

Individual Business Units

FRANCHISED PUBLIC BUS OPERATIONS

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

	Unit	2015	2014
Revenue	HK\$ million	6,719.4	6,436.7
Other income	HK\$ million	72.1	97.7
Total operating expenses	HK\$ million	(6,195.6)	(6,295.3)
Profit from operations	HK\$ million	595.9	239.1
Finance costs	HK\$ million	(9.7)	(5.0)
Profit before taxation	HK\$ million	586.2	234.1
Income tax	HK\$ million	(98.0)	(37.5)
Profit after taxation	HK\$ million	488.2	196.6
Net profit margin		7.3%	3.1%
Passenger volume	Million passenger trips	969.2	955.2
Kilometres operated	Million km	285.6	284.7
Staff number at year-end	Number of staff	12,175	12,146
Fleet size at year-end	Number of buses	3,889	3,855
Total assets	HK\$ million	6,317.3	5,448.3

KMB recorded a profit after taxation of HK\$488.2 million for 2015, representing a favourable variance of HK\$291.6 million compared with HK\$196.6 million for 2014.

KMB's fare revenue for the year was HK\$6,532.7 million, an increase of HK\$228.7 million or 3.6% compared with HK\$6,304.0 million for 2014. The increase was mainly due to patronage growth and the full year effect of the 3.9% fare increase which took effect on 6 July 2014. During the year, with improvements in service levels and bus network efficiency as well as bus service reliability, KMB's total ridership increased by 1.5% to 969.2 million passenger trips (a daily average of 2.66 million passenger trips) as compared with 955.2 million passenger trips (a daily average of 2.62 million passenger trips) for 2014 in spite of the adverse impact arising from the Government's phased extension of the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (the "HK\$2 Scheme")

to green minibus routes from 29 March 2015. The increase also reflected the fact that the road network remained open throughout the year, as opposed to 2014, when road occupations in the final quarter affected KMB's ridership. Advertising revenue for the year also increased from HK\$130.3 million for 2014 to HK\$184.7 million for 2015.

Total operating expenses for 2015 amounted to HK\$6,195.6 million, a decrease of HK\$99.7 million or 1.6% compared with HK\$6,295.3 million for 2014. The decrease was mainly attributed to the reduction in fuel and oil costs of HK\$496.3 million as a result of the fall in international fuel prices and continued improvement in bus operating efficiency. This positive factor was, however, partly offset by the increase of HK\$218.9 million in staff costs due to annual pay rise at an average rate of 4.6%, and the increase in depreciation charges and other operating expenses due to general inflation.

Long Win Bus Company Limited (“LWB”)

	Unit	2015	2014
Revenue	HK\$ million	443.9	416.0
Other (loss)/income	HK\$ million	(3.9)	4.1
Total operating expenses	HK\$ million	(371.5)	(377.1)
Profit from operations	HK\$ million	68.5	43.0
Finance costs	HK\$ million	–	–
Profit before taxation	HK\$ million	68.5	43.0
Income tax	HK\$ million	(11.5)	(7.2)
Profit after taxation	HK\$ million	57.0	35.8
Net profit margin		12.8%	8.6%
Passenger volume	Million passenger trips	36.7	34.8
Kilometres operated	Million km	28.0	26.1
Staff number at year-end	Number of staff	546	510
Fleet size at year-end	Number of buses	190	179
Total assets	HK\$ million	596.1	381.8

The profit after taxation of LWB for 2015 was HK\$57.0 million, an increase of HK\$21.2 million or 59.2 % compared with HK\$35.8 million for 2014.

LWB’s fare revenue for 2015 amounted to HK\$440.0 million, an increase of HK\$26.5 million or 6.4% compared with HK\$413.5 million for 2014. The increase was mainly due to the year-on-year growth in ridership of 5.3% resulting from increased transport demand from international travellers and construction workers involved in various infrastructural and residential projects at the Airport and in Tung Chung. LWB recorded a total ridership of 36.7 million passenger trips (a daily average of 100,450 passenger trips) for 2015, as compared with 34.8 million passenger trips (a daily average of 95,430 passenger trips) for 2014.

Total operating expenses for the year amounted to HK\$371.5 million, a decrease of HK\$5.6 million or 1.5% compared with HK\$377.1 million for 2014. The decrease was mainly due to reductions in fuel and insurance costs but it was partly offset by an increase in operating costs associated with the purchase of new buses, service enhancements, the annual pay rise and general inflation.

NON-FRANCHISED TRANSPORT OPERATIONS

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$49.2 million for 2015, representing an increase of HK\$14.3 million or 41.0% compared with HK\$34.9 million for 2014. Revenue increased by 2.1% from HK\$339.8 million for 2014 to HK\$347.0 million for 2015. 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, theme parks, travel agents and schools, as well as the general public through chartered hire services.

The revenue generated from new and existing customers of the SBH Group increased by HK\$3.6 million or 1.2% from HK\$299.1 million for 2014 to HK\$302.7 million for 2015. Total operating costs for 2015 also increased as a result of the rise in staff salaries, service quality enhancements and general inflation, but this was partly offset by the reduction in fuel costs due to lower prices.

FINANCIAL REVIEW

In 2015, in line with the SBH Group's commitment to quality service and environmental protection, SBH Group purchased 47 Euro V buses for fleet replacement purposes. As at 31 December 2015, the SBH Group had a fleet of 386 buses (2014: 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. Fares of the Huang Bus increased from HK\$8 per trip to HK\$9 per trip for daytime services and from HK\$9 per trip to HK\$10 per trip for both daytime and midnight services with effect from 29 September 2014 and 19 October 2015 respectively. NHKB's patronage slightly decreased by 0.3% from 4.82 million passenger trips (an average monthly ridership of 402,000 passenger trips) in 2014 to 4.81 million passenger trips (an average monthly ridership of 401,000 passenger trips) in 2015.

At the end of 2015, NHKB had a fleet of 15 buses, the same as the number at the end of 2014 with five new Euro V buses replacing five older buses.

PROPERTY HOLDINGS AND DEVELOPMENT

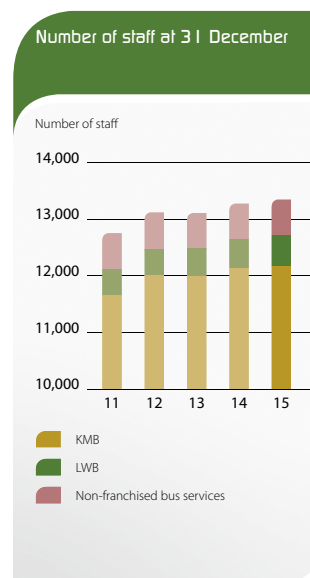
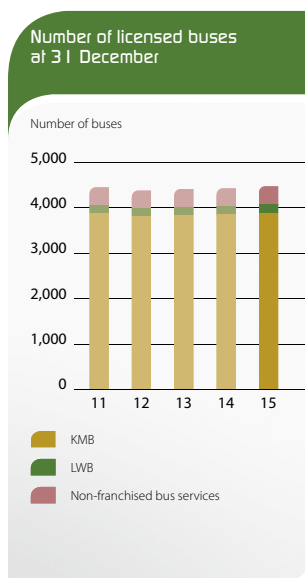
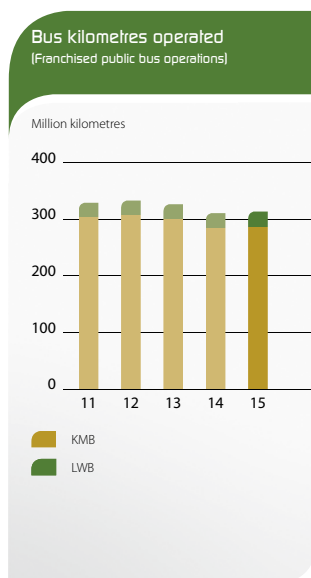
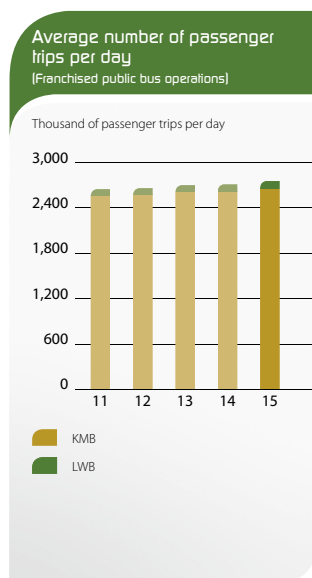
LCK Commercial Properties Limited ("LCKCP")

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 2015, about 99% of the lettable area of the shopping mall was leased out, generating a stream of recurring income for the Group.

As at 31 December 2015, 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\$85.4 million (2014: HK\$89.7 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. A portion of the gross floor area has been used by the Group as headquarters with the remaining gross floor area leased out to shops



and restaurants. In the fourth quarter of 2015, the area for headquarters usage was reduced, and the released gross floor area was reallocated for leasing to generate rental income for the Group.

As at 31 December 2015, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation and impairment losses in the amount of HK\$29.9 million (2014: HK\$30.6 million).

KT Real Estate Limited (“KTRE”)

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

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited (“SHKRE”), a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site.

The Group intends to hold the development for long-term investment purposes. While it will take some time to finalise matters relating to the modification of the lease, we are in the meantime looking for other opportunities to use the site to generate additional income for the Group.

As at 31 December 2015, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$24.9 million (2014: HK\$15.6 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 2015, 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\$4.8 million (2014: HK\$6.1 million).

MEDIA SALES BUSINESS

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

HK\$ million	2015	2014
Revenue	411.9	459.5
Other income	18.0	15.7
Total operating revenue	429.9	475.2
Total operating expenses	(471.0)	(427.1)
(Loss)/Profit from operations	(41.1)	48.1
Gain on disposal of other financial assets	–	36.6
(Loss)/Profit before taxation	(41.1)	84.7
Income tax	(4.9)	(8.0)
(Loss)/Profit after taxation	(46.0)	76.7
Non-controlling interests	(1.9)	(6.1)
(Loss)/Profit attributable to equity shareholders	(47.9)	70.6

The RoadShow Group reported a loss attributable to equity shareholders for 2015 of HK\$47.9 million, compared with profit attributable to equity shareholders of HK\$70.6 million for 2014, which included a one-off gain on disposal of other financial assets of HK\$36.6 million. The loss for the year was mainly

attributable to reduction in revenue due to sluggish demand in the advertising market, together with an increase in royalty, licence and management fees of HK\$36.8 million, an exchange loss of approximately HK\$9.8 million and the impairment loss on accounts receivable of approximately HK\$13.1 million.

FINANCIAL REVIEW

For the year ended 31 December 2015, the RoadShow Group reported a total operating revenue of HK\$429.9 million, a decrease of approximately 9.5% over the previous year. The revenue generated from the RoadShow Group's Hong Kong media sales services in 2015 amounted to HK\$411.9 million, a decrease of 10.4% compared with HK\$459.5 million in 2014.

Total operating expenses for 2015 increased by HK\$43.9 million or 10.3% from HK\$427.1 million in 2014 to HK\$471.0 million in 2015.

Further information relating to the RoadShow Group is available in its 2015 annual results announcement and annual report.

CHINA MAINLAND TRANSPORT OPERATIONS

As at 31 December 2015, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$634.4 million (2014: HK\$739.6 million). The decrease was due mainly to the repatriation of dividends from an associate and exchange differences on translation of financial statements of the associates from Renminbi to Hong Kong dollars. 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). For the year ended 31 December 2015, the Division reported an after-tax profit of HK\$32.4 million (2014: HK\$37.8 million).

Summary of Investments in China Mainland Transport Operations as at 31 December 2015

	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 2015 (Number of vehicles)	6,560	4,788
Bus passenger volume (Million trips)	766	N/A
Bus kilometres travelled (Million km)	384	N/A
Staff number at year-end 2015	20,024	6,014

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, minibuses and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of 5,187 buses running on around 263 routes and 1,373 taxis. Due mainly to the keen competition from the Shenzhen underground railway system, SZBG total ridership fell by 5.3% from 809.4 million passenger trips for 2014 to 766.1 million passenger trips for 2015. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity, and continued to record a profit in 2015.

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

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. 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 2015, BBKT had a fleet of 3,670 taxis, of which 566 are environment-friendly hybrid taxis, and 5,869 employees, and recorded a profit in 2015.

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 growing 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 2015, BBF had 1,118 vehicles available for charter mainly in Beijing and Tianjin and 145 employees. BBF recorded a profit in 2015.

Continuing Connected Transactions

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

(a) THE GROUP

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

As detailed in note 31(a) to the financial statements on page 189 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, on 23 October 2013 (the “2014/15 Insurance Arrangements”) and 26 May 2015 (the “2015/16 Insurance Arrangements”) pursuant to which SHKPI agreed to provide insurance coverage and services to the Group, and such insurance policies took effect from 1 January 2014