

### **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

to 30 June 2015 and from 1 July 2015 to 31 December 2016 respectively. The transactions contemplated under the 2014/15 and 2015/16 Insurance Arrangements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 23 October 2013 and 26 May 2015. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2014/15 Insurance Arrangements for the year ended 31 December 2014 and for the six-month period ended 30 June 2015 as disclosed in the announcement dated 23 October 2013 were HK\$86,000,000 and HK\$43,000,000 respectively. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2015/16 Insurance Arrangements for the six-month period ended 31 December 2015 and for the year ending 31 December 2016 as disclosed in the announcement dated 26 May 2015 were HK\$50,000,000 and HK\$105,000,000 respectively. Such cap amounts were determined mainly with reference to the estimated number of motor vehicles with which the business of the Group will be conducted, the estimated number of staff employed, the estimated value of fixed assets for which insurance coverage will be required, and the insurance premium rates as specified under the 2014/15 and 2015/16 Insurance Arrangements. For the year ended 31 December 2015, the insurance premium paid and payable to SHKPI was HK\$89,529,000. The insurance premium paid and payable by the Group under the 2014/15 and 2015/16 Insurance Arrangements will be satisfied by internal resources. The transactions under the 2014/15 and 2015/16 Insurance Arrangements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

### **(b) SUN BUS LIMITED ("SUN BUS")**

#### **Shuttle Bus Services Agreements with certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP")**

As detailed in note 31(a) to the financial statements on page 189 of this Annual Report, Sun Bus Limited, an indirect wholly owned subsidiary of the Company, has entered into various shuttle bus service contracts ("Shuttle Bus Service Agreements") with certain indirect wholly owned subsidiaries and an indirect non-wholly owned subsidiary of SHKP, pursuant to which Sun Bus agrees to provide and operate various shuttle bus services for the period from 1 July 2014 to 30 April 2017. The transactions contemplated under the Shuttle Bus Service Agreements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of the continuing connected transactions were disclosed in the announcement of the Company dated 10 December 2015. For the year ended 31 December 2015, the amount received or receivable by Sun Bus (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Service Agreements amounted to HK\$10,655,000. The service fees of the Shuttle Bus Services Agreements were charged in accordance with the rates specified in the relevant contracts, ranging from HK\$240 to HK\$500 per hour per bus, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of service requested and the relevant costs. The cap amounts estimated to be receivable by Sun Bus under the Shuttle Bus Service Agreements for the year ending 31 December 2016 and for the year ending 31 December 2017 as disclosed in the announcement dated 10 December 2015 were HK\$8,350,000 and HK\$460,000 respectively. Such cap amounts were determined with reference to (i) the rates specified in the relevant contracts; and (ii) the expected demand for the services.

The transactions contemplated under the Shuttle Bus Service Agreements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

In compliance with the Listing Rules, the Directors, including the Independent Non-executive Directors of the Company, have reviewed and confirmed the following:

1. Each of the foregoing continuing connected transactions with SHKPI and certain subsidiaries of SHKP was entered into:-
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) either on normal commercial terms or better; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole; and
2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2015 did not exceed the total cap amount of HK\$93,000,000 (i.e. HK\$43,000,000 for the six-month period ended 30 June 2015 as disclosed in the announcement dated 23 October 2013 and HK\$50,000,000 for the six-month period ended 31 December 2015 as disclosed in the announcement dated 26 May 2015).

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.