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Transport International Holdings Limited

(載通國際控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2014 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2014 was HK\$415.1 million (2013: HK\$371.3 million), an increase of 11.8% compared with 2013.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$196.6 million for 2014 (2013: a loss after taxation of HK\$21.2 million). The improvement in results was mainly due to the implementation of a 3.9% fare increase on 6 July 2014 and the reduction in fuel costs resulting from improvement in bus operating efficiency and lower international fuel prices in the latter half of the year.
- The Group's other net income decreased by HK\$156.4 million from HK\$271.4 million in 2013 to HK\$115.0 million in 2014. The decrease was mainly due to a one-off write-back of pre-tax development costs of HK\$108.2 million in respect of Manhattan Hill, which was made in 2013, and an exchange loss of HK\$38.6 million as a result of the depreciation of Renminbi against Hong Kong dollar, which was recognised in 2014.
- The Group's earnings per share for 2014 were HK\$1.03 (2013: HK\$0.92).
- An ordinary final dividend of HK\$0.75 per share for 2014 has been declared (2013: HK\$0.45 per share), resulting in total dividend for the year amounted to HK\$0.90 per share (2013: HK\$0.60 per share).

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,717,466	6,596,373
Revenue from non-franchised transport services		342,110	326,371
Media sales revenue		464,502	466,359
Gross rentals from investment properties		32,474	29,671
Revenue from sales of properties		-	1,600
Turnover	3	7,556,552	7,420,374
Other net income	4	115,024	271,350
Cost of properties sold		-	(394)
Staff costs	5	(3,612,151)	(3,529,075)
Depreciation and amortisation		(786,246)	(768,794)
Fuel and oil		(1,351,694)	(1,536,513)
Spare parts and stores		(256,106)	(270,391)
Toll charges		(394,513)	(396,424)
Other operating expenses		(832,189)	(784,721)
Profit from operations		438,677	405,412
Finance costs	6	(5,022)	(7,307)
Share of profits of associates		37,791	34,765
Gain on disposal of other financial assets		36,603	-
Reversal of impairment loss on other financial assets		-	25,611
Profit before taxation		508,049	458,481
Income tax	8	(69,034)	(55,087)
Profit for the year		439,015	403,394
Attributable to:			
Equity shareholders of the Company		415,072	371,319
Non-controlling interests		23,943	32,075
Profit for the year		439,015	403,394

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
(continued)**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year attributable to equity shareholders of the Company:			
Arising from Manhattan Hill properties		368	93,854
Arising from the Group's other operations		414,704	277,465
		415,072	371,319
Earnings per share – basic and diluted:			
Arising from Manhattan Hill properties	9	HK\$ -	HK\$ 0.23
Arising from the Group's other operations		HK\$ 1.03	HK\$ 0.69
		HK\$ 1.03	HK\$ 0.92

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014**

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Fixed assets			
- Investment properties		108,863	115,338
- Investment property under development		15,555	14,913
- Interest in leasehold land		65,390	67,402
- Other properties, plant and equipment		4,627,342	4,289,246
		4,817,150	4,486,899
Intangible assets			
Goodwill		134,563	132,122
Non-current prepayments		84,051	84,051
Interest in associates		7,444	12,484
Other financial assets		739,562	723,953
Employee benefit assets		183,337	229,355
Deferred tax assets		860,669	1,017,614
		4,702	4,790
		6,831,478	6,691,268
Current assets			
Spare parts and stores		62,335	60,344
Accounts receivable	10	518,595	449,566
Other financial assets		42,898	367,907
Deposits and prepayments		27,936	21,282
Current tax recoverable		15,604	17,617
Pledged and restricted bank deposits		68,181	65,682
Cash and cash equivalents		2,635,303	2,563,130
		3,370,852	3,545,528
Current liabilities			
Bank loans and overdrafts		-	200,003
Accounts payable and accruals	11	1,100,454	1,185,707
Contingency provision – insurance		155,826	140,999
Current tax payable		2,329	9,808
		1,258,609	1,536,517
Net current assets		2,112,243	2,009,011
Total assets less current liabilities		8,943,721	8,700,279

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014
(continued)

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities			
Bank loans		544,542	399,093
Deferred tax liabilities		719,211	683,017
Contingency provision – insurance		274,340	297,621
Employee benefit liabilities		6,214	-
Provision for long service payments		12,342	19,806
		<u>1,556,649</u>	<u>1,399,537</u>
Net assets		<u>7,387,072</u>	<u>7,300,742</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		6,793,480	6,704,515
Total equity attributable to equity shareholders of the Company		<u>7,197,119</u>	<u>7,108,154</u>
Non-controlling interests		<u>189,953</u>	<u>192,588</u>
Total equity		<u>7,387,072</u>	<u>7,300,742</u>

Notes:

1. Auditor's report

The results for the year ended 31 December 2014 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by KPMG whose unmodified auditor's report is included in the annual report to be sent to shareholders. The results have also been reviewed by the Company's Audit Committee.

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been compared by KPMG to the amounts set out in the Group's audited consolidated accounts for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this announcement.

2. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the accounting principles generally accepted in Hong Kong. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's 2013 annual financial statements except for the accounting policy changes as described below.

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these changes in policy have a material impact on the current or comparative periods.

3. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker ("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 2014 and 2013 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,724,838	6,602,469	459,462	462,002	1,010	2,466	371,242	353,437	7,556,552	7,420,374
Inter-segment revenue	126,729	111,700	-	-	-	-	55,018	62,021	181,747	173,721
Reportable segment revenue	6,851,567	6,714,169	459,462	462,002	1,010	2,466	426,260	415,458	7,738,299	7,594,095
Reportable segment profit	232,463	14,198	76,682	108,622	368	93,854	94,071	77,921	403,584	294,595
Interest income.	454	4,806	9,880	9,921	-	-	-	29	10,334	14,756
Interest expense	(5,022)	(7,307)	-	-	-	-	-	-	(5,022)	(7,307)
Depreciation and amortisation for the year	(733,229)	(713,349)	(14,292)	(11,262)	-	-	(38,725)	(44,183)	(786,246)	(768,794)
(Provision)/reversal of impairment loss on trade and other receivables	-	-	(364)	-	-	-	(384)	48	(748)	48
Gain on disposal of other financial assets	-	-	36,603	-	-	-	-	-	36,603	-
Reversal of impairment loss on other financial assets	-	-	-	25,611	-	-	-	-	-	25,611
Reversal of development cost accrual relating to Manhattan Hill	-	-	-	-	-	108,246	-	-	-	108,246
Staff costs	(3,402,002)	(3,332,876)	(86,263)	(81,973)	-	-	(112,578)	(107,443)	(3,600,843)	(3,522,292)
Share of profits of associates	-	-	-	-	-	-	37,791	34,765	37,791	34,765
Income tax expense	(44,695)	(3,768)	(8,008)	(15,871)	(61)	(18,522)	(16,705)	(16,912)	(69,469)	(55,073)
Reportable segment assets	5,830,064	5,810,785	783,131	778,623	763	2,505	1,552,001	1,542,326	8,165,959	8,134,239
- including interest in associates	-	-	-	-	-	-	739,562	723,953	739,562	723,953
Additions to non-current segment assets during the year	1,079,287	1,358,228	4,100	11,226	-	-	38,218	38,988	1,121,605	1,408,442
Reportable segment liabilities	2,528,437	2,680,417	107,061	94,171	3,995	11,538	119,836	104,968	2,759,329	2,891,094

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 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 investments in associates.

3. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit, assets and liabilities:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	7,312,039	7,178,637
Revenue from all other segments	426,260	415,458
Elimination of inter-segment revenue	(181,747)	(173,721)
Consolidated turnover	<u>7,556,552</u>	<u>7,420,374</u>
<i>Profit</i>		
Reportable segment profit	309,513	216,674
Profit from all other segments	94,071	77,921
Unallocated profits	35,431	108,799
Consolidated profit after taxation	<u>439,015</u>	<u>403,394</u>
<i>Assets</i>		
Reportable segment assets	6,613,958	6,591,913
Assets from all other segments	1,552,001	1,542,326
Unallocated assets	2,036,371	2,102,557
Consolidated total assets	<u>10,202,330</u>	<u>10,236,796</u>
<i>Liabilities</i>		
Reportable segment liabilities	2,639,493	2,786,126
Liabilities from all other segments	119,836	104,968
Unallocated liabilities	55,929	44,960
Consolidated total liabilities	<u>2,815,258</u>	<u>2,936,054</u>

Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided or the properties were sold, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's fixed assets, intangible assets, goodwill and interests 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 fixed assets, 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 interests in associates.

3. Segment reporting (continued)

	Specified non-current assets	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	4,947,962	4,615,665
The PRC	827,364	811,360
	<u>5,775,326</u>	<u>5,427,025</u>

4. Other net income

	2014	2013
	HK\$'000	HK\$'000
Reversal of development cost accrual relating to Manhattan Hill (Note)	-	108,246
Interest income on other financial assets not at fair value through profit or loss	69,891	66,237
Interest income on instalments receivable from sales of properties	-	29
Dividend income from unlisted equity securities	4,340	37,200
Net movement in balance of passenger rewards	1,457	(4,160)
Claims received	35,813	34,286
Net miscellaneous business receipts	6,880	6,512
Net gain on disposal of fixed assets	3,611	2,756
Available-for-sale debt securities: reclassified from equity on maturity	2,811	292
Net foreign exchange loss	(38,576)	(957)
Sundry revenue	28,797	20,909
	<u>115,024</u>	<u>271,350</u>

Note: During 2013, Lai Chi Kok Properties Investment Limited, an indirectly wholly-owned subsidiary of the Company, reached a final agreement with its contractors and sub-contractors on the contract settlement sums of the Manhattan Hill development project. Based on the quantity surveyors' certified final accounts of the work done, development costs amounting to HK\$108,246,000 were written back to the consolidated income statement.

5. Staff costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Defined benefit retirement plan expense	91,641	135,754
Contributions to defined contribution retirement plans	100,987	95,145
Movements in provision for long service payments	(793)	(1,062)
	<hr/>	<hr/>
Total retirement cost	191,835	229,837
Salaries, wages and other benefits	3,420,316	3,299,238
	<hr/> 3,612,151 <hr/>	<hr/> 3,529,075 <hr/>

6. Finance costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank loans and overdrafts not at fair value through profit or loss	5,022	7,307
	<hr/> 5,022 <hr/>	<hr/> 7,307 <hr/>

7. Dividends

Dividends paid/payable to equity shareholders of the Company attributable to the year:

	2014		2013	
	Per share <i>HK\$</i>	Total <i>HK\$'000</i>	Per share <i>HK\$</i>	Total <i>HK\$'000</i>
Interim dividend declared and paid	0.15	60,546	0.15	60,546
Final dividend proposed after the balance sheet date	0.75	302,730	0.45	181,638
	<hr/> 0.90 <hr/>	<hr/> 363,276 <hr/>	<hr/> 0.60 <hr/>	<hr/> 242,184 <hr/>

At the Board meeting held on 19 March 2015, the Directors recommended an ordinary dividend of HK\$0.75 per share for 2014 (2013: HK\$0.45 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 21 May 2015, has not been recognised as liability in the financial statements.

8. Income tax

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	12,813	44,453
Over-provision in respect of prior years	(354)	(714)
	<u>12,459</u>	<u>43,739</u>
Current tax – The People’s Republic of China (“PRC”) Income Tax		
Provision for the year	5,346	611
Under-provision in respect of prior years	40	-
	<u>5,386</u>	<u>611</u>
PRC withholding tax	<u>3,107</u>	<u>2,911</u>
	<u>20,952</u>	<u>47,261</u>
Deferred tax		
Origination and reversal of temporary differences	<u>48,082</u>	<u>7,826</u>
	<u>69,034</u>	<u>55,087</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 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.

9. 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 HK\$415,072,000 (2013: HK\$371,319,000) and 403,639,413 shares in issue during the years ended 31 December 2014 and 2013. The calculation of basic earnings per share arising from Manhattan Hill properties and the Group’s other operations is based on profits arising from the respective operations of HK\$368,000 (2013: HK\$93,854,000) and HK\$414,704,000 (2013: HK\$277,465,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2014 and 2013.

(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.

10. Accounts receivable

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade and other receivables	507,211	431,667
Interest receivable	11,786	18,004
Less: allowance for doubtful debts	(402)	(105)
	518,595	449,566

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

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 balance sheet date:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	178,300	220,302
1 to 3 months past due	41,119	37,977
More than 3 months past due	23,203	20,946
	242,622	279,225

According to the Group's credit policy, 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.

11. Accounts payable and accruals

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	156,862	211,276
Balance of passenger rewards	9,249	10,706
Other payables and accruals	934,343	963,725
	1,100,454	1,185,707

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on due date, as of the balance sheet date:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Due within 1 month or on demand	154,226	197,075
Due after 1 month but within 3 months	941	12,697
Due after more than 3 months	1,695	1,504
	156,862	211,276

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 month or on demand as disclosed above are within three months from the invoice date.

RESULTS

The Group's profit attributable to equity shareholders for the year ended 31 December 2014 was HK\$415.1 million, an increase of 11.8% compared to HK\$371.3 million for 2013. Earnings per share increased from HK\$0.92 for 2013 to HK\$1.03 for 2014.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 28 May 2015 an ordinary final dividend of HK\$0.75 per share (2013: HK\$0.45 per share) totalling HK\$302.7 million (2013: HK\$181.6 million). Together with the ordinary interim dividend of HK\$0.15 per share (2013: HK\$0.15 per share) paid on 16 October 2014, total dividends for the year will amount to HK\$0.90 per share (2013: HK\$0.60 per share). The total dividend payout for the year will amount to HK\$363.3 million (2013: HK\$242.2 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM") to be held on 21 May 2015 or at any adjournment thereof, the ordinary final dividend will be payable on 9 June 2015.

The Transfer Books of the Company will be closed from 14 May 2015 to 21 May 2015, both dates inclusive. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 May 2015.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2014, the Transfer Books of the Company will be closed on 28 May 2015. In order to qualify for the proposed ordinary final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars at the aforementioned address for registration not later than 4:30 p.m. on 27 May 2015.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNIT

Franchised Public Bus Operations

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

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

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

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

Long Win Bus Company Limited (“LWB”)

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

LWB's fare revenue for 2014 amounted to HK\$413.5 million, an increase of HK\$19.9 million or 5.1% compared with HK\$393.6 million for 2013. The increase was mainly due to the year-on-year growth in ridership by 5.0% as a

result of increased transport demand from international travellers and from construction workers involved in the expansion programme of Hong Kong Disneyland and in the various infrastructural projects at and around the Airport. LWB recorded a total ridership of 34.8 million passenger trips (a daily average of 95,430 passenger trips) for 2014, as compared with 33.2 million passenger trips (a daily average of 90,899 passenger trips) for 2013.

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

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$34.9 million for 2014, representing an increase of HK\$4.3 million or 14.1% compared with HK\$30.6 million for 2013. Turnover increased by 4.7% from HK\$324.6 million for 2013 to HK\$339.8 million for 2014. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its subsidiaries (the "SBH Group")

The SBH Group is a leading non-franchised bus operator in Hong Kong. With Sun Bus Limited as its flagship company, the SBH Group provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.

The turnover of the SBH Group for 2014 amounted to HK\$299.1 million, an increase of HK\$12.6 million or 4.4% compared to HK\$286.5 million for 2013. The increase was mainly attributed to business growth in respect of new and existing customers seeking premium services. Total operating costs for 2014 also increased as a result of increase in salaries and other operating expenses due to general inflation.

In line with the SBH Group's commitment to quality service and environmental protection, SBH Group added 40 Euro V buses and two Euro VI buses to its fleet for business expansion, service enhancement and fleet replacement. As at 31 December 2014, the SBH Group had a fleet of 386 buses (2013: 386 buses).

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. Although the fares for the Huang Bus mid-night services and daytime services increased from HK\$8 per trip to HK\$9 per trip with effect from 13 May 2013 and 29 September 2014 respectively, NHKB’s total patronage for 2014 slightly increased from 4.7 million passenger trips (an average monthly ridership of 0.39 million passenger trips) for 2013 to 4.8 million passenger trips (an average monthly ridership of 0.4 million passenger trips). At the end of 2014, NHKB had a fleet of 15 buses, same as the number at the end of 2013. In addition, NHKB had five Euro V super-low floor single-deck buses on order for delivery in 2015.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI, a wholly-owned subsidiary of the Group, is the developer of Manhattan Hill, a luxury residential complex located in Lai Chi Kok, West Kowloon.

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

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of “Manhattan Mid-town”, the commercial complex of Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with a mix of high quality shops and restaurants. As at 31 December 2014, about 99% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

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

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. At 31 December 2014, about 36% of the total gross floor area of the building was leased out to external parties with the remaining offices held by the Group for its own use.

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

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), owns the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “Kwun Tong Site”) in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited (“SHKRE”), a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. SHKRE is currently handling matters relating to the modification of the lease and the submission of the building plan. The Group intends to hold the development for long-term investment purposes.

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

TM Properties Investment Limited (“TMPI”)

TMPI, a wholly-owned subsidiary of the Company, is the owner of an industrial property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, at 1 Kin Fung Circuit, Tuen Mun. The property has been leased out to generate additional rental income for the Group since March 2011.

As at 31 December 2014, the carrying value of the industrial property (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK\$6.1 million (2013: HK\$7.4 million).

Media Sales Business

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

For the year ended 31 December 2014, the RoadShow Group reported a total operating revenue of HK\$475.2 million (2013: HK\$488.2 million) and a profit attributable to equity shareholders of HK\$70.6 million (2013: HK\$104.8 million). The decrease in profit for 2014 was mainly attributable to reduction in revenue due to the sluggish demand in the advertising market, particularly with regard to the retail sector, and the increase in operating costs as well as recognition of an exchange loss of approximately HK\$5.1 million due to the depreciation of Renminbi against Hong Kong dollars. In 2014, the RoadShow Group recorded a gain on disposal of other financial assets of approximately HK\$36.6 million, whereas a one-off reversal of impairment loss on other financial assets of HK\$25.6 million in relation to an investee in Mainland China was made in 2013.

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

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

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

China Mainland Transport Operations

As at 31 December 2014, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$739.6 million (2013: HK\$724.0 million). Such investments are mainly related to the operation of passenger public transport services in Shenzhen (深圳), and taxi and car rental services in Beijing (北京). For the year ended 31 December 2014, the Group's China Mainland Transport Operations Division reported an after-tax profit of HK\$37.8 million (2013: HK\$34.8 million).

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

SBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK\$363.9 million at the investment date) in SBG, representing a stake of 35%. SBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating 530 taxis and 5,399 buses running on around 270 routes. In 2014, SBG recorded a total ridership of 809.4 million passenger trips, a decrease of 3.1% compared with 834.8 million passenger trips for 2013, due mainly to the increased competition from the new railway lines. SBG has continued to make steady progress by enhancing its productivity and management capability, and recorded a profit in 2014.

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) (“BBKT”)

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To better position itself as one of the leading operators in Beijing in the booming but challenging car rental market, BBKT transferred its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福

斯特股份有限公司), which has the same shareholding structure as BBKT. As at 31 December 2014, BBKT had a fleet of 3,697 taxis and 5,767 employees. BBKT made satisfactory progress and recorded a profit in 2014.

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

Established in April 2013, BBF is a Sino-foreign joint stock company which carries on the car rental business formerly operated by BBKT. With the same shareholding structure as BBKT, BBF is ideally positioned to take advantage of the growing business opportunities afforded by business commuters as well as the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2014, BBF had 1,182 vehicles available for charter mainly in Beijing and Tianjin and 150 employees. BBF recorded a profit in 2014.

FINANCIAL LIQUIDITY AND RESOURCES

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

As at 31 December 2014, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$2,158.9 million (2013: HK\$2,029.7 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.7 (2013: 2.3).

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

The finance costs incurred by the Group for the year ended 31 December 2014 was HK\$5.0 million, a decrease of HK\$2.3 million compared with HK\$7.3 million for 2013. The decrease was mainly due to the decrease in the average bank borrowings of the Group as well as the fall in the average interest rate from 1.06% per annum for 2013 to 1.00% per annum for 2014.

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

CAPITAL EXPENDITURE

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

In 2014, the Group incurred capital expenditure of HK\$1,124.5 million (2013: HK\$1,408.4 million). The decrease was mainly due to the fact that fewer new buses were purchased by the Group in 2014 compared with 2013.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for about 50.0% of the total operating expenses of the Group in 2014. The Group closely monitors and aligns its headcount and staff remuneration against productivity and market trends. The Group's total remuneration excluding retirement costs for 2014 amounted to HK\$3,420.3 million (2013: HK\$3,299.2 million), representing an increase of 3.7%. At the end of 2014, the Group employed over 13,400 staff.

OUTLOOK

While the recent decline in international fuel prices may only be temporary, the reduction in fuel consumption resulting from route reorganisation and the acquisition of more fuel efficient buses are long term measures that should help KMB mitigate the impact of pay rises and cost inflation in 2015. This, in addition to the Government's continued commitment to making KMB's network more efficient via route reorganisation, should provide financial resources for bus fleet upgrades, improved manpower arrangements and further service enhancements.

With the recent opening of the West Island Line, the imminent opening of the Kwun Tong Line Extension, and the continuing expansion of the railway network going forward, it is inevitable that KMB's operating challenges will continue. We will nevertheless work diligently to ensure that KMB's bus network remains competitive via our various initiatives.

With the continuing increase in passenger demand resulting from increasing tourism and leisure activities, the continuing population intake in Tung Chung and the construction of infrastructure projects in North Lantau, LWB's growth prospects remain bright. LWB will continue to look for opportunities to expand its network coverage and enhance its existing services. Our non-franchised transport division's prospects also look bright as the demand for contracted bus services continues to grow.

At the end of 2014, our franchised public bus operations had on order a total of 591 Euro V super-low floor air-conditioned double-deck buses amounting to over HK\$1.5 billion for delivery in 2015. As an environmentally-conscious public transport provider, we look forward to the delivery of eight supercapacitor buses for trials in the second half of 2015 and of 12 battery-powered buses by the end of 2015 or in early 2016. Two additional battery-powered buses of a different type will be commissioned in due course. We have also arranged for our manufacturers to provide us with prototypes of Euro VI diesel buses for trials in 2015.

The Kwun Tong Site at No. 98 How Ming Street, Kowloon, in which the Group has a 50% stake, is designated for development into non-residential (excluding hotel) uses. Once completed, it will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall and the shops in our headquarters building in Lai Chi Kok, as well as the industrial property at 1 Kin Fung Circuit, Tuen Mun, will continue to generate recurring rental revenue for the Group.

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.

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 2014, except that pertaining to the code provision A.6.7, a Non-executive Director of the Company, Mr. Raymond KWOK Ping Luen was unable to attend the Annual General Meeting of the Company held on 22 May 2014 due to other engagements.

AUDIT COMMITTEE

The Audit 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 reviewed the financial results for the year ended 31 December 2014.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 19 March 2015

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:

Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Mr. Gordon SIU Kwing Chue, *GBS, CBE, JP*
Professor LIU Pak Wai, *SBS, JP*

Non-executive Directors:

Mr. Raymond KWOK Ping Luen, *JP* (Mr. Godwin SO Wai Kei as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)
Mr. William LOUEY Lai Kuen
Ms. Winnie NG
Mr. Edmond HO Tat Man
Mr. John Anthony MILLER, *SBS, OBE*
Mr. Allen FUNG Yuk Lun

Executive Directors:

Mr. Roger LEE Chak Cheong (Managing Director)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. Evan AU YANG Chi Chun

**For identification purposes only*