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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)

### **2017 Final Results Announcement**

#### **FINANCIAL HIGHLIGHTS**

- The Group's profit attributable to equity shareholders for the year ended 31 December 2017 was HK\$1,294.8 million (2016: HK\$830.9 million), an increase of HK\$463.9 million or 55.8% compared with 2016. The increase was mainly due to the one-off gain of HK\$439.6 million arising from the disposal of RoadShow Holdings Limited. When excluding such one-off gain, the Group's profit attributable to equity shareholders for 2017 amounted to HK\$855.2 million, an increase of HK\$24.3 million or 2.9% compared with 2016.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited, recorded a profit after taxation of HK\$610.1 million for 2017 (2016: HK\$617.7 million), a decrease of HK\$7.6 million or 1.2% compared with 2016. The decrease was mainly due to the increase in operating costs, in particular fuel costs, but was largely offset by the increase in revenue through patronage growth.
- The Group's earnings per share for 2017 were HK\$3.11 (2016: HK\$2.04).
- An ordinary final dividend of HK\$0.90 per share for 2017 has been declared (2016: HK\$0.90 per share), resulting in total dividend for the year amounted to HK\$1.25 per share (2016: HK\$1.25 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
Fare revenue from franchised public bus services		7,280,930	7,155,078
Revenue from non-franchised transport services		363,221	346,349
License fee income		171,188	169,381
Media sales revenue		10,504	9,824
Gross rentals from investment properties		74,052	63,539
<b>Revenue</b>	3	<b>7,899,895</b>	7,744,171
Other income	4	208,178	164,288
Staff costs	5	(3,950,695)	(3,888,406)
Depreciation and amortisation		(878,262)	(866,187)
Fuel and oil		(839,395)	(690,737)
Spare parts and stores		(218,185)	(235,403)
Toll charges		(465,273)	(432,258)
Other operating expenses		(733,914)	(792,022)
<b>Profit from operations</b>		<b>1,022,349</b>	1,003,446
Finance costs	6	(21,497)	(17,788)
Share of profits of associates		7,052	30,847
<b>Profit before taxation</b>		<b>1,007,904</b>	1,016,505
Income tax	8	(148,159)	(150,065)
<b>Profit for the year from continuing operations</b>		<b>859,745</b>	866,440
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	9	428,970	(42,124)
<b>Profit for the year</b>		<b>1,288,715</b>	824,316
<b>Attributable to:</b>			
Equity shareholders of the Company		1,294,834	830,873
Non-controlling interests		(6,119)	(6,557)
<b>Profit for the year</b>		<b>1,288,715</b>	824,316
<b>Profit/(loss) attributable to equity shareholders of the Company arises from:</b>			
- Continuing operations		862,271	863,915
- Discontinued operations		432,563	(33,042)
		<b>1,294,834</b>	830,873

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(continued)**

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
<b>Earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the year</b>			
<b>Basic earnings/(loss) per share</b>	10(a)		
From continuing operations		<b>HK\$ 2.07</b>	HK\$ 2.12
From discontinued operations		<b>HK\$ 1.04</b>	HK\$ (0.08)
From profit for the year		<b>HK\$ 3.11</b>	HK\$ 2.04
<b>Diluted earnings per share</b>	10(b)		
From continuing operations		<b>HK\$ 2.07</b>	N/A
From discontinued operations		<b>HK\$ 1.04</b>	N/A
From profit for the year		<b>HK\$ 3.11</b>	N/A

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>Profit for the year</b>	<b><u>1,288,715</u></b>	<b><u>824,316</u></b>
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurements of employee benefit assets and liabilities, net of tax expense of HK\$124,219,000 (2016: HK\$24,519,000)	<b>628,624</b>	124,078
<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	<b>49,529</b>	(39,285)
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	<b>(6,705)</b>	7,666
Other comprehensive income for the year	<b><u>671,448</u></b>	<b><u>92,459</u></b>
<b>Total comprehensive income for the year</b>	<b><u>1,960,163</u></b>	<b><u>916,775</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>1,966,282</b>	923,332
Non-controlling interests	<b>(6,119)</b>	(6,557)
<b>Total comprehensive income for the year</b>	<b><u>1,960,163</u></b>	<b><u>916,775</u></b>
<b>Total comprehensive income attributable to equity shareholders of the Company arises from:</b>		
- Continuing operations	<b>1,965,695</b>	924,347
- Discontinued operations	<b>587</b>	(1,015)
	<b><u>1,966,282</u></b>	<b><u>923,332</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2017**

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		109,427	113,800
Investment property under development		2,222,174	2,186,205
Interest in leasehold land		59,354	61,366
Other property, plant and equipment		6,870,489	6,513,736
		<u>9,261,444</u>	<u>8,875,107</u>
Intangible assets		132,122	132,122
Goodwill		84,051	84,051
Non-current prepayments		-	1,523
Interest in associates		624,805	601,557
Other financial assets		1,493,302	1,207,151
Employee benefit assets		1,286,657	626,206
Deferred tax assets		656	11,028
		<u>12,883,037</u>	<u>11,538,745</u>
<b>Current assets</b>			
Spare parts and stores		55,999	56,428
Accounts receivable	11	459,633	516,750
Other financial assets		-	94,915
Deposits and prepayments		21,980	25,569
Current tax recoverable		2,556	4,131
Pledged and restricted bank deposits		27,996	131,714
Cash and cash equivalents		1,204,805	944,271
		<u>1,772,969</u>	<u>1,773,778</u>
<b>Current liabilities</b>			
Accounts payable and accruals	12	1,138,771	1,209,064
Contingency provision – insurance		187,970	183,203
Current tax payable		7,814	4,863
		<u>1,334,555</u>	<u>1,397,130</u>
<b>Net current assets</b>		<u>438,414</u>	<u>376,648</u>
<b>Total assets less current liabilities</b>		<u>13,321,451</u>	<u>11,915,393</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017**  
**(continued)**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Bank loans	2,353,265	2,724,366
Deferred tax liabilities	1,135,806	951,211
Contingency provision – insurance	285,384	253,026
Employee benefit liabilities	-	8,897
Provision for long service payments	4,065	6,363
	<b>3,778,520</b>	<b>3,943,863</b>
<b>NET ASSETS</b>	<b>9,542,931</b>	<b>7,971,530</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	422,456	411,680
Reserves	9,120,475	7,414,101
<b>Total equity attributable to equity shareholders of the Company</b>	<b>9,542,931</b>	<b>7,825,781</b>
<b>Non-controlling interests</b>	-	145,749
<b>TOTAL EQUITY</b>	<b>9,542,931</b>	<b>7,971,530</b>

Notes:

## **1. Auditor's report**

The results for the year ended 31 December 2017 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Group's auditor, KPMG, Certified Public Accountants, 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 and Risk Management Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements 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"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker 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 2017 and 2016 is set out below:

	Property holdings and				Continuing operations				Discontinued operations		Total	
	Franchised bus operation		development		All other segments (note)		sub-total					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Revenue from external customers	7,323,012	7,171,055	73,852	60,466	361,490	342,714	7,758,354	7,574,235	285,705	407,511	8,044,059	7,981,746
Revenue from discontinued operations	141,541	168,456	-	555	-	925	141,541	169,936	-	-	141,541	169,936
Inter-segment revenue	532	573	5,816	10,190	10,790	54,376	17,138	65,139	-	-	17,138	65,139
<b>Reportable segment revenue</b>	<b>7,465,085</b>	<b>7,340,084</b>	<b>79,668</b>	<b>71,211</b>	<b>372,280</b>	<b>398,015</b>	<b>7,917,033</b>	<b>7,809,310</b>	<b>285,705</b>	<b>407,511</b>	<b>8,202,738</b>	<b>8,216,821</b>
<b>Reportable segment profit/(loss)</b>	<b>652,306</b>	<b>648,892</b>	<b>54,617</b>	<b>45,588</b>	<b>48,762</b>	<b>81,983</b>	<b>755,685</b>	<b>776,463</b>	<b>428,970</b>	<b>(42,124)</b>	<b>1,184,655</b>	<b>734,339</b>
Interest income	326	117	-	-	1	-	327	117	4,742	4,918	5,069	5,035
Interest expense	(21,497)	(17,788)	-	-	-	-	(21,497)	(17,788)	-	-	(21,497)	(17,788)
Depreciation and amortisation for the year	(831,304)	(833,402)	(7,069)	(6,465)	(39,889)	(26,320)	(878,262)	(866,187)	(3,909)	(15,241)	(882,171)	(881,428)
Impairment loss on trade and other receivables	-	(1,104)	-	-	(167)	(164)	(167)	(1,268)	(1,812)	(2,422)	(1,979)	(3,690)
Impairment loss on intangible assets	-	-	-	-	-	-	-	-	-	(217)	-	(217)
Impairment loss on other property, plant and equipment	-	-	-	-	-	-	-	-	-	(22,910)	-	(22,910)
Reversal of provision / (provision) for onerous contracts	-	-	-	-	-	-	-	-	13,259	(14,455)	13,259	(14,455)
Staff costs	(3,804,897)	(3,744,065)	-	-	(136,635)	(132,939)	(3,941,532)	(3,877,004)	(52,799)	(66,010)	(3,994,331)	(3,943,014)
Share of profits of associates	-	-	-	-	7,052	30,847	7,052	30,847	-	-	7,052	30,847
Income tax expense	(129,454)	(127,879)	(11,051)	(9,242)	(7,654)	(12,944)	(148,159)	(150,065)	(4,319)	(25)	(152,478)	(150,090)
<b>Reportable segment assets</b>	<b>8,539,963</b>	<b>7,680,474</b>	<b>2,350,834</b>	<b>2,319,280</b>	<b>1,339,366</b>	<b>1,300,842</b>	<b>12,230,163</b>	<b>11,300,596</b>	<b>-</b>	<b>617,630</b>	<b>12,230,163</b>	<b>11,918,226</b>
- including interest in associates	-	-	-	-	624,805	601,557	624,805	601,557	-	-	624,805	601,557
Additions to non-current segment assets during the year	1,148,541	1,405,057	37,235	2,165,135	93,110	57,363	1,278,886	3,627,555	2,233	19,988	1,281,119	3,647,543
<b>Reportable segment liabilities</b>	<b>3,443,333</b>	<b>3,552,478</b>	<b>1,527,925</b>	<b>1,528,559</b>	<b>108,236</b>	<b>128,047</b>	<b>5,079,494</b>	<b>5,209,084</b>	<b>-</b>	<b>116,796</b>	<b>5,079,494</b>	<b>5,325,880</b>

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 and interest in associates.



### 3. Segment reporting (continued)

#### *Reconciliation of reportable segment revenue, profit, assets and liabilities*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
<i>Revenue</i>		
Reportable segment revenue		
- Continuing operations	7,544,753	7,411,295
- Discontinued operations	285,705	407,511
Revenue from all other segments		
- Continuing operations	372,280	398,015
Elimination of inter-segment revenue		
- Continuing operations	(17,138)	(65,139)
Consolidated revenue	<u>8,185,600</u>	<u>8,151,682</u>
<i>Profit</i>		
Reportable segment profit/(loss)		
- Continuing operations	706,923	694,480
- Discontinued operations	428,970	(42,124)
Profit from all other segments		
- Continuing operations	48,762	81,983
Unallocated profits		
- Continuing operations	104,060	89,977
Consolidated profit after taxation	<u>1,288,715</u>	<u>824,316</u>
<i>Assets</i>		
Reportable segment assets	10,890,797	10,617,384
Assets from all other segments	1,339,366	1,300,842
Unallocated assets	2,425,843	1,394,297
Consolidated total assets	<u>14,656,006</u>	<u>13,312,523</u>
<i>Liabilities</i>		
Reportable segment liabilities	4,971,258	5,197,833
Liabilities from all other segments	108,236	128,047
Unallocated liabilities	33,581	15,113
Consolidated total liabilities	<u>5,113,075</u>	<u>5,340,993</u>

### 3. Segment reporting (continued)

#### *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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	9,353,032	8,998,962
The PRC	714,901	693,875
	<u>10,067,933</u>	<u>9,692,837</u>

#### 4. Other income

	<i>Continuing operations</i>		<i>Discontinued operations</i>	
	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income on other financial assets not at fair value through profit or loss	<b>63,093</b>	55,277	<b>4,742</b>	4,918
Dividend income from equity securities	<b>28,580</b>	34,720	-	-
Claims received	<b>38,948</b>	35,911	-	-
Net miscellaneous business receipts	<b>10,147</b>	3,260	-	1,881
Net gain/(loss) on disposal of other property, plant and equipment	<b>5,931</b>	8,901	<b>1,987</b>	(432)
Net gain on disposal of subsidiaries	-	-	<b>439,585</b>	-
Gain on disposal of available-for-sale debt securities	<b>5,752</b>	-	-	-
Available-for-sale debt securities: reclassified from equity on maturity	<b>2</b>	(9)	-	-
Government subsidies	<b>1,004</b>	6,334	-	-
Net foreign exchange gain/(loss)	<b>10,789</b>	(4,546)	<b>5,165</b>	(9,508)
Sundry revenue	<b>43,932</b>	24,440	<b>738</b>	90
	<b>208,178</b>	164,288	<b>452,217</b>	(3,051)

## 5. Staff costs

	<i>Continuing operations</i>		<i>Discontinued operations</i>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Defined benefit retirement plan expense	<b>83,495</b>	99,484	-	-
Contributions to defined contribution retirement plans	<b>130,284</b>	121,443	<b>1,271</b>	1,701
Movements in provision for long service payments	<b>8,094</b>	4,636	-	-
<b>Total retirement cost</b>	<b>221,873</b>	225,563	<b>1,271</b>	1,701
Equity-settled share-based payment expenses	<b>4,078</b>	990	-	-
Salaries, wages and other benefits	<b>3,724,744</b>	3,661,853	<b>51,528</b>	64,309
	<b>3,950,695</b>	3,888,406	<b>52,799</b>	66,010

## 6. Finance costs

	<i>Continuing operations</i>		<i>Discontinued operations</i>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Total interest on bank loans not at fair value through profit or loss	<b>39,952</b>	22,538	-	-
Less: Interest expense capitalised into investment property under development*	<b>(18,455)</b>	(4,750)	-	-
	<b>21,497</b>	17,788	-	-

\* The borrowing costs have been capitalised at the average interest rate of 1.25% per annum (2016: 1.50% per annum).

## 7. Dividends

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

	2017		2016	
	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	<b>0.35</b>	<b>146,861</b>	0.35	143,168
Final dividend proposed after the end of the reporting period	<b>0.90</b>	<b>380,210</b>	0.90	370,512
	<b>1.25</b>	<b>527,071</b>	1.25	513,680

The interim dividend with a scrip dividend alternative in respect of the six months period ended 30 June 2017 was paid on 17 October 2017, of which HK\$70,818,000 was settled by the issuance of 2,799,123 shares at an issue price of HK\$25.30 per share under the scrip dividend scheme.

The interim dividend with a scrip dividend alternative in respect of the six months period ended 30 June 2016 was paid on 18 October 2016, of which HK\$62,387,000 was settled by the issuance of 2,628,991 shares at an issue price of HK\$23.73 per share under the scrip dividend scheme.

At the Board meeting held on 22 March 2018, the Directors recommended a final dividend of HK\$0.90 per share for 2017 (2016: HK\$0.90 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 17 May 2018, has not been recognised as a liability at the end of the reporting period.

## 7. Dividends (continued)

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

	2017		2016	
	Per share	Total	Per share	Total
	HK\$	HK\$'000	HK\$	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	<b>0.90</b>	<b>370,512</b>	0.90	363,275

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2016 was paid on 30 June 2017, of which HK\$201,620,000 was settled by the issuance of 7,922,188 shares at an issue price of HK\$25.45 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2015 was paid on 8 July 2016, of which HK\$108,458,000 was settled by the issuance of 5,412,095 shares at an issue price of HK\$20.04 per share under the scrip dividend scheme.

## 8. Income tax

	<i>Continuing operations</i>		<i>Discontinued operations</i>	
	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>				
Provision for the year	<b>86,498</b>	15,744	<b>1,116</b>	5,097
(Over)/under-provision in respect of prior years	<b>(298)</b>	382	<b>153</b>	(22)
	<b>86,200</b>	16,126	<b>1,269</b>	5,075
<b>Current tax – The People’s Republic of China (“PRC”) Income Tax</b>				
Provision for the year	-	-	<b>423</b>	621
Under-provision in respect of prior years	-	-	-	26
	-	-	<b>423</b>	647
<b>PRC withholding tax</b>	<b>1,466</b>	1,452	-	-
	<b>87,666</b>	17,578	<b>1,692</b>	5,722
<b>Deferred tax</b>				
Origination and reversal of temporary differences	<b>60,493</b>	132,487	<b>2,627</b>	(5,697)
	<b>148,159</b>	150,065	<b>4,319</b>	25

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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. Discontinued operations

On 26 October 2017, the Group entered into a Sale and Purchase Agreement with an independent third party, Bliss Chance Global Limited, to dispose of its entire 73% equity interest in RoadShow Holdings Limited and its subsidiaries at a total consideration of HK\$795,809,000. As such, a net gain on disposal of HK\$439,585,000 was recognised in profit or loss for the year ended 31 December 2017. The transaction was completed on 27 October 2017.

The results of these discontinued operations for the period from 1 January 2017 to 27 October 2017 and for the year ended 31 December 2016 are set out below:

	<b>Period from 1 January 2017 to 27 October 2017 HK\$'000</b>	Year ended 31 December 2016 HK\$'000
<b>Revenue</b>	<b>285,705</b>	407,511
Other income/(loss)	12,632	(3,051)
Staff costs	(52,799)	(66,010)
Depreciation and amortisation	(3,909)	(15,241)
Other operating expenses	(259,372)	(325,304)
<b>Loss from operations</b>	<b>(17,743)</b>	(2,095)
Impairment loss on other property, plant and equipment	-	(22,910)
Impairment loss on intangible assets	-	(217)
Impairment loss on trade and other receivables	(1,812)	(2,422)
Reversal of provision/(provision) for onerous contracts	13,259	(14,455)
<b>Loss before taxation</b>	<b>(6,296)</b>	(42,099)
Income tax	(4,319)	(25)
<b>Loss after tax from discontinued operations</b>	<b>(10,615)</b>	(42,124)
Net gain on disposal of subsidiaries	439,585	-
<b>Profit/(loss) for the period/year from discontinued operations</b>	<b>428,970</b>	(42,124)
<b>Attributable to:</b>		
Equity shareholders of the Company	432,563	(33,042)
Non-controlling interests	(3,593)	(9,082)
<b>Profit/(loss) for the period/year from discontinued operations</b>	<b>428,970</b>	(42,124)



## 10. Earnings per share

### (a) *Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$1,294,834,000 (2016: HK\$830,873,000) and the weighted average number of shares in issue during the year, calculated as follows:

#### (i) *Profit/(loss) attributable to equity shareholders of the Company*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(loss) attributable to equity shareholders of the Company arises from		
- Continuing operations	862,271	863,915
- Discontinued operations	432,563	(33,042)
	<u>1,294,834</u>	<u>830,873</u>

#### (ii) *Weighted average number of ordinary shares*

	2017	2016
Issued ordinary shares at 1 January	411,680,499	403,639,413
Effect of shares issued in respect of scrip dividend	4,598,187	3,134,082
Effect of shares issued in respect of share option	5,030	-
Weighted average number of ordinary shares at 31 December	<u>416,283,716</u>	<u>406,773,495</u>

### (b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$1,294,834,000 (2016: HK\$830,873,000) and the weighted average number of shares (diluted), calculated as follows:

#### (i) *Profit/(loss) attributable to equity shareholders of the Company*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(loss) attributable to equity shareholders of the Company arises from		
- Continuing operations	862,271	863,915
- Discontinued operations	432,563	(33,042)
	<u>1,294,834</u>	<u>830,873</u>

## 10. Earnings per share (continued)

(ii) *Weighted average number of ordinary shares (diluted)*

	2017	2016
Weighted average number of ordinary shares at 31 December	416,283,716	406,773,495
Effect of deemed issue of shares under the Company's share option scheme	79,045	-
Weighted average number of ordinary shares (diluted) at 31 December	<u>416,362,761</u>	<u>406,773,495</u>

## 11. Accounts receivable

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade and other receivables	437,620	498,566
Interest receivable	23,716	26,054
Less: Allowance for doubtful debts	(1,703)	(7,870)
	<u>459,633</u>	<u>516,750</u>

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 end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current	95,695	144,600
1 to 3 months past due	6,615	17,618
More than 3 months past due	4,971	21,375
	<u>107,281</u>	<u>183,593</u>

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.

## 12. Accounts payable and accruals

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	143,759	146,283
Balance of passenger rewards	6,843	109,134
Other payables and accruals	988,169	953,647
	<u>1,138,771</u>	<u>1,209,064</u>

All of the accounts payable and accruals 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within 1 month or on demand	135,543	140,380
Due after 1 month but within 3 months	5,721	1,893
Due after more than 3 months	2,495	4,010
	<u>143,759</u>	<u>146,283</u>

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.

## **RESULTS**

The Group's profit attributable to equity shareholders for the year ended 31 December 2017 was HK\$1,294.8 million, an increase of HK\$463.9 million or 55.8% compared to HK\$830.9 million for 2016. Earnings per share increased correspondingly from HK\$2.04 for 2016 to HK\$3.11 for 2017. The increase in profit was mainly attributable to the one-off gain of HK\$439.6 million arising from the disposal of the entire 73% equity interest in RoadShow Holdings Limited during the year. When excluding such one-off gain, the Group's profit attributable to equity shareholders for 2017 amounted to HK\$855.2 million, an increase of HK\$24.3 million or 2.9% as compared with that for 2016.

## **PROPOSED DIVIDEND**

The Board has proposed the payment to shareholders registered as at 24 May 2018 an ordinary final dividend of HK\$0.90 per share (2016: HK\$0.90 per share) totalling HK\$380.2 million (2016: HK\$370.5 million). Together with the ordinary interim dividend of HK\$0.35 per share (2016: HK\$0.35 per share) paid on 17 October 2017, total dividends for the year will amount to HK\$1.25 per share (2016: HK\$1.25 per share) and the total dividend payout will amount to HK\$527.1 million (2016: HK\$513.7 million).

The ordinary final dividend will be payable in cash, with an option for the shareholders of the Company to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid ordinary final dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders on or about 1 June 2018.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of ordinary final dividend at the forthcoming Annual General Meeting ("AGM") to be held on 17 May 2018 or at any adjournment thereof and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. The ordinary final dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 29 June 2018.

The Transfer Books of the Company will be closed from 14 May 2018 to 17 May 2018, 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 11 May 2018.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2017, the Transfer Books of the Company will be closed on 24 May 2018. 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 23 May 2018.

## **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\$610.1 million for 2017, representing a decrease of HK\$7.6 million or 1.2% compared with HK\$617.7 million for 2016.

KMB's fare revenue for 2017 was HK\$6,760.1 million, an increase of HK\$71.8 million or 1.1% compared with HK\$6,688.3 million for 2016. The increase was mainly attributable to patronage growth resulting from the enhancement of service levels of existing routes as well as the introduction of new services. During the year, KMB's total ridership increased by 1.6% to 1,005.5 million passenger trips (a daily average of 2.75 million passenger trips) as compared with 990.1 million passenger trips (a daily average of 2.71 million passenger trips) for 2016.

Total operating expenses for 2017 amounted to HK\$6,302.3 million, an increase of HK\$79.5 million or 1.3% compared with HK\$6,222.8 million for 2016. The increase was mainly attributable to the increase in fuel costs of HK\$126.8 million as a result of the rise in international fuel prices. In addition, staff costs and toll

charges have also increased as a result of annual pay rise and the increase in toll rates.

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

The profit after taxation of LWB for 2017 was HK\$42.2 million, representing an increase of HK\$11.0 million or 35.3% compared with HK\$31.2 million for 2016.

LWB’s fare revenue for 2017 was HK\$520.9 million, an increase of HK\$54.2 million or 11.6% compared with HK\$466.7 million for 2016. The increase was mainly due to the continuing growth in the number of A-route passengers as a result of the enhancement in A-route services implemented in 2016. LWB recorded a total ridership of 39.1 million passenger trips (a daily average of 107,100 passenger trips) for 2017, as compared with 37.3 million passenger trips (a daily average of 101,900 passenger trips) for 2016.

Total operating expenses for 2017 amounted to HK\$475.0 million, an increase of HK\$39.8 million or 9.1% compared with HK\$435.2 million for 2016. The increase in operating expenses was mainly due to the full year impact of A-route service enhancements implemented in 2016 as well as the increase in fuel costs resulting from the rise in international fuel prices.

**Non-franchised Transport Operations**

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$45.5 million for 2017, representing a decrease of HK\$9.9 million or 17.9% compared with HK\$55.4 million for 2016. 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 increased by HK\$14.4 million or 4.8% from HK\$299.1 million in 2016 to HK\$313.5 million in 2017. The increase was mainly attributable to business growth from local and cross-boundary services. Total operating costs for 2017 also increased as a result of increase in fuel costs, staff costs and other operating expenses due to general inflation.

In 2017, SBH Group purchased 60 (2016: 48) Euro V/VI buses for fleet replacement purposes. As at 31 December 2017, the SBH Group had a fleet of 386 buses (2016: 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 increased by HK\$3.3 million or 7.4% from HK\$44.6 million in 2016 to HK\$47.9 million in 2017. The increase was mainly attributable to the increase in NHKB’s patronage by 8.7% from 4.47 million passenger trips (an average monthly ridership of 372,000 passenger trips) in 2016 to 4.86 million passenger trips (an average monthly ridership of 405,000 passenger trips) in 2017. As at 31 December 2017, NHKB had a fleet of 15 buses (2016: 15 buses).

**Property Holdings and Development**

The Group’s Property Holdings and Development Division reported a profit after taxation of HK\$54.6 million for 2017, representing an increase of HK\$9.0 million or 19.7% compared with HK\$45.6 million for 2016. Rental income increased by 21.1% from HK\$61.0 million in 2016 to HK\$73.9 million in 2017. 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 2017, 100% of the lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.

As at 31 December 2017, 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\$80.5 million (2016: HK\$82.9 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. Approximately 15% of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to shops and restaurants.

As at 31 December 2017, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK\$29.6 million (2016: HK\$31.3 million).

*TM Properties Investment Limited (“TMPI”)*

TMPI, a wholly-owned subsidiary of the Group, 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 2017, 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\$2.2 million (2016: HK\$3.5 million).

*KT Real Estate Limited (“KTRE”)*

KTRE, a wholly-owned subsidiary of the Group, 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, 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 2017, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$2,222.2 million (2016: HK\$2,186.2 million).

### **China Mainland Transport Operations**

The Group's China Mainland Transport Operations Division reported a profit after taxation of HK\$7.1 million for 2017, representing a decrease of HK\$23.7 million or 76.9% compared with HK\$30.8 million for 2016.

As at 31 December 2017, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$624.8 million (2016: HK\$601.6 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).

#### *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 6,205 buses running on around 267 routes and 4,485 taxis. Due mainly to the keen competition from the Shenzhen underground railway system, SZBG total ridership fell by 13.1% from 682.9 million passenger trips in 2016 to 593.1 million passenger trips 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 2017, BBKT had a fleet of 3,664 taxis and 5,176 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 2017, BBF had 1,135 vehicles available for charter mainly in Beijing and Tianjin and 57 employees.

## **FINANCIAL LIQUIDITY AND 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 and bank loans. 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.

As at 31 December 2017, the Group’s net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,120.5 million (2016: HK\$1,648.4 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.3 (2016: 1.3).

As at 31 December 2017, the Group had undrawn committed banking facilities totalling HK\$2,800.0 million (2016: HK\$1,480.0 million).

The finance costs incurred by the Group for the year ended 31 December 2017 were HK\$21.5 million, an increase of HK\$3.7 million compared with HK\$17.8 million for 2016. The increase was mainly due to the increase in average bank borrowings of the Group as well as the rise in the average interest rate from 1.61% per annum for 2016 to 2.05% per annum for 2017.

For the year ended 31 December 2017, the Group's interest income exceeded the total finance costs by HK\$46.3 million (2016: HK\$42.4 million).

## **CAPITAL EXPENDITURE**

As at 31 December 2017, 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\$9,261.4 million (2016: HK\$8,875.1 million). The increase was mainly due to more new buses being purchased by KMB and LWB for fleet replacement as well as service enhancements made during the year. None of the assets was pledged or charged as at 31 December 2017.

## **EMPLOYEES AND REMUNERATION POLICIES**

Running a transport operation is a labour intensive business, and staff costs accounted for about 56% (2016: 56%) of the total operating expenses of the Group in 2017. 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 and equity-settled share-based payment expenses for 2017 amounted to HK\$3,776.3 million (2016: HK\$3,726.2 million), representing an increase of 1.3%. At the end of 2017, the Group employed over 13,000 staff (2016: over 13,300 staff).

## **OUTLOOK**

The uncertainties of the local and global economy mean that the Group faces both challenges and opportunities. After an easing in price levels in 2016, fuel prices rose again in 2017, with concomitant constraints on the Group's operations. Traffic congestion in Hong Kong continues to get worse, potentially undermining the stability of road-based public transport services. On the other hand, the planned development of new towns in the northern New Territories, including Hung Shui Kiu, and land reclamation off Tung Chung East are set to provide economic growth impetus for Hong Kong and business opportunities for the Group. A number of large-scale infrastructure projects also provide potential for growth, such as the Hong Kong-Zhuhai-Macao Bridge, linking Hong Kong with Macao and China Mainland. Increased commerce and trade is likely to bring opportunities for the Group, with potential benefits to shareholders.

## **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 2017, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2017 as provided for in code provision A.6.7 due to another engagement.

## **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, risk management and financial reporting matters, and also reviewed the financial results for the year ended 31 December 2017.

By Order of the Board  
**Norman LEUNG Nai Pang**  
*Chairman*

Hong Kong, 22 March 2018

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*  
Professor LIU Pak Wai, *SBS, JP*  
Mr. TSANG Wai Hung, *GBS, PDSM, JP*

**Non-executive Directors:**

Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)  
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)  
Mr. Charles LUI Chung Yuen, *M.H.*  
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)  
Ms. Winnie NG, *JP*  
Mr. Edmond HO Tat Man  
Mr. Allen FUNG Yuk Lun  
Mr. CHEUNG Wing Yui  
Mr. LEE Luen Fai

**Executive Director:**

Mr. Roger LEE Chak Cheong (Managing Director)

*\* For identification purposes only*