

## Individual Business Units

### Franchised Public Bus Operations

#### The Kowloon Motor Bus Company (1933) Limited (“KMB”)

	Unit	2016	2015
Revenue	HK\$ million	6,834.4	6,719.4
Other income	HK\$ million	66.7	72.1
Total operating expenses	HK\$ million	(6,144.7)	(6,195.6)
Profit from operations	HK\$ million	756.4	595.9
Finance costs	HK\$ million	(16.8)	(9.7)
Profit before taxation	HK\$ million	739.6	586.2
Income tax	HK\$ million	(121.9)	(98.0)
Profit after taxation	HK\$ million	617.7	488.2
Net profit margin		9.0%	7.3%
Passenger volume	Million passenger trips	990.1	969.2
Kilometres operated	Million km	282.5	285.6
Staff number at year-end	Number of staff	11,958	12,175
Fleet size at year-end	Number of buses	3,920	3,889
Total assets	HK\$ million	7,067.6	6,317.3

KMB recorded a profit after taxation of HK\$617.7 million for 2016, representing an increase of HK\$129.5 million compared with HK\$488.2 million for 2015.

KMB's fare revenue for 2016 was HK\$6,649.4 million, an increase of HK\$116.7 million or 1.8% compared with HK\$6,532.7 million for 2015. The increase was mainly attributable to patronage growth. During the year, with improvements in service levels and quality, as well as enhancement in bus service reliability and efficiency, KMB's total ridership increased by 2.2% to 990.1 million passenger trips (a daily average of 2.71 million passenger trips) as compared with 969.2 million passenger trips (a daily average of 2.66 million passenger trips) for 2015.

Total operating expenses for 2016 amounted to HK\$6,144.7 million, a decrease of HK\$50.9 million or 0.8% compared with HK\$6,195.6 million for 2015. The decrease was mainly attributable to the reduction in fuel and oil costs of HK\$110.9 million as a result of the fall in international fuel prices and the decrease in fuel consumption through the continued improvement in operating efficiency. This positive factor was, however, partly offset by the increase of HK\$79.7 million in staff costs due to annual pay rise at an average rate of 4.1%, and the increase in depreciation charges.

## Long Win Bus Company Limited (“LWB”)

	Unit	2016	2015
Revenue	HK\$ million	464.9	443.9
Other income/(loss)	HK\$ million	8.5	(3.9)
Total operating expenses	HK\$ million	(435.2)	(371.5)
Profit from operations	HK\$ million	38.2	68.5
Finance costs	HK\$ million	(1.0)	–
Profit before taxation	HK\$ million	37.2	68.5
Income tax	HK\$ million	(6.0)	(11.5)
Profit after taxation	HK\$ million	31.2	57.0
Net profit margin		6.7%	12.8%
Passenger volume	Million passenger trips	37.3	36.7
Kilometres operated	Million km	32.0	28.0
Staff number at year-end	Number of staff	652	546
Fleet size at year-end	Number of buses	242	190
Total assets	HK\$ million	617.0	596.1

The profit after taxation of LWB for 2016 was HK\$31.2 million, representing a decrease of HK\$25.8 million or 45.3% compared with HK\$57.0 million for 2015.

LWB’s fare revenue for 2016 was HK\$460.4 million, an increase of HK\$20.4 million or 4.6% compared with HK\$440.0 million for 2015. The increase was mainly due to the growth in ridership of 1.7%, and the increase in average fare by 2.9% as a result of more A-route passengers. LWB recorded a total ridership of 37.3 million passenger trips (a daily average of 101,900 passenger trips) for 2016, as compared with 36.7 million passenger trips (a daily average of 100,450 passenger trips) for 2015.

Total operating expenses for 2016 amounted to HK\$435.2 million, an increase of HK\$63.7 million or 17.1% compared with HK\$371.5 million for 2015. The increase in operating expenses was mainly due to enhancements in A-route service through strengthening bus frequencies for increased passenger convenience. In addition, fuel consumption also increased as a result of the increase in kilometres travelled due to service enhancement, but this was partly offset by reduction in fuel costs as a result of the fall in international fuel prices.

## Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$55.4 million for 2016, representing an increase of HK\$6.2 million or 12.6% compared with HK\$49.2 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, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group slightly decreased by HK\$4.6 million or 1.5% from HK\$302.7 million in 2015 to HK\$298.1 million in 2016. Total operating costs for 2016 decreased as a result of the reduction in fuel costs due to the fall in international fuel prices, but this was partly offset by the rise in staff salaries and general inflation.

In 2016, in line with the SBH Group’s commitment to quality service and environmental protection, SBH Group purchased 48 (2015: 47) Euro V buses for fleet replacement purposes. As at 31 December 2016, the SBH Group had a fleet of 386 buses (2015: 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. The revenue of NHKB slightly increased by HK\$0.3 million or 0.7% from HK\$44.3 million in 2015 to HK\$44.6 million in 2016. The increase was mainly attributable to the increase in fares of the Huang Bus from HK\$9 per trip to HK\$10 per trip for both daytime and midnight services with effect from 19 October 2015. This positive factor was, however, partly offset by the decrease in NHKB’s patronage by 7.1% from 4.81 million passenger trips (an average monthly ridership of 401,000 passenger trips) in 2015 to 4.47 million passenger trips (an average monthly ridership of 372,000 passenger trips) in 2016.

As at 31 December 2016, NHKB had a fleet of 15 buses (2015: 15 buses).

### Property Holdings and Development

The Group’s Property Holdings and Development Division reported a profit after taxation of HK\$45.6 million for 2016, representing an increase of HK\$7.4 million or 19.4% compared with HK\$38.2 million for 2015. Revenue increased by 56.3% from HK\$38.7 million in 2015 to HK\$60.5 million in 2016. A review of the Group’s investment properties is set out as follows:

#### 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 2016, 100% of the lettable area of the shopping mall was leased out, generating a stream of recurring income for the Group.

As at 31 December 2016, 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\$82.9 million (2015: HK\$85.4 million).

#### LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. 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 2016, the area for headquarters usage was reduced to 20% from 55% in 2015, and more space was freed up for earning additional rental income for the Group.

As at 31 December 2016, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK\$31.3 million (2015: HK\$29.9 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 2016, 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\$3.5 million (2015: HK\$4.8 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 Kwun Tong Site in equal shares as tenants in common.

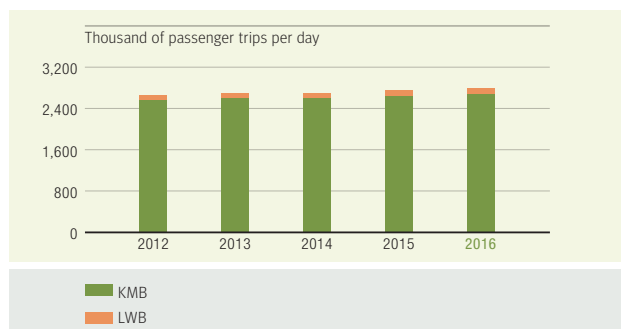
On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. The Group intends

to hold the development for long-term investment purposes. On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million. 50% of such land premium, which amounted to HK\$2,152.5 million, was borne by KTRE.

As at 31 December 2016, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$2,186.2 million (2015: HK\$24.9 million).

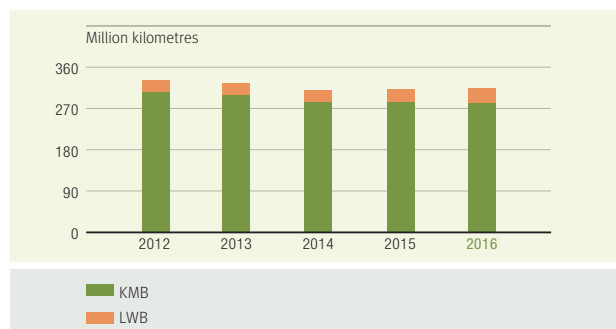
### Average number of passenger trips per day

(Franchised public bus operations)

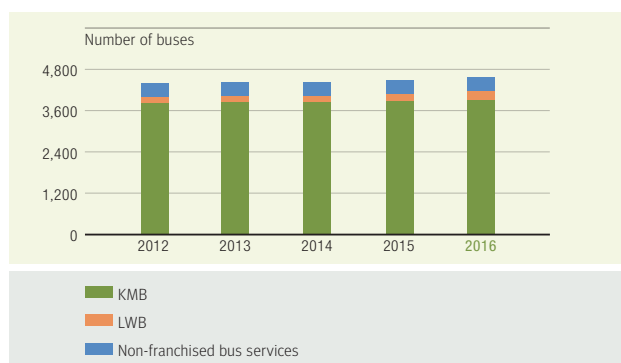


### Bus kilometres operated

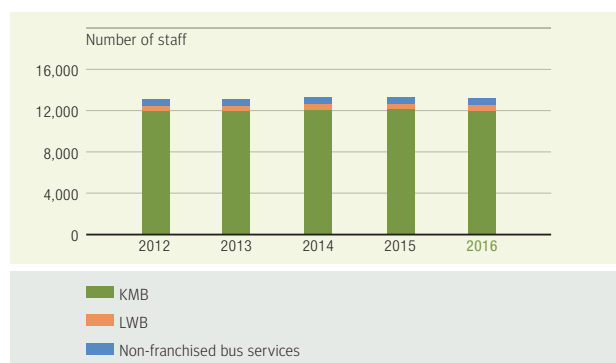
(Franchised public bus operations)



### Number of licensed buses at 31 December



### Number of staff at 31 December



## Media Sales Business

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

HK\$ million	2016	2015
Revenue	407.5	411.9
Other income	7.2	18.0
Total operating revenue	414.7	429.9
Total operating expenses	(456.8)	(471.0)
Loss before taxation	(42.1)	(41.1)
Income tax	(0.1)	(4.9)
Loss after taxation	(42.2)	(46.0)
Non-controlling interests	(3.1)	(1.9)
Loss attributable to equity shareholders	(45.3)	(47.9)

The RoadShow Group reported a loss attributable to equity shareholders of HK\$45.3 million for 2016, compared with a loss attributable to equity shareholders of HK\$47.9 million for 2015. The loss for the year was mainly attributable to reduction in revenue due to sluggish demand in the advertising market, the impairment loss on other property, plant and equipment of HK\$22.9 million, and provision for onerous contracts for Bus-TV business of HK\$14.5 million.

For 2016, the RoadShow Group reported total operating revenue of HK\$414.7 million, a decrease of 3.5% over the previous year. The revenue generated from the RoadShow Group’s Hong Kong media sales services in 2016 amounted to HK\$407.5 million, a decrease of HK\$4.4 million or 1.1% compared with HK\$411.9 million in 2015.

Total operating expenses for 2016 decreased by HK\$14.2 million or 3.0% from HK\$471.0 million in 2015 to HK\$456.8 million in 2016.

Further information relating to the RoadShow Group is available in its 2016 annual results announcement and annual report.

## China Mainland Transport Operations

The Group’s China Mainland Transport Operations Division reported a profit after taxation of HK\$30.8 million for 2016, representing a decrease of HK\$1.6 million or 4.9% compared with HK\$32.4 million for 2015.

As at 31 December 2016, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$601.6 million (2015: HK\$634.4 million). 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).

### Summary of Investments in China Mainland Transport Operations as at 31 December 2016

	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 2016 (Number of vehicles)	7,911	4,805
Bus passenger volume (Million trips)	683	N/A
Bus kilometres travelled (Million km)	377	N/A
Staff number at year-end 2016	22,513	5,408

### **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, minibuses and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of 5,211 buses running on around 264 routes and 2,700 taxis. Due mainly to the keen competition from the Shenzhen underground railway system, SZBG total ridership fell by 10.9% from 766.1 million passenger trips in 2015 to 682.9 million passenger trips in 2016. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity and successfully sought for additional subsidies from the Shenzhen Government. As a result, SZBG recorded a profit in 2016.

### **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 2016, BBKT had a fleet of 3,633 taxis, of which 563 are environment-friendly hybrid taxis, and 5,348 employees. BBKT recorded a profit in 2016.

### **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 2016, BBF had 1,172 vehicles available for charter mainly in Beijing and Tianjin and 60 employees. BBF recorded a profit in 2016.

## **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 33(a) to the financial statements on page 202 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, on 26 May 2015 (the “2015/16 Insurance Arrangements”) and on 2 November 2016 (the “2017/18 Insurance Arrangements”) pursuant to which SHKPI agreed to provide insurance coverage and services to the Group, and such insurance policies took effect from 1 July 2015 to 31 December 2016 and from 1 January 2017 to 31 December 2018 respectively. The transactions contemplated under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of these continuing connected transactions under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements were disclosed in the announcements of the Company dated 26 May 2015 and 2 November 2016 respectively. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2015/16 Insurance Arrangements for the year ended 31 December 2016 as disclosed in the announcement dated 26 May 2015 were HK\$105,000,000. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2017/18 Insurance Arrangements for the two years ending 31 December 2017 and 2018 as disclosed in the announcement dated 2 November 2016 were HK\$77,000,000 and HK\$80,000,000 respectively. Such cap amounts were determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified