Number of proposals	Number of buses saved
Route reorganisation	107	17	26	9
Service frequency reduction	58	6	51	6
Total	165	23	77	15[#]

[#] Due to the population intake in new development areas such as Shui Chuen O, 12 of the vehicles saved were redeployed to other routes with growing demand.

Building on the route reorganisation that has already been done, we have drafted proposals for the further fine-tuning of our network for formal consultation in 2016 with the aim of achieving more efficient fleet deployment for the communities we serve.

BUS SERVICE RELIABILITY

Deteriorating traffic conditions have been adversely affecting the reliability of our bus services over recent years

with the result that many KMB routes are recording an actual journey time greater than that published in the Government gazette.

To cope with the traffic conditions, we have amended the timetable of some of our routes based on Best Practice Scheduling, according to which bus services are better aligned to meet actual passenger demand and operate with sufficient journey time to counter

increased traffic congestion, and the departures outside peak hours are generally made at fixed and regular intervals. As part of our efforts to ensure that buses depart from the terminus on time, we rescheduled around 100 routes with Best Practice Scheduling in 2015.

We remain resolute in our commitment to work with the Government to ease traffic congestion and to strengthen



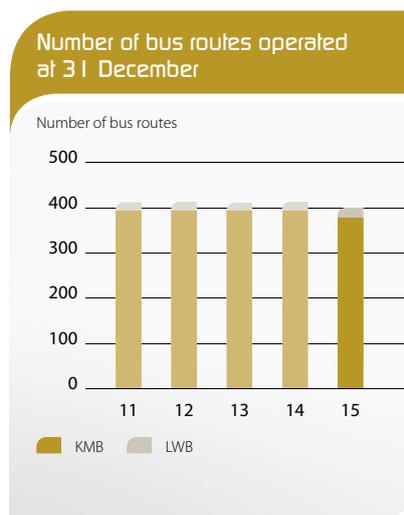
Busy urban interchange connects people across the territory

BUSINESS REVIEW

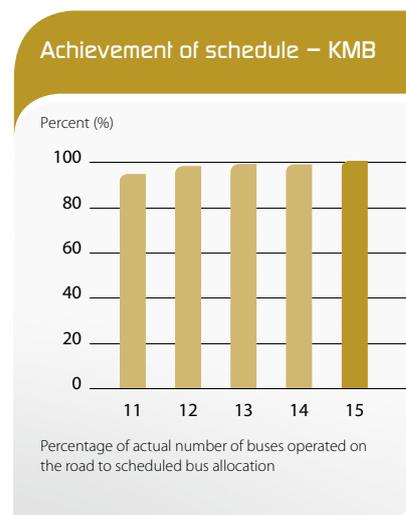
enforcement-related problems. We will continue to press for sustainable solutions, including the adoption of bus priority measures such as traffic signal priority, extended hours for bus-only lanes and the adoption of a Bus Rapid Transit system on the lines of those implemented in a number of the world's leading cities.

DEPOTS

Routine maintenance and repair services are provided by KMB's four major bus depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun. 10 smaller depots supply parking and minor maintenance services, while major overhaul services are provided



by the KMB Overhaul Centre in Tuen Mun. Depot facilities are continually



upgraded to ensure consistent service quality and a high level of productivity.

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 2015	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,068	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,112	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	861	2002	The depot land has been leased from the Government on a short term tenancy [#]
Tuen Mun Depot	West New Territories	148,961	849	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 a Private Treaty Grant
LWB depot:					
Siu Ho Wan Depot	Lantau Island	82,422	190	1998	The depot land has been leased from the Government on a short term tenancy [#]
Total		2,749,287	4,080		

[#] Under the short term tenancy agreements, rentals at market rates are payable to the HKSAR Government.

APPLICATION OF INFORMATION TECHNOLOGY

Information technology is used across the company to improve efficiency and communications. Operations across offices, bus depots, bus termini and customer service centres are integrated via a high-speed network that connects 1,950 personal computers and 128 servers. A total of 48 computer applications help maintain a high standard of customer service and strengthen day-to-day bus operations, as well as facilitating human resources management and financial management. The following are some of the key computer systems being used by the company:

Bus Estimated Time of Arrival (“ETA”)

At the end of 2015, the in-house developed ETA service had been applied to all solely-operated KMB and LWB routes, making them the first two bus companies in Hong Kong to provide such a service across the entire fleet. Passengers are able to obtain bus arrival information via display panels at bus termini and bus stops, as well as the KMB/LWB smartphone app and the KMB and LMB websites.

Integrated Bus Service Information Display System (“IBSID”)

IBSID panels have been installed at 38 bus termini to provide passengers with information on bus route destinations, departure times, fares and major traffic disruptions.

Electronic Bus Stop Announcement System (“BSAS”)

The entire KMB fleet is equipped with the on-board BSAS, which gives passengers the name of the next stop in Cantonese, English and Putonghua, backed up by the same information on LED displays. The system also broadcasts safety reminders and bus service messages.

Terminus Management System (“TER”)

TER supports daily bus operations at 186 termini by displaying the next departure time and any special instructions when bus captains present their personalised Octopus card on reporting for duty.

Traffic Operations Management System (“TOM”)

TOM generates duty assignment for more than 8,000 bus captains in accordance with the working guidelines set by the HKSAR Government. It also streamlines the duty dispatch process by accurately recording the bus parking location.

Bus On-board Monitoring System (“BOM”)

BOM reports on the driving performance of bus captains for analysis by depots and departments with the aim of raising standards of driving with a special focus on safety and passenger comfort.

Information technology is used across the company to improve efficiency and communications.

Hong Kong Franchised Public Bus Operations



LWB has been operating franchised public bus services between the New Territories and Hong Kong International Airport and North Lantau since 1 June 1997. The areas currently served by LWB's network include the Airport, Tung Chung, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.

LONG WIN BUS COMPANY LIMITED (“LWB”)

LWB’s ridership continued to grow in 2015, boosted by the increasing number of travellers using Hong Kong International Airport and the developments established or under construction in the Airport area and Tung Chung. With its wide network coverage, LWB remains well placed to capture the business potential arising from business and leisure travellers, from those who work at the Airport and from those requiring transport to and from the construction sites for the Hong Kong-Zhuhai-Macao Bridge and the housing projects in Tung Chung.

PERFORMANCE ASSURANCE

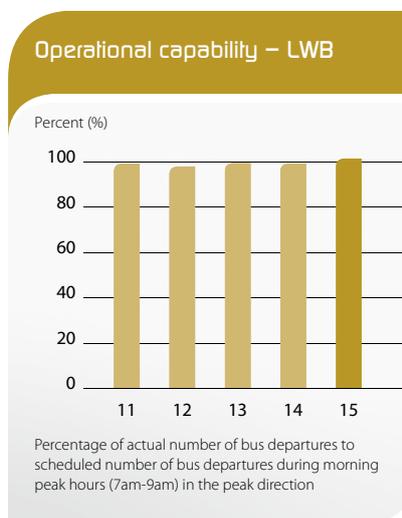
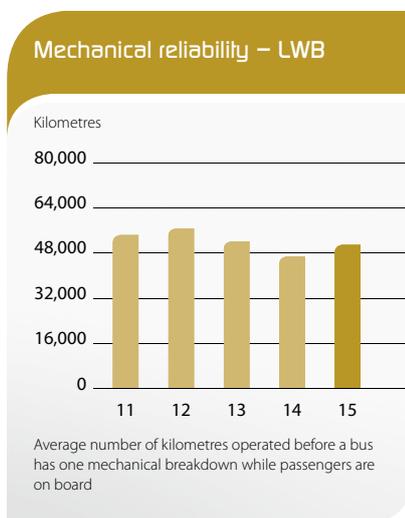
LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency are maintained at the highest standards across its bus fleet. LWB measures its operational performance by reference to two key performance indicators, namely, mechanical reliability and operational capability. Mechanical reliability is 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 in the peak hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2015, LWB achieved 50,869 km : 1 in mechanical reliability and 101.67% in operational capability.

LWB obtained ISO 9001:2008 quality management systems certification in November 2012. Having successfully passed the certification renewal audit in 2015, LWB’s certification was extended for 3 years up to September 2018, demonstrating its dedication to excellence in bus service provision.

BUS FLEET AND FLEET UPGRADE

In 2015, in order to replace older buses and meet increasing passenger demand and network growth while providing better environmental protection, LWB continued to strengthen the carrying capacity of its fleet by introducing 26 new Euro V super-low floor air-conditioned double-deck buses. These new buses, with improved design features such as more spacious leg-room, reclining seats and leather-touch seat covers, have been deployed to operate on Airbus routes. They also incorporate advanced features such as the Bus Telematics System, which provides enhanced functions for fleet management, and on-board CCTV systems, which monitor passengers’ luggage and improve security.

At 31 December 2015, LWB operated 190 air-conditioned super-low floor wheelchair accessible double-deck buses, all equipped with the electronic bus stop announcement system.





LWB's services link the New Territories with the Airport and North Lantau

LWB's air-conditioned double-deck bus fleet	Total number of buses
As at 1 January 2015	179
Additions during year	26
Disposals during year	(15)
As at 31 December 2015	190

In addition, it had on order 60 Euro V super-low floor air-conditioned double-deck buses for delivery in 2016. The overwhelming majority of these buses are premium design buses which are scheduled to operate on existing or new Airbus routes. To meet increased passenger demand, 39 of these buses are 12.8 metres in length, offering a higher carrying capacity.

BUS SERVICE NETWORK

At the end of 2015, LWB operated 23 routes. To cater for passenger growth and increased service expectations, eight buses were added on Routes A33, A43, E33/E33P, E34A, E34B and E42. In response to passenger requests for premium bus services, LWB introduced two new Airbus routes A36 and A47 linking the Airport and Hung Shui Kiu/ Yuen Long and Tai Po respectively. Supplementary Airbus services of Route A33 and A43, named Routes A33P and A43P, were introduced in September

2015 to expand the service network of LWB to Tuen Mun North and San Tin Public Transport Interchange (Lok Ma Chau) respectively.

To satisfy the needs of the increasing number of air passengers arriving late at night and Airport staff working late or early morning shifts, LWB strengthened the service of Overnight Routes N30 and N42P, with departures being added in June and July 2015 respectively.

To provide a more direct service for air passengers arriving after midnight, two new Overnight Airbus routes, NA33 and NA34, were introduced in July 2015, serving Tuen Mun and Yuen Long/Tin Shui Wai respectively. With their direct routing and extended operating hours, these two services have met with a positive response from passengers.

LWB is committed to maintaining high standards of network coverage and service for all its passengers, while exploring ways to meet increasing travel demand in the tourism and leisure sectors. It will continue to operate according to its mission of providing the most efficient, direct and user-friendly bus services for its passengers.

DEPOT

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

SAFETY AND CUSTOMER SERVICE

Regular and thorough inspections of LWB's buses are undertaken to make sure that they are maintained to the highest operational standards. Driving instructors carefully monitor bus captains' driving performance and customer service delivery, while safety briefings are held periodically and safety reminders are circulated to all bus captains. In addition, LWB runs quality campaigns to recognise and reward good performance.

To provide passengers with real-time bus trip information that helps them with their journey planning, an app-based estimated time of arrival function is available on all LWB routes with regular services, along with other key bus service information. Estimated time of arrival information is also provided on LWB's website, which continues to provide passengers with convenient access to route information, and on display panels at selected bus stops.

ENVIRONMENTAL PROTECTION

LWB is fully alert to the importance of environment protection and continues to invest in environment-friendly buses that meet the stringent emission standards of the European Council of Environmental Ministers. In 2015, LWB introduced 26 new Euro V buses to its fleet, bringing the proportion of Euro V buses up to 57%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro II and Euro III buses to reduce the emission of particulate

matter. To further improve air quality, Near Zero Sulphur Diesel ("NZSD") has been used fleet-wide since 2010.

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 both fuel consumption and exhaust emissions.

To improve roadside air quality, the HKSAR Government has set aside HK\$180 million for Hong Kong's franchised bus operators, including LWB, to purchase 36 electric buses and trial them on different routes to evaluate their performance in different operating environments. Under this scheme, LWB received funding to procure four single-deck electric buses. The procuring arrangement for three of these buses has been approved by the HKSAR Government, while the tendering process for the remaining bus is under way.



Comfortable and speedy Airport services are the hallmark of LWB

Hong Kong Non-franchised Transport Operations



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



SBL provides door-to-door services for the busy urbanite

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

The SBH Group is a leading non-franchised bus operator in Hong Kong, providing premium, safe, reliable, and value-for-money transport services.

Led by its flagship subsidiary, Sun Bus Limited (“SBL”), the SBH Group offers a range of bus services designed for specific markets, including large housing estates, shopping malls, major employers, theme parks, travel agents and schools, as well as providing the general public with chartered hire services.

The SBH Group continues to modernise its fleet by acquiring the latest environment-friendly buses. In 2015, 47 Euro V buses were added to the fleet for bus replacement. At the end of

2015, the SBH Group had a fleet of 386 buses. The SBH Group will continue to introduce more Euro V/VI buses as part of its fleet upgrade programme and currently has 12 Euro V buses on order for delivery in 2016.

In 2008, SBL was ISO 9001:2000 certified for its quality management systems – the first commercial non-franchised bus company in Hong Kong to achieve this accreditation. SBL has since been upgraded by the Hong Kong Quality Assurance Agency to ISO 9001:2008 certification.



Shopping Malls



Major Employers



Schools



Large Residential Estates



Travel Agents



Theme Parks

Hong Kong Non-franchised Transport Operations



NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary bus service, known as the “Huang Bus”, serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.



NHKB takes the strain out of cross-boundary travel

NEW HONG KONG BUS COMPANY LIMITED (“NHKB”)

In 2015, NHKB operated a fleet of 15 air-conditioned super-low floor single-deck buses on its shuttle bus service between Lok Ma Chau and Huanggang, with five new Euro V buses replacing five older buses. NHKB’s terminus at the San Tin Public Transport Interchange features four comfortable air-conditioned waiting lounges and an integrated information display system.

With the infrastructure provided by the Lok Ma Chau Spur Line, the Lok Ma Chau Public Transport Interchange and the Hong Kong-Shenzhen Western Corridor,

the Huang Bus faces intense competition from rail and public minibus services. Further pressure is placed on NHKB’s patronage growth by the relocation of the Control Point Office in Huanggang, which requires passengers to walk further before gaining immigration clearance, and by the limit of one visit a week placed on multiple-entry permit holding Shenzhen permanent residents. As a result, 2015 saw a slight drop in demand for NHKB’s cross-boundary bus services, as patronage fell from 4.83 million in 2014 to 4.81 million.

Notwithstanding a decline in patronage, the demand for cross-boundary bus services is expected to pick up in line with the stronger social and economic ties between Hong Kong and the Mainland. NHKB will continue to work hard to ensure its convenient shuttle bus service remains one of the preferred means of transport for cross-boundary travellers.



China Mainland Transport Operations



In 2015, the Group ran a range of diverse transport services in Shenzhen (深圳) and Beijing (北京) as part of its strategy of leveraging transport related business opportunities in China Mainland that offer a reasonable return.



SZBG leads the field in the provision of bus services in Shenzhen

SHENZHEN BUS GROUP COMPANY LIMITED (深圳巴士集團股份有限 公司) (“SZBG”)

SZBG 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 Mainland investors. The Group has a 35% interest in SZBG.

SZBG has been operating public bus, minibus and taxi services in Shenzhen City (深圳市) since 2005. At the end of 2015, SZBG had a fleet of 5,187 buses running on around 263 routes and 1,373 taxis. Due to keen competition from Shenzhen’s underground railway system, the number of passenger-trips

made by SZBG in 2015 fell by 5.2% to 766.1 million compared to 807.7 million passenger-trips in 2014.

In 2015, SZBG introduced more feeder bus routes connecting neighbourhoods with underground railway stations, while expanding its route network to nearby districts. Operational efficiency was enhanced and cost control tightened, as means of addressing the competition from the underground railway and an increase in overheads. Further measures adopted to improve SZBG’s competitiveness in the public transport field included bus network reorganisation aimed at increasing productivity while maintaining service quality.

In 2015, SZBG introduced more feeder bus routes connecting neighbourhoods with underground railway stations, while expanding its route network to nearby districts.

BUSINESS REVIEW

Holder of ISO 9001:2008 certification for the provision of bus transport services in Shenzhen City, SZBG is currently the largest electric vehicle operator in China and one of the biggest electric vehicle operators in the world. SZBG remains committed to upgrading its service provision and sustaining its business edge.

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

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 – the first Sino-foreign joint stock company to enter China Mainland’s taxi hire and car rental sector when it was established in 2003.

BBKT operated both taxi hire and car rental businesses until April 2013, when, to sharpen its focus on the business opportunities provided by the booming car rental market, it spun off its car rental business and set up a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司).

ISO 9001:2008 certified for its quality management systems in taxi services, BBKT leads the way in offering excellent services in the capital’s highly competitive market.

As at 31 December 2015, BBKT had a fleet of 3,670 taxis, of which 566 are environment-friendly hybrid taxis. Despite the challenge of escalating staff costs and other operating expenses, BBKT is determined to put service quality first as it continues to explore sustainable new business opportunities.



SZBG’s taxi fleet opens doors for the business and leisure traveller in Shenzhen



BBKT stays ahead of the field with its well-equipped fleet

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

BBF is a Sino-foreign joint stock company established in April 2013 to operate the car rental business formerly undertaken by BBKT. As at 31 December 2015, BBF had 1,118 vehicles available for charter, mainly in Beijing and Tianjin (天津). With ISO 9001:2008 certification for quality management systems in car rental services, BBF is well placed to differentiate itself through its high standards of service provision in the competitive car hire market.

BBF is well placed to differentiate itself through its high standards of service provision in the competitive car hire market.

Property Holdings and Development



The Group has a portfolio of investment properties, including a shopping mall, an office building and an industrial property which generate steady rental income.

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 upscale Manhattan Mid-town shopping mall, the two-level retail podium at Manhattan Hill, which is centrally situated in Kowloon and within easy reach of Hong Kong Island and Hong Kong International Airport by rail or road. The shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in 2009. At the end of 2015, 99% of the lettable area of the 50,000 square feet shopping mall was leased out to a mix of shops and restaurants, generating a stream of 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.

LCKRE owns the 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet for office use and rental purposes. The building is situated next to Manhattan Hill. A portion of the gross floor area has been used by the Group as headquarters with the remaining gross floor area leased out to shops and restaurants. In the fourth quarter of 2015, the area for headquarters usage was reduced, and the released gross floor area was reallocated for leasing to generate rental income.

KT REAL ESTATE LIMITED (“KTRE”)

KTRE, a wholly-owned subsidiary of TIH, and Turbo Result Limited (“TRL”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), own 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, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses. Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP, has been appointed by KTRE and TRL as the project manager. While it will take some time to finalise matters relating to the modification of the lease, we are in the meantime looking for other opportunities to use the site to generate additional income for the Group.

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.

TMPI owns an industrial property comprising a single-storey high ceiling structure and a three-storey workshop 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 Centre	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.

BUSINESS REVIEW

Media Sales Business



RoadShow offers marketing and advertising services to professionals wishing to disseminate their messages.

ROADSHOW HOLDINGS LIMITED AND ITS SUBSIDIARIES

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

BUS-TV

2015 once again saw BUS-TV produce a wide variety of programming ranging from infotainment, entertainment and environmental news to lifestyle, art and cultural updates. Such diversity not only appealed to the widest possible range of local tastes but also helped to successfully catch consumers’ attention. In 2016, RoadShow plans to further integrate BUS-TV with its other online platforms to attract more advertising agencies and brand managers.

BUS-BODY

Despite fiercer than ever competition, 2015 was another satisfactory one for BUS-BODY, which continues to be effective in attracting new partners, especially from the lucrative blue-chip sector, enabling RoadShow to widen its client base. The overwhelming response of advertisers and their agencies to the integration of BUS-BODY with BUS-TV and IN-BUS via Theme Bus shows that this channel remains an effective tool.

IN-BUS

IN-BUS maintained its steady forwards momentum in 2015. Advertisers and agencies remain satisfied with this impactful promotional channel and the way its various formats allow them to disseminate advertising messages to audiences. The IN-BUS team has been adding to IN-BUS’s creativity and interactivity via the leveraging of various state-of-the-art technologies, making its channel formats outstanding tools for advertisers and agencies wishing to link their Offline to Online (O2O) campaigns.

BUS-SHELTER

Operated in conjunction with JCDcaux Cityscape Limited since 2001, RoadShow’s bus shelter business once again recorded encouraging growth in 2015. Its market share and status as probably Hong Kong’s foremost out-of-home (“OOH”) advertising specialist were enhanced even as revenue and profits were significantly boosted.

BILLBOARD

RoadShow’s sole and exclusive rights to the advertising spaces at the Star Ferry’s outdoor pier and ferry panels and the Hung Hing Road billboard at the Cross Harbour Tunnel’s Causeway Bay entrance ended in 2015. In 2016, RoadShow will continue its efforts to add to its share of the strategically vital OOH market by careful selection of profitable sites and by sounding out different landlords regarding potential new advertising formats.

DIGITAL AND MOBILE DEVELOPMENT

THE ROADSHOW.HK PORTAL

The roadshow.hk portal is another way RoadShow is demonstrating how effectively it has established itself as one of Hong Kong’s top integrated advertising platforms. Showcasing must-read bloggers and other top notch content, the portal offers an ideal

open platform for User-Generated Content (UGC) and home-made videos. It is the perfect showcase for advertisers wishing to take consumer engagement to the next level by interacting with local “netizens”.

MOBILE APP and E-COMMERCE – HK2gather

The groundbreaking HK2gather App is another means RoadShow is using to speed up and streamline the integration of its online and mobile platforms. HK2gather tempts users with a menu of dining suggestions including editor’s choices and celebrities’ recommendations. Its enhanced content plays a major role in enabling Hong Kong’s advertisers to engage consumers “on the go”. As a refinement and expansion of its merchandising business, RoadShow rolled out a new E-Commerce platform called shop2gather.com in July 2015.

INTEGRATED MARKETING SERVICES

RoadShow offers a finely-honed service that enables clients to create groundbreaking Integrated Marketing campaigns. Demand for its expertise in this area remained strong in 2015.

RoadShow’s Integrated Marketing Services team not only leverages its popular BUS-TV and BUS-BODY platforms, but also capitalises on its content production and event management support. Having recently extended its coverage to include Billboards, roadshow.hk and the HK2gather mobile App, RoadShow is in a position to guarantee clients’ access to a more comprehensive spectrum of services.

The effectiveness of RoadShow’s integrated campaigns was recognised with a Bronze Award for Best Use of Integration in the 2015 Spark Awards. RoadShow was also appointed as management consultant to the Hong Kong Awards for Environmental Excellence for the sixth successive year.

Care for Customers



Safety, efficiency, value-for-money and comfort underpin our customer service.



World-class maintenance standards help us deliver service excellence

QUALITY SERVICE

TIH's services are underscored by safety, reliability and a customer – centred approach.

SAFETY POLICY

Safety being a prerequisite in everything we do, our Safety Policy is based on a commitment to providing a safe and healthy environment for everyone who may be affected by our bus operations and work activities so as to minimise the risk of injury and ill health. Staff at all levels are responsible for ensuring that all legal requirements applicable to our bus operations and work activities are complied with. Our Safety Policy is regularly reviewed to ensure its appropriateness for sustaining our operational excellence.

SAFETY MANAGEMENT SYSTEM

We have adopted a safety management system which supports safety performance improvement in accordance with the international standards of Occupational Health and Safety Assessment Series ("OHSAS") 18001. The system, based on a "Plan-Do-Check-Act" approach, drives continual improvement of the safety performance of all aspects of our business, including bus maintenance, design upgrades, frontline staff safety training and passenger safety awareness promotion. Since 2012, KMB has held OHSAS 18001 certification from the Hong Kong Quality Assurance Agency – the first franchised bus company in Hong Kong to receive such recognition and recognition of our never-ending process of continuous improvement in safety performance.

BUS DESIGN AND MAINTENANCE

KMB and LWB's latest double-deck buses are equipped with a wide compartment, a straight staircase for easy access to the upper deck, more spacious 2+2 seating, priority seats for passengers in need, space near the entrance or exit for wheelchair users, brightly coloured handrails and bell-pushes, and an air-conditioning system with advanced temperature and humidity control and electrostatic air filtration. The entire KMB/LWB fleet has been air-conditioned since 2012. A number of technological devices are incorporated on buses to improve safety and record operational data, including speed limiting devices, which limit the speed of buses to 70 km/h, tachographs ("KMBLOG") and the telematics system. At the end of 2015, all KMB and LWB buses were equipped with KMBLOG or the telematics system.

SUSTAINABILITY REPORT

As well as being subject to regular random checks by the Transport Department of the HKSAR Government, all buses undergo an ISO-certified maintenance regime, comprising daily, monthly, semi-annual “minor dock”, and annual roadworthiness and fitness inspections carried out at our depots.

COMFORTABLE COMPARTMENTS

We continue to improve the comfort inside the bus compartment of our fleets, incorporating the latest ergonomic designs for passenger seats and installing sophisticated automatically-controlled air-conditioning systems. The air quality in bus compartments benefits from the electrostatic air filtration function which

is embedded in the air-conditioning system of all air-conditioned bus models purchased after 2002, and which is able to remove up to 80% of fine particles. In addition, power-saving variable capacity air-conditioning compressors are installed on all KMB buses ordered after 2008 to provide more adaptive and refined thermal control in the most fuel-efficient manner in all weather conditions.

We adopt buses with the super-low floor design for easy boarding and alighting, as well as wide entrance and exit doors for better passenger access. The spacious layout of the well-illuminated bus saloon creates a pleasant ambience, offset by the high quality interior finish. The full air

suspension system combines with the ergonomic seats to keep vibration to a minimum and reduce passenger fatigue on longer journeys.

FACILITY ENHANCEMENT

In 2015, we upgraded with additional facilities the passenger waiting areas at a number of major hubs: the urban side of the Tai Lam Tunnel Bus-Bus Interchange, the Tate’s Cairn Tunnel Bus-Bus Interchange, and bus shelters on Lung Cheung Road in Wong Tai Sin. ETA panels, which notify passengers of the arrival time of the next bus on LED display panels, were added. Other enhancements include prominent rooftop signs, large graphic information boards, benches, standing seats and



Passengers may enjoy comfortable and informative waiting environments

a free Wi-Fi service. By the end of the year, some 300 LED display panels had been installed across our network to notify passengers of the estimated arrival time of the next bus.

Our bus shelter improvement programme helps make the waiting environment more pleasant for passengers. In 2015, KMB added or extended 40 bus shelters, raising the total to 2,519.

KMB SMARTPHONE APP

Thanks to the Bus Estimated Time of Arrival (“ETA”) service, passengers are able to obtain bus arrival information on a total of around 400 regular KMB and LWB bus routes through the KMB/LWB smartphone app and the KMB website to facilitate their journey planning. The KMB/LWB free Smartphone app version 2, which comes in traditional Chinese, simplified Chinese and English versions, has been downloaded by more than four million times by iPhone, iPad, and Android users. Providing real-time bus information for the whole fleet, the new “Nearby ETA” feature gives users the estimated arrival time of buses on nearby routes. The app also gives users access to real-time special traffic information, enables them to make route searches on a map or by means of major landmarks, and suggests bus routes with the fewest en-route stops and the lowest fare to the user’s destination. The “Nearby Bus Stop” function uses global positioning technology to identify the location of the user and list all bus routes in a 200-metre radius together with the location of the corresponding bus stops. The App also features the “Alight Reminder” function, which emits an alert sound (or vibration) two bus stops before the selected destination is reached.

OCTOPUS BUS-BUS INTERCHANGE SCHEMES AND NETWORK ENHANCEMENT (“OCTOPUS BBI SCHEMES”)

The Octopus BBI Schemes offered by KMB and LWB provide fare discounts to passengers on the second leg of journeys and broaden our network converge. The schemes contribute towards a cleaner environment by improving bus usage and reducing traffic congestion on busy corridors. At the end of 2015, KMB operated 136 Octopus BBI Schemes covering 291 routes, and LWB operated 18 Octopus BBI Schemes covering 15 routes, including those serving Hong Kong Disneyland and AsiaWorld-Expo. We will continue to explore ways of further improving our Octopus BBI coverage, both on the KMB and LWB networks and through inter-modal schemes jointly operated with other public transport operators. The BBI interface on the KMB website has been enhanced to provide more detailed and comprehensive route-to-route BBI information to passengers.

During the year, network restructuring was applied in Kowloon. New routes were introduced to serve the Kai Tak and Choi Fook areas. Comprehensive BBI schemes were also introduced to enhance network connectivity. The facilities of several bus stops were upgraded to enhance passengers’ travel experience. Network efficiency was further improved by the launch of more express routes and increasing the utilisation of interchange hubs at, for example the Tuen Mun Road and Tsing Sha Interchanges.

Thanks to the ETA service, passengers are able to obtain bus arrival information on a total of around 400 regular KMB and LWB bus routes through the KMB/LWB smartphone app and the KMB website to facilitate their journey planning.

SUSTAINABILITY REPORT

Care for Employees



Our staff are our greatest resource and we cherish them accordingly.



An improved working environment makes for happier staff

HUMAN RESOURCES POLICY

We take care of our employees by maintaining a safe, respectful and harmonious workplace. As an equal employment opportunity employer, we are committed to ensuring that no job applicant or employee is discriminated against on the grounds of race, sex, marital status, family status, pregnancy or disability.

In collecting personal data from job applicants and existing staff members, we comply with the requirements of the Personal Data (Privacy) Ordinance, respecting the privacy of personal data while taking all reasonable steps to ensure that the personal data of job applicants and staff members is securely held and used only for the purposes stated in our personal data collection statement. KMB is a Public Body included in the Schedule of the

Prevention of Bribery Ordinance. Staff members should not make use of their position to solicit or receive any advantage from the public.

STAFF COMMUNICATION

To strengthen bilateral communication, besides regular meetings with the unions, five KMB Joint Consultative Committees are held each month between management and staff representatives to review issues including safety, operations, work environment and staff welfare, while one LWB Joint Consultative Committee is held on a bi-monthly basis. All staff are kept informed through the staff website of useful information, including company announcements, safe driving tips, reports on Company activities and notices of forthcoming events. Staff can check duty roster

information and make annual leave arrangements online, as well as using the e-learning training platform. The bi-monthly corporate magazine KMB Today provides another means of keeping employees up to date on KMB and industry developments.

IMPROVED WORKING ENVIRONMENT

Staff discount shops and barber shops have been set up at depots to provide grocery items and haircuts to staff members, staff dependents and retirees at exclusive discounted prices. In addition, at a number of depots, duty dispatch offices and rest areas have been renovated and upgraded as part of a warmer working environment to provide bus captains with a place to rest before working, and these improvements have been much appreciated by frontline staff members.



Rest and refreshment areas invigorate the working day

SENIOR MANAGEMENT VISITS

Once again this year, members of the senior management team made visits to depots, offices and major bus termini during the year. At Lunar New Year, they welcomed in the Year of the Sheep with staff members, while in the summer they distributed drinks to every member of staff to show their appreciation for the work performed by all, and most particularly for the efforts of frontline staff and maintenance staff in the hot months. These visits provided a good opportunity for staff to share their observations about operational matters and workplace-related issues with members of the management team.

FRONTLINE ENGAGEMENT TEAM

The Frontline Engagement Team was set up in January 2014 to help frontline staff adapt to changes brought about by route reorganisation. Team members visit major bus termini regularly to facilitate consultations, at which opinions on bus scheduling and other operational arrangements are collected and any concerns staff members may have are addressed with a view to providing sustainable solutions.

Since May 2015, the team has been playing a role in the “Buddy Scheme for New Bus Captains”, which helps ease new recruits into their work environment, increases their awareness of road safety and listens to their views on their new working life. Under this scheme, Frontline Coordinators and

Inspectors visit new recruits at bus termini, and experienced Bus Captains with an excellent performance and safety record ride with their less experienced colleagues, sharing driving tips and their valuable experience.

BUS CAPTAIN TRAINING AND SAFETY AWARENESS PROGRAMME

The Bus Captain Training School provides our bus captains with comprehensive training, including basic training for new bus captains and driving enhancement training, as well as bus route and bus type training, for in-service bus captains. Elements of defensive driving, good driving attitude and the way to handle emergencies are incorporated in a range of training courses.

Training in Eco-driving emphasises the skills involved in accelerating, braking and manoeuvring, and good practices when parking at the bus terminus. By implementing the best practices of Eco-driving, we are able to reduce fuel consumption as well as air and noise pollution.

Bus captains are provided with driving regulations and safety reminders, including the “Bus Captain Safe Driving Handbook”, the “Safe Driving Card” and “Driving Tips”, while a safety video demonstrating defensive driving skills is available on the staff website. All bus captains are required to observe the Bus Captain Working Procedures and to comply with the procedures relating to Bus Terminus Safety Operations and Traffic Accident Handling.

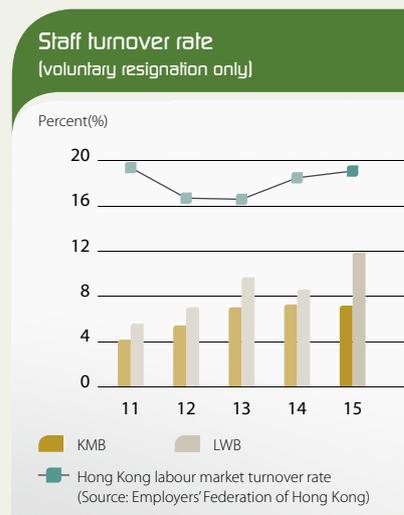
TECHNICAL AND APPRENTICE TRAINING

The KMB Technical Training School has been responsible for training our bus maintenance staff in the latest bus technologies since 1973. In 2015, 157 in-house training sessions were run for 1,442 skilled workers, while 16 training sessions were organised in collaboration with our manufacturers for 188 engineers, supervisors and foremen.

To ensure a continuous stream of skilled workers to provide maintenance for our bus fleet, the school runs a four-year apprenticeship training programme for youngsters who are interested in bus maintenance. In 2015, 25 apprentices graduated from the School, bringing the total of graduates since the School’s establishment to 2,358. At the end of 2015, 209 apprentices were enrolled in the School’s programme.

The quality of KMB’s apprentice training was once again recognised in 2015 with two KMB apprentices placing second runner-up in the Vocational Training Council’s Best Apprentice in the Automobile Trade Competition. Their reward was an

invitation to visit Shanghai. One of our apprentices won the 2015 Outstanding Apprentice of the Year Award organised by the Vocational Training Council and was invited to join a study trip to Singapore in March 2016.



Staff discount shops prove very popular with staff

The Star of the Quarter has been set up to reward outstanding performance from frontline and maintenance staff.

REWARDING SERVICE EXCELLENCE

Various safety awards and competitions are organised to promote safe driving, including the quarterly Route-based Safety Performance Team Award and the quarterly Route-based Safety Improvement Team Award. In addition, since 1990 the Safe Driving Award has recognised bus captains who have driven without any liable accidents for five years, ten years, 15 years, 20 years, 25 years and 30 or more years. In 2015, the driving excellence of a total of 597 KMB and LWB bus captains was recognised by the receipt of the Safe Driving Award.

Each year the Outstanding Service Awards recognise the outstanding contributions of staff at every level of KMB, including staff who have received commendations from passengers. In 2015, 147 employees received the award in recognition of their high quality performance.

In 2015, the Long Service Award Presentation Ceremony was held once again to recognise the loyal service of our long service staff. 252 employees received the 35-year award and a gold medal, 164 employees received the 30-year award and a plaque and a pin, 355 employees received the



Refurbished rest areas offer our frontline staff a well-earned break



KMB's relay team took on the challenge of the SHKP Vertical Run for Charity – Race to Hong Kong ICC

20-year award and a plaque and a pin, and 113 employees with 10 years' service received a certificate of appreciation.

The Star of the Quarter has additionally been set up to reward outstanding performance from frontline and maintenance staff.

SPORTS AND LEISURE ACTIVITIES

In pursuit of an effective work-life balance, staff members are encouraged to participate in sports and leisure activities as well as undertake voluntary work.

Inter-Hong Games Association Events

KMB staff participated in various competitions organised by the Inter-Hong Games Association, winning a number of awards. Most impressive was the performance in the long distance running tournament, where KMB came first in both the men's team event and the men's individual event. KMB also provided the second runner-up and the fifth runner-up in the men's individual event. KMB teams also came third in both the mini football tournament and the table-tennis tournament. In the photo contest, KMB supplied the winner, as well as the second and fourth place finishers.

Long Distance Running

In 2015, our Long Distance Running Teams participated again in charity runs such as the Standard Chartered Hong Kong Marathon, the Community Chest Corporate Challenge and won a number of awards. In December 2015, KMB's teams participated once more in the Corporate Relay event at the SHKP Vertical Run for Charity – Race to Hong Kong ICC.

Dragon Boat Races

The KMB Dragon Boat Team won two awards (Mixed Bronze Plate division – First runner-up; and Men's B Bronze Cup – Finalist) at the Sun Life Stanley International Dragon Boat Championships, which were held on 20 June 2015.

Inter-depot Competitions

A number of inter-depot competitions were organised in 2015 to develop an esprit de corps among staff. Competitions were held across a range of disciplines, including table tennis, football, bowling, long distance running and photography.

Health and Wellness

Health talks and health days were organised for staff and their family members to promote health tips and staff wellness. A mixed team of staff and family members participated in the outdoor event "Happy@work", organised by the Employers' Federation of Hong Kong at Ocean Park, and won the Best of the Best award.

SUSTAINABILITY REPORT

Care for the Environment



Our environment-friendly bus fleets are driving us into a new era.

ENVIRONMENTAL POLICY

Recognising the potential environmental effect of its services, the Company is committed to mitigating and minimising this impact through the following measures:

- Preventing pollution and improving 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 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 effects of 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; and

- Ensuring compliance with all applicable local environmental legislation and other relevant requirements.

ENVIRONMENTAL BUS DESIGN

We are committed to contributing to a better environment by investing in environment-friendly buses that meet the stringent exhaust emission standards set by the European Council of Environmental Ministers. At the end of 2015, there were 1,634 air-conditioned buses at Euro V standard or above in the KMB and LWB fleets, and a further 621 buses at Euro V standard or above are expected to enter service in 2016.

To minimise emissions, besides renewing the bus fleet with the latest low-emission models, we upgrade older buses by means of different exhaust treatment devices including Diesel Oxidation Catalysts and Diesel Particulate Filters. In addition, 1,582 KMB Euro IV, V and VI buses are equipped with a Selective Catalytic Reduction device, which can tremendously reduce the emission of nitrogen oxides, as the ammonia formed from the urea solution converts nitrogen oxides into nitrogen gas and water vapour. A total of 65 urea solution dispensing units have been installed in the depots at Lai Chi Kok, Tsing Yi, Kowloon Bay, Tseung Kwan O, Tuen Mun, Yuen Long, Tin Shui Wai, Tuen Mun (South), Sha Tin, Sheung Shui and Tai Po.

The Eco-Driveline System, a standard feature on new buses since 2003, reduces exhaust emissions by 6%-10% compared with conventional drivelines by improving fuel economy. At the end of 2015, KMB had improved the emissions of particulate matter and nitrogen oxides by 96.03% and 69.78% respectively compared to 1992.

The entire KMB and LWB fleet use Near Zero Sulphur Diesel ("NZSD"), which contains only 0.001% sulphur. NZSD significantly reduces the emissions of sulphur oxides and particulates, helping towards a cleaner environment.

Since 2001, KMB has supported the cartridge recycling programme run by Friends of the Earth (HK). In 2015, KMB collected a total of 634 cartridges from printers and fax machines for recycling.

KMB was by the end of 2015 able to meet the Government's requirement to assign low-emission buses to routes passing through the low-emission zones in Central, Causeway Bay and Mong Kok.

To comply with government guidelines in the "Practice Note for Managing Air-Conditioned Public Transport Facilities – Buses", 80 KMB buses from passenger-intensive bus routes are selected each year for data-logger measurement of the carbon dioxide

concentration in the bus saloon to monitor "Indoor Air Quality" in the air-conditioned bus environment.

TRAINING IN ECO-DRIVING

Our eco-driving training focuses on the skills involved in accelerating, braking and manoeuvring, as well as good practices when parking at the bus terminus. Besides boosting our bus captains' environmental awareness, such training helps reduce fuel consumption along with air and noise pollution.



Tyre retreading brings environmental benefits while extending the life span of a tyre



65 urea solution dispensing units have been installed across KMB's operating area

GREEN OPERATIONS

Water Recycling and Waste Water Treatment

70% of the water used each day to clean KMB's buses is treated and recycled, bringing savings in terms of water consumption. Our depots are also fitted with 11 automatic waste water treatment and recycling systems with a treatment capacity of 520 cubic metres per day. Chemicals are added to separate the solid impurities from the waste water produced during daily operations, with the impurities being disposed of at landfills and the treated water discharged into the public drain. We continue to operate a "Save Water" campaign at our depots and headquarters to encourage staff to save water.

Environmental Treatment of Chemical Waste and Waste Oil

In 2015, around 263,600 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 618,600 litres of waste oil were collected from depots and bus maintenance sites by a registered waste oil recycling agent for recycling or disposal in line with the statutory standards.

Cartridge Recycling Programme

Since 2001, KMB has supported the cartridge recycling programme run by Friends of the Earth (HK). In 2015, KMB collected a total of 634 cartridges from printers and fax machines for recycling.

Green Measures at Office and Depot

The Green Office concept drives both the design and the renovation of our premises. The 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 been introduced in all newly renovated office spaces in depots and in the common areas of our headquarters building including the main lobby to reduce electricity consumption and the demand for air-conditioning.

As part of our commitment to promoting a low carbon environment, we are progressively installing energy efficient lamps in place of high bay lamps at our bus depots. The lighting, air-conditioning and ventilation systems are equipped with energy-saving features, while regular air sampling is conducted in depot areas to ensure that a healthy working environment is maintained.

Engaging Stakeholders



Comprehensive stakeholder engagement enables us to embrace the broadest spectrum of opinion.

GOVERNMENT AND CIVIL SOCIETY

Members of the management team met with stakeholders from a variety of governmental and civic organisations, including legislators, district councillors and members of green groups, to further mutual understanding, promote support for environmental initiatives and advance the route reorganisation programme.

At the district level, KMB collaborated with district councillors on a number of initiatives, including the introduction of a new bus interchange at the Tsing Sha Highway in January 2015, the launch of Routes 290 and 290A in March, and facility upgrade at the bus stops on Lung Cheung Road in Wong Tai Sin in June.

MEDIA AND ONLINE COMMUNICATION

In 2015, the media received regular invitations to attend briefings and events to strengthen communication and increase public awareness of our innovations and customer-driven initiatives. Social media such as Facebook and YouTube are also used to publicise KMB's initiatives and achievements, as well as for gathering useful feedback from the public. In December, the KMB Instagram account "KMBHONGKONG" was launched, providing Instagram users with a platform to communicate and share photos on topics related to KMB.

The TIH website (www.tih.hk) keeps investors and interested members of the general public abreast of the activities of the Group and its various businesses. KMB's award-winning



KMB's Customer Service Centres offer a broad range of services

website (www.kmb.hk) serves the needs of the travelling public via a number of features, including Hong Kong's first map-based point-to-point bus route search function for a public bus company and the "Street View" function, which gives passengers a 360-degree photo tour of the street near their chosen bus stop. In 2015, a new activity guide "Popular places to visit", was developed to promote leisure spots accessible via the KMB network, while the Bus-Bus Interchange enquiry page was upgraded to provide more detailed information on the interchange network. In April, the KMB website was granted Triple Gold Award (Gold Award for 3 consecutive years) and Most Favourite Website Award by the Office of the Government Chief Information Officer and Equal Opportunities Commission in the Web Accessibility Recognition Scheme.

REACHING OUT TO CUSTOMERS

In line with our aim to be recognised as a leader in the global public transport sector, we seek to meet or exceed our customers' expectations in terms of quality services. To this end, we have established a number of means to optimise engagement with our customers.

Customer Service Centres

KMB's eight customer service centres provide passengers with a one-stop service offering KMB souvenirs, Octopus Card add-value services and the provision of bus route information, while the Tai Lam Interchange customer service kiosk similarly provides a wide range of services. The kiosk provides cash withdrawal and free Wi-Fi services, as well as a range of convenience goods, providing a handy one-stop service for those changing



KMB uses a variety of channels to obtain feedback from its valued customers

buses at the Interchange. To meet the needs of cross-boundary passengers, KMB operates a ticketing office at Lok Ma Chau to provide Octopus services and sell the "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 KMB customer service hotline (2745 4466) handled more than 2.1 million calls in 2015, an average of around 178,000 calls a month. Our hotline operator service, available daily from 7:00 a.m. to 11:00 p.m., is complemented by a 24-hour

hotline system. In 2015, LWB's customer service helpline (2261 2791) dealt with a total of 17,048 calls, an average of 1,421 calls a month. In addition to responding to passengers' enquiries, comments and suggestions, the helpline handles lost property enquiries.

Passenger Liaison Group Meetings

Since 1993 and 2000 respectively, KMB and LWB have held Passenger Liaison Group ("PLG") meetings, during which comments and suggestions are obtained from passengers. In 2015, KMB held six PLG meetings in different districts to obtain feedback

on bus services and help identify service improvement opportunities. LWB also held six PLG meetings in 2015, enabling it to make a number of changes to its services as a result of the suggestions received.

Corporate Visits

To increase our stakeholders' understanding of bus depot's daily operations, including maintenance and bus cleaning procedures, we received visitors from 70 organisations in 2015. The visitors comprised 60 local groups and 10 delegations from Mainland China and overseas.

FRIENDS OF KMB

KMB's volunteer club FRIENDS OF KMB ("FRN") has promoted environmental protection, civic education and social service activities since its establishment in 1995. In 2015, FRN's 4,700 volunteers contributed more than 15,800 hours of their time to community service. Thus, in partnership with Tung Wah Group of Hospitals, Prince of Wales Hospital, Suicide Prevention Services and Po Leung Kuk, FRN volunteers visited elderly people and people in need living in Choi Wan, Sau Mau Ping, Chuk Yuen, Ngau Tau Kok, Sha Tin, Shau Kei Wan and Lam Tin.

Showing Care

In November, KMB and LWB offered free rides on all its bus routes (including airport routes) for all people aged 65 and over. This was the 12th consecutive year that KMB has supported the Senior Citizen's Day. In the same month, KMB and LWB offered free rides for people with disabilities and one accompanying carer in support of the "International Day of Disabled Persons". Both events were organised by the Hong Kong Council of Social Service.

COMMUNITY SPONSORSHIP

KMB sponsors and participates in a variety of local community programmes, including the Standard Chartered Hong Kong Marathon Corporate Challenge, the Green Power Hike, Friends of the Earth (HK)'s Earth Partner Programme and International Day of Disabled Persons, as well as the Hong Kong Council of Social Service Caring Company Patron's

Club. In 2015, KMB provided some 40 non-governmental organisations with sponsorship, including bus-body advertising on KMB buses and airtime on KMB's Multi-media On-board broadcasting system.

WORKING WITH SUPPLIERS

Corporate Code of Conduct

Our suppliers and their sub-contractors are expected to show their dedication to environmental preservation and a healthy and safe workplace by adopting the following measures:

- Boosting employee awareness of environmental issues;
- Encouraging energy conservation;
- Promoting reduction of waste by appropriate measures and finding alternative uses for waste;
- Providing and maintaining a safe and risk-free operating environment by adopting good systems and equipment;
- Enforcing appropriate procedures for the use, handling, storage and transport of materials; and
- Complying with all relevant legislation.

Supply Chain Management

We believe in upstream integrated supply chain management with the emphasis on quality and logistics control. We work closely with our business partners to develop new buses and services that suit the local climatic and operational environment. We encourage fair and open

competition and aim to develop long-term relationships with suppliers and sub-contractors based on mutual trust. Our supply chain activities are guided by company policies and procedures that aim to ensure the ethical procurement of supplies and services as well as high quality end products in which our customers may be confident.

To ensure the compliance of our suppliers and sub-contractors with our guidelines on social and environmental requirements, we require tenderers to submit information on their performance in the following key aspects, which will be evaluated when we award contracts: environmental care, health and safety, and the prevention of use of forced and child labour.

FINANCIAL REVIEW

The Group

SUMMARY OF FINANCIAL PERFORMANCE

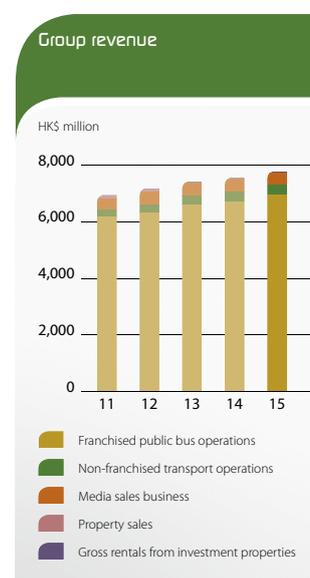
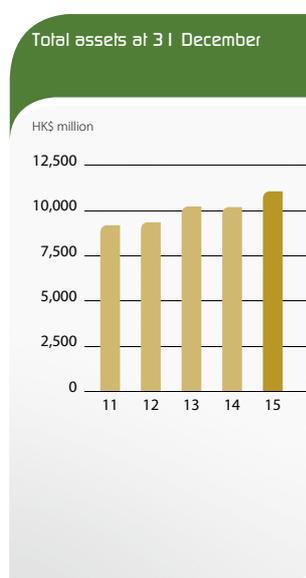
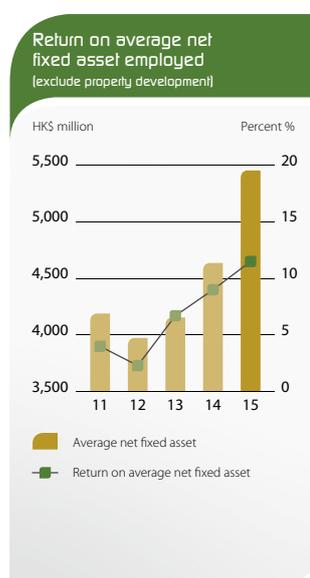
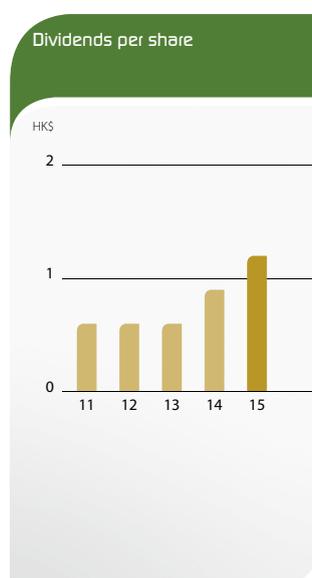
	2015	2014	Favourable/(Unfavourable) Change	
	HK\$ million	HK\$ million	HK\$ million	%
Revenue	7,779.9	7,556.6	223.3	3.0
Other income	78.9	115.0	(36.1)	(31.4)
Operating expenses	(7,131.6)	(7,233.0)	101.4	1.4
Finance costs	(9.7)	(5.0)	(4.7)	(94.0)
Share of profits of associates	32.4	37.8	(5.4)	(14.3)
Gain on disposal of other financial assets	–	36.6	(36.6)	N/A
Impairment loss on intangible assets	(2.9)	–	(2.9)	N/A
Profit before taxation	747.0	508.0	239.0	47.0
Income tax	(128.1)	(69.0)	(59.1)	(85.7)
Non-controlling interests	9.8	(23.9)	33.7	N/A
Profit attributable to equity shareholders of the Company	628.7	415.1	213.6	51.5
Earnings per share (HK\$)	1.56	1.03	0.53	51.5

REVIEW OF 2015 FINANCIAL PERFORMANCE

The Group's Results for the Year

The Group's profit attributable to equity shareholders for the year ended 31 December 2015 was HK\$628.7 million, an increase of HK\$213.6 million or 51.5% compared to HK\$415.1 million for 2014. Earnings per share increased correspondingly from HK\$1.03 for 2014 to HK\$1.56 for

2015. The increase in profit was mainly attributable to the improvement in the financial performance of our franchised public bus businesses operated by The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB"), as well as our non-franchised transport business operated by Sun Bus Holdings Limited and its subsidiaries (the "SBG Group").



The revenue and underlying profit generated by the Group's six Divisions for the year ended 31 December 2015 are shown below:

HK\$ million	Revenue		Profit/(Loss) before taxation	
	2015	2014	2015	2014
Franchised Public Bus Operations Division	6,982.3	6,724.8	664.4	277.2
Non-franchised Transport Operations Division	347.0	339.8	49.3	40.8
Property Holdings and Development Division	38.7	32.5	45.9	40.3
Media Sales Business Division	411.9	459.5	(41.1)	84.7
Financial Services Division	–	–	8.1	33.0
China Mainland Transport Operations Division	–	–	32.4	37.8
	7,779.9	7,556.6	759.0	513.8
Finance costs			(9.7)	(5.0)
Unallocated net operating loss			(2.3)	(0.8)
Profit before taxation and non-controlling interests			747.0	508.0
Income tax			(128.1)	(69.0)
Non-controlling interests			9.8	(23.9)
Profit attributable to equity shareholders of the Company			628.7	415.1

Segment information on the Group's main businesses is set out in note 12 to the financial statements on pages 155 to 157 of this Annual Report.

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

Revenue for 2015 amounted to HK\$7,779.9 million, an increase of HK\$223.3 million or 3.0% compared with HK\$7,556.6 million for 2014. The increase was mainly due to the year-on-year increase of HK\$257.5 million in the revenue of the Group's franchised public bus operations, primarily as a result of patronage growth and the full year effect of the 3.9% fare increase of KMB which was implemented with effect from 6 July 2014. In respect of the Group's non-franchised transport operations division, revenue generated from new and existing customers increased by HK\$7.2 million from HK\$339.8 million for 2014 to HK\$347.0 million for 2015. In addition, the rental income of the Group's investment properties also increased by HK\$6.4 million. However, the aforesaid positive factors were partly offset by the decrease in the media sales revenue of RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group") by HK\$47.6 million as a result of sluggish demand in the advertising market, particularly in the retail sector.

Other income decreased by HK\$36.1 million from HK\$115.0 million in 2014 to HK\$78.9 million in 2015. The decrease was mainly due to a provision for passenger rewards of HK\$71.6 million, representing 50% of the excess return of KMB and

LWB above a prescribed level, which was made in 2015. This amount, however, was partly offset by the increase of HK\$28.5 million in subsidies received from the HKSAR Government under the ex-gratia payment scheme for scrapping pre-Euro IV buses. The breakdown of other income is set out in note 4 to the financial statements on page 149 of this Annual Report.

Total operating expenses for 2015 amounted to HK\$7,131.6 million, a decrease of HK\$101.4 million or 1.4% compared to HK\$7,233.0 million for 2014. The decrease was mainly due to the year-on-year decrease in fuel and oil costs of HK\$542.6 million or 40.1% resulting from the lower international fuel prices in the year and the improvement in bus operating efficiency. This positive factor helped to offset increases in staff costs of HK\$234.8 million due to the annual pay rise, and other operating expenses as a result of inflation.

The Group's share of profits of associates for 2015 amounted to HK\$32.4 million (2014: HK\$37.8 million), a decrease of HK\$5.4 million or 14.3% compared to 2014.

Income tax expense for the year amounted to HK\$128.1 million (2014: HK\$69.0 million). The breakdown of the income tax expense is set out in note 6 to the financial statements on page 151 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 76 to 81 of this Annual Report.

FINANCIAL REVIEW

DIVIDEND

The Board has recommended an ordinary final dividend of HK\$0.90 per share (2014: HK\$0.75 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 26 May 2016 or at any adjournment thereof, the proposed final dividend, together with the interim dividend of HK\$0.30 per share (2014: HK\$0.15 per share) paid in October 2015, would result in a total dividend of HK\$1.20 per share for 2015 (2014: HK\$0.90 per share), representing an increase of 33.3% compared with 2014.

KEY CHANGES TO FINANCIAL POSITION

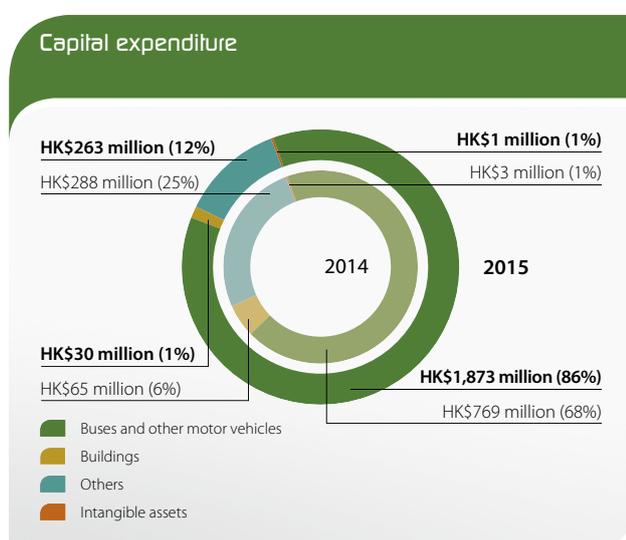
Capital Expenditure

As at 31 December 2015, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK\$6,133.4 million (2014: HK\$4,817.2 million). None of these assets was pledged or charged as at 31 December 2015.

In 2015, the Group incurred capital expenditure of HK\$2,167.1 million (2014: HK\$1,124.5 million). The breakdown of the capital expenditure is shown in note 13 to the financial statements on pages 158 to 162 of this Annual Report.

Intangible Assets and Goodwill

As at 31 December 2015, the Group's intangible assets and goodwill amounted to HK\$132.3 million (2014: HK\$134.6 million) and HK\$84.1 million (2014: HK\$84.1 million) respectively. The intangible assets mainly represent passenger service licences and transport operating rights of the Group's non-franchised transport operations.



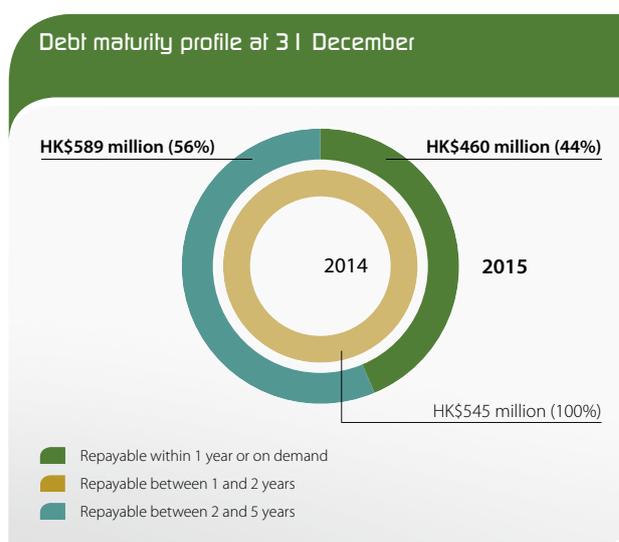
Current Assets and Current Liabilities

The Group's total current assets as at 31 December 2015 amounted to HK\$3,375.9 million (2014: HK\$3,370.9 million), mainly comprising liquid funds of HK\$2,714.5 million (2014: HK\$2,703.5 million) and accounts receivable of HK\$435.6 million (2014: HK\$518.6 million). The Group's liquid funds at the end of 2015 were mainly denominated in Hong Kong dollars.

Total current liabilities as at 31 December 2015 amounted to HK\$2,055.0 million (2014: HK\$1,258.6 million), which mainly included accounts payable and accruals, and the current portion of bank loans.

Bank Loans

As at 31 December 2015, bank loans, all unsecured, amounted to HK\$1,048.9 million (2014: HK\$544.5 million). The maturity profile of the bank loans of the Group as at 31 December 2015 and 31 December 2014 is shown in the chart below:



As at 31 December 2015, the Group had undrawn banking facilities totalling HK\$1,980.0 million (2014: HK\$295.0 million), of which HK\$1,970.0 million (2014: HK\$285.0 million) was of a committed nature.

Capital Commitments

The Group's capital commitments as at 31 December 2015 amounted to HK\$936.3 million (2014: HK\$1,308.1 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	2015	2014
Development of Kwun Tong Site	22.3	22.3
Purchase of buses and other motor vehicles	861.3	1,193.8
Purchase of other property, plant and equipment	52.7	92.0
Total	936.3	1,308.1

As at 31 December 2015, the Group had 550 (2014: 605) new buses on order for delivery in 2016.

FUNDING AND FINANCING

Liquidity and Financial Resources

The Group closely monitors its liquidity requirement and financial resources to ensure that a healthy financial position is maintained such 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 loan repayments, daily operational needs and 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 specific needs. The Group's other subsidiaries are mainly financed from the Company's capital base. The Group reviews its funding policy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary.

Net Cash and Liquidity Ratio

As at 31 December 2015, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$1,665.6 million (2014: HK\$2,158.9 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 1.6 (2014: 2.7). The details of the Group's net cash by currency are set out as follows:

Currency	Cash and deposits at bank in foreign currency	Cash and deposits at bank	Bank loans	Net cash
	million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2015				
Hong Kong dollars		2,384.4	(1,048.9)	1,335.5
Renminbi	156.2	184.3	–	184.3
United States dollars	15.9	123.6	–	123.6
British Pounds Sterling	1.2	13.8	–	13.8
Other currencies		8.4	–	8.4
Total		2,714.5	(1,048.9)	1,665.6
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

Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2015 were HK\$9.7 million, an increase of HK\$4.7 million compared with HK\$5.0 million for 2014. The

increase was mainly due to the increase in the average bank borrowings of the Group as well as the rise in the average interest rate from 1.00% per annum for 2014 to 1.28% per annum for 2015.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's interest income exceeded the total finance costs by HK\$45.5 million (2014: HK\$64.9 million).



Net Cash Flow

In 2015, there was a net decrease of HK\$640.1 million (2014: a net increase of HK\$473.3 million) in cash and cash equivalents. The sources are set out below:

	2015 HK\$ million	2014 HK\$ million
Net cash generated from/(used in):		
• Operating activities	1,741.0	1,246.7
• Investing activities	(2,434.1)	(449.7)
• Financing activities	53.0	(323.7)
Total	(640.1)	473.3

The main components of the net cash outflow of HK\$640.1 million (2014: net cash inflow of HK\$473.3 million) included: (i) net cash generated from the operating activities of the franchised public bus operations of HK\$1,607.7 million (2014: HK\$1,037.2 million); (ii) payment of capital expenditure of HK\$1,982.9 million (2014: HK\$1,201.5 million); (iii) increase of HK\$662.7 million (2014: decrease of HK\$374.1 million) in bank deposits with original maturities of over three months; (iv) proceeds received on the maturity of available-for-sale debt securities of HK\$42.7 million (2014: HK\$363.0 million); (v) increase of HK\$503.0 million (2014: decrease of HK\$55.0

million) in bank loans; and (vi) payment of dividends of HK\$423.8 million (2014: HK\$242.2 million).

Details of the Group's cash flow movement for the year ended 31 December 2015 are set out in the consolidated cash flow statement on page 131 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.

Foreign Currency Risk

The Group is exposed to foreign 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 foreign currency. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP), United States dollars (USD) and Renminbi (RMB). In respect of its 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. The Group's placement of RMB time deposits was for yield enhancement purposes. In light of the weakening of RMB against USD after the People's Bank of China reformed its RMB/USD exchange rate mechanism on 11 August 2015, the Group has converted most of its RMB time deposits back to Hong Kong dollar funds to reduce its currency risk exposure.

In 2015, the Group hedged approximately 38% (2014: 30%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. As at 31 December 2015, the Group had outstanding GBP forward contracts totalling GBP15.4 million (2014: GBP9.7 million), which had maturities of less than one year after the end of the reporting period.

Interest Rate Risk

The Group closely monitors the market conditions and devises suitable strategies to manage its exposure to interest rate risk. Different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates, and derivative financial instruments such as interest rate swaps are used when appropriate. As at 31 December 2015, all of 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.

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, the rating of 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 did not enter into any fuel oil swap contract during 2015. On the other hand, the Group has entered into purchase contracts with two diesel suppliers for the supply of diesel for a term of three years commencing from 1 January 2016. A new price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these new contracts. Management will continue to closely monitor fuel price movements and constantly review its strategy in respect of fuel price risk management in the light of prevailing market condition.

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 under which exposure to credit risks is monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on major customers requiring credit over a certain amount. Regular reviews and any necessary follow up action 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 established treasury management guidelines for investment of surplus cash reserves in debt securities for yield enhancement purposes. Limits are set for the total portfolio size and individual debt security to minimize the overall risk as well as the concentration risk. The credit ratings of the debt issuers and market news relating to them, as available, are closely monitored over the life of the transactions. 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. 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 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 and dividend payments 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.

EMPLOYEES AND REMUNERATION POLICIES

Running a transport operation is a labour intensive business, and staff costs accounted for about 54.0% of the total operating expenses of the Group in 2015. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. The Group's total remuneration excluding retirement costs for 2015 amounted to HK\$3,633.6 million (2014: HK\$3,420.3 million), representing an increase of 6.2%. At the end of 2015, the Group employed over 13,400 staff.

Individual Business Units

FRANCHISED PUBLIC BUS OPERATIONS

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

	Unit	2015	2014
Revenue	HK\$ million	6,719.4	6,436.7
Other income	HK\$ million	72.1	97.7
Total operating expenses	HK\$ million	(6,195.6)	(6,295.3)
Profit from operations	HK\$ million	595.9	239.1
Finance costs	HK\$ million	(9.7)	(5.0)
Profit before taxation	HK\$ million	586.2	234.1
Income tax	HK\$ million	(98.0)	(37.5)
Profit after taxation	HK\$ million	488.2	196.6
Net profit margin		7.3%	3.1%
Passenger volume	Million passenger trips	969.2	955.2
Kilometres operated	Million km	285.6	284.7
Staff number at year-end	Number of staff	12,175	12,146
Fleet size at year-end	Number of buses	3,889	3,855
Total assets	HK\$ million	6,317.3	5,448.3

KMB recorded a profit after taxation of HK\$488.2 million for 2015, representing a favourable variance of HK\$291.6 million compared with HK\$196.6 million for 2014.

KMB's fare revenue for the year was HK\$6,532.7 million, an increase of HK\$228.7 million or 3.6% compared with HK\$6,304.0 million for 2014. The increase was mainly due to patronage growth and the full year effect of the 3.9% fare increase which took effect on 6 July 2014. During the year, with improvements in service levels and bus network efficiency as well as bus service reliability, KMB's total ridership increased by 1.5% to 969.2 million passenger trips (a daily average of 2.66 million passenger trips) as compared with 955.2 million passenger trips (a daily average of 2.62 million passenger trips) for 2014 in spite of the adverse impact arising from the Government's phased extension of the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (the "HK\$2 Scheme")

to green minibus routes from 29 March 2015. The increase also reflected the fact that the road network remained open throughout the year, as opposed to 2014, when road occupations in the final quarter affected KMB's ridership. Advertising revenue for the year also increased from HK\$130.3 million for 2014 to HK\$184.7 million for 2015.

Total operating expenses for 2015 amounted to HK\$6,195.6 million, a decrease of HK\$99.7 million or 1.6% compared with HK\$6,295.3 million for 2014. The decrease was mainly attributed to the reduction in fuel and oil costs of HK\$496.3 million as a result of the fall in international fuel prices and continued improvement in bus operating efficiency. This positive factor was, however, partly offset by the increase of HK\$218.9 million in staff costs due to annual pay rise at an average rate of 4.6%, and the increase in depreciation charges and other operating expenses due to general inflation.

Long Win Bus Company Limited (“LWB”)

	Unit	2015	2014
Revenue	HK\$ million	443.9	416.0
Other (loss)/income	HK\$ million	(3.9)	4.1
Total operating expenses	HK\$ million	(371.5)	(377.1)
Profit from operations	HK\$ million	68.5	43.0
Finance costs	HK\$ million	–	–
Profit before taxation	HK\$ million	68.5	43.0
Income tax	HK\$ million	(11.5)	(7.2)
Profit after taxation	HK\$ million	57.0	35.8
Net profit margin		12.8%	8.6%
Passenger volume	Million passenger trips	36.7	34.8
Kilometres operated	Million km	28.0	26.1
Staff number at year-end	Number of staff	546	510
Fleet size at year-end	Number of buses	190	179
Total assets	HK\$ million	596.1	381.8

The profit after taxation of LWB for 2015 was HK\$57.0 million, an increase of HK\$21.2 million or 59.2 % compared with HK\$35.8 million for 2014.

LWB’s fare revenue for 2015 amounted to HK\$440.0 million, an increase of HK\$26.5 million or 6.4% compared with HK\$413.5 million for 2014. The increase was mainly due to the year-on-year growth in ridership of 5.3% resulting from increased transport demand from international travellers and construction workers involved in various infrastructural and residential projects at the Airport and in Tung Chung. LWB recorded a total ridership of 36.7 million passenger trips (a daily average of 100,450 passenger trips) for 2015, as compared with 34.8 million passenger trips (a daily average of 95,430 passenger trips) for 2014.

Total operating expenses for the year amounted to HK\$371.5 million, a decrease of HK\$5.6 million or 1.5% compared with HK\$377.1 million for 2014. The decrease was mainly due to reductions in fuel and insurance costs but it was partly offset by an increase in operating costs associated with the purchase of new buses, service enhancements, the annual pay rise and general inflation.

NON-FRANCHISED TRANSPORT OPERATIONS

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$49.2 million for 2015, representing an increase of HK\$14.3 million or 41.0% compared with HK\$34.9 million for 2014. Revenue increased by 2.1% from HK\$339.8 million for 2014 to HK\$347.0 million for 2015. 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 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 revenue generated from new and existing customers of the SBH Group increased by HK\$3.6 million or 1.2% from HK\$299.1 million for 2014 to HK\$302.7 million for 2015. Total operating costs for 2015 also increased as a result of the rise in staff salaries, service quality enhancements and general inflation, but this was partly offset by the reduction in fuel costs due to lower prices.

FINANCIAL REVIEW

In 2015, in line with the SBH Group's commitment to quality service and environmental protection, SBH Group purchased 47 Euro V buses for fleet replacement purposes. As at 31 December 2015, the SBH Group had a fleet of 386 buses (2014: 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. Fares of the Huang Bus increased from HK\$8 per trip to HK\$9 per trip for daytime services and from HK\$9 per trip to HK\$10 per trip for both daytime and midnight services with effect from 29 September 2014 and 19 October 2015 respectively. NHKB's patronage slightly decreased by 0.3% from 4.82 million passenger trips (an average monthly ridership of 402,000 passenger trips) in 2014 to 4.81 million passenger trips (an average monthly ridership of 401,000 passenger trips) in 2015.

At the end of 2015, NHKB had a fleet of 15 buses, the same as the number at the end of 2014 with five new Euro V buses replacing five older buses.

PROPERTY HOLDINGS AND DEVELOPMENT

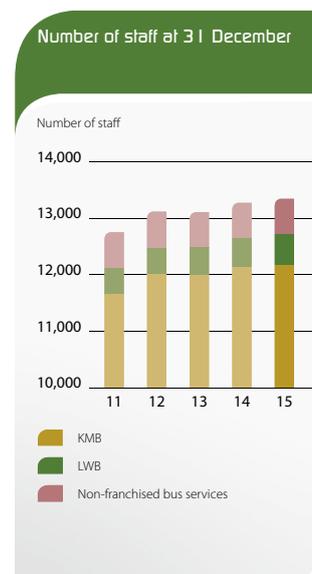
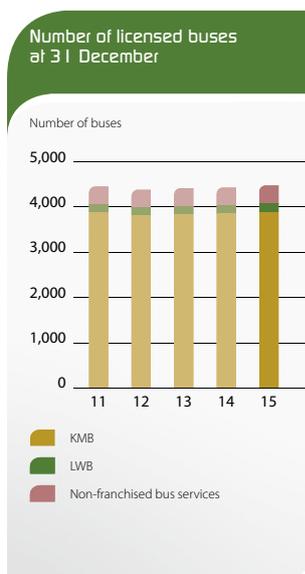
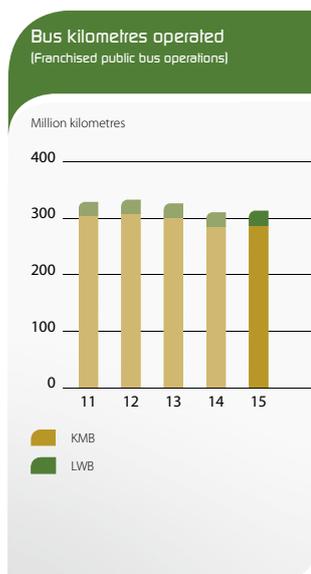
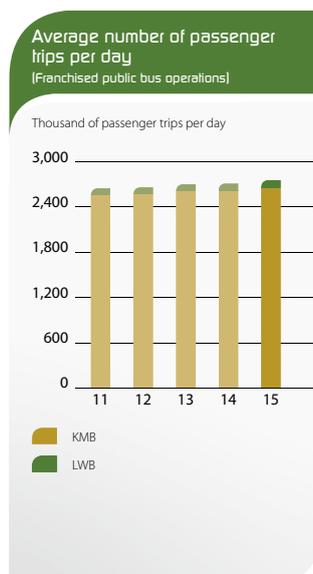
LCK Commercial Properties Limited ("LCKCP")

LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in March 2009. As at 31 December 2015, about 99% of the lettable area of the shopping mall was leased out, generating a stream of recurring income for the Group.

As at 31 December 2015, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$85.4 million (2014: HK\$89.7 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. A portion of the gross floor area has been used by the Group as headquarters with the remaining gross floor area leased out to shops



and restaurants. In the fourth quarter of 2015, the area for headquarters usage was reduced, and the released gross floor area was reallocated for leasing to generate rental income for the Group.

As at 31 December 2015, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation and impairment losses in the amount of HK\$29.9 million (2014: HK\$30.6 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.

The Group intends to hold the development for long-term investment purposes. While it will take some time to finalise matters relating to the modification of the lease, we are in the meantime looking for other opportunities to use the site to generate additional income for the Group.

As at 31 December 2015, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$24.9 million (2014: HK\$15.6 million).

TM Properties Investment Limited (“TMPI”)

TMPI, a wholly-owned subsidiary of the Company, is the owner of an industrial property at 1 Kin Fung Circuit, Tuen Mun. The 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, has been leased out to generate rental income for the Group since March 2011.

As at 31 December 2015, the carrying value of the industrial property (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$4.8 million (2014: HK\$6.1 million).

MEDIA SALES BUSINESS

RoadShow Holdings Limited and its subsidiaries (the “RoadShow Group”)

HK\$ million	2015	2014
Revenue	411.9	459.5
Other income	18.0	15.7
Total operating revenue	429.9	475.2
Total operating expenses	(471.0)	(427.1)
(Loss)/Profit from operations	(41.1)	48.1
Gain on disposal of other financial assets	–	36.6
(Loss)/Profit before taxation	(41.1)	84.7
Income tax	(4.9)	(8.0)
(Loss)/Profit after taxation	(46.0)	76.7
Non-controlling interests	(1.9)	(6.1)
(Loss)/Profit attributable to equity shareholders	(47.9)	70.6

The RoadShow Group reported a loss attributable to equity shareholders for 2015 of HK\$47.9 million, compared with profit attributable to equity shareholders of HK\$70.6 million for 2014, which included a one-off gain on disposal of other financial assets of HK\$36.6 million. The loss for the year was mainly

attributable to reduction in revenue due to sluggish demand in the advertising market, together with an increase in royalty, licence and management fees of HK\$36.8 million, an exchange loss of approximately HK\$9.8 million and the impairment loss on accounts receivable of approximately HK\$13.1 million.

FINANCIAL REVIEW

For the year ended 31 December 2015, the RoadShow Group reported a total operating revenue of HK\$429.9 million, a decrease of approximately 9.5% over the previous year. The revenue generated from the RoadShow Group's Hong Kong media sales services in 2015 amounted to HK\$411.9 million, a decrease of 10.4% compared with HK\$459.5 million in 2014.

Total operating expenses for 2015 increased by HK\$43.9 million or 10.3% from HK\$427.1 million in 2014 to HK\$471.0 million in 2015.

Further information relating to the RoadShow Group is available in its 2015 annual results announcement and annual report.

CHINA MAINLAND TRANSPORT OPERATIONS

As at 31 December 2015, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$634.4 million (2014: HK\$739.6 million). The decrease was due mainly to the repatriation of dividends from an associate and exchange differences on translation of financial statements of the associates from Renminbi to Hong Kong dollars. Such investments are mainly related to the operation of public transport services in Shenzhen (深圳), and taxi and car rental services in Beijing (北京). For the year ended 31 December 2015, the Division reported an after-tax profit of HK\$32.4 million (2014: HK\$37.8 million).

Summary of Investments in China Mainland Transport Operations as at 31 December 2015

	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 2015 (Number of vehicles)	6,560	4,788
Bus passenger volume (Million trips)	766	N/A
Bus kilometres travelled (Million km)	384	N/A
Staff number at year-end 2015	20,024	6,014

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SZBG”)

SZBG, 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 SZBG, representing a stake of 35%. SZBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of 5,187 buses running on around 263 route and 1,373 taxis. Due mainly to the keen competition from the Shenzhen underground railway system, SZBG total ridership fell by 5.3% from 809.4 million passenger trips for 2014 to 766.1 million passenger trips for 2015. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity, and continued to record a profit in 2015.

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%. BBKT operated both taxi hire and car rental businesses in Beijing until April 2013, when, to sharpen its focus on the business opportunities provided by the booming but challenging car rental market, BBKT spun off 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 2015, BBKT had a fleet of 3,670 taxis, of which 566 are environment-friendly hybrid taxis, and 5,869 employees, and recorded a profit in 2015.

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

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. With ISO 9001:2008 certification for management systems in car rental services, BBF is well placed to take advantage of the growing business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2015, BBF had 1,118 vehicles available for charter mainly in Beijing and Tianjin and 145 employees. BBF recorded a profit in 2015.

Continuing Connected Transactions

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”):

(a) THE GROUP

Transactions with Sun Hung Kai Properties Insurance Limited (“SHKPI”)

As detailed in note 31(a) to the financial statements on page 189 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, on 23 October 2013 (the “2014/15 Insurance Arrangements”) and 26 May 2015 (the “2015/16 Insurance Arrangements”) pursuant to which SHKPI agreed to provide insurance coverage and services to the Group, and such insurance policies took effect from 1 January 2014

FINANCIAL REVIEW

to 30 June 2015 and from 1 July 2015 to 31 December 2016 respectively. The transactions contemplated under the 2014/15 and 2015/16 Insurance Arrangements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 23 October 2013 and 26 May 2015. 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 ended 30 June 2015 as disclosed in the announcement dated 23 October 2013 were HK\$86,000,000 and HK\$43,000,000 respectively. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2015/16 Insurance Arrangements for the six-month period ended 31 December 2015 and for the year ending 31 December 2016 as disclosed in the announcement dated 26 May 2015 were HK\$50,000,000 and HK\$105,000,000 respectively. Such cap amounts were determined mainly with reference to the estimated number of motor vehicles with which the 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 and 2015/16 Insurance Arrangements. For the year ended 31 December 2015, the insurance premium paid and payable to SHKPI was HK\$89,529,000. The insurance premium paid and payable by the Group under the 2014/15 and 2015/16 Insurance Arrangements will be satisfied by internal resources. The transactions under the 2014/15 and 2015/16 Insurance Arrangements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

(b) SUN BUS LIMITED ("SUN BUS")

Shuttle Bus Services Agreements with certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP")

As detailed in note 31(a) to the financial statements on page 189 of this Annual Report, Sun Bus Limited, an indirect wholly owned subsidiary of the Company, has entered into various shuttle bus service contracts ("Shuttle Bus Service Agreements") with certain indirect wholly owned subsidiaries and an indirect non-wholly owned subsidiary of SHKP, pursuant to which Sun Bus agrees to provide and operate various shuttle bus services for the period from 1 July 2014 to 30 April 2017. The transactions contemplated under the Shuttle Bus Service Agreements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of the continuing connected transactions were disclosed in the announcement of the Company dated 10 December 2015. For the year ended 31 December 2015, the amount received or receivable by Sun Bus (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Service Agreements amounted to HK\$10,655,000. The service fees of the Shuttle Bus Services Agreements were charged in accordance with the rates specified in the relevant contracts, ranging from HK\$240 to HK\$500 per hour per bus, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of service requested and the relevant costs. The cap amounts estimated to be receivable by Sun Bus under the Shuttle Bus Service Agreements for the year ending 31 December 2016 and for the year ending 31 December 2017 as disclosed in the announcement dated 10 December 2015 were HK\$8,350,000 and HK\$460,000 respectively. Such cap amounts were determined with reference to (i) the rates specified in the relevant contracts; and (ii) the expected demand for the services.

The transactions contemplated under the Shuttle Bus Service Agreements 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. Each of the foregoing continuing connected transactions with SHKPI and certain subsidiaries of SHKP 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 Group and 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 2015 did not exceed the total cap amount of HK\$93,000,000 (i.e. HK\$43,000,000 for the six-month period ended 30 June 2015 as disclosed in the announcement dated 23 October 2013 and HK\$50,000,000 for the six-month period ended 31 December 2015 as disclosed in the announcement dated 26 May 2015).

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 (Revised) "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 the auditor's findings and conclusions in respect of the continuing connected transactions 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.

CORPORATE GOVERNANCE REPORT

We believe that good corporate governance provides a solid foundation for business success, by guaranteeing sustainable returns to shareholders and fostering stakeholder confidence. To this end, a raft of sound policies, procedures and rules are observed by Board members and staff, and the interests of our stakeholders taken into account as we set our long term business goals.

The Group's commitment to corporate governance has again been recognised by the Hong Kong Institute of Certified Public Accountants, with the Company's 2014 Annual Report receiving the Gold Award in the 2015 Best Corporate Governance Disclosure Awards (Non-Hang Seng Index: Mid-to-small Market Capitalisation).



CORPORATE GOVERNANCE FRAMEWORK

The Group has a Corporate Governance Framework (the "Framework") for identifying all the key participants in good governance, the ways in which they correlate and the contribution each makes to the application of effective governance policies and processes. The Framework is built upon principles of accountability, transparency and integrity.

The Board and senior management use the Framework as a performance-oriented benchmark when evaluating the achievement of the Group's business goals. In response to changes in regulatory requirements, environmental needs, evolving social expectations and international relations, the Group regularly reviews the Framework. Meticulous management policies and practices generated by the Framework are diligently followed at all levels throughout the Group.

Our corporate governance objectives are achieved primarily through implementation of the following measures:

- Maintenance of a diverse and optimal board composition, implantation of efficient management reporting systems and retention of a professional management team to ensure that the Directors are sufficiently informed prior to making decisions in the best interests of our stakeholders.
- Establishment of thorough internal audit and control systems to safeguard against risks, protect the assets of the Group, and so ensure that its policies and management practices are executed as planned, and any irregularities, deviations, material misstatements and instances of malpractice are rapidly identified and rectified; and
- Establishment of transparent and effective communication channels to ensure that the Group's affairs are brought to the attention of shareholders, customers and other stakeholders.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company scrupulously abides by the corporate governance principles contained in the Corporate Governance Code of the Listing Rules ("the CG Code"). The CG Code states the principles of good corporate governance with two levels of recommendations, namely, (a) the "Code Provisions" and (b) the "Recommended Best Practices".

The Company complied with all applicable Code Provisions throughout the year ended 31 December 2015, except that one of the Non-executive Directors of the Company was unable to attend the Annual General Meeting and the Special General Meeting of the Company held on 21 May 2015 as provided for in code provision A.6.7 due to another engagement. However, his alternate attended both meetings on his behalf.

THE BOARD OF DIRECTORS

Board Composition

The structure of the Board maintains a balance of high calibre executive and non-executive directors possessing relevant skills, industry knowledge, first-hand experience and sufficient diversity of perspectives suitable for the Group's businesses. Mr. Evan AU YANG Chi Chun tendered his resignation from the position of Executive Director of the Company and its subsidiaries with effect from 1 March 2016. Prior to Mr. AU YANG's resignation, the Board comprised 15 members of which five are Independent Non-executive Directors, seven are Non-executive Directors and three are Executive Directors. Day-to-day management of the Group's business is delegated to the senior management under the supervision of four designated Board Committees: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors. The compositions of the Board and Board Committees at 31 December 2015 are stated below:

Although the Non-executive Directors are not involved in the day-to-day management of the Group's businesses, they serve as custodians of the governance process by closely scrutinising the management's performance in reaching agreed corporate goals and objectives. Their contribution is made, among other ways, by attending Board meetings at which they provide independent views on various matters relating to the Group's strategy, policy, performance, accountability, resources, key appointments, and standards of conduct.

Independent Non-executive Directors provide critical and objective review of issues that come before the Board. In particular, they ensure that the general interests of the shareholders are thoroughly considered by the Board. They also see that connected transactions and other issues are subject to impartial and thorough consideration by the Board.



Independent Non-executive Directors are identified in all corporate communications. Pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent as all Independent Non-executive Directors have confirmed their independence in writing to both the Stock Exchange and the Company. The Listing Rules requirement that at least one-third of the Board members should be Independent Non-executive Directors is fully complied with by the Company.

BOARD DIVERSITY

It is the experience of the Company that diverse board composition will ensure a wide range of business and professional experience on the Board, which will in turn assure the decision-making process of different perspectives and support the attainment of the Company's strategic objectives. All Board appointments are merit-based. The Company has adopted a Board Diversity Policy that takes into account, among other aspects, each candidate's gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All candidates are considered against such objective criteria.

The backgrounds of our Executive and Non-executive Directors are diverse. Each of them possesses both the depth of relevant experience and the expertise to oversee the business of the Group. This ensures that sustainable value is delivered and shareholders' interests are safeguarded. The current mix of our Board members represents a balance of business, academia and the professions.

The age group and gender diversity of the Board of Directors as at 31 December 2015 are set out below:

Age Group	Male	Female
41-50	1	0
51-60	4	1
61-70	4	0
Over 70	5	0
Total	14	1

The Role of the Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The primary responsibilities of the Board are as follows:

- setting the Group's values and standards;
- giving the management objectives and directions;
- monitoring management performance;
- managing relationships with stakeholders, including shareholders, the HKSAR Government, employees and the community;
- establishing appropriate policies to manage risks in pursuit of the Group's strategic objectives;
- reviewing the effectiveness of internal controls and risk management;
- ensuring the integrity of the Group's financial reporting system and public announcements;
- approving major financing arrangements;
- evaluating major acquisitions, disposals and material contracts; and
- setting dividend policy.

The Roles of Chairman and Managing Director

The Chairman and the Managing Director are two distinct posts, separately held by Dr Norman LEUNG Nai Pang, an Independent Non-executive Director, and Mr Roger LEE Chak Cheong, an Executive Director, respectively, neither of whom have any financial, business, family or other relationship with each other.

CORPORATE GOVERNANCE REPORT

There is a clear distinction between the roles of the Chairman and the Managing Director. The responsibilities of the Chairman and the Managing Director are clearly defined in writing and are summarised below:

Responsibilities of the Chairman:

- chairing the Board and shareholders' meetings (ensuring that views and concerns of the Board members and shareholders can be sufficiently expressed at such meetings);
- ensuring the operations of the Board are managed effectively by discussing all principal and appropriate issues in a timely manner;
- ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner;
- facilitating effective communication with shareholders and ensuring that shareholders' views are adequately reflected to the Board; and
- ensuring that all corporate governance practices adopted by the Board are implemented.

Responsibilities of the Managing Director:

- reflecting the long-term objectives and priorities set by the Board through developing and implementing the Group's policies and strategies;
- providing all such salient, accurate, timely and succinct information for the Board to monitor the performance of the management;
- leading an effective and professional executive team in the management of the Group's day-to-day businesses;
- closely monitoring operational and financial results in accordance with plans and budgets;
- maintaining regular dialogue with the Chairman on important and strategic issues faced by the Group, and bringing the same to the Board's attention;
- putting adequate operational, planning, legal and financial-control systems in place; and
- managing the Company's relationships with its diverse stakeholders.

The Chairman also meets once a year with the Non-executive Directors, in the absence of the Managing Director and the other Executive Directors, to discuss the Group's business affairs. Such a meeting was held on 22 October 2015.

Board Proceedings

Board Meetings

A Board meeting is generally held every other month, where all Board members meet in person, at which, major corporate, strategic and operational matters are discussed and investment opportunities are evaluated. All Board meetings are conducted according to the procedures laid down in the Company's Bye-laws and the code provisions contained in the CG Code. At the beginning of every year, all Board members will be provided with the schedule of regular Board meetings. They will be duly informed of any amendments to the schedule at least 14 days before the meeting.

The agenda for regular Board meetings is consolidated by the Company Secretary for approval by the Chairman. All Directors are entitled to put forward items for inclusion in the agenda of Board meetings. A Notice of Board meeting is delivered to each Director one month in advance of the scheduled meeting date enclosing with it the agenda. Detailed discussion papers for the Board meeting are circulated seven days prior to the meeting to ensure that Directors have sufficient time to consider the items for discussion and make decisions in the best interests of the Company.

At the Board meetings, senior management together with the relevant corporate executives report to the Board on the operations and financial performance of the Group's various business areas. Draft minutes of Board meetings, recording the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors, are taken by the Company Secretary, which are then circulated to the Directors for their comments. The final version of the draft minutes is submitted to the Board at the ensuing meeting for formal adoption. Subsequent to this, the adopted minutes are kept by the Company Secretary, and are available for inspection by the Directors.

Voting on Connected Transactions

The Company's Bye-laws provide that all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposals to be discussed at a 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 by the Company Secretary in the minutes. A Director is not included in the quorum for such part of a meeting that relates to a resolution he/she is not allowed to vote on but he/she shall be included in the quorum for all other parts of that meeting. This reduces the potential for conflict which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary ensures that all connected transactions entered into are in compliance with the Listing Rules. In 2015, the Company was involved in two continuing connected transactions, details of which are given on pages 81 to 83 of this Annual Report.

Obligations of Directors

Code of Conduct

All Directors and staff of the Company are subject to a written Code of Conduct, which is available on the staff website. It provides guidance on matters relating to 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 promulgates ethical values in business activities and requires Directors and employees to adhere to it when discharging their delegated duties. The code is reviewed and updated periodically to ensure that it keeps abreast of regulatory changes. The Company has a

whistleblowing policy to encourage employees and related third parties (such as customers and suppliers) who deal with the Company to raise concerns in confidence about misconduct, malpractice or irregularity in any matters related to the Company. The whistleblowing policy is published on the Company website and staff website.

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. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)), are requested to comply with the provisions of the Model Code.

After having made specific enquiries, all Directors confirmed that they had complied throughout 2015 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 2015, are set out on pages 119 and 120 of this Annual Report.

Induction and Continuous Professional Development

All Directors attended training programmes in the year to keep themselves abreast of the latest developments in the fields relevant to their respective expertise and professions. The Company Secretary is responsible for providing tailored induction programmes for new Directors and appropriate training programmes for the ongoing development of all Directors to ensure that they have a proper understanding of the Company's business operations and practices and are fully aware of their responsibilities under the Listing Rules and other regulatory requirements. Information on the latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as and when required. The Directors are provided with detailed monthly management reports, as well as

CORPORATE GOVERNANCE REPORT

monthly media reports including press articles relevant to the Company's businesses. On 19 March 2015, 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. The costs for such programmes are borne by the Company. There is a formal procedure in place for reporting the training and continuous professional development received by Directors.

Time Commitment of Directors

For the year ended 31 December 2015, the Company has received confirmation from each Director that he/she committed sufficient time and attention to the Company's affairs. The Board reviews their contribution annually.

Re-election, Re-designation, Appointment and Resignation of Directors

The Company has in place a formal, considered and transparent procedure for the appointment of new directors. A person may be appointed as 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. A director appointed by the Board to fill a casual vacancy must retire at the first annual general meeting after such appointment but is eligible for election at the same 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. Shareholders may remove a Director before the expiration of his or her period of office by passing a special resolution with detailed reasons at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

The election of individual Directors is subject to separate resolutions to be approved by the 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 is required to explain in a circular containing the notice of the annual general meeting why it considers that the Director continues to be independent and why it recommends his/her re-election to the shareholders.

Re-election of Directors

At the annual general meeting held on 21 May 2015, (the "2015 AGM"), six Directors, namely, Mr Raymond KWOK Ping Luen, Mr Charles LUI Chung Yuen, Ms Winnie NG, Dr Eric LI Ka Cheung, Mr Edmond HO Tat Man and Professor LIU Pak Wai, retired by rotation and were re-elected as Directors of the Company.

Re-designation of Director

Mr Edmond HO Tat Man retired as Managing Director of the Company, KMB and LWB with effect from 1 January 2015 and was re-designated as a Non-executive Director on the same date.

Appointment of Director

Mr Roger LEE Chak Cheong was appointed as Managing Director of the Company, KMB and LWB with effect from 1 January 2015.

Resignation of Director

Mr Evan AU YANG Chi Chun resigned as Executive Director of the Company, KMB and LWB with effect from 1 March 2016.

Appropriate announcements of the re-election, re-designation, appointment and resignation 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 26 May 2016 (the "2016 AGM"), Dr Norman LEUNG Nai Pang and Mr William LOUEY Lai Kuen will retire as Directors of the Company. Both these retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2016 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

The Shareholders are entitled to nominate a person for election 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 websites of the Company and of the Stock Exchange.

Directors' Indemnities and Protections

The Company has taken out an appropriate insurance policy covering any 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 2015 and remain in force.

The membership of each Committee is shown below:

Name of Directors	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors				
Dr Norman LEUNG Nai Pang, <i>GBS, JP</i>	Chairman			
Dr John CHAN Cho Chak, <i>GBS, JP</i>	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, <i>GBS, OBE, JP</i>		Chairman	Member	Member
Mr Gordon SIU Kwing Chue, <i>GBS, CBE, JP</i>		Member		Member
Professor LIU Pak Wai, <i>SBS, JP</i>			Member	
Non-executive Directors				
Mr Raymond KWOK Ping Luen, <i>JP</i>	Member			
Ms Winnie NG	Member			
Mr John Anthony MILLER, <i>SBS, OBE</i>		Member		
Executive Directors				
Mr Charles LUI Chung Yuen, <i>M.H.</i>	Member			
Mr Roger LEE Chak Cheong	Member			

DELEGATION BY THE BOARD OF DIRECTORS

The Board maintains four designated Board Committees for good corporate governance to oversee various aspects of the Group's affairs: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. Such Committees are governed by their respective terms of reference and are provided with adequate authority and resources to discharge their duties. The terms of reference are regularly reviewed and are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Standing Committee

The roles of the Standing Committee are to advise and assist the Board in devising business strategies, making significant investment proposals and monitoring their implementation. In 2015, it held six meetings with senior management to review and discuss financial, operational and strategic planning, as well as potential investment opportunities for the Group. The findings and recommendations of the Standing Committee are submitted directly to the Board.

Audit and Risk Management Committee

The Chairman of the Audit and Risk Management Committee, Dr Eric Li Ka Cheung, an Independent Non-executive Director of the Company, is a Certified Public Accountant who possesses the professional qualifications and accounting expertise prescribed by the Listing Rules. Dr Li and the other members of the Audit and Risk Management Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 108 to 114 of this Annual Report. None of the Audit and Risk Management Committee members is a former or existing partner of the external auditors of the Company. The Audit and Risk Management Committee is responsible for establishing and maintaining an adequate internal control structure and ensuring the quality and integrity of financial statements, for nominating independent external auditors and for reviewing the adequacy of external audits in respect of cost, scope and performance. It also ensures that an effective system of internal control and risk management is established within the Company. The Audit and Risk Management Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" published 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 2015, the Audit and Risk Management Committee and senior management held two meetings with the Company's external auditors, KPMG, in which the Company's financial reports, internal control system and other relevant matters were reviewed and discussed. At the end of each meeting,

the external auditors were invited to discuss in private with members of the Audit and Risk Management Committee issues noted during the course of the audit and any other matters they might wish to bring to the attention of the Audit and Risk Management Committee without the presence of senior management. Following each meeting, the Chairman of the Audit and Risk Management Committee submitted a report to the Board of Directors and gave a briefing on all significant issues that had arisen.

The major work undertaken by the Audit and Risk Management Committee in the financial year ended 31 December 2015 included:

(a) Supervision 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 and fairness 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, and considered their impact on the financial reporting of the Company and the Group;
- Reviewed with the external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements, as well as management's response to their findings;
- Discussed and reviewed the internal audit reports prepared by the Head of the Internal Audit Department covering among other things audit objectives, audit approach, audit work done and the findings arising therefrom. The Audit and Risk Management Committee also examined the qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources and training programmes;

- 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 the operation of the whistleblowing policy.

Following such reviews and discussions, the Audit and Risk Management Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2015 and the annual financial statements for the year ended 31 December 2015 be approved.

(b) Maintenance 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 their audit and non-audit services effectively.

Based on the conclusion drawn from these reviews, the Audit and Risk Management 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 2016.

Remuneration Committee

The Board has devolved upon the Remuneration Committee the authority to formulate 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. The Remuneration Committee also draws up criteria for performance-based bonuses and makes recommendations to the Board on human resources related policies based on the Group's goals and objectives. Details of the terms of

reference, remuneration policies and work performed by the Remuneration Committee in 2015 are set out in the Remuneration Report on pages 104 to 107 of this Annual Report.

Nomination Committee

The Board has appointed the Nomination Committee to identify suitable candidates of a high calibre and with sufficient experience for its consideration, taking into account the Board Diversity Policy. The Nomination Committee ensures that the appointment of Directors undergoes formal, stringent and transparent procedures. All members of the Nomination Committee, including its chairman, 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;
- Identifying and nominating for the approval of the Board appropriately 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;
- Reviewing and monitoring the structure, size and composition (including evaluating the balance and blend of skills, knowledge, professional experience, gender, age, cultural and educational background and length of service) of the Board and making recommendations to the Board regarding any proposed changes; and
- Evaluating the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

Attendance Records

The Directors' attendance at the Annual General Meeting, Special General Meeting, Board Meetings and Committee Meetings in 2015 is given below:

Members of the Board of Directors	Meetings Attended/Held						
	2015 AGM	2015 SGM	Board	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors							
Dr Norman LEUNG Nai Pang, <i>GBS, JP (Chairman)</i>	1/1	1/1	6/6	6/6			
Dr John CHAN Cho Chak, <i>GBS, JP (Deputy Chairman)</i>	1/1	1/1	6/6	6/6		2/2	1/1
Dr Eric LI Ka Cheung, <i>GBS, OBE, JP</i>	1/1	1/1	6/6		2/2	2/2	1/1
Mr Gordon SIU Kwing Chue, <i>GBS, CBE, JP</i>	1/1	1/1	6/6		2/2		1/1
Professor LIU Pak Wai, <i>SBS, JP</i>	1/1	1/1	6/6			2/2	
Non-executive Directors							
Mr Raymond KWOK Ping Luen, <i>JP (with Ms Susanna WONG Sze Lai, as alternate)</i>	0/1	0/1	0/6	6/6			
Mr NG Siu Chan <i>(with Ms Winnie NG as alternate)</i>	1/1	1/1	4/6				
Mr William LOUEY Lai Kuen	1/1	1/1	6/6				
Ms Winnie NG	1/1	1/1	6/6	6/6			
Mr John Anthony MILLER, <i>SBS, OBE</i>	1/1	1/1	6/6		2/2		
Mr Allen FUNG Yuk Lun	1/1	1/1	5/6				
Mr Edmond HO Tat Man	1/1	1/1	6/6				
Executive Directors							
Mr Roger LEE Chak Cheong <i>(Managing Director)</i>	1/1	1/1	6/6	6/6			
Mr Charles LUI Chung Yuen, <i>M.H.</i>	1/1	1/1	5/6	4/6			
Mr Evan AU YANG Chi Chun <i>(Deputy Managing Director)</i>	1/1	1/1	6/6				
Alternate Directors							
Ms Winnie NG <i>(Alternate Director to Mr NG Siu Chan)</i>			2/2				
Ms Susanna WONG Sze Lai <i>(Alternate Director to Mr Raymond KWOK Ping Luen, JP) (Note 1)</i>			1/1				
Mr Godwin SO Wai Kei <i>(Alternate Director to Mr Raymond KWOK Ping Luen, JP) (Note 2)</i>	1/1	1/1	5/5				
In attendance							
External Auditors	1/1	1/1			2/2		

Notes:

1. Served as Alternate Director to Mr Raymond KWOK Ping Luen with effect from 1 December 2015.
2. Served as Alternate Director to Mr Raymond KWOK Ping Luen until 1 December 2015.
3. Particulars of the 2015 AGM and 2015 SGM are set out on pages 101 and 102 of this Annual Report.

The Board held six meetings in 2015, which exceeded the minimum of four board meetings a year required by the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least two hours.

Delegation of Responsibilities to Senior Management

The Senior Management Team is responsible for implementing the strategies and day-to-day management of the Group's businesses. It is under continual supervision of the Board and the corresponding Board Committees. Drawing upon their extensive experience and expertise in different areas, the Senior Management Team 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 post of Company Secretary is held by Miss Lana WOO, who is a fellow member of The Hong Kong Institute of Chartered Secretaries. She is responsible for ensuring that the Board's policy and procedures and all applicable rules and regulations are complied with by each and every Director. She is also responsible for advising the Board on all corporate governance matters and facilitating the induction and continuous professional development of Directors. She reports to the Managing Director of the Company, and 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. In 2015, the Company Secretary underwent over 15 hours of professional training to update her skills and knowledge.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for the preparation of the Group's financial statements. It ensures that a true and fair view of the financial status of the Group is given 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. Such responsibility also extends to the accuracy and sufficiency of the content of interim and annual

reports, as well as "price-sensitive" announcements and other financial disclosures required by the Listing Rules, reports to regulators, and any information that needs to be disclosed under statutory requirements.

The financial statements of the Company and the Group for the year ended 31 December 2015 given on pages 126 to 191 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 and Risk Management Committee of the Company, together with senior 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 2015.

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. It is duty bound to safeguard the Group's assets and stakeholders' interests, minimise operational system risks, and provide reasonable assurance against material misstatement of information (whether financial or non-financial). Stringent internal control measures are implemented at all levels of the Group in order to ensure effective monitoring of its day-to-day operations.

The Audit and Risk Management Committee is delegated by the Board with the responsibility of maintaining and reviewing the effectiveness of the internal controls and risk management system and determining the nature and extent of any significant risks. With the assistance of the external auditors and the Internal Audit Department, the Audit and Risk Management Committee provides strong assurance regarding the quality and effectiveness of our control practices.

Control Environment

A comprehensive internal control framework is an integral part of corporate governance. Such a framework should clearly set out the areas of authority and responsibility, maintain a risk management system, support a culture of integrity and promote high ethical standards at both management and staff levels.

CORPORATE GOVERNANCE REPORT

The Group has a well-defined organisational structure with succinct lines of authority and control responsibilities, which are clearly set out in writing and documented in the form of organisation charts and job manuals for the corresponding operating and business units. Senior management is responsible for designing, adopting and maintaining internal controls, formulating operational plans and preparing financial budgets setting out the resources to be allocated according to the identified and prioritised business opportunities. The approved plans and budgets are used as benchmarks for monitoring implementation results. The Board and the Audit and Risk Management Committee oversee management performance and monitor the effectiveness of the internal controls. Ad-hoc or unprecedented issues are handled by specialised board committees and cross-departmental working committees which are established from time to time.

Internal Control Framework

The Group's Internal Control Framework is founded on the following components:

The Board

- maintaining a sound and effective internal control system
- monitoring the performance of the Internal Control Framework
- setting high ethical and moral standards and monitoring management compliance with these standards.

The Audit and Risk Management Committee

- providing directives for the design and implementation of a sound and effective internal control system
- overseeing the risk management and internal control systems
- reviewing the Company's statement of internal control systems prior to its endorsement by the Board

- ensuring the independence and transparency of the internal audit function
- studying audit plans and ensuring that the findings of the Internal Audit Department are properly addressed by management
- promoting coordination between the internal and external auditors.

Management

- cooperating with and supporting the work of the Internal Audit Department
- designing, implementing and maintaining an effective internal control system
- performing the central role in monitoring the Group's Quality Management System
- supervising staff to ensure that they carry out their duties in accordance with the requirements of internal control practices.

The Internal Audit Department

- formulating action plans to monitor the effectiveness of the internal control system
- working with various operating units and monitoring their compliance with internal control practices
- conducting robust reviews and stringent testing of the internal control system and making recommendations for improvement
- reporting directly to the Audit and Risk Management Committee on a periodic basis
- providing independent and objective assurance of the effectiveness of the internal control practices.

Quality Management System

KMB, LWB and Sun Bus Limited (“SBL”), three major subsidiaries of the Group, have implemented an effective and efficient quality management system (“QMS”) based on the benchmarks prescribed by the International Organisation for Standardisation (“ISO”). All three companies have obtained ISO 9001:2008 quality management system certification. In addition, KMB’s two major bus depots are ISO 14001 certified for their environmental management systems. The adoption of QMS enables the Group to respond to the risks inherent in its operations through effective control practices.

A systematic and well-structured QMS 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 before release. Such documentation, covering KMB, LWB and SBL’s major operational processes and relevant staff members’ responsibilities and authority, is reviewed and updated regularly 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. If any non-conformity is detected, preventive and corrective measures will be taken immediately. Regular management meetings are held to review the effectiveness of and compliance with QMS. The management proactively and continually formulate and implement improvement plans to enhance QMS in 2015.

The Hong Kong Quality Assurance Agency (“HKQAA”), conducts an annual independent audit of QMS to assess its effectiveness, efficiency and conformity. As and when HKQAA identifies areas for improvement during the course of an ISO audit, it will make recommendations for the management to consider with a view to taking appropriate follow-up action in a timely manner as necessary. No non-conformity in QMS was found in the ISO audits of KMB, LWB and SBL.

Enterprise Risk Management

Senior management is mindful of the various types of risk that face the Group, including strategic, compliance, operational and financial risks. In order to achieve our business objectives, the Group has developed a risk management framework to proactively identify risks facing the business. The Group’s risk management framework, which has been designed with reference to the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission in May 2013 (“COSO 2013 Framework”), involves identifying potential risks and opportunities that are relevant to the Group’s objectives, evaluating them using appropriate qualitative and quantitative techniques, and formulating risk response plans (accept, reduce, mitigate and avoid) that are consistent with the Group’s risk appetite. Relevant risk concern is communicated to senior management on a regular basis for effective monitoring of the Group’s risk management process and achievement of its business objectives. To ensure that the risk management process is consistent with best practices, the Group engaged an external consultant in the fourth quarter of 2015 to review the existing practices, and their suggestions will be incorporated into the Group’s risk management framework in due course.

The risk management process is illustrated as follows:



CORPORATE GOVERNANCE REPORT

Business Continuity Plan

KMB, being the Group's flagship subsidiary, has formulated and documented a Business Continuity Plan ("BCP"), which is reviewed and updated from time to time according to changes in circumstances. BCP, which is an integral part of the risk management process, provides a systematic approach for building an effective response that enables management to safeguard shareholder value in a crisis by prompt response and by resuming KMB's critical business functions at acceptable pre-defined levels. BCP identifies and evaluates major risks in respect 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 practicable.

An emergency management team led by the Managing Director is in place to see that effective management will be maintained in the event of any contingency.

Business Ethics

Integrity and honourable business ethics are foundational to the continued success of the Group. The Group's internal control environment is built on a culture of moral consciousness, high ethical values and management integrity. All directors or employees are prohibited 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 published on KMB's staff website, define the rules and policies which all Directors and staff are bound 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 by members of the public while carrying out their daily duties, instructions from the management regarding the proper way to proceed must be sought.

Whistleblowing Policy

The Group is committed to the highest possible standards of openness, probity and accountability. A whistleblowing policy has been established by the Audit and Risk Management Committee to deal with concerns related to fraudulent or unethical acts or instances of non-compliance with the law or with the Group's policies that have or could have a significant adverse financial, legal or reputational impact on the Group. The Group will respond to all such concerns expressed fairly and properly.

The Audit and Risk Management 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 and Risk Management Committee. The Company Secretary monitors and reviews the use and effectiveness of the whistleblowing policy on a regular basis.

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.

Comprehensive Internal Audit Function

The major role of monitoring internal governance of the Group is played by the Internal Audit Department. It is responsible for providing the Audit and Risk Management 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 designed to examine and evaluate the internal controls of the Group by reference to the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

The Internal Audit Department scrupulously reviewed every inherent risk associated with each key business process and diligently evaluated the internal controls to mitigate these risks. It checked compliance of the internal controls, and carried 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. Corrective measures and potential improvement opportunities were recommended to enhance the internal control system.

The Head of the 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. The Head of the Internal Audit Department reports directly to the Audit and Risk Management Committee and the Managing Director to ensure the independence of the internal audit function of the Group.

In 2015, the Internal Audit Department performed the following functions, among others:

- Independently reviewing the risks and controls of the Group, and ensuring that the risks and any internal control weaknesses were properly addressed;
- 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 and Risk Management Committee and the Managing Director;
- Reviewing critical areas of concern identified by senior management or the Audit and Risk Management Committee; and
- Performing an internal consulting service to help improve the operational and financial performance of the Group's various business units.

Based on the report of the Internal Audit Department and the report of the Company Secretary on the Group's whistleblowing policy, the Audit and Risk Management 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 and Risk Management 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 2015.

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

The Company is fully aware of its obligations under the Listing Rules and the Securities and Futures Ordinance. It has a suite of procedures and internal control measures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. All members of the Board, senior management and nominated executives, who are likely to have access to price-sensitive and/or inside information because of their office or employment in the Company or a subsidiary, are bound by the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules. In addition, every employee is required to follow the guidelines of 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 crucial role in ensuring the integrity of the disclosure of financial information. If during the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements, the external auditors discover any major irregularities, they will report their findings directly to the Audit and Risk Management Committee and the Board. The external auditors are invited to attend meetings of the Audit and Risk Management Committee, as well as the Annual General Meeting.

The Audit and Risk Management Committee is responsible for monitoring the audit and non-audit services rendered to the Group by its external auditors. A formal policy is in place to ensure that the engagement of the external auditors in non-audit services will not impair their independence in providing the audit services. The external auditors are also required to review annually their relationship with the Group and to give written confirmation to the Audit and Risk Management Committee of their independent status.

CORPORATE GOVERNANCE REPORT

The Company engaged KPMG as its external auditors to audit the financial statements of the Company for the year ended 31 December 2015. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2015 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 2015 are set out below:

	HK\$ million
Audit related services	7.6
Non-audit related services (Note)	0.5
Total	8.1

Note: Non-audit related services mainly consist of other review and reporting services.

As at 31 December 2015, the shareholding distribution of the Company was as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0-1,000	1,416	34.81	458,538	0.11
1,001-5,000	1,552	38.15	3,669,707	0.91
5,001-10,000	468	11.50	3,551,840	0.88
10,001-100,000	521	12.81	15,400,112	3.82
Above 100,000	111	2.73	380,559,216	94.28
	4,068	100.00	403,639,413	100.00

Note: 42.21% of all TIH's issued shares were held through CCASS.

Based on information that is publicly available to the Company and the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2015.

Shareholder Communications Policy

Transparency is the cornerstone of good corporate governance. The Board has formulated a Shareholder Communications Policy to provide shareholders with information about the Company to enable them to engage with the Company and exercise their rights as shareholders in an informed manner. The Shareholder Communications

ENGAGEMENT WITH STAKEHOLDERS

Shareholders

The Company had 4,068 registered shareholders as at 31 December 2015. The Shareholders comprise individual shareholders, institutional investors plus people and organisations holding shares 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 2015 are disclosed in the Report of the Directors on page 121 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 34.0% in the Company.

Policy is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels, including press releases, announcements, interim and annual reports, and circulars, to convey its messages to its shareholders. The interim and annual reports, notices of general meetings, announcements and circulars in English and/or Chinese are posted on the Company's website (www.tih.hk) as well as the website of the Stock Exchange, and are delivered to shareholders within the respective deadlines stipulated by the Listing Rules. Other information of interest to shareholders and the public is also available on the Company's website.

Annual Reports

The annual report is a unique source of information for shareholders and other stakeholders who wish to understand the business of the Group. Senior management endeavours to make it informative, comprehensible and transparent, with a sufficient level of disclosure. The Annual Report has English and Chinese versions and is available in both print and electronic versions. Shareholders can choose to receive a print version (in English, Chinese or both languages) or the electronic version. In the interests of environmental preservation and economy, the Company encourages its shareholders to choose 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 are at liberty to change their choice of language or means of receiving the Company's corporate communications by giving written notice of not less than seven days to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or by emailing tih.ecom@computershare.com.hk.

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2015, the Company won the following prestigious awards:

- Gold Award in the Best Corporate Governance Disclosure Awards (Non-Hang Seng Index: Mid-to-small Market Capitalisation) organised by the Hong Kong Institute of Certified Public Accountants;
- Silver Award for Interior Design and Bronze Award for Photographs in the International ARC Awards; and
- Citation for Design in the 2015 Hong Kong Management Association ("HKMA") Best Annual Reports Awards.

The Company's General Meetings

The Directors consider the Company's general meetings an important way in which they can communicate with shareholders. The annual general meetings or other general meetings are normally attended by all Directors and senior management as well as by the Company's external auditors so that any comments or questions raised by shareholders can be addressed.

Shareholders' control over the Company is primarily exercised through their voting rights at general meetings. All voting is conducted by poll at general meetings so that each shareholder is entitled to one vote. Separate resolutions are proposed for each 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.

Annual General Meeting

The 2015 AGM was held on 21 May 2015 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 2014;
- Approval of an ordinary final dividend of HK\$0.75 per share for the year ended 31 December 2014;
- Re-election of Mr Raymond KWOK Ping Luen, Mr Charles LUI Chung Yuen, Ms Winnie NG, Dr Eric LI Ka Cheung, Mr Edmond HO Tat Man and Professor LIU Pak Wai 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 2015 AGM were published on the websites of the Company and the Stock Exchange on 21 May 2015.

CORPORATE GOVERNANCE REPORT

Special General Meeting

A Special General Meeting was held on 21 May 2015 ("2015 SGM") in which it was resolved that the purchase contracts dated 13 April 2015 entered into (i) between KMB and Alexander Dennis (Asia Pacific) Limited ("ADL Asia") for the purchase of 126 12-metre Enviro 500 double-deck buses and 100 12.8-metre Enviro 500 double-deck buses; and (ii) between LWB and ADL Asia for the purchase of 21 12-metre Enviro 500 double-deck buses and 39 12.8-metre Enviro 500 double-deck buses were approved.

The details and poll voting results of the 2015 SGM were published on the websites of the Company and the Stock Exchange on 21 May 2015.

The 2016 Financial Calendar of the Company is set out as follows:

Announcement of 2015 final results	24 March 2016
Dispatch of 2015 Annual Report and accompanying circular to shareholders	19 April 2016
Last day to register transfer to qualify to attend and vote at the 2016 AGM	18 May 2016
Book closure for 2016 AGM (both dates inclusive)	19 May 2016 – 26 May 2016
Date of 2016 AGM	26 May 2016
Last day to register transfer to qualify for 2015 final dividend	31 May 2016
Book closure for 2015 final dividend	1 June 2016
Payment of 2015 final dividend	8 July 2016
Announcement of 2016 interim results	mid-August 2016
Payment of 2016 interim dividend	mid-October 2016
Financial year end date	31 December 2016

Shareholders' Right

Under the Company's Bye-laws, shareholders holding at least 10% of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company may ask 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. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, 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 are entitled to submit a written request to move a resolution at general meetings. The procedures for making proposals at general meetings are laid down in the Company's Shareholder Communications Policy, which is available on the Company's website.

Procedure for Sending Enquiries to the Board

Enquiries from shareholders can be sent to the attention of the Board. All enquiries should be addressed to the Board or the Company Secretary and sent to the Company's 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 will respond to such enquiries within a reasonable time.

Constitutional Documents

An up-to-date 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 2015.



TIH's management is firmly based on good corporate governance

General Public

The Group use the following communication channels to keep the general public informed of its developments:

Website – The Company's website www.tih.hk offers a wide range of information about the Group and its various businesses for shareholders and other interested parties.

Media and Online Communication – To keep the public informed about the bus services of KMB and LWB, the two major subsidiaries of the Group, regular press sessions are held at which the media are introduced to the latest developments in terms of services, facilities, safety and environmental protection. Social media such as Facebook and YouTube are also used to publicise KMB's initiatives and achievements, as well as to gather useful feedback from the public. In December 2015, the KMB Instagram account "KMBHONGKONG" was launched, providing Instagram users with a platform to communicate and share photos on topics related to KMB.

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

In 2015, the KMB website received the Triple Gold Award (Gold Award for three consecutive years) and the Most Favourite Website Award from the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

KMB publications may be accessed on its website www.kmb.hk, together with regular updates on corporate, financial and media matters relating to the Group.

Employees

Interactive communication between management and staff is essential in terms of efficiency and morale. The Group's staff website is an effective means for staff to access relevant management announcements and information on issues that concern them, such as payroll and staff events and activities. Orientation training courses, e-learning programmes and a staff forum are also available online. Our corporate magazine KMB Today keeps employees, especially frontline staff, informed of news and events relating to the Group and the industry.

The Staff Handbook, which is accessible on the staff website, sets out the Company's human resources policies as well as employment guidelines.



REMUNERATION REPORT

The Board has delegated authority to the Remuneration Committee for ensuring that the Company has in place properly structured and fair remuneration policies, which are in line with the interests of Directors, staff and other stakeholders of the Company. The 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 makes recommendations to the Board on the remuneration packages of Directors and employees of the Company and its subsidiaries (the "Group"). The level of remuneration is determined according to the principles of performance, fairness, transparency and market competitiveness. The Group's remuneration packages are designed to attract, retain and motivate high calibre individuals who will make significant contributions to the success of the Group. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues as and when required.

The main principal remuneration policies adopted by the Group are as follows:

- Remuneration policy and practice including that relating to Directors should be fair, transparent and compliant with relevant legislation;
- No Director or member of senior management is to be involved in deciding his or her own remuneration; and
- Directors and employees should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, taking into account 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:

- Determining the policies on remuneration of the Directors and the employees of the Group for approval by the Board;
- Setting appropriate criteria for performance-related bonuses for employees, having regard to achievement against the assessment criteria with reference to market norms, and the Group's business objectives and targets;

- Establishing guidelines for determining the remuneration of Directors, including the 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; and
- Reviewing and considering proposals submitted by the Managing Director regarding human resources or related policies and making appropriate recommendations to the Board.

In 2015, the Remuneration Committee:

- Reviewed the remuneration policy for 2015;
- Reviewed the annual performance-related bonuses for Group employees, with reference to the performance of the Group, individual achievement, the assessment criteria and market norms;
- Examined employees' wage and salary increments on a merit basis with reference to relevant factors including market pay trends and inflation forecasts; and
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarked against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business.

REMUNERATION REPORT

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

In accordance 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 previous years, Directors' fees for 2015 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 likely workload, the scale and complexity of the business, and the responsibility involved. 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 2015 is set out as follows:

	Fee per annum HK\$
Board Members	
– Chairman	403,200
– Other Director	288,000
Audit and Risk Management Committee Members	
– Chairman	170,000
– Other member	150,000
Remuneration Committee Members	
– Chairman	70,000
– Other member	60,000
Nomination Committee Members	
– Chairman	70,000
– Other member	60,000
Standing Committee Members (except Executive Directors)	
– Chairman	352,800
– Other member	252,000

Except as disclosed above, none of our Independent Non-executive Directors or Non-executive Directors received any pension benefits or bonuses from the Group in 2015.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2015, together with 2014 comparisons, are given in note 7 to the consolidated financial statements on pages 152 and 153 of this Annual Report.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF CORPORATE EXECUTIVES AND OTHER EMPLOYEES

The remuneration of the corporate executives of the Company 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 financial 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 financial results of the Group.

The main components of remuneration for corporate executives and other employees are set out below:

Base Compensation

The Remuneration Committee reviews base compensation, including salaries, allowances and fringe benefits, with reference to the Group's financial performance, scope and complexity of responsibilities, market pay levels 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 on an annual basis. Only those who obtain at least a satisfactory performance rating are considered for the award of an incentive bonus.

Staff 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") are two non-contributory defined benefit retirement schemes operated by the Group. The Group 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

Formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO"), the Monthly Scheme 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

Formally established under trust and registered under the ORSO, the Daily Scheme 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. 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\$30,000.

DIRECTORS' PROFILES



Dr Norman LEUNG Nai Pang

GBS, JP, LLD, BA

Chairman and Independent Non-executive Director, aged 75. 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 an Independent Non-executive Director of Sun Hung Kai Properties Limited and was the Executive Chairman of Television

Broadcasts Limited from 2012 to 2014 (both companies are listed on the Hong Kong Stock Exchange). Dr Leung has been active in public service for 40 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 and a Council member of The Chinese 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 72. 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 and Chairman of the Court of The Hong Kong University of Science and Technology. 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 62. 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 the 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 the Chairman and an Executive Director of SUNeVision Holdings Ltd., the Chairman and a Non-executive Director 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 and a Member of the Council of The Chinese University of Hong Kong.



NG Siu Chan

Non-executive Director, aged 85. 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 56. 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.

DIRECTORS' PROFILES



Charles LUI Chung Yuen

M.H., BEC, AASA, FCILT

Executive Director, aged 81. 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 52, has been Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") 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 created the innovative concept of multi-media on board transit vehicles, unlocking the huge potential of the travelling passengers, which operations model has been adopted by many companies in Hong Kong, China, and over the world. At the same time, she successfully positioned KMB as a powerful out-of-home media sales tool by raising the profiles and sales of bus body exterior and on street bus shelter advertising. Moreover, she spearheaded the spinoff of RoadShow as the media sales arm of the Company, on the main board of the Hong Kong Stock Exchange (HK stock code 888), which was a business development breakthrough in the public transportation industry.

In doing so, she created a significant and substantial value asset for the Company, which is independently listed and financially strong, poised to create and realise more economic value and opportunity for the group.

Active in public service, she is Chairman of Hospital Governing Committee of Prince of Wales Hospital, Convenor of Course Vetting Committee of Employees Retraining Board, Chairman of Supporting Services Development Committee of Hospital Authority, Advisor of Our Hong Kong Foundation, Member of Hospital Authority, Member of Vocational Training Council, Member of Employees Retraining Board, Council Member of The Better Hong Kong Foundation, Member of Public Relations Committee of The Community Chest, and is also involved with a number of other public and community boards. She was Member of Hong Kong Tourism Board from March 2010 to February 2016.

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 62. 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 Beer (Holdings) Company Limited (formerly China Resources Enterprises, 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 and Risk Management Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.



Edmond HO Tai Man

MA(Cantab), MBA, FCILT, MHKIoD

Non-executive Director, aged 54. 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. 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, and was appointed as Managing Director of KMB and LWB on 1 January 2007, and as Managing Director of the Company on 8 April 2008. Mr Ho has been re-designated as a Non-executive Director of the Company, KMB and LWB with effect from 1 January 2015. Mr Ho was a Non-executive Director of RoadShow

Holdings Limited for the period from 13 October 2008 to 8 July 2014. 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.

DIRECTORS' PROFILES



Gordon SIU Kwing Chue

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

Independent Non-executive Director, aged 70. 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 and Risk Management Committee and Nomination Committee of the Company. Mr Siu is currently an Independent Non-executive Director of China Resources Beer (Holdings) Company Limited (formerly China Resources Enterprise, Limited). He was formerly an Independent Non-executive Director of Television Broadcasts Limited (2007 to 2014). 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.

Since retirement in 2002, Mr Siu's main focus is charitable education work. He founded, and is now Director of The Music for Our Young Foundation.



John Anthony MILLER

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

Non-executive Director, aged 65. Mr Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, a Director of Long Win Bus Company

Limited since 1 April 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. He is also a member of the Audit and Risk Management Committee. 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 was a Non-executive Director of SUNeVision Holdings Ltd. until 31 December 2013. Mr Miller holds an MPA degree from Harvard University and a BA degree from London University.



Professor LIU Pak Wai

SBS, JP

Independent Non-executive Director, aged 68. 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 and Hang Lung Group Limited, both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited, an independent director of China Zheshang Bank Company 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 Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, and a member of the Products Advisory Committee of the Securities and Futures Commission. He was a past member of the Commission on Strategic Development, the Working Group on Long Term Fiscal Planning, 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.

DIRECTORS' PROFILES



Allen FUNG Yuk Lun

BA, Ph.D.

Non-executive Director, aged 47. 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, and a Non-executive Director of RoadShow Holdings Limited since 8 July 2014. He is an Executive Director of Sun Hung Kai Properties Limited ("SHKP"), a Deputy Chairman of SmarTone Telecommunications Holdings Limited

and a Vice Chairman of 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. He is also a director of certain SHKP subsidiaries. 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 President of the Hong Kong Society for the Protection of Children, a member of the General Committee of the Hong Kong General Chamber of Commerce, 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 an advisory member of the Faculty of Business and Economics at The University of Hong Kong, and a Council member of Sir Edward Youde Memorial Fund.



Roger LEE Chak Cheong

BSc, MSc, MICE, CEng

Managing Director, aged 53. 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. He has been appointed as Managing Director of the Company, KMB and LWB since 1 January 2015. He is a member of the Standing Committee of the Company. 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. 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, BA, MBA, FCIS, FCS(PE), CPA(Canada),CGA
The Kowloon Motor Bus Company (1933) Limited	
General Manager, Corporate Planning and Business Development	Godwin SO Wai Kei, BA, MBA, FCPA, FCCA, FCIS, FCS, ACIB
Finance and Administration Director	William HO Sai Kei, BBA, MBA, CPA(Canada),CA, FCPA
Operations Director	LEUNG Kin Wang, BSc
Advertising Director	James Conrad LOUEY, BSc
Commercial Director	Thomas TONG Tung Ming, MSc, MBA, CEng, MStructE, MHKIE, AP, RSE
Deputy Operations Director	Alok JAIN, BEng, MEng, CMILT
Deputy Operations Director	HO Chi Man, MA, CMILT
Head of Accounts Department	Peter MACK Sau Hang, MBA, MSc(Finance), ACA, CPA, ACIS
Head of Corporate Communications Department	Susanna SIN Kit Ching, MA
Head of Customer Service Department	CHAN Pik Yin, BA
Head of Financial Planning and Costing Department	Doris LAU Koon Kwan, MBA, ACA, CPA
Head of Human Resources Department	Susanna WONG Pui Yee, BSocSc, MIHRM(HK)
Head of Information Technology Department	Jonathan CHIU Chi Hang, MSc in Information Technology
Head of Insurance Department	Clara LEUNG Mee Fun, ACII, Chartered Insurance Practitioner
Head of Internal Audit Department	Thomas LEUNG Man Lung, BSc(Hons), ACA, FCCA, CPA, CPA(Canada),CGA
Head of Legal Department	Henry LEUNG Ho Yin, BA, LLB
Head of Treasury Department	Simon CHEUNG Chak Shing, MBA, BSc, CPA(Canada),CGA, FCCA, CMILT
Depot General Manager	Andrew KWAN Chi Wai, CMILT
Acting Depot General Manager	Paul YEUNG Kwok Ho, BA, MBA
Long Win Bus Company Limited	
General Manager	Camillus WOO Kin Keung
Sun Bus Holdings Limited	
Executive Director	Eddie CHOI Shun Kei
RoadShow Holdings Limited	
Acting Chief Executive Officer and Chief Financial Officer	Lawrence CHAN Kwan, MBA, CPAA, CPA
Chief Operating Officer	Thomas LO Sui Sing
Chief Sales Officer	Simon SIU Kar Chun
Company Secretary	Christine MAK Lai Hung, ACS, ACIS
Senior Vice President (Marketing and Projects)	Larry YIP Chung Sau
Operations and Planning Director	Ada LO Ching

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DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2015.

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 AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services. Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

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

The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 24 to 107 of this Annual Report. This discussion forms part of this Directors' Report.

RECOMMENDED DIVIDEND

An interim dividend of HK\$0.30 (2014: HK\$0.15) per share was paid to the shareholders on 15 October 2015. The Directors now recommend that a final dividend of HK\$0.90 (2014: HK\$0.75) per share in respect of the year ended 31 December 2015 be paid to shareholders on 8 July 2016.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$353,000 (2014: HK\$315,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28(b) to the financial statements. There were no movements during the year.

DIRECTORS' REPORT

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Dr Norman LEUNG Nai Pang*, GBS, JP	(Chairman)
Dr John CHAN Cho Chak*, GBS, JP	(Deputy Chairman)
Raymond KWOK Ping Luen, JP	
NG Siu Chan	
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, M.H.	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan)
Dr Eric LI Ka Cheung*, GBS, OBE, JP	
Edmond HO Tat Man	
Gordon SIU Kwing Chue*, GBS, CBE, JP	
John Anthony MILLER, SBS, OBE	
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheung	(Managing Director)
Susanna WONG Sze Lai	(Appointed as Alternate Director to Mr Raymond KWOK Ping Luen, JP on 1 December 2015)
Godwin SO Wai Kei	(Served as Alternate Director to Mr Raymond KWOK Ping Luen, JP for the period from 3 March 2014 to 30 November 2015)
Evan AU YANG Chi Chun	(Deputy Managing Director, resigned on 1 March 2016)

* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), Dr Norman Leung Nai Pang and Mr William Louey Lai Kuen 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 108 to 114 of this Annual Report.

INDEMNITY PROVISION

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

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

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

The Directors of the Company who held office at 31 December 2015 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				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	2,000	–
Raymond KWOK Ping Luen	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 (Director and Alternate Director to Mr NG Siu Chan)	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	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Director and took up the position of Managing Director on 1 January 2015)	–	–	–	–	–	–
Susanna WONG Sze Lai (Appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 1 December 2015)	–	–	–	–	–	–
Evan AU YANG Chi Chun	–	–	–	–	–	–

* 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				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	–	–	–	–	–	–
Raymond KWOK Ping Luen	37,400 (Note 1)	–	–	–	37,400	0.004%
NG Siu Chan	–	123,743	–	–	123,743	0.012%
William LOUEY Lai Kuen	412,371	–	–	–	412,371	0.041%
Charles LUI Chung Yuen	–	–	–	209,131 (Note 2)	209,131	0.021%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	1,000,000	–	–	123,743 (Note 3)	1,123,743	0.113%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Director and took up the position of Managing Director on 1 January 2015)	–	–	–	–	–	–
Susanna WONG Sze Lai (Appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 1 December 2015)	–	–	–	–	–	–
Evan AU YANG Chi Chun	–	–	–	–	–	–

* Independent Non-executive Director

Notes:

- (1) Mr Raymond Kwok Ping Luen held 37,400 shares in RoadShow jointly with his spouse.
- (2) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.
- (3) Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 31 December 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As disclosed in note 31(a) to the financial statements, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company, or any of its 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 2015, 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			Percentage of total issued shares
	Registered shareholders	Corporate interests	Total number of shares held	
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 and Mr Roger Lee Chak Cheong are members of the senior management of the Group whose brief particulars are set out on pages 110 and 114 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 2016 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 5.25% 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 2015 was HK\$1,057,330,000 (2014: HK\$1,161,349,000).
- (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 2015 and 2014.
- (v) The ongoing funding surplus in the scheme was HK\$312,735,000 (2014: HK\$397,803,000) and the solvency surplus was HK\$313,359,000 (2014: HK\$398,303,000) at 31 December 2015.

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 5.25% 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 2015 was HK\$2,314,529,000 (2014: HK\$2,506,178,000).
- (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 2015 and 2014.
- (v) The ongoing funding surplus in the scheme was HK\$844,176,000 (2014: HK\$1,014,638,000) and the solvency surplus was HK\$910,147,000 (2014: HK\$1,072,488,000) at 31 December 2015.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 20 to the financial statements).

(b) Defined contribution retirement scheme

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

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014). Contributions to the SHKP Scheme during the year are charged to profit or loss as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2015 were insignificant to the Group.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2015 are set out in note 23 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.

DIRECTORS' REPORT

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 192 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 2015, except that Mr Raymond Kwok Ping Luen, a Non-executive Director of the Company, was unable to attend the Annual General Meeting and the Special General Meeting of the Company held on 21 May 2015 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 84 to 103 of this Annual Report.

PROPERTIES

Particulars of the investment properties of the Group are shown on pages 78 and 79 of this Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2015.

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 2016

INDEPENDENT AUDITOR'S REPORT



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 126 to 191, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Revenue	3 & 12	7,779,930	7,556,552
Other income	4	78,938	115,024
Staff costs	5(a)	(3,846,921)	(3,612,151)
Depreciation and amortisation		(834,997)	(786,246)
Fuel and oil		(809,049)	(1,351,694)
Spare parts and stores		(265,731)	(256,106)
Toll charges		(413,989)	(394,513)
Other operating expenses		(961,026)	(832,189)
Profit from operations		727,155	438,677
Finance costs	5(b)	(9,674)	(5,022)
Share of profits of associates		32,357	37,791
Gain on disposal of other financial assets	19(b)	–	36,603
Impairment loss on intangible assets	14	(2,895)	–
Profit before taxation	5	746,943	508,049
Income tax	6(a)	(128,075)	(69,034)
Profit for the year		618,868	439,015
Attributable to:			
Equity shareholders of the Company		628,711	415,072
Non-controlling interests		(9,843)	23,943
Profit for the year		618,868	439,015
Earnings per share	10		
Basic and diluted		\$1.56	\$1.03

The notes on pages 132 to 191 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 11.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Profit for the year		618,868	439,015
Other comprehensive income for the year (after tax and reclassification adjustments):			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurements of employee benefit assets and liabilities, net of tax credit of \$31,353,000 (2014: \$11,800,000)		(158,663)	(59,718)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		(34,348)	(18,083)
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	9	(1,340)	(6,122)
Other comprehensive income for the year		(194,351)	(83,923)
Total comprehensive income for the year		424,517	355,092
Attributable to:			
Equity shareholders of the Company		434,360	331,149
Non-controlling interests		(9,843)	23,943
Total comprehensive income for the year		424,517	355,092

The notes on pages 132 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Investment properties	13(a)	106,838	108,863
Investment property under development	13(a)	24,888	15,555
Interest in leasehold land	13(a)	63,378	65,390
Other property, plant and equipment	13(a)	5,938,303	4,627,342
		6,133,407	4,817,150
Intangible assets	14	132,311	134,563
Goodwill	15	84,051	84,051
Non-current prepayments	16	14,502	7,444
Interest in associates	18	634,363	739,562
Other financial assets	19	112,446	183,337
Employee benefit assets	20(a)	577,303	860,669
Deferred tax assets	26(b)	5,551	4,702
		7,693,934	6,831,478
Current assets			
Spare parts and stores		69,225	62,335
Accounts receivable	21	435,640	518,595
Other financial assets	19	67,223	42,898
Deposits and prepayments		85,129	27,936
Current tax recoverable	26(a)	4,167	15,604
Pledged and restricted bank deposits	22(a)	84,678	68,181
Cash and cash equivalents	22(a)	2,629,796	2,635,303
		3,375,858	3,370,852
Current liabilities			
Bank loans	23	459,942	–
Accounts payable and accruals	24	1,402,209	1,100,454
Contingency provision - insurance	25	183,133	155,826
Current tax payable	26(a)	9,701	2,329
		2,054,985	1,258,609
Net current assets		1,320,873	2,112,243
Total assets less current liabilities		9,014,807	8,943,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current liabilities			
Bank loans	23	589,000	544,542
Deferred tax liabilities	26(b)	794,425	719,211
Contingency provision - insurance	25	251,289	274,340
Employee benefit liabilities	20(a)	9,107	6,214
Provision for long service payments	27	9,423	12,342
		1,653,244	1,556,649
Net Assets			
		7,361,563	7,387,072
Capital and reserves			
Share capital	28(b)	403,639	403,639
Reserves		6,804,018	6,793,480
Total equity attributable to equity shareholders of the Company		7,207,657	7,197,119
Non-controlling interests		153,906	189,953
Total Equity		7,361,563	7,387,072

Approved and authorised for issue by the Board of Directors on 24 March 2016

Norman LEUNG Nai Pang

Chairman

Roger LEE Chak Cheong

Managing Director

The notes on pages 132 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total
		Share capital	Other reserves	Exchange reserve	Fair value reserve	Retained profits	Total			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
				(note 28(c)(i))	(note 28(c)(ii))					
Balance at 1 January 2014		403,639	1,102,614	184,742	8,390	5,408,769	7,108,154	192,588	7,300,742	
Changes in equity for 2014:										
Profit for the year		–	–	–	–	415,072	415,072	23,943	439,015	
Other comprehensive income for the year		–	–	(18,083)	(6,122)	(59,718)	(83,923)	–	(83,923)	
Total comprehensive income for the year		–	–	(18,083)	(6,122)	355,354	331,149	23,943	355,092	
Dividend approved in respect of the previous year	11(b)	–	–	–	–	(181,638)	(181,638)	–	(181,638)	
Dividends paid to non-controlling interests		–	–	–	–	–	–	(26,578)	(26,578)	
Dividend approved in respect of the current year	11(a)	–	–	–	–	(60,546)	(60,546)	–	(60,546)	
		–	–	–	–	(242,184)	(242,184)	(26,578)	(268,762)	
Balance at 31 December 2014 and 1 January 2015		403,639	1,102,614	166,659	2,268	5,521,939	7,197,119	189,953	7,387,072	
Changes in equity for 2015:										
Profit for the year		–	–	–	–	628,711	628,711	(9,843)	618,868	
Other comprehensive income for the year		–	–	(34,348)	(1,340)	(158,663)	(194,351)	–	(194,351)	
Total comprehensive income for the year		–	–	(34,348)	(1,340)	470,048	434,360	(9,843)	424,517	
Dividend approved in respect of the previous year	11(b)	–	–	–	–	(302,730)	(302,730)	–	(302,730)	
Dividends paid to non-controlling interests		–	–	–	–	–	–	(26,204)	(26,204)	
Dividend approved in respect of the current year	11(a)	–	–	–	–	(121,092)	(121,092)	–	(121,092)	
		–	–	–	–	(423,822)	(423,822)	(26,204)	(450,026)	
Balance at 31 December 2015		403,639	1,102,614	132,311	928	5,568,165	7,207,657	153,906	7,361,563	

The notes on pages 132 to 191 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Operating activities			
Cash generated from operations	22(c)	1,688,315	1,195,307
Interest received		64,102	78,004
Interest paid		(7,875)	(4,595)
Tax paid			
– Hong Kong Profits Tax		(1,273)	(17,976)
– The People's Republic of China ("PRC") income tax		(499)	(891)
– PRC withholding tax		(1,776)	(3,107)
Net cash generated from operating activities		1,740,994	1,246,742
Investing activities			
Increase in pledged and restricted bank deposits		(16,497)	(2,499)
(Increase)/decrease in bank deposits with original maturities of over three months		(662,334)	374,141
Payment for the purchase of property, plant and equipment		(2,039,868)	(1,211,122)
Payment for the purchase of intangible assets		(1,418)	(2,930)
Receipt of government grant for the purchase of property, plant and equipment		29,026	11,685
Receipt of government grant for the disposal of property, plant and equipment		29,351	878
Proceeds from disposal of property, plant and equipment		16,970	8,355
Proceeds on maturity of available-for-sale debt securities		42,704	363,011
Dividends received from associates		104,127	4,452
Dividends received from unlisted equity securities		31,000	4,340
Proceeds from disposal of other financial assets		32,888	–
Net cash used in investing activities		(2,434,051)	(449,689)
Financing activities			
Proceeds from new bank loans		2,068,000	1,300,000
Repayment of bank loans		(1,565,000)	(1,355,000)
Dividends paid to equity shareholders of the Company		(423,822)	(242,184)
Dividends paid to non-controlling interests		(26,204)	(26,578)
Net cash generated from/(used in) financing activities		52,974	(323,762)
Net (decrease)/increase in cash and cash equivalents		(640,083)	473,291
Cash and cash equivalents at 1 January		1,389,453	943,136
Effect of foreign exchange rate changes		(27,758)	(26,974)
Cash and cash equivalents at 31 December	22(a)	721,612	1,389,453

The notes on pages 132 to 191 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I 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 2015 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)), derivative financial instruments (see note 1(h)) and employee benefit assets (see note 1(x)(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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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 amended HKFRSs are discussed below:

Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

(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 intragroup 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-controlling interests are presented in the consolidated statement of financial position 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 statement of profit or loss and the consolidated statement of profit or loss and other 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.

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 profit or loss. 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)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(n)(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(n)). 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 statement of profit or loss, 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 profit or loss and other 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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint operations (continued)

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 profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not measured. Instead, the investment continues to be accounted for under 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 profit or loss. 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)).

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 profit or loss 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 profit or loss 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(n)(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period 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 statement of financial position at cost less impairment losses (see note 1(n)).

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the accounting policies set out in notes 1(u)(v) and 1(u)(iv) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When these investments are derecognised or impaired (see note 1(n)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash flow hedges (continued)

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two accounting policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above accounting policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) 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(n)(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 policies set out in note 1(u)(vi).

(k) 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(n)(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(v)).

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 statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other property, plant and equipment (continued)

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 profit or loss 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.

(l) 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 recognised as interest in leasehold land and property, plant and equipment. 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(k). Impairment losses are accounted for in accordance with the accounting policies as set out in note 1(n)(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 profit or loss 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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(n)(ii)).

(i) Passenger service licences and transport operating rights

Passenger service licences and transport operating rights are assessed and regarded by the Group to have indefinite useful lives and are not amortised. 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 profit or loss on a straight-line basis over the asset's estimated remaining useful life.

(ii) Website and mobile apps

Amortisation of these intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, which are 5 years. Both the period and method of amortisation are reviewed annually.

(n) 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 the end of each reporting period 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.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under 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(n)(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(n)(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

- For trade and other 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 profit or loss. 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 profit or loss. The amount of the cumulative loss that is recognised in profit or loss 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 profit or loss.

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 profit or loss.

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 profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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:

- property, plant and equipment;
- interest in leasehold land;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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 profit or loss 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 profit or loss in the year in which the reversals are recognised.

(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(n)(i) and 1(n)(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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(n)(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.

(q) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) 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.

(s) 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.

(t) 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 with the accounting policies set out in note 1(t)(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(t)(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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities (continued)

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.

(u) 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 profit or loss 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) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.
- (iii) Income from media sales management and administrative services, production of advertisements, and advertising agency services is recognised when the related services are rendered.
- (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 profit or loss 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 profit or loss 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.
- (vii) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) 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 assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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 People's Republic of China is Renminbi. 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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. Statement of financial position items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. 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 profit or loss when the profit or loss on disposal is recognised.

(x) 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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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 profit or loss. 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 profit or loss 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 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.

(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.

(y) 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 profit or loss 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax (continued)

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.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

I SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 15, 20(f) and 30(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 25, 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.

(b) Depreciation/amortisation

Investment properties, interest in leasehold land and other property, plant and equipment 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 the end of each reporting period 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 2015, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 26(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 profit or loss for the period in which such a reversal takes place.

3 REVENUE

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.

The amount of each significant category of revenue is as follows:

	2015	2014
	\$'000	\$'000
Fare revenue from franchised public bus services	6,972,748	6,717,466
Revenue from non-franchised transport services	349,628	342,110
Media sales revenue	418,675	464,502
Gross rentals from investment properties	38,879	32,474
	7,779,930	7,556,552

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 12 to the financial statements.

4 OTHER INCOME

	2015	2014
	\$'000	\$'000
Interest income on other financial assets not at fair value through profit or loss	55,133	69,891
Dividend income from equity securities	31,000	4,340
Net movement in balance of passenger rewards (note (a))	(66,901)	1,457
Claims received	52,029	35,813
Net miscellaneous business receipts	9,226	6,880
Net gain on disposal of property, plant and equipment	1,745	2,733
Available-for-sale debt securities: reclassified from equity on maturity (note 9)	11	2,811
Government subsidies (note (b))	29,351	878
Net foreign exchange loss	(49,643)	(38,576)
Sundry revenue	16,987	28,797
	78,938	115,024

Notes:

- (a) 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 interest in leasehold land and other property, plant and equipment 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 2015 and 2014 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2015, included in accounts payable and accruals (note 24), was \$76,150,000 (2014: \$9,249,000).
- (b) In 2015, subsidies totalling \$29,351,000 (2014: \$878,000) were received or receivable under the HKSAR Government's ex-gratia payment scheme for the disposal of aged diesel commercial vehicles included in other property, plant and equipment. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2015	2014
	\$'000	\$'000
(a) Staff costs		
Defined benefit retirement plan expense (note 20(e))	96,243	91,641
Contributions to defined contribution retirement plans	114,874	100,987
Movements in provision for long service payments (note 27)	2,222	(793)
Total retirement cost	213,339	191,835
Salaries, wages and other benefits	3,633,582	3,420,316
	3,846,921	3,612,151
(b) Finance costs		
Interest on bank loans not at fair value through profit or loss	9,674	5,022
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	(38,879)	(32,474)
Less: direct outgoings	10,896	9,987
	(27,983)	(22,487)
Note: Included contingent rental income of \$60,000 (2014: \$22,000).		
(d) Other items		
Amortisation of intangible assets	775	489
Amortisation of land lease premium	2,012	2,012
Depreciation	832,210	783,745
Impairment loss on trade and other receivables (note 21(b))		
– recognised	13,164	748
– written-back	(19)	–
Impairment loss on intangible assets (note 14)	2,895	–
(Write-back)/write-down of spare parts and stores	(1,452)	3,003
Operating lease charges: minimum lease payments	42,795	45,961
Auditors' remuneration		
– audit services	6,208	5,728
– other services	1,909	1,848

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	19,981	12,813
Under/(over)-provision in respect of prior years	137	(354)
	20,118	12,459
Current tax – The People’s Republic of China (“PRC”) Income Tax		
Provision for the year	406	5,346
Under-provision in respect of prior years	57	40
	463	5,386
PRC withholding tax	1,776	3,107
	22,357	20,952
Deferred tax		
Origination and reversal of temporary differences	105,718	48,082
	128,075	69,034

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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:

	2015	2014
	\$'000	\$'000
Profit before taxation	746,943	508,049
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	120,555	91,994
Tax effect of non-deductible expenses	20,009	11,057
Tax effect of non-taxable income	(23,374)	(27,737)
Tax effect of unused tax losses not recognised	9,938	6,792
Under/(over)-provision in prior years	194	(314)
Tax effect of utilisation of unused tax losses not recognised in prior years	–	(11,642)
Tax effect of recognition of unused tax losses not recognised in prior years	(608)	(1,537)
Others	1,361	421
Actual tax expense	128,075	69,034

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Note	2015				Total \$'000
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	
		\$'000	\$'000	\$'000	\$'000	
Executive Directors						
Charles Lui Chung Yuen	(a)	288	840	–	–	1,128
Roger Lee Chak Cheong	(a) & (b)	288	5,117	700	256	6,361
Evan Au Yang Chi Chun	(a) & (h)	288	4,691	600	235	5,814
Non-executive Directors						
Raymond Kwok Ping Luen		540	–	–	–	540
Ng Siu Chan		288	–	–	–	288
William Louey Lai Kuen		288	–	–	–	288
Winnie Ng	(a)	771	–	–	–	771
Edmond Ho Tat Man	(c)	288	–	–	–	288
John Anthony Miller	(a)	570	–	–	–	570
Allen Fung Yuk Lun	(a) & (d)	420	–	–	–	420
Godwin So Wai Kei	(e)	–	–	–	–	–
Susanna Wong Sze Lai	(f)	–	–	–	–	–
Independent Non-executive Directors						
Dr Norman Leung Nai Pang		756	–	–	–	756
Dr John Chan Cho Chak	(a)	834	–	–	–	834
Dr Eric Li Ka Cheung	(a)	857	–	–	–	857
Gordon Siu Kwing Chue		498	–	–	–	498
Professor Liu Pak Wai		348	–	–	–	348
		7,322	10,648	1,300	491	19,761

7 DIRECTORS' EMOLUMENTS (continued)

	Note	2014				Total \$'000
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	
		\$'000	\$'000	\$'000	\$'000	
Executive Directors						
Charles Lui Chung Yuen	(a)	264	840	78	–	1,182
Edmond Ho Tat Man	(a) & (c)	321	4,930	5,000	592	10,843
Evan Au Yang Chi Chun	(a) & (h)	264	4,429	–	221	4,914
Non-executive Directors						
Raymond Kwok Ping Luen		495	–	–	–	495
Ng Siu Chan		264	–	–	–	264
William Louey Lai Kuen		264	–	–	–	264
Winnie Ng	(a)	726	–	–	–	726
John Anthony Miller	(a)	440	–	–	–	440
Allen Fung Yuk Lun	(a) & (d)	317	–	–	–	317
Roger Lee Chak Cheong	(b)	220	–	–	–	220
Godwin So Wai Kei	(e)	–	–	–	–	–
Dr Walter Kwok Ping Sheung	(g)	19	–	–	–	19
Independent Non-executive Directors						
Dr Norman Leung Nai Pang		693	–	–	–	693
Dr John Chan Cho Chak	(a)	726	–	–	–	726
Dr Eric Li Ka Cheung	(a)	691	–	–	–	691
Gordon Siu Kwing Chue		352	–	–	–	352
Professor Liu Pak Wai		297	–	–	–	297
		6,353	10,199	5,078	813	22,443

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. Mr Lee was appointed as Director on 3 March 2014 and took up the position of Managing Director on 1 January 2015.
- (c) Mr Edmond Ho Tat Man retired from the position of Managing Director on 1 January 2015 and was re-designated as a non-executive director on 1 January 2015.
- (d) Mr Allen Fung Yuk Lun was appointed as Director on 1 January 2014.
- (e) 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 was appointed as Alternate Director to Mr Raymond Kwok Ping Luen for the period from 3 March 2014 to 30 November 2015.
- (f) Ms Susanna Wong Sze Lai was appointed as Alternate Director to Mr Raymond Kwok Ping Luen with effect from 1 December 2015.
- (g) Dr Walter Kwok Ping Sheung resigned on 27 January 2014.
- (h) Mr Evan Au Yang Chi Chun resigned on 1 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: 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:

	2015	2014
	\$'000	\$'000
Fees	576	695
Salaries, allowances and benefits in kind	19,789	16,469
Discretionary bonuses	1,300	7,264
Retirement scheme contributions	839	1,106
	22,504	25,534

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2015	2014
\$2,500,001 – \$3,000,000	–	1
\$3,000,001 – \$3,500,000	2	1
\$3,500,001 – \$4,000,000	–	1
\$4,000,001 – \$4,500,000	1	–
\$4,500,001 – \$5,000,000	–	1
\$5,500,001 – \$6,000,000	1	–
\$6,000,001 – \$6,500,000	1	–
\$10,500,001 – \$11,000,000	–	1

9 OTHER COMPREHENSIVE INCOME

	2015	2014
	\$'000	\$'000
Available-for-sale debt securities:		
Change in fair value recognised during the year	1,329	3,311
Reclassification adjustment for amount transferred to profit or loss on maturity (note 4)	11	2,811
	1,340	6,122

10 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 \$628,711,000 (2014: \$415,072,000) and 403,639,413 shares in issue during the years ended 31 December 2015 and 2014.

(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.

11 DIVIDENDS

(a) Dividends paid/payable to equity shareholders of the Company attributable to the year

	2015		2014	
	Per share	Total	Per share	Total
	\$	\$'000	\$	\$'000
Interim dividend declared and paid	0.30	121,092	0.15	60,546
Final dividend proposed after the end of the reporting period	0.90	363,275	0.75	302,730
	1.20	484,367	0.90	363,276

The final dividend proposed after the end of the reporting period has not been recognised as liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015		2014	
	Per share	Total	Per share	Total
	\$	\$'000	\$	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	0.75	302,730	0.45	181,638

12 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 two 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 SEGMENT REPORTING (continued)

(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.

Information regarding the Group's reportable segments for the years ended 31 December 2015 and 2014 is set out below.

	Franchised bus operation		Media sales business		All other segments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	6,982,263	6,724,838	411,946	459,462	385,721	372,252	7,779,930	7,556,552
Inter-segment revenue	180,086	126,729	–	–	89,568	55,018	269,654	181,747
Reportable segment revenue	7,162,349	6,851,567	411,946	459,462	475,289	427,270	8,049,584	7,738,299
Reportable segment profit/(loss)	545,275	232,463	(46,029)	76,682	102,676	94,439	601,922	403,584
Interest income	125	454	4,998	9,880	3,096	–	8,219	10,334
Interest expense	(9,674)	(5,022)	–	–	–	–	(9,674)	(5,022)
Depreciation and amortisation for the year	(773,322)	(733,229)	(16,014)	(14,292)	(45,661)	(38,725)	(834,997)	(786,246)
Provision of impairment loss on trade and other receivables	–	–	(13,137)	(364)	(8)	(384)	(13,145)	(748)
Impairment loss on intangible assets	–	–	(2,895)	–	–	–	(2,895)	–
Gain on disposal of other financial assets	–	–	–	36,603	–	–	–	36,603
Staff costs	(3,634,488)	(3,402,002)	(77,806)	(86,263)	(126,093)	(112,578)	(3,838,387)	(3,600,843)
Share of profits of associates	–	–	–	–	32,357	37,791	32,357	37,791
Income tax expense	(109,497)	(44,695)	(4,892)	(8,008)	(13,991)	(16,766)	(128,380)	(69,469)
Reportable segment assets	6,913,429	5,830,064	687,354	783,131	1,444,595	1,552,764	9,045,378	8,165,959
– including interest in associates	–	–	–	–	634,363	739,562	634,363	739,562
Additions to non-current segment assets during the year	2,117,257	1,079,287	8,061	4,100	40,339	38,218	2,165,657	1,121,605
Reportable segment liabilities	3,379,811	2,528,437	141,781	107,061	141,447	123,831	3,663,039	2,759,329

12 SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2015	2014
	\$'000	\$'000
Revenue		
Reportable segment revenue	7,574,295	7,311,029
Revenue from all other segments	475,289	427,270
Elimination of inter-segment revenue	(269,654)	(181,747)
Consolidated revenue	7,779,930	7,556,552
Profit		
Reportable segment profit	499,246	309,145
Profit from all other segments	102,676	94,439
Unallocated profits	16,946	35,431
Consolidated profit after taxation	618,868	439,015
Assets		
Reportable segment assets	7,600,783	6,613,195
Assets from all other segments	1,444,595	1,552,764
Unallocated assets	2,024,414	2,036,371
Consolidated total assets	11,069,792	10,202,330
Liabilities		
Reportable segment liabilities	3,521,592	2,635,498
Liabilities from all other segments	141,447	123,831
Unallocated liabilities	45,190	55,929
Consolidated total liabilities	3,708,229	2,815,258

(c) Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, 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 investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, 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	
	2015	2014
	\$'000	\$'000
Hong Kong	6,259,501	4,947,962
The PRC	724,631	827,364
	6,984,132	5,775,326

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES, INVESTMENT PROPERTY UNDER DEVELOPMENT, INTEREST IN LEASEHOLD LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	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 \$'000
Cost:									
At 1 January 2014	1,444,818	9,924,122	476,725	3,407,064	15,252,729	16,933	172,922	115,513	15,558,097
Additions	64,811	41,668	612,608	286,710	1,005,797	642	366	–	1,006,805
Disposals	–	(562,949)	–	(174,304)	(737,253)	–	–	–	(737,253)
Exchange adjustments	–	–	–	(24)	(24)	–	–	–	(24)
Transfers	–	820,298	(820,298)	–	–	–	–	–	–
At 31 December 2014	1,509,629	10,223,139	269,035	3,519,446	15,521,249	17,575	173,288	115,513	15,827,625
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2014	952,395	7,068,152	–	2,964,930	10,985,477	2,020	57,584	48,111	11,093,192
Charge for the year	40,176	467,455	–	269,273	776,904	–	6,841	2,012	785,757
Written back on disposal	–	(562,740)	–	(168,891)	(731,631)	–	–	–	(731,631)
Exchange adjustments	–	–	–	(22)	(22)	–	–	–	(22)
At 31 December 2014	992,571	6,972,867	–	3,065,290	11,030,728	2,020	64,425	50,123	11,147,296
Net book value:									
At 31 December 2014	517,058	3,250,272	269,035	454,156	4,490,521	15,555	108,863	65,390	4,680,329
Add: Deposits paid in respect of buses on order					136,821	–	–	–	136,821
					4,627,342	15,555	108,863	65,390	4,817,150
Cost:									
At 1 January 2015	1,509,629	10,223,139	269,035	3,519,446	15,521,249	17,575	173,288	115,513	15,827,625
Additions	29,755	43,306	1,877,073	251,728	2,201,862	9,333	2,282	–	2,213,477
Disposals	(16,275)	(1,139,458)	–	(509,506)	(1,665,239)	–	–	–	(1,665,239)
Exchange adjustments	–	–	–	(51)	(51)	–	–	–	(51)
Transfers	(5,018)	1,671,434	(1,671,434)	–	(5,018)	–	5,018	–	–
At 31 December 2015	1,518,091	10,798,421	474,674	3,261,617	16,052,803	26,908	180,588	115,513	16,375,812
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2015	992,571	6,972,867	–	3,065,290	11,030,728	2,020	64,425	50,123	11,147,296
Charge for the year	52,237	493,872	–	279,120	825,229	–	6,981	2,012	834,222
Written back on disposal	(16,275)	(1,138,981)	–	(494,758)	(1,650,014)	–	–	–	(1,650,014)
Exchange adjustments	–	–	–	(48)	(48)	–	–	–	(48)
Transfers	(2,344)	–	–	–	(2,344)	–	2,344	–	–
At 31 December 2015	1,026,189	6,327,758	–	2,849,604	10,203,551	2,020	73,750	52,135	10,331,456
Net book value:									
At 31 December 2015	491,902	4,470,663	474,674	412,013	5,849,252	24,888	106,838	63,378	6,044,356
Add: Deposits paid in respect of buses on order					89,051	–	–	–	89,051
					5,938,303	24,888	106,838	63,378	6,133,407

13 INVESTMENT PROPERTIES, INVESTMENT PROPERTY UNDER DEVELOPMENT, INTEREST IN LEASEHOLD LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

- (b) 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:

	2015	2014
	\$'000	\$'000
Medium-term leases	377,004	390,503
Short-term leases	310,002	316,363
	687,006	706,866
Representing:		
Buildings	491,902	517,058
Investment property under development	24,888	15,555
Investment properties	106,838	108,863
Interest in leasehold land	63,378	65,390
	687,006	706,866

- (c) 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 \$3,056,810,000 and \$2,115,000,000 respectively (2014: \$2,889,300,000 and \$1,930,000,000 respectively) as at 31 December 2015. 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 annual reporting date. As at 31 December 2015, investment property under development of \$16,509,000 (2014: \$15,555,000) is related to the Group's interests in a joint operation.

(d) 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 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

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13 INVESTMENT PROPERTIES, INVESTMENT PROPERTY UNDER DEVELOPMENT, INTEREST IN LEASEHOLD LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	2015			
	Fair value	Fair value measurements categorised into		
		Level 1	Level 2	Level 3
\$'000	\$'000	\$'000	\$'000	
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong:				
– commercial properties	1,914,810	–	–	1,914,810
– industrial property	1,142,000	–	–	1,142,000
Investment property under development in Hong Kong	2,115,000	–	–	2,115,000
	2014			
	Fair value	Fair value measurements categorised into		
		Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong:				
– commercial properties	1,760,300	–	–	1,760,300
– industrial property	1,129,000	–	–	1,129,000
Investment property under development in Hong Kong	1,930,000	–	–	1,930,000

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong - commercial properties	Market comparison approach	Discount/premium on quality of shops	-60% to 10% (2014: -60% to 5%)
Investment properties in Hong Kong - industrial property	Market comparison approach	Discount/premium on quality of redevelopment	-20% to -5% (2014: -17% to -5%)
Investment property under development in Hong Kong	Market comparison approach	Discount/premium on location characteristics of the property	-10% to 15% (2014: -15% to 25%)

The Group has adopted market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2015 and 2014. 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 the quality of the Group's commercial properties compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

13 INVESTMENT PROPERTIES, INVESTMENT PROPERTY UNDER DEVELOPMENT, INTEREST IN LEASEHOLD LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures (continued)

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 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.

- (e) 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 revenue 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:

	2015	2014
	\$'000	\$'000
Within 1 year	26,975	26,340
After 1 year but within 5 years	30,653	20,458
	57,628	46,798

- (f) In 2015, subsidies totalling \$22,426,000 (2014: \$18,285,000) were received or receivable from the HKSAR Government for purchase of diesel-electric hybrid buses and electric buses (the "Buses"). The purpose of the subsidies is to encourage the use of the Buses by granting financial assistance to franchised public bus operators to purchase the Buses for trial. The Group has to use the Buses for trial on certain routes agreed by the HKSAR Government for two years. The subsidies received or receivable have been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(k).

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I 4 INTANGIBLE ASSETS

	Passenger service licences and transport operating rights	Websites and mobile apps	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January 2014	132,122	–	132,122
Additions	–	2,930	2,930
At 31 December 2014	132,122	2,930	135,052
At 1 January 2015	132,122	2,930	135,052
Additions	–	1,418	1,418
At 31 December 2015	132,122	4,348	136,470
Accumulated amortisation and impairment losses:			
At 1 January 2014	–	–	–
Charge for the year	–	489	489
At 31 December 2014	–	489	489
At 1 January 2015	–	489	489
Charge for the year	–	775	775
Impairment loss	–	2,895	2,895
At 31 December 2015	–	4,159	4,159
Net book value:			
At 31 December 2015	132,122	189	132,311
At 31 December 2014	132,122	2,441	134,563

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.

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 15 to the financial statements.

15 GOODWILL

	2015	2014
	\$'000	\$'000
Cost and carrying amount:		
At 1 January and 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:

	2015	2014
	%	%
Growth rate	3.0	3.0
Discount rate	6.9 – 8.0	7.1 – 8.2

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 profit or loss.

16 NON-CURRENT PREPAYMENTS

Non-current prepayments and deposits comprise prepayments and deposits for purchase of property, plant and equipment, security for the due payment for licence fees and office rental. The amounts are neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

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17 INTEREST IN 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.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
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	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares	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	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	100	–	100	Provision of non-franchised bus services

17 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	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	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	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
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	Group treasury management
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
RoadShow Creations Limited	Hong Kong	2 shares	73	–	100	Trading of bus souvenirs

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
RoadShow Media Limited	Hong Kong	2 shares	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	73	–	100	Production of content for Multi-media On-board systems
Bus Power Limited	Hong Kong	1 share	73	–	100	Provision of media sales services for advertising on transit vehicle exteriors and interiors

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited ("RoadShow"), at 31 December 2015 amounted to \$458,720,000 (2014: \$604,345,000).

The following table lists out the information relating to Roadshow, 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.

	2015	2014
	\$'000	\$'000
NCI percentage	27%	27%
Current assets	635,763	736,554
Non-current assets	51,591	53,451
Current liabilities	141,564	113,238
Non-current liabilities	217	125
Net assets	545,573	676,642
Carrying amount of NCI	153,906	189,953
Revenue	411,946	459,462
(Loss)/profit for the year	(46,029)	76,682
Total comprehensive income	(46,978)	76,581
(Loss)/profit allocated to NCI	(9,843)	23,943
Dividend paid to NCI	(26,204)	(26,578)
Cash flows from operating activities	9,295	69,914
Cash flows from investing activities	(27,399)	118,920
Cash flows from financing activities	(102,006)	(84,391)

Note: The amount includes the amount of NCI of RoadShow.

18 INTEREST IN ASSOCIATES

	2015	2014
	\$'000	\$'000
Share of net assets	569,228	601,509
Goodwill	63,870	67,469
Amount due from an associate (note (a))	6,187	75,506
Amount due to an associate (note (a))	(4,922)	(4,922)
	634,363	739,562

- (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.
- (b) The following list contains the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
Beijing Beiqi First Company Limited ("BBF")	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))

Note:

- (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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTEREST IN ASSOCIATES (continued)

- (b) The following list contains the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available: (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:

	Shenzhen Bus Group Company Limited	
	2015	2014
	\$'000	\$'000
Gross amounts of the associate		
Current assets	1,476,492	1,462,286
Non-current assets	1,770,464	2,034,424
Current liabilities	1,545,736	1,631,926
Non-current liabilities	370,726	471,536
Total equity	1,330,494	1,393,248
Revenue	1,825,275	1,631,926
Profit for the year	85,255	89,151
Total comprehensive income	85,255	89,151
Dividend received from the associate	29,105	24,592
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	1,330,494	1,393,248
Group's effective interest	35%	35%
Group's share of net assets of the associate	465,673	487,637
Goodwill	63,870	67,469
Amount due from the associate	–	69,730
Carrying amount in the consolidated financial statements	529,543	624,836

Aggregate information of associates that are not individually material:

	2015	2014
	\$'000	\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	104,820	114,726
Aggregate amounts of the Group's share of those associates		
Profit for the year	2,518	6,545
Total comprehensive income	2,518	6,545

19 OTHER FINANCIAL ASSETS

	2015	2014
	\$'000	\$'000
Unlisted equity securities, at cost (note (a))	15,355	15,355
Available-for-sale debt securities, at fair value (note (c))		
– listed in Hong Kong	–	68,178
– listed outside Hong Kong	164,314	142,702
	179,669	226,235
Less: available-for-sale debt securities classified as current assets - listed outside Hong Kong	(67,223)	(42,898)
Other financial assets classified as non-current assets	112,446	183,337

- (a) The unlisted equity securities of \$15,355,000 (2014: \$15,355,000) relate to an investment of the Group for which no impairment loss is considered necessary.
- (b) On 9 January 2014, the Group 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 \$37,332,000) 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). Accordingly, gain on disposal of the equity interest in the investee of \$36,603,000 (net of legal and professional fee of \$729,000) was recognised during the year ended 31 December 2014.
- (c) Debt securities are issued by corporate entities with credit rating ranging from BBB- to A. As at 31 December 2015 and 2014, 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.

20 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 2015 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 120% (2014: 130%) covered by the plan assets held by the trustee.

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(Expressed in Hong Kong dollars unless otherwise indicated)

20 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 statement of financial position is as follows:

	2015	2014
	\$'000	\$'000
Present value of funded obligations (note (c))	(2,803,663)	(2,813,072)
Fair value of plan assets (note (b))	3,371,859	3,667,527
	568,196	854,455
Represented by:		
Employee benefit assets	577,303	860,669
Employee benefit liabilities	(9,107)	(6,214)
	568,196	854,455

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 2016 is \$Nil.

(b) Plan assets consist of the following:

	2015	2014
	\$'000	\$'000
Equity securities:		
– Hong Kong and Mainland China	817,821	889,985
– Europe	505,778	476,778
– North America	573,216	698,665
– Other Asia Pacific	606,935	660,155
	2,503,750	2,725,583
Bonds	800,672	810,526
Cash and others	67,437	131,418
	3,371,859	3,667,527

All of the equity securities and bonds have quoted prices in active markets.

20 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Movements in the present value of the defined benefit obligations:

	2015	2014
	\$'000	\$'000
At 1 January	2,813,072	2,781,769
Remeasurements:		
– Actuarial losses arising from changes in demographic assumptions	–	161
– Actuarial losses arising from changes in financial assumptions	85,326	75,573
– Actuarial losses/(gains) arising from liability experience	5,092	(2,565)
	90,418	73,169
Benefits paid by the plans	(260,258)	(212,416)
Current service cost	110,663	112,452
Interest cost	49,768	58,098
	(99,827)	(41,866)
At 31 December	2,803,663	2,813,072

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 10.5 and 6.4 years respectively (2014: 10.7 and 6.6 years respectively).

(d) Movements in plan assets:

	2015	2014
	\$'000	\$'000
At 1 January	3,667,527	3,799,383
Administrative expenses paid	(666)	(715)
Benefits paid by the plans	(260,258)	(212,416)
Interest income	64,854	79,624
Return on plan assets, excluding interest income	(99,598)	1,651
At 31 December	3,371,859	3,667,527

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(Expressed in Hong Kong dollars unless otherwise indicated)

20 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2015	2014
	\$'000	\$'000
Current service cost	110,663	112,452
Net interest on net defined benefit asset	(15,086)	(21,526)
Administrative expenses paid	666	715
Total amounts recognised in profit or loss	96,243	91,641
Actuarial losses	90,418	73,169
Return on plan assets, excluding interest income	99,598	(1,651)
Total amounts recognised in other comprehensive income	190,016	71,518
Total defined benefit expense	286,259	163,159

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2015	2014
Discount rate		
– Monthly Rated Employees Scheme	1.6%	2.0%
– Daily Rated Employees Scheme	1.3%	1.7%
Future salary increases	4.5%	4.5%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

	2015		2014	
	Increase in 0.25%	Decrease in 0.25%	Increase in 0.25%	Decrease in 0.25%
	\$'000	\$'000	\$'000	\$'000
Discount rate	(53,865)	55,718	(55,044)	56,952
Future salary increases	49,710	(48,359)	51,124	(49,718)

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.

21 ACCOUNTS RECEIVABLE

	2015	2014
	\$'000	\$'000
Trade and other receivables	443,834	507,211
Interest receivable	5,210	11,786
Less: allowance for doubtful debts (note 21(b))	(13,404)	(402)
	435,640	518,595

All of the accounts receivable are expected to be recovered within one year.

(a) Ageing analysis

Included in accounts receivable are trade receivables (net of allowance for doubtful debts) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2015	2014
	\$'000	\$'000
Current	174,352	178,300
1 to 3 months past due	27,502	41,119
More than 3 months past due	26,679	23,203
	228,533	242,622

According to the Group's credit policy set out in note 30(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

Impairment losses in respect of trade and other receivables 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 directly (see note 1(n)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015	2014
	\$'000	\$'000
At 1 January	402	105
Impairment loss recognised (note 5(d))	13,164	748
Write-back of impairment loss (note 5(d))	(19)	–
Uncollectable amounts written off	(143)	(451)
At 31 December	13,404	402

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(Expressed in Hong Kong dollars unless otherwise indicated)

21 ACCOUNTS RECEIVABLE (continued)

(b) Impairment of trade and other receivables (continued)

At 31 December 2015, the Group's trade and other receivables of \$13,404,000 (2014: \$402,000) 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 \$13,404,000 (2014: \$402,000) were recognised as at 31 December 2015.

(c) Accounts receivable that are not impaired

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	\$'000	\$'000
Neither past due nor impaired	381,459	454,273
Past due but not impaired		
– 1 to 3 months past due	27,502	41,119
– More than 3 months past due	26,679	23,203
	54,181	64,322
	435,640	518,595

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.

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015	2014
	\$'000	\$'000
Cash at bank and in hand	383,612	342,564
Bank deposits	2,330,862	2,360,920
	2,714,474	2,703,484
Less: pledged and restricted bank deposits (note (b))	(84,678)	(68,181)
Cash and cash equivalents in the consolidated statement of financial position	2,629,796	2,635,303
Less: bank deposits with original maturities of over three months	(1,908,184)	(1,245,850)
Cash and cash equivalents in the consolidated cash flow statement	721,612	1,389,453

22 CASH AND CASH EQUIVALENTS (continued)

- (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 under the respective licence agreements. RoadShow has pledged bank deposits of \$79,691,000 (2014: \$61,400,000) 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 2015, the related restricted bank deposits amounted to \$4,987,000 (2014: \$6,781,000).

(c) Reconciliation of profit before taxation to cash generated from operations:

	2015	2014
	\$'000	\$'000
Profit before taxation	746,943	508,049
Adjustments for:		
Depreciation and amortisation	834,997	786,246
Impairment loss on intangible assets	2,895	–
Finance costs	9,674	5,022
Dividend income from unlisted equity securities	(31,000)	(4,340)
Interest income	(55,133)	(69,891)
Share of profits of associates	(32,357)	(37,791)
Gain on disposal of other financial assets	–	(36,603)
Net gain on disposal of property, plant and equipment	(1,745)	(2,733)
Government subsidies	(29,351)	(878)
Effect of foreign exchange rate	26,977	26,624
Operating profit before changes in working capital	1,471,900	1,173,705
Change in working capital:		
Increase in non-current prepayments	(849)	(1,004)
Decrease in employee benefit assets	96,243	91,641
Increase in spare parts and stores	(6,890)	(1,991)
Decrease/(increase) in trade and other receivables	69,779	(36,488)
Increase in deposits and prepayments	(90,087)	(656)
Increase/(decrease) in accounts payable and accruals	146,882	(13,982)
Increase/(decrease) in contingency provision - insurance	4,256	(8,454)
Decrease in provision for long service payments	(2,919)	(7,464)
Cash generated from operations	1,688,315	1,195,307

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23 BANK LOANS

At 31 December 2015, the bank loans were repayable as follows:

	2015	2014
	\$'000	\$'000
Within 1 year or on demand	459,942	–
After 1 year but within 2 years	–	544,542
After 2 years but within 5 years	589,000	–
	589,000	544,542
	1,048,942	544,542

All of the bank loans were unsecured.

24 ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
	\$'000	\$'000
Trade payables	88,377	156,862
Balance of passenger rewards (note 4(a))	76,150	9,249
Other payables and accruals	1,237,682	934,343
	1,402,209	1,100,454

All accounts payable and accruals as at 31 December 2015 and 2014 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 end of the reporting period:

	2015	2014
	\$'000	\$'000
Due within 1 month or on demand	80,626	154,226
Due after 1 month but within 3 months	4,932	941
Due after more than 3 months	2,819	1,695
	88,377	156,862

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within one month or on demand as disclosed above are within three months from the invoice date.

25 CONTINGENCY PROVISION – INSURANCE

	2015	2014
	\$'000	\$'000
At 1 January	430,166	438,620
Provision charged to profit or loss	59,764	35,063
Payments made during the year	(55,508)	(43,517)
At 31 December	434,422	430,166
Representing:		
Current portion	183,133	155,826
Non-current portion	251,289	274,340
	434,422	430,166

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 end of the reporting period in connection with the Group's bus operations.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015	2014
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	19,981	12,813
Provisional Profits Tax paid	(14,910)	(26,587)
	5,071	(13,774)
PRC Income Tax payable	463	499
Net current tax payable/(recoverable)	5,534	(13,275)
Representing:		
Current tax recoverable	(4,167)	(15,604)
Current tax payable	9,701	2,329
Net current tax payable/(recoverable)	5,534	(13,275)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

- (i) The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation	Intangible assets	Provisions	Tax losses	Defined benefit assets/liabilities	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2014	632,279	14,511	(26,795)	(114,496)	167,887	4,841	678,227
Charged/(credited) to profit or loss	57,151	–	10,147	(5,154)	(15,101)	1,039	48,082
Credited to other comprehensive income	–	–	–	–	(11,800)	–	(11,800)
At 31 December 2014	689,430	14,511	(16,648)	(119,650)	140,986	5,880	714,509
At 1 January 2015	689,430	14,511	(16,648)	(119,650)	140,986	5,880	714,509
Charged/(credited) to profit or loss	107,930	–	7,703	10,151	(15,880)	(4,186)	105,718
Credited to other comprehensive income	–	–	–	–	(31,353)	–	(31,353)
At 31 December 2015	797,360	14,511	(8,945)	(109,499)	93,753	1,694	788,874

- (ii) Amounts recognised in the consolidated statement of financial position:

	2015	2014
	\$'000	\$'000
Net deferred tax assets	(5,551)	(4,702)
Net deferred tax liabilities	794,425	719,211
	788,874	714,509

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of \$37,172,000 (2014: \$27,842,000) in respect of tax losses of \$225,278,000 (2014: \$168,735,000) 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 2015 and 2014, the tax losses do not expire under the current tax legislation.

27 PROVISION FOR LONG SERVICE PAYMENTS

Details of the provision for long service payments of the Group are as follows:

	2015	2014
	\$'000	\$'000
At 1 January	12,342	19,806
Movements charged/(credited) to profit or loss (note 5(a))	2,222	(793)
Payments made during the year	(5,141)	(6,671)
At 31 December	9,423	12,342

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.

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28 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 2014		403,639	1,300,000	39,406	1,743,045
Changes in equity for 2014:					
Dividend approved in respect of the previous year	11(b)	–	–	(181,638)	(181,638)
Profit and total comprehensive income for the year		–	–	249,384	249,384
Dividend approved in respect of the current year	11(a)	–	–	(60,546)	(60,546)
At 31 December 2014		403,639	1,300,000	46,606	1,750,245
At 1 January 2015		403,639	1,300,000	46,606	1,750,245
Changes in equity for 2015:					
Dividend approved in respect of the previous year	11(b)	–	–	(302,730)	(302,730)
Profit and total comprehensive income for the year		–	–	450,363	450,363
Dividend approved in respect of the current year	11(a)	–	–	(121,092)	(121,092)
At 31 December 2015		403,639	1,300,000	73,147	1,776,786

The Company's reserves available for distribution to shareholders at 31 December 2015 amounted to \$1,373,147,000 (2014: \$1,346,606,000). After the end of the reporting period, the Directors proposed a final dividend of \$0.90 (2014: \$0.75) per share, amounting to \$363,275,000 (2014: \$302,730,000). The final dividend proposed has not been recognised as liability at the end of the reporting period.

(b) Authorised and issued share capital

	2015 \$'000	2014 \$'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.

28 CAPITAL AND RESERVES (continued)

(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(w).

(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 end of the reporting period 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 consolidated statement of financial position. Capital comprises all components of equity. Net cash and equity at 31 December 2015 and 2014 were as follows:

	2015	2014
	\$'000	\$'000
Cash and cash equivalents (note 22(a))	2,629,796	2,635,303
Pledged and restricted bank deposits (note 22(a))	84,678	68,181
Less: Bank loans (note 23)	(1,048,942)	(544,542)
Net cash	1,665,532	2,158,942
Total equity	7,361,563	7,387,072

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 COMMITMENTS

(a) Capital commitments

- (i) At 31 December 2015, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the financial statements:

	2015	2014
	\$'000	\$'000
Contracted for	914,024	1,285,829

- (ii) At 31 December 2015, 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:

	2015	2014
	\$'000	\$'000
Contracted for	22,320	22,320

(b) Operating leases

At 31 December 2015, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2015	2014
	\$'000	\$'000
Within 1 year	8,974	8,216
After 1 year but within 5 years	9,807	4,480
	18,781	12,696

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.

- (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:

	2015	2014
	\$'000	\$'000
Within 1 year	33,550	57,763
After 1 year but within 5 years	27,548	52,426
Over 5 years	–	1,148
	61,098	111,337

30 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 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.

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 into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position 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 19 and 21.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Non-derivative financial liabilities

	2015					2014				
	Contractual undiscounted cash flow				Carrying amount at 31 December	Contractual undiscounted cash flow				Carrying amount at 31 December
	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		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	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans	468,859	8,226	621,225	1,098,310	1,048,942	5,098	545,739	–	550,837	544,542
Accounts payable and accruals	1,400,067	–	–	1,400,067	1,400,067	1,097,779	–	–	1,097,779	1,097,779
	1,868,926	8,226	621,225	2,498,377	2,449,009	1,102,877	545,739	–	1,648,616	1,642,321

Derivative financial liabilities

	2015		2014	
	Contractual undiscounted cash flow		Contractual undiscounted cash flow	
	Within 1 year or on demand	Total	Within 1 year or on demand	Total
	\$'000	\$'000	\$'000	\$'000
Derivatives settled gross:				
Forward foreign exchange contracts held as hedging instruments				
– outflow	(179,380)	(179,380)	(119,985)	(119,985)
– inflow	177,238	177,238	117,310	117,310

(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 2015 and 2014, 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing assets and liabilities at the end of the reporting period.

	2015		2014	
	Effective interest rate p.a.	Amount	Effective interest rate p.a.	Amount
	%	\$'000	%	\$'000
Fixed rate assets:				
Bank deposits	2.5	2,330,862	2.6	2,360,920
Available-for-sale debt securities	3.1	164,314	3.3	210,880
		2,495,176		2,571,800
Variable rate liabilities:				
Bank loans	1.2	(1,048,942)	0.9	(544,542)

(ii) Sensitivity analysis

At 31 December 2015, 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 \$8,759,000 (2014: \$4,547,000). Other components of consolidated equity would have decreased/increased by approximately \$1,254,000 (2014: \$2,988,000) 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 end of the reporting period 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 end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, 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 2014.

(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 they relate. The currencies giving rise to this risk are primarily British Pounds Sterling, United States dollars and Renminbi.

The Group hedges approximately 38% (2014: 30%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. During the years ended 31 December 2015 and 2014, the Group used forward foreign exchange contracts to hedge its currency risk. At 31 December 2015, the Group had liabilities arising from forward foreign exchange contracts outstanding of \$2,142,000 (2014: \$2,675,000), which were recognised as derivative financial liabilities. These forward foreign exchange contracts were for the purchases of British Pounds Sterling totalling 15,433,000 (2014: 9,724,000) and had maturities of less than one year after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The table below details the Group's exposure at the end of the reporting period 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 end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2015			2014		
	Renminbi	British Pounds Sterling	United States dollars	Renminbi	British Pounds Sterling	United States dollars
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	184,345	13,809	123,627	1,271,341	37,828	150,367
Accounts payable and accruals	(25,669)	(248,449)	(3,185)	(14,265)	(155,285)	(2,715)
Available-for-sale debt securities	–	–	164,314	–	–	210,880
Accounts receivable	–	–	–	32,888	–	–
	158,676	(234,640)	284,756	1,289,964	(117,457)	358,532
Notional amount of forward foreign exchange contracts used as economic hedges	–	177,238	–	–	117,310	–
Overall net exposure	158,676	(57,402)	284,756	1,289,964	(147)	358,532

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 RMB122,454,000 as at 31 December 2015, equivalent to \$144,496,000 (2014: RMB122,531,000, equivalent to \$152,918,000).

(ii) Sensitivity analysis

The table below 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 end of the reporting period 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

	2015			2014		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) \$'000	Effect on other components of equity (increase/ (decrease)) \$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) \$'000	Effect on other components of equity (increase/ (decrease)) \$'000
Renminbi	3%	9,190	–	3%	43,360	–
	(3%)	(9,190)	–	(3%)	(43,360)	–
British Pounds Sterling	6%	(2,739)	–	6%	372	–
	(6%)	2,739	–	(6%)	(372)	–
United States dollars	1%	1,205	1,643	1%	1,476	2,109
	(1%)	(1,205)	(1,643)	(1%)	(1,476)	(2,109)

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 end of the reporting period 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 end of the reporting period, 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 2014.

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 Group had not entered into any fuel oil swap contract during the years ended 31 December 2015 and 2014.

(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 on the following page.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

- 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

	2015			2014		
	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
<i>Recurring fair value measurements</i>						
Assets:						
Available-for-sale debt securities - listed	164,314	164,314	–	210,880	210,880	–
Liabilities:						
Derivative financial instrument – forward foreign exchange contracts	2,142	–	2,142	2,675	–	2,675

During the years ended 31 December 2015 and 2014, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 31 December 2015 and 2014 in Level 2 were marked to market using quoted market price from financial institutions.

(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 2015 and 2014 except as follows:

- (1) Amounts due from/to associates of the Group 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 (2014: \$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 end of the reporting period.

3.1 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	2015 \$'000	2014 \$'000
Service fees for provision of coach services	(i) & (ii)	55,097	50,356
Insurance premium paid	(iii)	89,529	82,053
Amount paid and accrued for building management services	(iv)	4,762	4,623
Amount paid and accrued for project management service and lease modification	(v)	–	–

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 \$10,655,000 (2014: \$5,998,000). Outstanding balances due from these companies at 31 December 2015 amounted to \$3,083,000 (2014: \$1,521,000).
- (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 \$44,442,000 (2014: \$44,358,000). Outstanding balances due from these companies at 31 December 2015 amounted to \$9,229,000 (2014: \$11,601,000).
- (iii) In 2013 and 2015, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group for the period from 1 January 2014 to 30 June 2015 (the "2014/15 Insurance Arrangements") and for the period from 1 July 2015 to 31 December 2016 (the "2015/16 Insurance Arrangements") respectively. The amount paid and payable under the 2014/15 Insurance Arrangements and the 2015/16 Insurance Arrangements during the year amounted to \$89,529,000 (2014: \$82,053,000). Outstanding balance payable for these contracts at 31 December 2015 amounted to \$2,369,000 (2014: \$Nil).
- (iv) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. Amount paid and payable under the Deed during the year amounted to \$4,762,000 (2014: \$4,623,000). Outstanding balance payable for this contract at 31 December 2015 amounted to \$24,000 (2014: \$Nil).
- (v) 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 Sun Hung Kai Real Estate Agency Limited ("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 2015 amounted to \$2,000,000 (2014: \$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 transaction as described in note (a)(iv) above constitutes continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. However, It is exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

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 transactions as described in notes (a)(i) and (a)(iii) above constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosure in the section headed "Continuing Connected Transactions" under "Financial Review" on pages 81 to 83 of this Annual Report.

The related party transaction as described in note (a)(v) above constitutes connected transaction 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 transaction. No transaction amount in respect of that transaction has been incurred during the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Investments in subsidiaries		1,188,423	1,188,423
Deferred tax assets		730	–
		1,189,153	1,188,423
Current assets			
Deposits and prepayments		788	608
Amounts due from subsidiaries		6,363,762	6,103,578
Cash and cash equivalents		8,994	7,719
		6,373,544	6,111,905
Current liabilities			
Accounts payable and accruals		52,390	49,997
Amounts due to subsidiaries		5,733,521	5,500,086
		5,785,911	5,550,083
Net current assets			
		587,633	561,822
Net Assets			
		1,776,786	1,750,245
Capital and reserves			
	28(a)		
Share capital		403,639	403,639
Reserves		1,373,147	1,346,606
Total Equity			
		1,776,786	1,750,245

Approved and authorised for issue by the Board of Directors on 24 March 2016

Norman LEUNG Nai Pang

Chairman

Roger LEE Chak Cheong

Managing Director

33 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors proposed an ordinary final dividend for the year. Further details are disclosed in note 11(a) to the financial statements.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 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
Annual improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10, and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to HKAS 1, <i>Disclosure initiative</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it is not yet in a position to conclude whether the adoption of them will have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$'M	\$'M	\$'M	\$'M (Restated)	\$'M (Restated)	\$'M	\$'M	\$'M	\$'M	\$'M
Statement of profit or loss										
Revenue	7,780	7,557	7,420	7,181	6,948	6,687	6,842	7,353	12,013	8,705
Profit before taxation	747	508	458	197	275	931	800	694	4,074	2,002
Income tax	(128)	(69)	(55)	(6)	48	(75)	(118)	(18)	(206)	(133)
Profit after taxation	619	439	403	191	323	856	682	676	3,868	1,869
Non-controlling interests	10	(24)	(32)	(25)	8	11	(9)	(18)	(21)	(31)
Profit attributable to equity shareholders of the Company	629	415	371	166	331	867	673	658	3,847	1,838
Statement of financial position										
Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment	6,133	4,817	4,487	3,852	4,121	4,276	4,100	4,466	4,981	5,463
Intangible assets	132	135	132	132	44	23	22	15	14	8
Goodwill	84	84	84	84	63	63	63	63	52	49
Media assets	–	–	–	–	–	–	–	1	1	1
Non-current prepayments	15	7	12	4	2	44	19	29	38	48
Interest in associates	634	740	724	672	668	640	612	834	911	834
Interest in joint ventures	–	–	–	–	–	–	–	20	23	23
Other financial assets	112	183	229	591	472	636	334	136	138	46
Employee benefit assets	577	861	1,018	326	263	790	716	755	602	537
Net current assets	1,321	2,112	2,009	2,226	2,280	1,763	2,455	2,083	3,224	1,426
Employment of funds	9,008	8,939	8,695	7,887	7,913	8,235	8,321	8,402	9,984	8,435
<i>Financed by:</i>										
Share capital	404	404	404	404	404	404	404	404	404	404
Reserves	6,804	6,793	6,704	5,832	5,668	6,334	6,385	6,257	7,145	4,670
Total equity attributable to equity shareholders of the Company	7,208	7,197	7,108	6,236	6,072	6,738	6,789	6,661	7,549	5,074
Non-controlling interests	154	190	192	185	182	205	229	253	249	245
Total equity	7,362	7,387	7,300	6,421	6,254	6,943	7,018	6,914	7,798	5,319
Contingency provision – insurance	251	274	298	311	310	300	305	337	295	271
Long term bank loans	589	545	399	598	798	470	470	590	1,155	2,052
Employee benefit liabilities	9	6	–	–	–	–	–	–	–	–
Other liabilities	797	727	698	557	551	522	528	561	736	793
Funds employed	9,008	8,939	8,695	7,887	7,913	8,235	8,321	8,402	9,984	8,435
Earnings per share (\$)	1.56	1.03	0.92	0.41	0.82	2.15	1.67	1.63	9.53	4.55
Dividends per share (\$)	1.20	0.90	0.60	0.60	0.60	1.35	2.35	1.35	5.53	2.03
Total assets per share (\$)	27.42	25.28	25.36	23.19	22.78	24.01	24.71	25.49	29.57	29.98
Net assets per share (\$)	18.24	18.30	18.09	15.91	15.49	17.20	17.39	17.13	19.32	13.18

Note: In order to comply with Revised Hong Kong Accounting Standards 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

Gordon SIU Kwing Chue*

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

John Anthony MILLER^

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

Professor LIU Pak Wai*

SBS, JP

Allen FUNG Yuk Lun^

BA, Ph.D.

Roger LEE Chak Cheong

BSc, MSc, MICE, CEng
Managing Director

Susanna WONG Sze Lai

(Alternate Director to
Mr Raymond KWOK Ping Luen, JP^)

BOARD COMMITTEES

Audit and Risk Management 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

Winnie NG

Roger LEE Chak Cheong

COMPANY SECRETARY

Lana WOO

BA, MBA, FCIS, FCS (PE),
CPA(Canada),CGA

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Hamilton HM11, Bermuda

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Website: www.tih.hk
E-mail: director@tih.hk

AUDITOR

KPMG

8/F, Prince's Building, 10 Chater Road
Central, Hong Kong

REGISTRARS

Hong Kong

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Bermuda

MUFG Fund Services (Bermuda) Limited

The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

REGISTER OF MEMBERS

Book closure for 2016 AGM:
19 May 2016 to 26 May 2016
(both dates inclusive)

Book closure for 2015 final dividend:
1 June 2016

DIVIDENDS

Interim

HK\$0.30 per share,
paid on 15 October 2015

Final (proposed)

HK\$0.90 per share,
payable on 8 July 2016

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) 2465 1622

(* 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

Transport International Holdings Limited

9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong

Telephone : (852) 2786 8888

Facsimile : (852) 2745 0300

www.tih.hk

Stock Code: 62

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