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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)

2018 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2018 was HK\$720.1 million (2017: HK\$1,294.8 million), a decrease of HK\$574.7 million or 44.4% compared with 2017. The Group's profit for 2017 included a 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 the year decreased by HK\$135.1 million or 15.8% compared with 2017.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a profit after taxation of HK\$434.3 million for 2018 (2017: HK\$610.1 million), a decrease of HK\$175.8 million or 28.8% compared with 2017. The decrease in profit was mainly due to the increase in staff costs and fuel costs, but was partly offset by the increase in revenue through patronage growth.
- The Group's earnings per share for 2018 were HK\$1.68 (2017: HK\$3.11).
- An ordinary final dividend of HK\$0.90 per share for 2018 has been declared (2017: HK\$0.90 per share), resulting in total dividend for the year amounted to HK\$1.20 per share (2017: HK\$1.25 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Note)
Continuing operations			
Fare revenue from franchised public bus services		7,385,055	7,280,930
Revenue from non-franchised transport services		343,897	351,009
Licence fee income		180,986	171,188
Media sales revenue		29,507	10,504
Gross rentals from investment properties		<u>69,830</u>	<u>74,052</u>
Revenue	3	8,009,275	7,887,683
Other income	4	217,555	208,178
Staff costs	5	(4,179,168)	(3,950,695)
Depreciation and amortisation		(912,920)	(878,262)
Fuel and oil		(988,965)	(834,554)
Spare parts and stores		(223,836)	(218,185)
Toll charges		(460,364)	(457,902)
Other operating expenses		<u>(624,404)</u>	<u>(733,914)</u>
Profit from operations		837,173	1,022,349
Finance costs	6	(23,677)	(21,497)
Share of profits of associates		<u>23,769</u>	<u>7,052</u>
Profit before taxation		837,265	1,007,904
Income tax	8	(117,193)	(148,159)
Profit for the year from continuing operations		<u>720,072</u>	<u>859,745</u>
Discontinued operations			
Profit for the year from discontinued operations	9	-	<u>428,970</u>
Profit for the year		<u>720,072</u>	<u>1,288,715</u>
Attributable to:			
Equity shareholders of the Company		720,072	1,294,834
Non-controlling interests		-	(6,119)
Profit for the year		<u>720,072</u>	<u>1,288,715</u>
Profit attributable to equity shareholders of the Company arises from:			
- Continuing operations		720,072	862,271
- Discontinued operations		-	432,563
		<u>720,072</u>	<u>1,294,834</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018
(continued)

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Note)
Earnings per share from continuing and discontinued operations attributable to equity shareholders of the Company for the year			
Basic earnings per share	10(a)		
From continuing operations		HK\$ 1.68	HK\$ 2.07
From discontinued operations		-	HK\$ 1.04
From profit for the year		<u>HK\$ 1.68</u>	<u>HK\$ 3.11</u>
Diluted earnings per share	10(b)		
From continuing operations		HK\$ 1.68	HK\$ 2.07
From discontinued operations		-	HK\$ 1.04
From profit for the year		<u>HK\$ 1.68</u>	<u>HK\$ 3.11</u>

Note: The Group applied HKFRS 9 with effect from 1 January 2018. Under the transition method chosen, comparative information is not restated.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i> (Note)
Profit for the year	<u>720,072</u>	<u>1,288,715</u>
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
- Remeasurements of net defined benefit liability/asset, net of tax credit of HK\$52,190,000 (2017: tax expense of HK\$124,219,000)	(264,115)	628,624
- Equity investment at fair value through other comprehensive income: net movement in fair value reserve (non-recycling), net of nil tax	20,508	-
<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	(31,189)	49,529
- Cash flow hedge: net movement in hedging reserve, net of tax credit of HK\$222,000 (2017: Nil)	(1,124)	-
- Investments in/available-for-sale debt securities: net movement in fair value reserve (recycling), net of nil tax	<u>(39,453)</u>	<u>(6,705)</u>
Other comprehensive income for the year	<u>(315,373)</u>	<u>671,448</u>
Total comprehensive income for the year	<u>404,699</u>	<u>1,960,163</u>
Attributable to:		
Equity shareholders of the Company	404,699	1,966,282
Non-controlling interests	-	(6,119)
Total comprehensive income for the year	<u>404,699</u>	<u>1,960,163</u>
Total comprehensive income attributable to equity shareholders of the Company arises from:		
- Continuing operations	404,699	1,533,291
- Discontinued operations	-	432,991
	<u>404,699</u>	<u>1,966,282</u>

Note: The Group applied HKFRS 9 with effect from 1 January 2018. Under the transition method chosen, comparative information is not restated.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018**

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Note)
Non-current assets			
Investment properties		108,705	109,427
Investment property under development		2,301,060	2,222,174
Interest in leasehold land		57,342	59,354
Other property, plant and equipment		7,373,397	6,870,489
		9,840,504	9,261,444
Intangible assets		360,619	132,122
Goodwill		84,051	84,051
Interest in associates		610,948	624,805
Other financial assets		1,708,863	1,493,302
Employee benefit assets		913,234	1,286,657
Deferred tax assets		656	656
		13,518,875	12,883,037
Current assets			
Spare parts and stores		82,493	55,999
Accounts receivable	11	371,123	459,633
Other financial assets		231,223	-
Deposits and prepayments		14,927	21,980
Current tax recoverable		10,270	2,556
Pledged and restricted bank deposits		6,803	27,996
Bank deposits and cash		1,174,249	1,204,805
		1,891,088	1,772,969
Current liabilities			
Accounts payable and accruals	12	1,033,758	1,138,771
Contingency provision – insurance	13	145,040	187,970
Current tax payable		1,018	7,814
		1,179,816	1,334,555
Net current assets		711,272	438,414
Total assets less current liabilities		14,230,147	13,321,451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018
(continued)

	<i>Note</i>	2018 <i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i> (Note)
Non-current liabilities			
Bank loans		2,625,039	2,353,265
Deferred tax liabilities		1,161,577	1,135,806
Contingency provision – insurance	13	241,357	285,384
Employee benefit liabilities		2,591	-
Provision for long service payments		4,019	4,065
		<u>4,034,583</u>	<u>3,778,520</u>
NET ASSETS		<u>10,195,564</u>	<u>9,542,931</u>
CAPITAL AND RESERVES			
Share capital		434,597	422,456
Reserves		9,760,967	9,120,475
TOTAL EQUITY		<u>10,195,564</u>	<u>9,542,931</u>

Note: The Group applied HKFRS 9 with effect from 1 January 2018. Under the transition method chosen, comparative information is not restated.

Notes:

1. Auditor's report

The results for the year ended 31 December 2018 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 2018 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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments*, is relevant to the Group's financial statements.

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

The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets. Under the transition method chosen, the Group recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018 with no restatement of comparative information.

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 2018 and 2017 is set out below:

	Franchised bus operation		Property holdings and development		All other segments (note)		Continuing operations sub-total		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	7,593,067	7,323,012	69,830	73,852	346,378	349,278	8,009,275	7,746,142	-	285,705	8,009,275	8,031,847
Revenue from discontinued operations	-	141,541	-	-	-	-	-	141,541	-	-	-	141,541
Inter-segment revenue	491	532	5,298	5,816	11,569	10,790	17,358	17,138	-	-	17,358	17,138
Reportable segment revenue	7,593,558	7,465,085	75,128	79,668	357,947	360,068	8,026,633	7,904,821	-	285,705	8,026,633	8,190,526
Reportable segment profit	471,151	652,306	53,904	54,617	68,858	48,762	593,913	755,685	-	428,970	593,913	1,184,655
Interest income	416	326	-	-	-	1	416	327	-	4,742	416	5,069
Interest expense	(23,677)	(21,497)	-	-	-	-	(23,677)	(21,497)	-	-	(23,677)	(21,497)
Depreciation and amortisation for the year	(868,332)	(831,304)	(6,238)	(7,069)	(38,350)	(39,889)	(912,920)	(878,262)	-	(3,909)	(912,920)	(882,171)
Impairment loss on trade and other receivables	-	-	-	-	-	(167)	-	(167)	-	(1,812)	-	(1,979)
Reversal of provision for onerous contracts	-	-	-	-	-	-	-	-	-	13,259	-	13,259
Staff costs	(4,034,164)	(3,804,897)	-	-	(135,311)	(136,635)	(4,169,475)	(3,941,532)	-	(52,799)	(4,169,475)	(3,994,331)
Share of profits of associates	-	-	-	-	23,769	7,052	23,769	7,052	-	-	23,769	7,052
Income tax expense	(93,728)	(129,454)	(10,650)	(11,051)	(12,815)	(7,654)	(117,193)	(148,159)	-	(4,319)	(117,193)	(152,478)
Reportable segment assets	8,587,994	8,539,963	2,421,744	2,350,834	1,806,705	1,339,366	12,816,443	12,230,163	-	-	12,816,443	12,230,163
- including interest in associates	-	-	-	-	610,948	624,805	610,948	624,805	-	-	610,948	624,805
Additions to non-current segment assets during the year	1,319,159	1,148,541	83,889	37,235	91,833	93,110	1,494,881	1,278,886	-	2,233	1,494,881	1,281,119
Reportable segment liabilities	3,541,108	3,443,333	1,538,586	1,527,925	103,554	108,236	5,183,248	5,079,494	-	-	5,183,248	5,079,494

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

3. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit, assets and liabilities

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue		
- Continuing operations	7,668,686	7,544,753
- Discontinued operations	-	285,705
Revenue from all other segments		
- Continuing operations	357,947	360,068
Elimination of inter-segment revenue		
- Continuing operations	(17,358)	(17,138)
Consolidated revenue	8,009,275	8,173,388
<i>Profit</i>		
Reportable segment profit		
- Continuing operations	525,055	706,923
- Discontinued operations	-	428,970
Profit from all other segments		
- Continuing operations	68,858	48,762
Unallocated profits		
- Continuing operations	126,159	104,060
Consolidated profit after taxation	720,072	1,288,715
<i>Assets</i>		
Reportable segment assets	11,009,738	10,890,797
Assets from all other segments	1,806,705	1,339,366
Unallocated assets	2,593,520	2,425,843
Consolidated total assets	15,409,963	14,656,006
<i>Liabilities</i>		
Reportable segment liabilities	5,079,694	4,971,258
Liabilities from all other segments	103,554	108,236
Unallocated liabilities	31,151	33,581
Consolidated total liabilities	5,214,399	5,113,075

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	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	10,112,030	9,387,521
The PRC	784,092	714,901
	<u>10,896,122</u>	<u>10,102,422</u>

4. Other income

	2018	2017	
	<i>HK\$'000</i>	<i>Continuing operations HK\$'000</i>	<i>Discontinued operations HK\$'000</i>
Interest income on financial assets measured at FVOCI (recycling)	57,189	58,108	-
Interest income on financial assets measured at amortised cost	24,352	4,985	4,742
Dividend income from unlisted equity securities	33,480	28,580	-
Claims received	34,495	38,948	-
Net miscellaneous business receipts	12,476	10,147	-
Net gain on disposal of other property, plant and equipment	11,139	5,931	1,987
Net gain on disposal of subsidiaries	-	-	439,585
Gain on disposal of available-for-sale debt securities	-	5,752	-
Available-for-sale debt securities: reclassified from equity on maturity	-	2	-
Government subsidies	-	1,004	-
Net foreign exchange gain	3,537	10,789	5,165
Sundry income	40,887	43,932	738
	217,555	208,178	452,217

5. Staff costs

	2018		2017
	<i>HK\$'000</i>	<i>Continuing operations HK\$'000</i>	<i>Discontinued operations HK\$'000</i>
Defined benefit retirement plan expense	59,709	83,495	-
Contributions to defined contribution retirement plans	148,001	130,284	1,271
Movements in provision for long service payments	7,953	8,094	-
Total retirement cost	<u>215,663</u>	<u>221,873</u>	<u>1,271</u>
Equity-settled share-based payment expenses	853	4,078	-
Salaries, wages and other benefits	<u>3,962,652</u>	<u>3,724,744</u>	<u>51,528</u>
	<u>4,179,168</u>	<u>3,950,695</u>	<u>52,799</u>

6. Finance costs

	2018		2017
	<i>HK\$'000</i>	<i>Continuing operations HK\$'000</i>	<i>Discontinued operations HK\$'000</i>
Total interest expense on bank loans not at fair value through profit or loss	50,571	39,952	-
Less: interest expense capitalised into investment property under development*	<u>(26,894)</u>	<u>(18,455)</u>	<u>-</u>
	<u>23,677</u>	<u>21,497</u>	<u>-</u>

* The borrowing costs have been capitalised at the average interest rate of 1.69% per annum (2017: 1.25% per annum).

7. Dividends

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

	2018		2017	
	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	0.30	129,488	0.35	146,861
Final dividend proposed after the end of the reporting period	0.90	391,138	0.90	380,210
	1.20	520,626	1.25	527,071

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2018 was paid on 16 October 2018, of which HK\$62,782,000 was settled by the issuance of 2,969,828 shares at an issue price of HK\$21.14 per share under the scrip dividend scheme.

The interim dividend with a scrip dividend alternative in respect of the six months 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.

At the Board meeting held on 21 March 2019, the Directors recommended a final dividend of HK\$0.90 per share for 2018 (2017: HK\$0.90 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 16 May 2019, 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*

	2018		2017	
	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	0.90	380,210	0.90	370,512

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2017 was paid on 29 June 2018, of which HK\$210,490,000 was settled by the issuance of 9,171,689 shares at an issue price of HK\$22.95 per share under the scrip dividend scheme.

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.

8. Income tax

	2018		2017
	<i>HK\$'000</i>	<i>Continuing operations HK\$'000</i>	<i>Discontinued operations HK\$'000</i>
Current tax – Hong Kong Profits Tax			
Provision for the year	38,374	86,498	1,116
(Over)/under-provision in respect of prior years	(926)	(298)	153
	<u>37,448</u>	<u>86,200</u>	<u>1,269</u>
Current tax – The People’s Republic of China (“PRC”) Income Tax			
Provision for the year	-	-	423
PRC withholding tax	<u>1,562</u>	<u>1,466</u>	<u>-</u>
	<u>39,010</u>	<u>87,666</u>	<u>1,692</u>
Deferred tax			
Origination and reversal of temporary differences	78,183	60,493	2,627
	<u>117,193</u>	<u>148,159</u>	<u>4,319</u>

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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 to dispose of its entire 73% equity interest in RoadShow Holdings Limited and its subsidiaries at a total consideration of \$795,809,000. As the disposed businesses are considered as separate major lines of businesses, the corresponding operations have been classified as discontinued operations as a result of the completion of such disposal on 27 October 2017.

The result of these discontinued operations for the period from 1 January 2017 to 27 October 2017 is set out below:

	Period from 1 January 2017 to 27 October 2017 <i>HK\$'000</i>
Revenue	285,705
Other income	12,632
Staff costs	(52,799)
Depreciation and amortisation	(3,909)
Other operating expenses	(259,372)
Loss from operations	(17,743)
Impairment loss on trade and other receivables	(1,812)
Reversal of provision for onerous contracts	13,259
Loss before taxation	(6,296)
Income tax	(4,319)
Loss after tax from discontinued operations	(10,615)
Net gain on disposal of subsidiaries	439,585
Profit for the period from discontinued operations	428,970
Attributable to:	
Equity shareholders of the Company	432,563
Non-controlling interests	(3,593)
Profit for the period from discontinued operations	428,970

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$720,072,000 (2017: HK\$1,294,834,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company	2018 HK\$'000	2017 HK\$'000
Profit attributable to ordinary equity shareholders of the Company arises from		
- Continuing operations	720,072	862,271
- Discontinued operations	-	432,563
	<u>720,072</u>	<u>1,294,834</u>

(ii) Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	422,455,810	411,680,499
Effect of shares issued in respect of scrip dividend	5,300,304	4,598,187
Effect of shares issued in respect of share option	-	5,030
Weighted average number of ordinary shares at 31 December	<u>427,756,114</u>	<u>416,283,716</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$720,072,000 (2017: HK\$1,294,834,000) and the weighted average number of ordinary shares (diluted), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company	2018 HK\$'000	2017 HK\$'000
Profit attributable to ordinary equity shareholders of the Company arises from		
- Continuing operations	720,072	862,271
- Discontinued operations	-	432,563
	<u>720,072</u>	<u>1,294,834</u>

10. Earnings per share (continued)

(b) Diluted earnings per share (continued)

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

	2018	2017
Weighted average number of ordinary shares at 31 December	427,756,114	416,283,716
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>427,756,114</u>	<u>416,362,761</u>

The diluted earnings per share for the year ended 31 December 2018 is the same as basic earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

11. Accounts receivable

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade and other receivables	338,895	437,620
Interest receivable	32,588	23,716
Less: loss allowance	(360)	(1,703)
	<u>371,123</u>	<u>459,633</u>

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current	49,661	48,342
Less than 1 month past due	45,964	47,353
1 to 3 months past due	7,963	6,615
More than 3 months past due	6,610	4,971
	<u>110,198</u>	<u>107,281</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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	159,914	143,759
Balance of passenger reward	6,052	6,843
Other payables and accruals	867,792	988,169
	<u>1,033,758</u>	<u>1,138,771</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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Due within 1 month or on demand	154,114	135,543
Due after 1 month but within 3 months	3,138	5,721
Due after more than 3 months	2,662	2,495
	<u>159,914</u>	<u>143,759</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.

13. Contingency provision – insurance

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 January	473,354	436,229
Provision charged to profit and loss	11,122	82,414
Payments made during the year	(98,079)	(45,289)
At 31 December	<u>386,397</u>	<u>473,354</u>
Representing:		
Current portion	145,040	187,970
Non-current portion	241,357	285,384
	<u>386,397</u>	<u>473,354</u>

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the end of the reporting period in connection with the Group's bus operations. During the year, more claims were settled or closed, leading to the decrease in the amount of provision.

RESULTS

The Group's profit attributable to equity shareholders for the year ended 31 December 2018 was HK\$720.1 million, a decrease of HK\$574.7 million or 44.4% compared to HK\$1,294.8 million for 2017. Earnings per share decreased correspondingly from HK\$3.11 for 2017 to HK\$1.68 for 2018. The Group's profit for 2017 included a one-off gain of HK\$439.6 million arising from the disposal of the entire 73% equity interest in RoadShow Holdings Limited. When excluding such one-off gain, the Group's profit attributable to equity shareholders for the year decreased by HK\$135.1 million or 15.8% compared with 2017.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 22 May 2019 an ordinary final dividend of HK\$0.90 per share (2017: HK\$0.90 per share) totalling HK\$391.1 million (2017: HK\$380.2 million). Together with the ordinary interim dividend of HK\$0.30 per share (2017: HK\$0.35 per share) paid on 16 October 2018, total dividends for the year will amount to HK\$1.20 per share (2017: HK\$1.25 per share) and the total dividend payout will amount to HK\$520.6 million (2017: HK\$527.1 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 30 May 2019.

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 16 May 2019 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 27 June 2019.

The Transfer Books of the Company will be closed from 10 May 2019 to 16 May 2019, 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 9 May 2019.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2018, the Transfer Books of the Company will be closed on 22 May 2019. 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 21 May 2019.

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\$434.3 million for 2018, representing a decrease of HK\$175.8 million or 28.8% compared with HK\$610.1 million for 2017.

KMB's fare revenue for 2018 was HK\$6,825.3 million, an increase of HK\$65.2 million or 1.0% compared with HK\$6,760.1 million for 2017. The increase was mainly attributable to patronage growth resulting from the enhancement of service on existing routes as well as the introduction of new services. During the year, KMB's total ridership increased by 1.7% to 1,022.3 million passenger trips (a daily average of 2.80 million passenger trips) as compared with 1,005.5 million passenger trips (a daily average of 2.75 million passenger trips) for 2017.

Total operating expenses for 2018 amounted to HK\$6,595.1 million, an increase of HK\$292.8 million or 4.6% compared with HK\$6,302.3 million for 2017. The increase was mainly attributable to the increase in staff costs of HK\$199.0 million

as various salary adjustment measures were implemented during the year to attract new recruits, and the increase in fuel and oil costs of HK\$135.7 million as a result of the rise in international fuel prices.

Long Win Bus Company Limited (“LWB”)

The profit after taxation of LWB for 2018 was HK\$36.8 million, representing a decrease of HK\$5.4 million or 12.8% compared with HK\$42.2 million for 2017.

LWB’s fare revenue for 2018 was HK\$559.8 million, an increase of HK\$38.9 million or 7.5% compared with HK\$520.9 million for 2017. The increase was mainly due to the continuous growth of A-route passengers as a result of the increase in transport demand within the A-route network as well as the additional inflow of visitors following the opening of the Hong Kong-Zhuhai-Macao Bridge in late October 2018. LWB recorded a total ridership of 41.5 million passenger trips (a daily average of 113,700 passenger trips) for 2018, as compared with 39.1 million passenger trips (a daily average of 107,100 passenger trips) for 2017.

Total operating expenses for 2018 amounted to HK\$520.4 million, an increase of HK\$45.4 million or 9.6% compared with HK\$475.0 million for 2017. The increase in operating expenses was mainly due to the increase in staff costs as various salary adjustment measures were implemented during the year, and the increase in fuel costs as a result of the rise in international fuel prices along with the increase in service level.

Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$48.3 million for 2018, representing an increase of HK\$2.8 million or 6.2% compared with HK\$45.5 million for 2017. 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 for 2018 decreased by 3.2% compared with 2017 due mainly to the decline in local business as certain contracts with low margin were not renewed during the year so as to spare resources to focus on customers with high margin. Meanwhile, the cross-boundary services had business growth during the year. Total operating expenses for 2018 decreased by 5.1% compared with 2017 mainly due to the decline in local business.

In 2018, SBH Group purchased 84 (2017: 60) Euro V/VI buses for fleet replacement purposes. As at 31 December 2018, the SBH Group had a fleet of 390 buses (2017: 386 buses).

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. The revenue of NHKB slightly increased by HK\$0.1 million or 0.2% from HK\$47.9 million in 2017 to HK\$48.0 million in 2018. As at 31 December 2018, NHKB had a fleet of 15 buses (2017: 15 buses).

Property Holdings and Development

The Group’s Property Holdings and Development Division reported a profit after taxation of HK\$53.9 million for 2018, representing a decrease of HK\$0.7 million or 1.3% compared with HK\$54.6 million for 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 2018, 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 2018, 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\$78.3 million (2017: HK\$80.5 million).

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. Approximately 12% of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to offices, shops and restaurants.

As at 31 December 2018, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK\$31.0 million (2017: HK\$29.6 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 2018, 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\$2.0 million (2017: HK\$2.2 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 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 (the “Development”). 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. 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.

On 20 December 2018, KTRE and TRL engaged Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP, to carry out and perform construction works for the Development at a contract sum of approximately HK\$4,436.0 million (i.e. approximately HK\$2,218.0 million by each of KTRE and TRL) (the “Building Contract”), subject to adjustments in accordance with the Building Contract. The Building Contract was approved by independent shareholders of the Group on 1 February 2019.

As at 31 December 2018, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$2,301.1 million (2017: HK\$2,222.2 million).

China Mainland Transport Operations

The Group’s China Mainland Transport Operations Division reported a profit after taxation of HK\$23.8 million for 2018, representing an increase of HK\$16.7 million or 235.2% compared with HK\$7.1 million for 2017.

As at 31 December 2018, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$610.9 million (2017: HK\$624.8 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 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.

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 by 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 2018, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,444.0 million (2017: HK\$1,120.5 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.6 (2017: 1.3).

As at 31 December 2018, the Group had undrawn committed banking facilities totalling HK\$2,455.0 million (2017: HK\$2,800.0 million).

The finance costs incurred by the Group for the year ended 31 December 2018 were HK\$23.7 million, an increase of HK\$2.2 million compared with HK\$21.5 million for 2017. 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 2.05% per annum for 2017 to 2.19% per annum for 2018.

For the year ended 31 December 2018, the Group's interest income exceeded the total finance costs by HK\$57.9 million (2017: HK\$46.3 million).

CAPITAL EXPENDITURE

As at 31 December 2018, 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\$9,840.5 million (2017: HK\$9,261.4 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 2018.

EMPLOYEES AND REMUNERATION POLICIES

Running a transport operation is a labour intensive business, and staff costs accounted for about 57% (2017: 56%) of the total operating expenses of the Group in 2018. 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 2018 amounted to HK\$3,962.7 million (2017: HK\$3,776.3 million), representing an increase of 4.9%. As at 31 December 2018, the Group employed over 12,500 staff (2017: over 13,000 staff).

OUTLOOK

The China-US trade conflicts bring uncertainty to the global economy, while expenditure on fuel and human resources increase our operating costs. In mid-2019, when KMB and LWB fully implement the "Guidelines on Bus Captain Working Hours, Rest Times and Meal Breaks" issued by the Transport Department, it is anticipated that manpower will be even tighter and additional bus captains will be required. We will continue to invest resources in enhancing driving safety and identifying and training talent. The continuous expansion of the railway network poses another challenge to our bus operations. It is against this background that we have submitted an application for a fare adjustment to the Government so as to increase our resources. We will explore business opportunities through innovative thinking and the potential commissioning of new routes and special routes.

The superstructure work at the How Ming Street site in Kwun Tong will soon commence, and the project will include multi-storey Grade A office buildings and large shopping malls. This is expected to bring stable rental income to the Group upon completion.

Meanwhile, the opening of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong express rail link ushers in an era of even closer connection between Hong Kong and Mainland cities, which should be further strengthened when the Liantang Boundary Control Point is opened. The Group will take every opportunity to develop its businesses in a sustainable way while delivering a return to its 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 2018, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 17 May 2018 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 2018.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 21 March 2019

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, *JP* 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. Allen FUNG Yuk Lun
Dr. CHEUNG Wing Yui, *BBS*
Mr. LEE Luen Fai, *JP*
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

** For identification purposes only*