

Individual Business Units

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited ("KMB")

	Unit	2017	2016 (Restated)
Revenue	HK\$ million	6,942.1	6,873.3
Other income	HK\$ million	111.4	105.9
Total operating expenses	HK\$ million	(6,302.3)	(6,222.8)
Profit from operations	HK\$ million	751.2	756.4
Finance costs	HK\$ million	(19.9)	(16.8)
Profit before taxation	HK\$ million	731.3	739.6
Income tax	HK\$ million	(121.2)	(121.9)
Profit after taxation	HK\$ million	610.1	617.7
Net profit margin		8.8%	9.0%
Passenger volume	Million passenger trips	1,005.5	990.1
Kilometres operated	Million km	282.0	282.5
Staff number at year-end	Number of staff	11,703	11,958
Fleet size at year-end	Number of buses	3,972	3,920
Total assets	HK\$ million	7,928.6	7,067.6

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")

	Unit	2017	2016 (Restated)
Revenue	HK\$ million	524.9	471.3
Other income	HK\$ million	2.1	2.1
Total operating expenses	HK\$ million	(475.0)	(435.2)
Profit from operations	HK\$ million	52.0	38.2
Finance costs	HK\$ million	(1.6)	(1.0)
Profit before taxation	HK\$ million	50.4	37.2
Income tax	HK\$ million	(8.2)	(6.0)
Profit after taxation	HK\$ million	42.2	31.2
Net profit margin		8.0%	6.6%
Passenger volume	Million passenger trips	39.1	37.3
Kilometres operated	Million km	36.5	32.0
Staff number at year-end	Number of staff	660	652
Fleet size at year-end	Number of buses	245	242
Total assets	HK\$ million	611.5	617.0

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

As at 31 December 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 Company, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), owns the Kwun Tong Site in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited (“SHKRE”), 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).

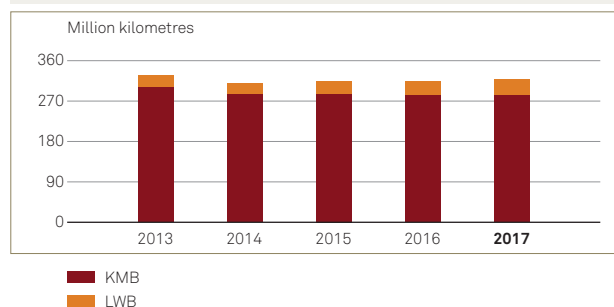
Average number of passenger trips per day

(Franchised public bus operations)

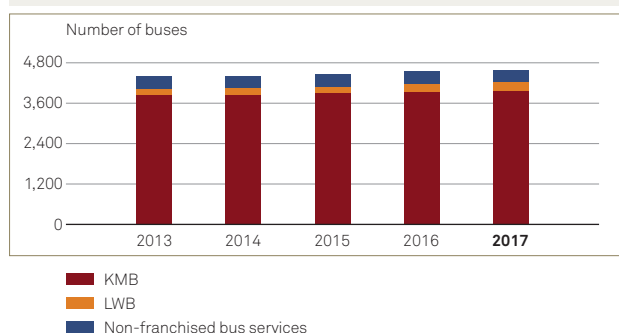


Bus kilometres operated

(Franchised public bus operations)



Number of licensed buses at 31 December



Number of staff at 31 December



Summary of Investments in China Mainland Transport Operations as at 31 December 2017

	Shenzhen	Beijing
Nature of business	Bus and taxi hire services	Taxi and car rental services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	January 2005	April 2003
The Group's investment cost (RMB million)	387	80
The Group's effective interest	35%	31.38%
Fleet size at year-end 2017 (Number of vehicles)	10,690	4,799
Bus passenger volume (Million trips)	593	N/A
Bus kilometres travelled (Million km)	383	N/A
Staff number at year-end 2017	21,987	5,233

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 ISO9001:2008 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.