

### **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 over 6,400 buses running on around 350 routes and over 5,500 taxis. By continuously improving services, patronage of SZBG's bus operations increased by 2.4% to 607.5 million in 2018 as compared to 593.1 million in 2017. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity.

### **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, and four 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 2018, BBKT had a fleet of over 3,600 taxis and 4,500 employees.

### **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 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 2018, BBF had over 1,100 vehicles available for charter mainly in Beijing and Tianjin.

### **Connected Transactions and Continuing Connected Transactions**

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

#### **(a) THE GROUP**

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

As described in note 32(a) to the financial statements on pages 220 and 221 of this Annual Report, on 2 November 2016, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, which is a substantial shareholder of the Company, pursuant to which SHKPI agreed to provide to the Group (i) a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance from 1 January 2017 to 31 December 2018; and (ii) a directors and officers liability and company reimbursement insurance from 1 January 2017 to 30 June 2018 (collectively, the “**2017/18 Insurance Arrangements**”). On 1 November 2017, the Group also entered into an insurance policy with SHKPI, pursuant to which the Group will maintain medical and dental insurance coverage with SHKPI from 1 January 2018 to 31 December 2019 (the “**2018/19 Medical and Dental Insurance Arrangements**”). On 1 November 2018, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance from 1 January 2019 to 31 December 2020 (the “**2019/20 Insurance Arrangements**”). The transactions contemplated under the 2017/18 Insurance Arrangements, 2018/19 Medical and Dental Insurance Arrangements and 2019/20 Insurance Arrangements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 2 November 2016, 1 November 2017 and 1 November 2018 respectively.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2017/18 Insurance Arrangements for the two years ended 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 under the 2017/18 Insurance Arrangements. For the year ended 31 December 2018, the insurance premium paid and payable to SHKPI was HK\$68,912,000 (2017: HK\$69,163,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2018/19 Medical and Dental Insurance Arrangements for the year ended 31 December 2018 and the year ending 31 December 2019 as disclosed in the announcement dated 1 November 2017 were HK\$22,944,545 and HK\$22,944,545 respectively. Such annual cap amounts were determined with reference to the estimated medical and dental needs of the Group's employees for such periods, the insurance premium rates as specified under the 2018/19 Medical and Dental Insurance Arrangements and the historical transaction with another insurer in respect of similar medical and dental insurance coverage provided to the Group. For the year ended 31 December 2018, the insurance premium paid and payable to SHKPI was HK\$21,206,000.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2019/20 Insurance Arrangements for the two years ending 31 December 2019 and 2020 as disclosed in the announcement dated 1 November 2018 were HK\$90,000,000 and HK\$93,000,000 respectively. Such annual cap amounts are 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 under the 2019/20 Insurance Arrangements.

The insurance premium paid and payable by the Group under the 2017/18 Insurance Arrangements, 2018/19 Medical and Dental Insurance Arrangements and 2019/20 Insurance Arrangements was and will be satisfied by internal resources of the Group. The transactions under the 2017/18 Insurance Arrangements, 2018/19 Dental and Medical Insurance Arrangements and 2019/20 Insurance Arrangements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

**(b) SUN BUS LIMITED ("Sun Bus") and EAGLE WIN LIMITED ("Eagle Win")**

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

As described in note 32(a) to the financial statements on pages 220 and 221 of this Annual Report, Sun Bus Limited (an indirect wholly-owned subsidiary of the Company) and Eagle Win Limited (an indirect wholly-owned subsidiary of the Company) have entered into various shuttle bus service contracts ("Shuttle Bus Service Agreements") with certain subsidiaries of SHKP, pursuant to which Sun Bus and Eagle Win agreed to provide and operate various shuttle bus services for the period from 1 July 2016 to 14 July 2019. The service fees for the provision of the shuttle bus services were charged in accordance with the rates specified in the relevant contracts, ranging from HK\$232 to HK\$540 per hour per bus, while a guaranteed monthly fee of HK\$125,000 was set for certain shuttle bus contracts, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of services requested, the relevant costs and expected loads and routes, using the prevailing market rates as a price indicator, namely, the service fees charged for similar bus operations in the market. The transactions contemplated under the Shuttle Bus Service Agreements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcement of the Company dated 29 June 2018. The cap amounts estimated to be receivable by Sun Bus and Eagle Win under the Shuttle Bus Service Agreements for the year ended 31 December 2018 and the year ending 31 December 2019 as disclosed in the announcement dated 29 June 2018 were HK\$8,524,535 and HK\$905,771 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. For the year ended 31 December 2018, the service fees received or receivable by Sun Bus and Eagle Win (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\$8,379,000. The transactions contemplated under the Shuttle Bus Service Agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

## (c) KT REAL ESTATE LIMITED (“KTRE”)

*Building Contract*

As described in note 32(a) to the financial statements on pages 220 and 221 of this Annual Report, on 20 December 2018, KTRE (a wholly-owned subsidiary of the Company), Turbo Result Limited (“TRL”) (a wholly-owned subsidiary of SHKP) and Yee Fai Construction Company Limited (“Yee Fai”) (a wholly-owned subsidiary of SHKP) entered into the building contract in which KTRE and TRL engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the “Building Contract”). KTRE and TRL shall pay to Yee Fai, in equal shares, the contract sum of HK\$4,436,056,954.36 (i.e. HK\$2,218,028,477.18 each), subject to adjustments in accordance with the Building Contract. The transactions contemplated under the Building Contract constitute both a major transaction and connected transaction of the Company under the Listing Rules which are subject to reporting, announcement and independent shareholders’ approval requirements. Particulars of the transactions contemplated under the Building Contract were disclosed in the announcement and circular of the Company dated 20 December 2018 and 15 January 2019 respectively and such transactions were approved by independent shareholders at the special general meeting of the Company held on 1 February 2019.

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

1. The foregoing continuing connected transactions conducted during the year ended 31 December 2018 with SHKPI and certain subsidiaries of SHKP were entered into:
  - (i) in the ordinary and usual course of the 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;

2. the annual insurance premium paid and payable by the Group to SHKPI under the 2017/18 Insurance Arrangements and 2018/19 Medical and Dental Insurance Arrangements for the year ended 31 December 2018 did not exceed the cap amounts of HK\$80,000,000 and HK\$22,944,545 respectively as disclosed in the announcement dated 2 November 2016 and 1 November 2017 respectively; and
3. the service fees received and receivable by Sun Bus and Eagle Win (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) from certain subsidiaries of SHKP under the Shuttle Bus Services Agreements for the year ended 31 December 2018 did not exceed the cap amount of HK\$8,524,535 as disclosed in the announcement dated 29 June 2018.

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 its findings and conclusions in respect of the continuing connected transactions conducted during the year ended 31 December 2018 as 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.