載通國際
Transport International

Transport International Holdings Limited
2016 Annual Report

Innovation towards a New Era

Innovation towards a New Era

Faced with the ever changing requirements of its customers, Transport International Holdings Limited is dedicated to providing innovative services and facilities to ensure it keeps pace with technological developments. The application of advanced technology allows us both to provide our passengers with real-time information on our services and to retain our position as industry leader. By embracing high technology, we demonstrate our commitment to serving our customers in an increasingly technology savvy world.

Contents

Transport International

Transport International Holdings Limited ("TIH" or the "Company", SEHK: 62) is a leader in the public transport industry in Hong Kong and China Mainland. TIH is the holding company of The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, RoadShow Holdings Limited and a number of non-franchised transport providers. It also has interests in the property holdings and development business in Hong Kong.

We aspire to set the highest standards in the public transport industry through the adoption of innovative services and facilities that bring convenience to customers and take them safely and comfortably to their destination. We are able to achieve our vision by tailoring our services to meet our customers' needs, improving the connectivity of our route network and providing instant communication of real-time information. Our commitment to sustainable business practices, enhanced shareholder value and the social and economic development of Greater China is unswerving.

Mission

Our mission to enhance shareholder value while contributing to the social and economic development of Greater China can be summarised as follows:

D istinctive customer service
R eliable performance
I nnovation
V alue for money
E nvironmental responsibility
S ustainable business practice

By leveraging synergy with our stakeholders, we aim to meet or exceed their expectations through the provision of high quality services and solutions.

Vision

Our vision to be a global leader in our field is based on a thorough understanding of the needs of the people we serve, the introduction of innovative technological and environmental solutions, and the attainment of new standards for safety, service and efficiency.

Values

Our corporate values are centred on the delivery of service standards that meet or exceed customer needs, a consistent record of operational profitability, and support for the communities we serve.

Transport International Holdings Limited

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited
the Group's flagship, operates franchised public bus services with a fleet of about 3,900 buses on a network of some 380 routes covering Kowloon, the New Territories and Hong Kong Island.

Long Win Bus Company Limited
operates franchised public bus services with 242 buses on 28 routes linking the New Territories with Hong Kong International Airport and North Lantau.

Hong Kong Non-franchised Transport Operations

Sun Bus Holdings Limited and its subsidiaries
with Sun Bus Limited as the flagship company, operate 386 buses offering a variety of non-franchised bus services to the residential and commercial sectors through chartered hire services.

New Hong Kong Bus Company Limited
jointly operates with its Shenzhen counterpart the 24-hour cross-boundary shuttle bus service (or "Huang Bus" service) between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.

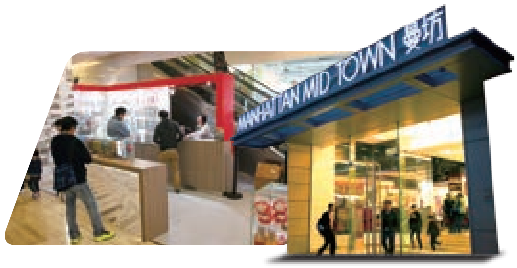
China Mainland Transport Operations

Shenzhen Bus Group Company Limited
is a Sino-foreign joint stock company providing public bus and taxi hire services in Shenzhen.

Beijing Beiqi Kowloon Taxi Company Limited
is a Sino-foreign joint stock company operating taxi services in Beijing.

Beijing Beiqi First Company Limited
is a Sino-foreign joint stock company offering car rental services in Beijing.

Property Holdings and Development



LCK Real Estate Limited
owns a 17-storey commercial building at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong with a total gross floor area of 156,700 square feet.

KT Real Estate Limited
owns a 50% interest in the site at Kwun Tong Inland Lot No. 240 at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

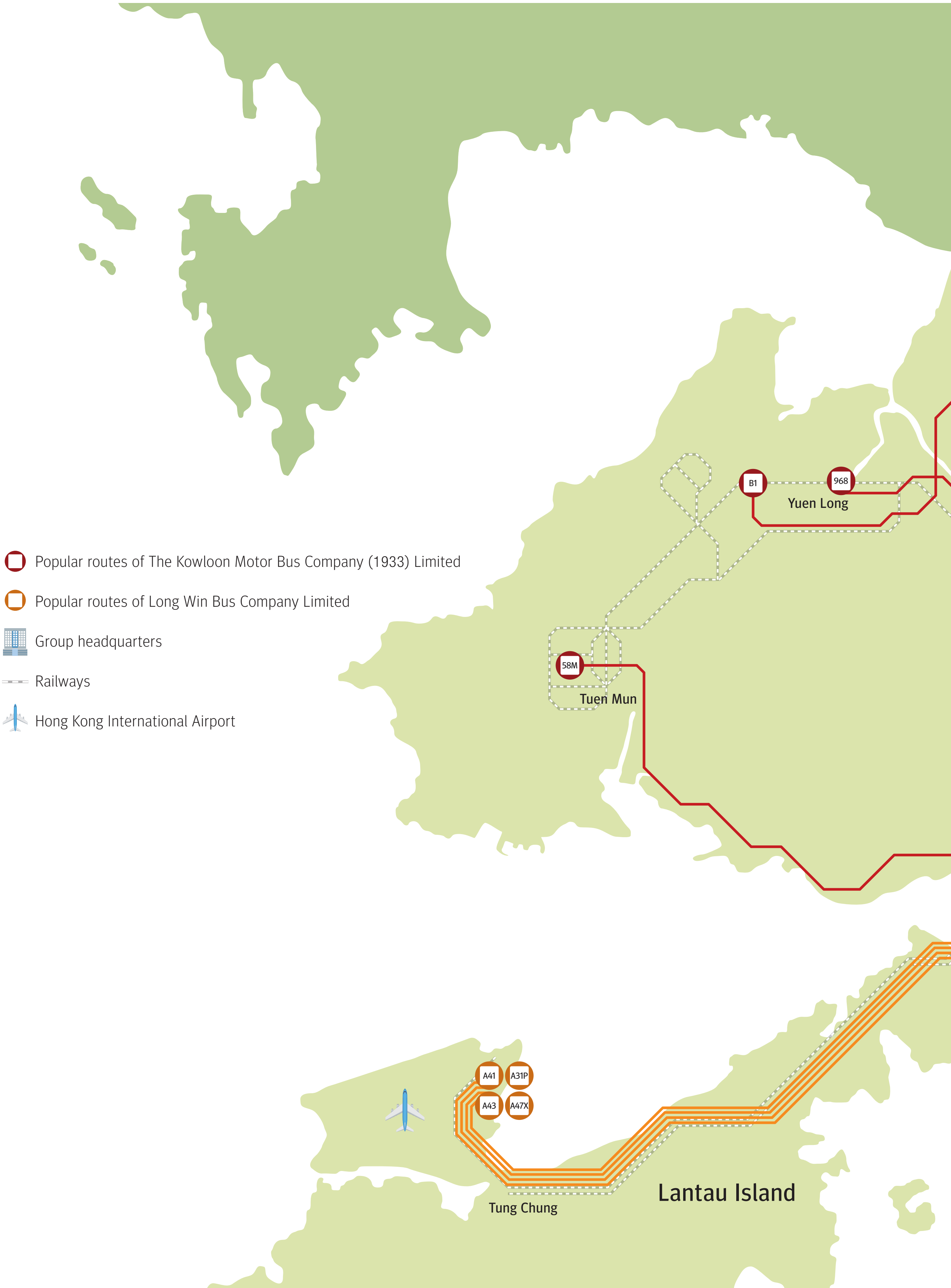
LCK Commercial Properties Limited
owns the Manhattan Mid-town shopping mall, which is a two-level retail podium covering around 50,000 square feet at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

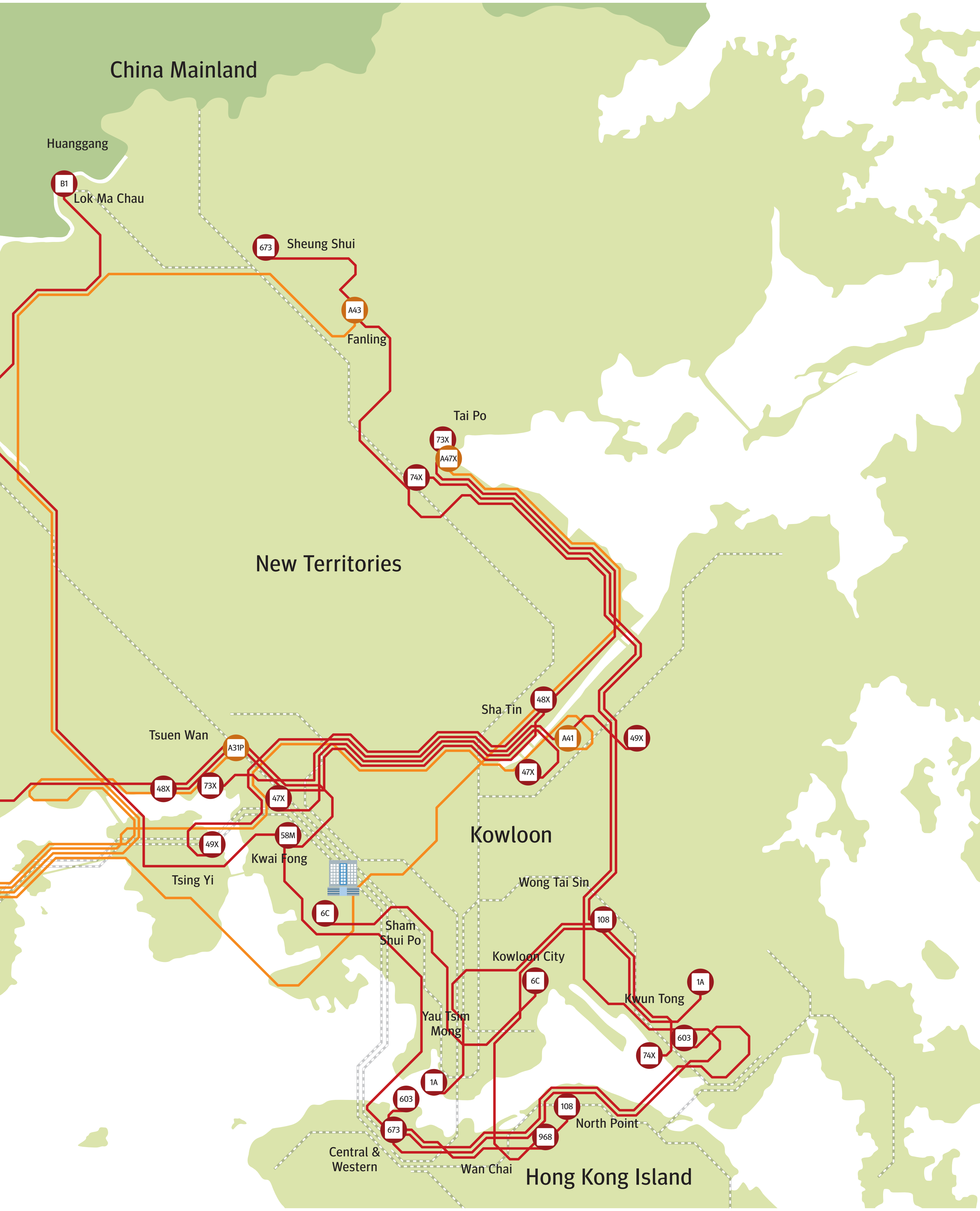
TM Properties Investment Limited
owns an industrial property at 1 Kin Fung Circuit, Tuen Mun, New Territories, Hong Kong, consisting of a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of 105,900 square feet.

Media Sales Business

RoadShow Holdings Limited and its subsidiaries
mainly provide media sales and design services and production of advertisements for transit vehicle exteriors (“BUS-BODY”) and transit vehicle interiors (“IN-BUS”), as well as bus shelter, online portal, mobile app and outdoor signage advertising businesses.

Key Franchised Bus Network in Hong Kong



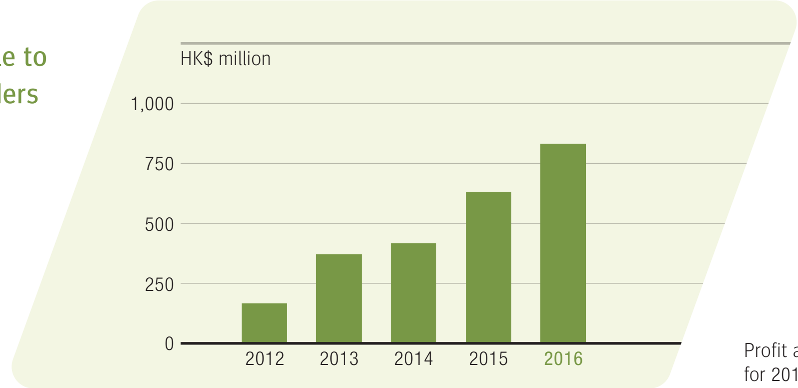

China Mainland
Huanggang
B1
Lok Ma Chau
673
Sheung Shui
A43
Fanling
Tai Po
73X
A47X
74X
New Territories
Sha Tin
48X
A41
49X
47X
Tsuen Wan
A31P
48X
73X
47X
58M
49X
Kwai Fong
Tsing Yi
Kowloon
Wong Tai Sin
6C
108
Sham Shui Po
Kowloon City
6C
1A
Kwun Tong
603
74X
Yau Tsim Mong
1A
603
108
North Point
673
968
Central & Western
Wan Chai
Hong Kong Island

Financial and Operational Highlights

For the Year Ended 31 December 2016

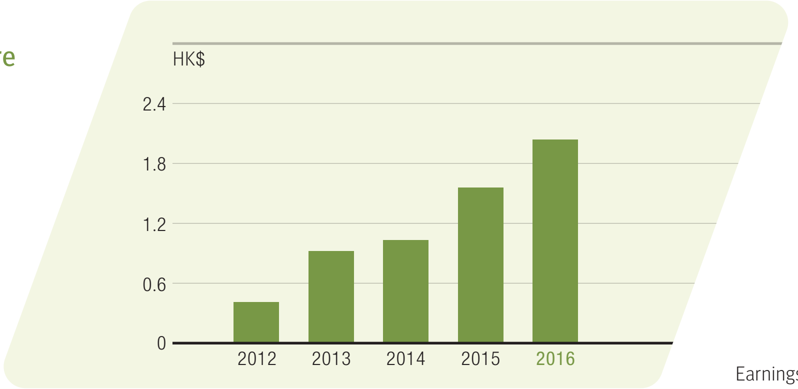
	Unit	2016	2015	Increase/ (decrease)
Financial Highlights				
Revenue:	HK$ million	7,936.5	7,779.9	2%
– Fare revenue	HK$ million	7,456.2	7,322.3	2%
– Media sales revenue	HK$ million	417.3	418.7	–
– Gross rentals from investment properties	HK$ million	63.0	38.9	62%
Profit before taxation	HK$ million	974.4	747.0	30%
Profit attributable to equity shareholders of the Company	HK$ million	830.9	628.7	32%
Earnings per share	HK$	2.04	1.56	31%
Ordinary dividends per share	HK$	1.25	1.20	4%
Total equity attributable to equity shareholders of the Company	HK$ million	7,825.8	7,207.7	9%
Total assets	HK$ million	13,312.5	11,069.8	20%
Net (borrowings)/cash	HK$ million	(1,648.4)	1,665.6	N/A
Net finance income	HK$ million	42.4	45.5	(7%)
Cash generated from operations	HK$ million	1,970.8	1,688.3	17%
Key Financial Ratios				
Profit margin		10.5%	8.1%	30%
EBIT margin		12.5%	9.7%	29%
EBITDA margin		23.6%	20.5%	15%
Return on equity attributable to equity shareholders of the Company		10.6%	8.7%	22%
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)	Times	0.2	Net Cash	N/A
Total borrowings/EBITDA		1.5	0.7	114%
Current ratio		1.3	1.6	(19%)
Dividend cover (ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)	Times	1.6	1.3	23%
Share price per share at year-end	HK$	22.10	20.65	7%
Market capitalisation at year-end	HK$ million	9,098.1	8,335.2	9%
Operational Highlights				
Hong Kong				
Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	2.81	2.76	2%
Number of licensed buses at year-end		4,162	4,079	2%
Number of staff at year-end		12,610	12,721	(1%)
Average number of staff per licensed bus at year-end		3.03	3.12	(3%)
Non-franchised Transport Operations:				
Number of licensed buses at year-end		401	401	–
Number of staff at year-end		634	627	1%
China Mainland				
China Mainland Transport Operations:				
Number of licensed buses at year-end		5,211	5,187	–
Number of taxis and vehicles for rental at year-end		7,505	6,161	22%

Profit attributable to equity shareholders of the Company



Profit attributable to equity shareholders for 2016 was HK$830.9 million

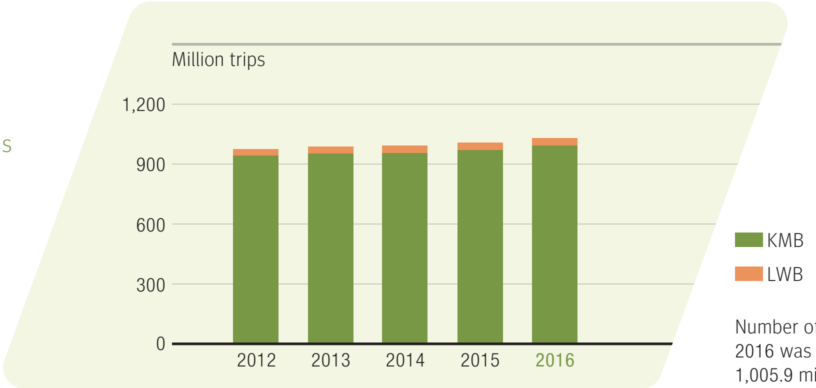
Earnings per share



Earnings per share for 2016 was HK$2.04

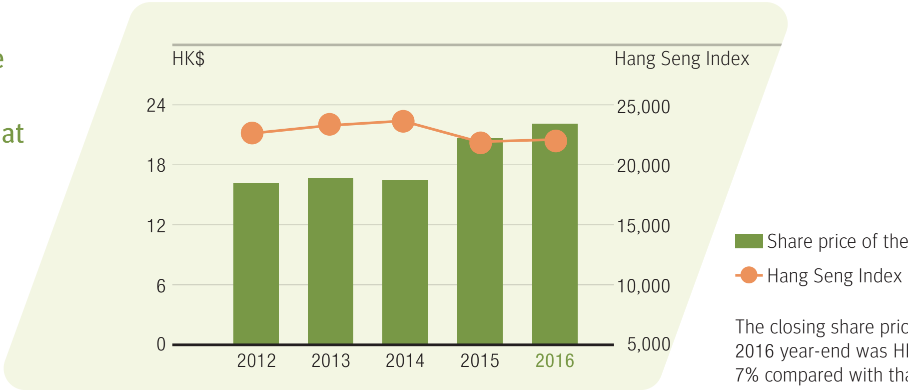
Number of passenger trips

(Franchised public bus operations)



Number of passenger trips in 2016 was 1,027.4 million, up from 1,005.9 million in 2015

Share price of the Company and Hang Seng Index at year-end



The closing share price of the Company at 2016 year-end was HK$22.10 per share, up 7% compared with that of 2015 year-end

Corporate Milestones 2016

January

Sun Bus rental service of open-top double-deck sightseeing buses

Sun Bus introduced a new rental service of open-top double-deck buses for sightseeing, weddings, parties and commercial promotions.

February

KMB/LWB held first Scholarship Presentation Ceremony

At KMB/LWB's first Scholarship Presentation Ceremony, 51 children of KMB and LWB employees received scholarships with a maximum value of HK$50,000, spread over four years of study.

March

"Getting Around with KMB, Yesterday and Today" held to celebrate KMB's 83rd birthday

The anniversary event "Getting Around with KMB, Yesterday and Today", held at the Hong Kong Cultural Centre Piazza on 5 March, gave the public the opportunity to look back at the services provided by KMB over the past 80-odd years, as well as bringing them up to date on the company's latest developments.

April

KMB won two internet awards and an environmental award

KMB won Silver in the Internet of Things Application category at the 2016 ICT Awards: Best Smart Hong Kong Award; the Triple Gold Award, Most Favourite Website Award and Easiest-to-Use Website Award in the Web Accessibility Recognition Scheme; and the Certificate of Merit in the Transport and Logistics category at the 2015 Hong Kong Awards for Environmental Excellence.

May

First KMB bus route for On Tat Estate

KMB introduced its first bus service for On Tat Estate, a newly developed area in Kwun Tong, with Route 213M offering bus-rail interchange concessions for passengers.

June

New-generation LWB Airbuses launched

LWB's Airbus service was revamped to provide passengers in the New Territories with more convenient services. As well as a new trademark and bus livery, the bus compartment has been reconfigured with the provision of a free Wi-Fi service and USB chargers.

TIH distributed rice dumpling to staff

To share festive joy to our staff and their families, TIH distributed rice dumpling to all staff at Dragon Boat Festival.

KMB won Reader's Digest Award

KMB received Gold in the Public Transport category at the 2016 Reader's Digest Trusted Brands Award.

August

TIH Sponsored Yuen Long Football Club

Yuen Long Football Club was renamed KMB Yuen Long after receiving sponsorship for the Hong Kong Premier League football season from a TIH subsidiary.

KMB won Hong Kong Top Brand Mark

KMB won the Hong Kong Top Brand Mark from the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong.

September

TIH's annual report won award

TIH's 2015 annual report won the Gold Award for Written Text (Transportation & Leasing) in the 2016 International ARC Awards.

App 1933 launched with new functions

The new App 1933 was introduced with an improved search function and a live chat function putting passengers in touch with customer service officers.

TIH Retiree Association formed

The TIH Retiree Association was founded with the aim of organising activities to maintain close contacts between staff and retired colleagues. The Association swung into action with two dinners to celebrate the Mid-Autumn Festival, attended by around 1,000 retired and current staff.

KMB distributed free mooncakes to the elderly

To show their care for the elderly at Mid-Autumn Festival, KMB staff, FRIENDS OF KMB members and KMB Yuen Long Football Team players distributed free mooncakes to senior citizens at various bus termini between 6 and 12 September.

October

FRIENDS OF KMB received Award of 10,000 hours for Volunteer Service

KMB's passenger club FRIENDS OF KMB received the Award of 10,000 hours for Volunteer Service from the Social Welfare Department in recognition of its community work.

November

BBI between KMB routes and LWB Airbus routes

KMB and LWB introduced an Octopus Bus-bus Interchange Discount Scheme between KMB routes and LWB's Airbus routes on 19 November, offering passengers savings of up to HK$6.

"KMB Academy" carnival held

The KMB Academy carnival, held at Kowloon Bay Depot on 12 November, entertained over 22,000 people with game booths, performances and a display of the latest bus models.

December

The "Star" Bus Captain Award Programme

The "Star" Bus Captain cum Long Service Award Presentation Ceremony was held on 5 December to recognise staff with good performance in safe driving and customer care, as well as the loyal service of long serving staff.

KMB/LWB Lucky Draw held

To celebrate the launch of "App 1933", KMB and LWB organised a lucky draw in the month of December, offering more than 500 prizes with a total value of over $150,000.

KMB won Most Popular Transportation Award and Most Popular Mobile App Award

KMB received the Most Popular Transportation Award and the Most Popular Mobile Application Award in the HK50+ Awards, organised by the Christian Family Service Centre.

KMB received award from Social Welfare Department

KMB was Second Runner-up in the Highest Service Hour Award (Private Organisations – Best Customer Participation), organised by the Social Welfare Department.

Norman LEUNG Nai Pang

Chairman

Dear Shareholders,

I am very happy to announce, on behalf of the Board of Directors, that for the year ended 31 December 2016, the Group's profit attributable to equity shareholders was HK$830.9 million, an increase of 32.2% compared to HK$628.7 million for 2015. The increase in profit was due to the improvement in financial performance of the transport-related businesses, in particular the franchised bus operation of the Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB").

Dividends

The Board of Directors has proposed an ordinary final dividend of HK$0.90 per share to be paid on 30 June 2017. In addition to the ordinary interim dividend of HK$0.35 per share paid on 18 October 2016, the total dividend for the year will be HK$1.25 per share, an increase of 4.2% compared to 2015.

Financial Performance in 2016

KMB's profit after taxation was HK$617.7 million, representing an increase of 26.5% compared to HK$488.2 million in 2015. The improvement in results was mainly due to the increase in fare revenue as well as the decrease in operating expenses. The increase in fare revenue was mainly attributable to enhancement in bus service reliability and efficiency which led to a patronage growth of 2.2%. While the decrease in operating expenses was mainly attributable to the reduction in fuel costs resulting from the fall in international fuel prices and the decrease in fuel consumption through the continuous improvement in operating efficiency which more than compensated for the effects of annual pay rise along with general inflation.

The after-tax profit of Long Win Bus Company Limited ("LWB") in 2016 was HK$31.2 million, a decrease of 45.3% compared to HK$57.0 million in 2015. For 2016, LWB's patronage continued to improve which led to an increase in fare revenue by 4.6% compared to 2015. In order to capture the business growth opportunities arising from the development of Lantau Island and the northern New Territories, service enhancements along with investment in new buses were made. Although this contributed to an increase in operating costs for 2016, such improvements will enhance LWB's performance in the years to come.

Our Non-franchised Transport Division, with Sun Bus Limited as its flagship company, saw continued improvement in its financial performance in 2016, reporting a profit after taxation of HK$55.4 million, representing an increase of 12.6% compared to 2015. Benefiting from rent increase and an increase in the floor area leased out, the Group's Property Holdings and Development Division reported a profit after taxation of HK$45.6 million, representing an increase of 19.4% compared to 2015. In respect of the redevelopment project at 98 How Ming Street, Kwun Tong, Kowloon, in which the Group owns a 50% interest, the land premium for rezoning from industrial use to non-residential use was settled in 2016. The site will be developed into an office and retail complex, and is expected to generate additional rental income for the Group in the future years. In the China Mainland Transport Operations Division, the Group's joint ventures in Beijing and Shenzhen remained profitable in 2016. The media sales businesses operated by the RoadShow Group, however, recorded a loss attributable to shareholders of HK$45.3 million in 2016, mainly attributable to recognition of an impairment loss on property, plant and equipment of HK$22.9 million.

Innovative Development

In 2016, the Group adopted an innovative approach as it continued to explore new possibilities in bus service operations and passenger service, with the aim of opening up more business opportunities for shareholders. These innovations included the launch of the unprecedented bus-bus interchange concession scheme between LWB's A-routes and KMB's bus routes thereby offering benefits and convenience to the passenger of these two bus networks.

The Group's flagship KMB implemented many new initiatives in the reporting year, including organising the lucky draw for passengers to encourage the public to take KMB, as well as LWB buses. New concepts were also applied to existing bus routes, such as promoting Route 6 as a special route for tourists. Encouraging visitors to take the bus not only boosts KMB's ridership, it also enables those from overseas to experience Hong Kong's charm and dynamism from a double-deck bus. We hope that these special bus routes will become a preferred favourite to the tourists visiting Hong Kong.

The Group also launched the new version of the smartphone app App 1933, which features enhanced bus estimated time of arrival and route finder functions, as well as new functions such as live chat between passengers and customer service representatives, real-time passenger capacity display, nearby bus stops display, and bus alighting alert. The utilisation rate of the app is encouraging and the Group is developing more functions for passengers' convenience. It is hoped that App 1933 will become an indispensable app on everybody's smartphone as part of our contribution to Hong Kong's smart city aspirations.

Enhancing the Experience

As a significant public transport company serving 2.8 million passenger trips a day, the Group's primary concern is the quality of the entire travel experience, from planning the journey and waiting at the bus stop to the actual journey on the bus. Since the beginning of 2016, the Group has installed seats and monitors for indicating bus arrival times at hundreds of bus stops all over Hong Kong for the comfort and ease of planning to our passengers.

One of the most significant enhancement initiatives launched in 2016 was the introduction of LWB's new Airbuses, built with a luxurious design and upgraded facilities. The provision of free Wi-Fi and USB charging stations represents a breakthrough in Hong Kong's bus services. KMB will also start installing free Wi-Fi on its fleet in 2017 to meet the needs of the many passengers who use their mobile phones regularly for information and entertainment. The move will also make KMB bus routes more attractive to new passengers.

With the bus being an important means of transport in Hong Kong, service reliability plays a key role in attracting passengers to our services. To this end, throughout 2016, KMB implemented a series of measures to keep the annual lost trip rate at an acceptable low level.

Care for Employees

We appreciate that having staff of a high calibre plays a crucial role in business success, and we are committed to a people-oriented business philosophy, whereby we take an active interest in the welfare of our employees. The Group continued to invest handsomely in staff salaries and their welfare, health and wellbeing in 2016. This year, the Group gave festive gifts, such as rice dumplings and mooncakes, to all employees. The Group's care for its staff also extends to their family members through the presentation of scholarships to employees' children. To strengthen the bond between current and retired employees and boost the esprit de corps of the Transport International family, in 2016 the Group set up the TIH Retiree Association.

In recognition of the contributions of our outstanding employees, the Group presented the Star Bus Captain Award for the first time in the reporting year to commend employees who demonstrated an excellent work attitude. It is hoped that the award will boost staff morale and encourage everyone to provide service of the highest order.

Care for the Community

Bus services are inextricably linked to the community, and it is in such public spirit that KMB actively participates in and supports various community activities. In the reporting year employees and members of KMB's volunteer club FRIENDS OF KMB presented festive gifts such as mooncakes to our senior citizens across Hong Kong Island, Kowloon, and the New Territories. Through its affection for the community, the Group contributes to maintaining a harmonious and caring society in Hong Kong.

Helping to bring about a cleaner environment is one of Transport International's pledges to the community. In this spirit, in 2016 the Group continued to order environment-friendly Euro V double-deck air-conditioned buses that meet exhaust emission standards set by the European Union. As part of our commitment to further improving Hong Kong's air quality, we plan to order Euro VI double-deck air-conditioned buses in coming years.

The Opportunities Ahead

Although the global economy is facing challenging uncertainties, Hong Kong's new town developments and major infrastructural projects continue to forge ahead. The constant movement of people and buoyant commercial activity within Hong Kong, and between Hong Kong and mainland hubs, provide opportunities for the Group's future growth. Earlier on, KMB won the bid for bus routes serving the Development at Anderson Road, and with people moving into this new housing area, the routes are proving to be profitable. Potential for future growth can be found in the Hong Kong-Zhuhai-Macao Bridge, the land reclamation off Tung Chung East, and the Kai Tak Development. The Group aims to provide residents in these new areas and those using the new Bridge with a comprehensive transport network, while offering reasonable returns to our shareholders.

The MTR's Kwun Tong Line Extension opened in 2016, resulting in some passengers switching from road-based public transport to trains. Faced with this loss of passengers, KMB is working hard with its stakeholders to reorganise routes and transfer resources to other routes to improve efficiency so as to ensure the sustained development and financial stability of our bus network. The Group will work hard to improve the efficiency of the entire bus network through route reorganisation and bus-bus interchange concession schemes. The aim is to provide the people of Hong Kong with ever more convenient, efficient and comfortable bus services.

In respect of the current franchise of KMB, which will expire on 1 July 2017, the Group is confident that a new 10-year franchise will be granted. We will continue to work diligently in the next ten years to improve our service quality and to maintain comfortable and reliable bus services for our passengers. The Group will strive for further innovation in providing transport services to the public as we enter a new era.

Acknowledgements

Our continued success depends on all of us in the Group working as a team and also on the support of our passengers. I wish to express my heartfelt gratitude to my fellow Directors of the Board, to every staff member of the big Transport International family, and to our manufacturers and suppliers, as well as to every citizen in Hong Kong and every visitor to Hong Kong who patronize our bus services.

Norman LEUNG Nai Pang

Chairman

23 March 2017

Roger LEE Chak Cheong

Managing Director

Q As Hong Kong citizens are becoming more demanding about public transport services and are no longer satisfied merely with being taken to their destination, how is the Group meeting this new situation?

A We firmly believe that the application of technology is the focus of future bus service developments. With the bus being one of the most popular modes of transport in Hong Kong, KMB and LWB are committed to change and innovation, especially in the use of information technology to enhance customers' travel experience.

In 2016, the new App 1933 was launched as an upgrade of their old application. Not only does the new app allow passengers to check the estimated time of arrival of the next bus, it can also accurately locate the user through the Global Positioning System (GPS) and show bus service information within a 250-metre radius of the user. The app is further personalised by functions that make it more accessible for the visually-impaired, while the "Live Chat" function enables passengers to contact our customer service officers. App 1933 also shows on-board ridership status, a function that will be progressively extended to the 400-odd routes operated by KMB and LWB. More than five million people, or over 60% of the population, have now downloaded the app on Android or Apple iOS. In addition, KMB and LWB have started installing a free Wi-Fi wireless internet service and USB charging sockets on some buses. LWB's new generation of airport buses became operational in 2016 to serve passengers travelling between the airport and the New Territories.

These applications of technology have proven positive with passengers, reflecting the Group's focus on building closer ties with passengers by putting customers first and keeping up with the times. The Group will devote more effort to understanding and satisfying the needs of its passengers.

Q With KMB's new franchise set to commence in mid-2017, what is the Group doing to celebrate this new page in its history?

A The Group keenly anticipates the Government's award of a new ten-year franchise allowing KMB to continue to serve the local community. Looking ahead, KMB remains committed to various service enhancement programmes and a number of innovative interchange concessions for greater customer satisfaction over the next ten years. An expected investment of approximately HK$3.8 billion will be made over a five-year period towards renewing our bus fleets, retrofitting our existing super-low floor buses for the pilot run of the dedicated community hospital route, providing an unprecedented interchange concession jointly with Hong Kong Tramways Limited, and launching a fare concession scheme for long-distance routes for full-time students.

Looking further ahead, a pilot scheme will be rolled out on the installation of display panels on the lower deck showing vacancies on the upper deck, so that more passengers can be directed to seats upstairs to make better use of compartment space, leading to higher passenger volume. KMB will continue with work to optimise existing bus shelter space, including the provision of additional seats and the installation of display panels showing the estimated time of arrival.

Q What challenges and opportunities are in store for Hong Kong's public transport market in 2017?

A Let me begin with the challenges before proceeding to the opportunities. First, the HKSAR Government is committed to a transport policy with railway as its backbone. With more and more new rail lines coming into service, road-based public transport faces greater challenges. Secondly, the impact of an aging population with reduced mobility on the public transport industry cannot be ignored. Thirdly, the stability of bus services has also been affected in recent years by Hong Kong's growing car ownership and worsening traffic congestion.

However, the Group remains undeterred by these challenges as it continues to pursue new opportunities. First, while rail is the backbone of local transport policy, buses still play an important role offering the advantages of "point-to-point" services, overnight rides and a pleasant travel experience. More importantly, our bus fleets can provide a service flexible enough to adapt to the changing patterns of population distribution. The increasing population in the northwest New Territories, together with the expected completion and occupation of a host of new housing developments, will fuel the growth of KMB and LWB. One example is the launch of KMB's new routes for the Development at Anderson Road in 2016. We also recognise the significant growth potential for our bus services as the capacity of the West Rail Line approaches, while the East Rail Line will be reduced to a nine-car operation after the opening of the Shatin to Central Link.

Facing the problems of road traffic congestion, the Group will be seeking opportunities to launch more interchange concessions and reorganise bus routes to optimise operational efficiency. The Group will also design better routes to attract passengers. A case in point is the interchange concession for KMB and tram services expected to be rolled out in mid-2017. Meanwhile, the Group is working with the Government to open new bus routes along major corridors to provide more efficient public transport, further demonstrating the competitive edge of bus services.

Q What is the Group's strategy for future development?

A The Group's strategy for future development is all about "creating demand". New media and smart mobile applications have helped us better understand the potential and actual needs of passengers. As a result, we can more effectively address their concerns and satisfy their needs by providing services attuned to their lifestyles. The key to success here lies in creating a larger market by drawing more people out of their homes. In addition, we will enhance the brand image of KMB and LWB, making them the transport option of choice for passengers. To this end, we have launched various initiatives over the past year, including the $6 Bus-bus Interchange Scheme between KMB routes and LWB "A" routes, as well as the KMB and LWB Lucky Draw, in the hope of encouraging more citizens to use our bus services. Also worth mentioning are the "Pokémon Bus" and "Pokémon GO Bus Routes", which KMB introduced when the mobile game craze swept across the city. These services were appreciated by local people, providing a further example of our success in encouraging people to take the bus.

I have noticed that many citizens, especially women, prefer to take the bus as they feel that the seats are more comfortable and they can enjoy more private space than the rail affords them. Based on this observation, I would consider the development of "point-to-point" express routes and greater use of interchange hubs the way ahead for bus services.

Q As one of the largest employers and industry leaders in Hong Kong, what is the Group's employee policy?

A KMB and LWB have a total of about 12,600 employees, including about 11,500 bus captains, frontline staff and maintenance workers, whose service quality is vital to the competitiveness of the Company. Guided by the simple philosophy that employees who are treated well will in turn serve their customers well, we care deeply about the welfare of our staff. In 2016, in addition to presenting Long Service Awards, we introduced the "Star Bus Captain" Award to recognise passionate and high-performing bus captains. The Company also strives to improve the working environment for staff at the hard and soft levels. Examples are renovation work on staff pantries at bus terminals and enhancement of existing facilities, with the provision of new rest areas at bus depots and terminals. We want our staff to know that every one of them is a valuable asset to the Company and hope that they can be proud of being part of the Group.

Over the past year, the Company has distributed for the first time festive food and gifts, such as rice dumplings, mooncakes, Chinese New Year rice cakes, Chinese sausages and red packets, to staff to celebrate different festivals. These goodwill gestures convey the Company's gratitude and appreciation for its staff members, and help to increase their sense of belonging to the Company.

During the current football season, TIH is the title sponsor of "KMB Yuen Long". The sponsorship is aimed at promoting local sports development, while encouraging staff to participate in physical recreation activities. We also hope to bring colleagues together by distributing tickets to them, so they can attend matches, get to know each other better, cheer for their team and enjoy the team spirit.

The Company does not only care about its current staff. The "TIH Retiree Association" was established in 2016 and both retired and current colleagues of KMB, LWB and Sun Bus were invited to two dinners, which were attended by around 1,000 guests. This shows that all staff members, whether serving or retired, are highly valued by the Group, which adheres to a people-oriented philosophy.

2016 saw the first full-year operation of the KMB/LWB scholarship programme, an initiative designed to ease the financial burden of employees by helping their academically successful children to pursue a university course. The Group is looking to implement more initiatives in different areas to forge closer and more harmonious ties with its employees and their families.

Q What has the Group done in terms of staff training and development?

A As a leader in the local transport industry, the Group takes pride in its proven track record of people training and development. The KMB Bus Captain Training School, for instance, provides training for approximately 7,000 participants every year. It runs quality driving training programmes, supported by 67 instructors and a fleet of 45 training buses. The KMB Technical Training School provides professional training in bus repair and maintenance for young people, ensuring a continued supply of new talent to support our large bus fleets.

Q As the largest bus operator in Hong Kong, what is the TIH Group's commitment to environmental care?

A In support of environmental protection, KMB and LWB continued to invest heavily in new bus models with the latest safety, environmental and design features in 2016. By the end of 2016, KMB and LWB's fleets boasted a total of 2,201 air-conditioned buses at Euro V standard or above. An additional 317 buses at Euro V standard or above are expected to be put into service by KMB and LWB in 2017.

During the year, KMB purchased a batch of new supercapacitor buses and battery-electric buses to test the performance of electric buses in regard to safety and service stability. The tests on supercapacitor buses are drawing to an end and the buses will soon become operational. The battery-electric buses, now undergoing various tests and trial runs, are also expected to be ready for service soon. We will continue to monitor new developments in battery-based technology and look for ways to reduce emissions.

Q How has the Group fared in property development? What new plans do you have?

A The principle governing the Group's property development is to make the best use of our land resources, maintain high occupancy rates and enhance the return on assets. Over the past year, the Group has continued to lease out part of its property at 9 Po Lun Street, Lai Chi Kok, generating a stream of rental income for the Group. At the time of writing, all lettable space under the Group has been leased.

The Government has signalled its intention to transform East Kowloon into Hong Kong's second core business district. The land premium for rezoning from industrial use to non-residential use for the project at 98 How Ming Street, Kwun Tong, Kowloon, in which the Group owns a 50% interest, has been settled. The site is expected to be developed into an office and retail complex, with 1,150,000 square feet of commercial space. Of this space, offices will account for 800,000 square feet, compared with 350,000 square feet for retail facilities. Through this project, we hope to generate satisfactory returns for our shareholders.

Q What initiatives has the Group taken to fulfil its social responsibilities?

A Last year, seeking to demonstrate that its bus services are inextricably linked with the local community, the Group held a number of carnivals, exhibitions, bus tours and drawing competitions. KMB even developed a notebook based on winning drawing competition entries, proceeds from the sale of which were donated to local charities, while some notebooks were given to children in need. In 2016, the Group also held a number of community-level activities for the first time, helping to build a culture of care and mutual support by distributing rice dumplings, mooncakes and Chinese New Year gifts to the elderly in different districts in Hong Kong. All this is part of our aim of building closer community relations through the participation and cooperation of current and retired employees, our volunteer club FRIENDS OF KMB ("FRN"), schools, community groups and local citizens. The wide recognition gained by all the activities run is attributable in large part to the concerted efforts of Group staff and FRN, which now boasts a 5,000-strong membership. Every year since 1998, FRN has been awarded the "Gold Certificate for Volunteer Service" by the Social Welfare Department in recognition of its success in meeting the required standard in volunteer service hours. In 2016, the Group awarded medals to 129 FRN members for their active participation in volunteerism.

Management Discussion and Analysis

Business Review

Sustainability Report

Financial Review

Governance

Business Review

The Group's core business is the provision of franchised public bus services in Hong Kong by means of its flagship subsidiary, The Kowloon Motor Bus Company (1933) Limited, and Long Win Bus Company Limited. The Group also offers non-franchised tailor-made transport services for a wide range of customers in Hong Kong and a 24-hour cross-boundary shuttle bus service serving commuters and leisure travellers between Lok Ma Chau and Huanggang through Sun Bus Holdings Limited and its subsidiaries (the "Sun Bus Group") and New Hong Kong Bus Company Limited ("NHKB") respectively. The Group has a 35% interest in a Shenzhen joint venture and a 31.38% interest in two Beijing joint ventures, operating public bus, minibus and taxi services, and taxi and car rental services respectively. The Group holds a portfolio of properties for investment and development purposes, and owns a 73% interest in RoadShow Holdings Limited, a media sales service provider which is listed on the main board of The Stock Exchange of Hong Kong Limited.

The business review of each business operation is set out on pages 24 to 51 of this Annual Report. The prospects of the Group's businesses are discussed in the Chairman's Letter on pages 12 to 15 and in the Conversation with the Managing Director on pages 16 to 21 of this Annual Report.

Key risks and uncertainties

The Group's businesses face a number of key risks and uncertainties, including those set out below. It should be noted that the following is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risk areas outlined below.

Regulatory environment and government policies

A substantial part of the Group's revenue is generated from franchised transport operations. As a result, changes in government transport policy and regulations, such as Public Bus Services Ordinance (Cap 230) and Public Bus Services Regulations (Cap 230A), may have a significant impact on the Group's operating results and financial conditions in either the short or the long term. Proposals for a fare increase are subject to the approval of the HKSAR Government, who need to take into account a basket of factors, including public acceptability and affordability, which may not align with the financial conditions of the franchised bus companies. There is no guarantee that a fare increase of a sufficient magnitude will be granted in time to enable the franchised bus companies to offset rising overheads and costs. The inflexibility inherent in this arrangement may have an adverse impact on the financial condition of the Group in an inflationary atmosphere.

Fuel prices and other financial risks

Fuel represents a major component of the Group's cost structure. Volatility in fuel prices may affect the financial stability of the Group. In addition, the Group's activities are exposed to various financial risks, including foreign currency, interest rate, credit and liquidity risks, which are discussed in the Financial Review on pages 72 to 85 of this Annual Report.

Unexpected events and natural disasters

The operations of the Group's businesses may be subject to the impact of unexpected events, such as prolonged electricity outrages at depots or large-scale road blockages over an extended period of time. While the Group has implemented an effective Business Continuity Plan ("BCP") to deliver quality transport services in all circumstances, its operations may still be adversely affected by natural disasters and severe weather conditions, including floods and typhoons.

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited are leading franchised public bus operators providing world-class, environment-friendly, value-for-money bus services in Kowloon and the New Territories and on Hong Kong Island. Safety, reliability, comfort and convenience are the bedrock on which their operations are founded.

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

KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving around 2.7 million passenger trips each day. A workforce of around 12,000 employees, including some 8,600 bus captains, ensures that customers enjoy high quality service on a fleet of around 3,900 buses operating on 384 routes.

Operational Excellence

After more than eight decades providing franchised public bus services, KMB leads the industry in terms of operational and service excellence. After becoming, in 1999, the first public bus company – and, thus far, the only one – in Hong Kong to obtain ISO 9001:1994 certification on a corporate-wide basis, in 2002, it was awarded ISO 9001:2000 certification for its quality management systems. The following year, Lai Chi Kok and Sha Tin Depots received ISO 14001:1996 Environmental System certification, making KMB the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation. By 2005, the

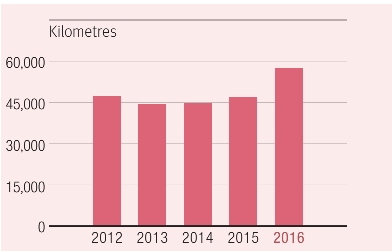
two depots had been upgraded to ISO 14001:2004 certification. In 2009, KMB received ISO 9001:2008 certification from the Hong Kong Quality Assurance Agency ("HKQAA") on completion of upgrading audits in four certification areas: KMB Headquarters; Operations Office and the four operating depots; the Overhaul Centre; and the Unit Overhaul Depot. In 2012, KMB became the first franchised bus company in Hong Kong to receive Occupational Health and Safety Assessment Series ("OHSAS") 18001:2007 certification from the HKQAA in recognition of its adoption of risk management systems in bus operations and maintenance activities.

KMB's bus terminus at On Tat Estate in Kowloon East

KMB's bus services link residents of new housing estates in Anderson Road Development Area with the urban areas.

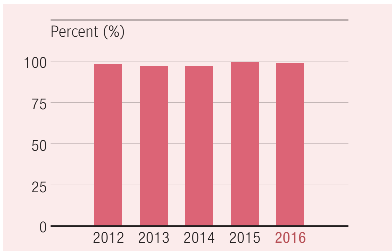
KMB introduced bus services for On Tat Estate in Kowloon East

Mechanical reliability – KMB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

Operational capability – KMB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

Performance Pledge/Safety and Reliability

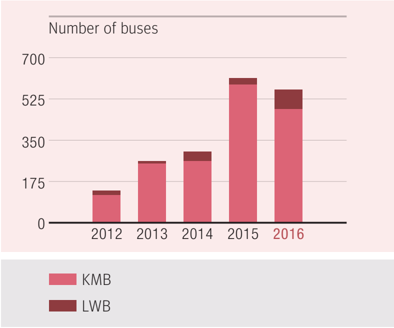
Mechanical reliability and operational capability are the key benchmarks of an efficient public bus services. Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2016, the mechanical reliability of KMB's fleet was 57,592 km: 1. Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2016, we achieved an operational capability of 99.41%.

Bus Fleet and Fleet Upgrade

KMB introduces innovation after innovation as it continues to modernise its bus fleet. In 1997, in collaboration with its bus suppliers, it introduced the world's first super-low floor, wheelchair accessible double-deck bus to Hong Kong. Currently, KMB's fleet comprises predominantly super-low floor buses, with non-super-low floor buses due to be completely phased out by the end of 2017, affording greater accessibility for all. KMB's technologically advanced and environment-friendly buses feature a range of innovative features, including the On-board Electronic Bus Stop Announcement System. In 2017, as part of its continued improvement efforts, KMB will provide a free Wi-Fi service on its buses to attract more passengers.

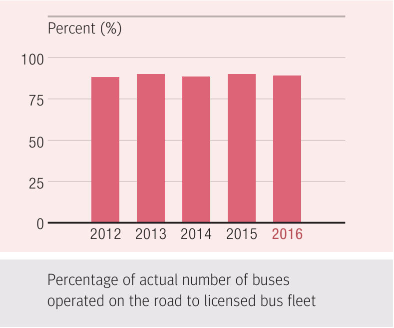
KMB continues to invest in new buses with the latest safety, environmental and design features

Number of new buses introduced to the fleet



Total fleet capacity at 31 December

Fleet utilisation – KMB



We are committed to contributing to a better environment by investing in environment-friendly buses that meet the exhaust emission standards laid down by the European Union. In 2009, we became the first public bus company in Asia to introduce Euro V double-deck buses at a time when legislation required only Euro IV emission standards for newly-registered diesel vehicles. Plans are in hand to introduce Euro VI air-conditioned double-deck buses in 2018, while Euro III and earlier model buses will be completely phased out within the next five years.

In 2016, KMB continued to make substantial investments in new buses with the latest safety, environmental and design features, acquiring a total of 483 new Euro V super-low floor double-deck air-conditioned buses. As at 31 December 2016, KMB operated a total of 3,920 licensed air-conditioned buses, comprising 3,756 double-deck buses and 164 single-deck buses. In addition, 279 air-conditioned double-deck Euro V buses and 10 electric single-deck buses and 5 supercapacitor single-deck buses were on order for delivery in 2017.

Since 2014, KMB has ordered 154 12.8-metre double-deck buses to provide increased passenger capacity on high-demand routes, and all of them had been put into service by the end of 2016. The 12.8-metre bus boasts a passenger carrying capacity that is more than 10% greater than that of the 12-metre bus, while achieving the same fuel efficiency and reliability.

Bus Service Network

At the end of 2016, KMB operated a total of 384 bus routes. KMB continuously reviews the viability of its bus routes in respect of the changing operating environment, taking into consideration factors such as railway expansion, population intake and redistribution, and the building of new highways. Matching resource allocation to the new demand patterns to improve the efficiency and competitiveness of its bus network not only safeguards long term sustainability; it also enables expansion into new growth markets.

Following the opening of the West Island Line in late 2014, and the Kwun Tong Line Extension and the South Island Line (East) in the fourth quarter of 2016, some passengers travelling to and from Hung Hom, Ho Man Tin and Island South have shifted from road-based public transport to rail. In response, KMB has started to implement route reorganisation in a timely manner with the concerted efforts of all stakeholders to improve operational effectiveness by redeploying buses to other routes. This is to ensure a sustainable and financially viable bus network that plays its part in easing traffic congestion and improving environmental management through reduced roadside emissions.

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2016	3,717	172	3,889
Additions during year	483	0	483
Disposals during year	(444)	(8)	(452)
As at 31 December 2016	3,756	164	3,920

A Bus-bus Interchange Discount Scheme was introduced between KMB routes and LWB's Airbus routes in 2016

In 2016, we implemented 58 route reorganisation proposals, enhancing the overall route network while bringing the following benefits to the travelling public:

- eliminating wasteful duplication of routes;
- allowing resources to be released for redeployment in new growth areas;
- straightening routes that are unduly circuitous;
- introducing new express routes that utilise the new highway infrastructure; and
- offering greater connectivity between routes by using bus-bus interchanges.

The call for tenders for the route package for Anderson Road Development Area was made in mid-2015 and KMB was notified that it had been awarded the tender in November 2015. Services on the routes commenced in phases from the second quarter of 2016 in line with the population intake. The first route, Route 213M, commenced operations in June 2016, serving residents between On Tat Estate and Lam Tin Railway Station. KMB introduced the new express circular Route 213X in July to provide passengers with an express service between On Tat Estate and places in Tsim Sha Tsui and Jordan. Route 214 was also put into service in mid-August, operating between Yau Tong and Cheung Sha Wan (Kom Tsun Street) via On Tat. Besides serving residents of On Tat Estate, the route gives residents on Pik Wan Road in Lam Tin direct access to Kowloon West and Wong Tai Sin. In addition, Route 213D from Sau Mau Ping (Central to Mong Kok) via Anderson Road commenced service in late August. Routes running between Anderson Road Development Area and Hong Kong Island/the New Territories will commence operations in 2017.

Bus Route Promotions

KMB and LWB introduced a Bus-bus Interchange Discount Scheme ("BBI") between KMB's bus routes and LWB's Airbus routes ("A" routes) with effect from 19 November 2016. Under the scheme, which allows more KMB passengers to transfer to LWB buses en route to the airport, passengers can save up to HK$6.

As part of its drive to point up the individual image of different routes, KMB assigned the "Specialty Shopping" theme to Route 6 in December 2016. Most of the buses on Route 6 feature eye-catching blue livery to make them easily recognisable for passengers who wish to take this route (including tourists). Apart from the usual Cantonese, Putonghua and English used on the On-board Electronic Bus Stop Announcement System, announcements are also made in Japanese and Korean. In addition, multilingual booklets focusing on this route are being distributed to facilitate travel between different districts. KMB plans to introduce more themed routes during 2017.

KMB also introduced a short-term "20% Same-day Return Discount Concession Scheme" from November 2016 to January 2017.

Depots

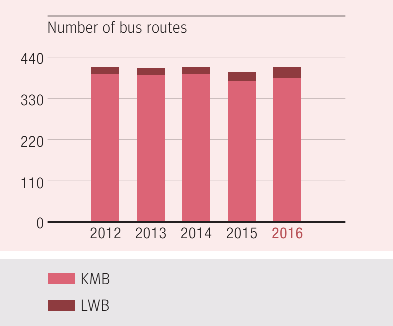
Routine maintenance and repair services are provided by KMB's four major bus depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun. Ten smaller depots supply parking and minor maintenance services, while major overhaul services are provided by the KMB Overhaul Centre in Tuen Mun. Depot facilities are continually upgraded to ensure consistent service quality and a high level of productivity.

Major Depots Serving KMB and LWB Buses

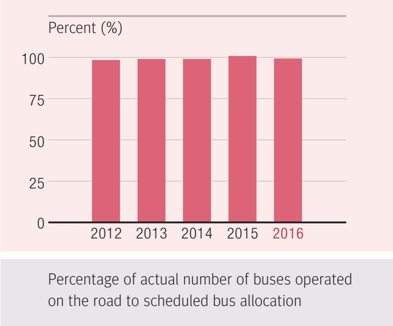
Depot	Areas served/ main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2016	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,051	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,113	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	884	2002	The depot land has been leased from the Government on a short term tenancy#
Tuen Mun Depot	West New Territories	148,961	872	1979	The depot land was acquired at public auction in 1974
KMB Overhaul Centre	Bus overhaul	380,915	N/A	1983	The depot land was acquired at market price from the Government in 1979 under a Private Treaty Grant
LWB depot:					
Siu Ho Wan Depot	Lantau Island	82,422	242	1998	The depot land has been leased from the Government on a short term tenancy#
Total		2,749,287	4,162		

\# Under the short term tenancy agreements, rentals at market rates are payable to the HKSAR Government.

Number of bus routes operated at 31 December



Achievement of schedule – KMB



Application of Information Technology

Information technology links offices, bus depots, bus termini and customer service centres via a high-speed network connecting 2,012 PCs and 152 servers. A total of 47 computer applications enhance both customer service and day-to-day operations, as well as facilitating financial and human resources management. Key computer systems used by the Company include the following:

Bus Estimated Time of Arrival ("ETA")

The in-house developed ETA service had been applied to all of KMB's and LWB's regular routes, making them the first two bus companies in Hong Kong to provide such a service across the entire regular fleet. Passengers are able to obtain bus arrival information via display panels at bus termini and bus stops, as well as on App 1933 and the KMB and LWB websites.

Integrated Bus Service Information Display System ("IBSID")

IBSID panels have been installed at 57 bus termini to offer passengers information on bus route destinations, departure times, fares and major traffic disruptions.

Electronic Bus Stop Announcement System ("BSAS")

The entire KMB and LWB fleets are equipped with the on-board BSAS, which provides passengers with the name of the next stop in Cantonese, English and Putonghua, backed up by the same information on LED displays. The system also gives safety reminders and bus service messages.

Terminus Management System ("TER")

TER supports daily bus operations at 190 termini by displaying the next departure time and any special instructions when bus captains present their personalised Octopus card as they report for duty.

Traffic Operations Management System ("TOM")

TOM generates duty assignment for more than 8,000 bus captains in line with the working guidelines set by the HKSAR Government. The system also streamlines the duty dispatch process by recording bus parking locations.

Bus On-board Monitoring System ("BOM")

BOM records the driving performance of bus captains for analysis by depots and departments with the aim of raising driving standards with a particular focus on safety and passenger comfort.

Operations Communications Management System ("OCM")

OCM streamlines the handling of real-time information on operational incidents such as traffic accidents, road congestion and weather conditions, as logged by our Radio Control Section, thus improving the speed and accuracy of message dissemination to depots and departments.

Upgraded Smartphone App

The new App 1933 was launched in September 2016 to allow passengers to check information on bus routes and estimated time of bus arrival more conveniently. App 1933 comes with a brand new interface, and features a smarter, more personalised home page that shows frequently used bus routes and bus routes serving nearby bus stops. Three icons enable passengers to bookmark frequently used bus routes for home, work and school, and to search for routes that will shortly arrive at their location and the fastest bus routes. The most user-friendly feature of the various app functions is route-searching. When a passenger enters a desired destination, the program will immediately display all recommended routes available at nearby bus stops, including information on estimated time of arrival, destinations for the routes, journey distance and fares. After choosing or inputting a location, the app will display each bus stop with the expected arrival time of the next bus. If you need to make use of a bus-bus interchange on the journey, the app will immediately calculate the total fare after taking the relevant fare concession into account. In addition, we are conducting a trial of real-time passenger counting on Routes 6 and 108 so that App 1933 users know the ridership status of arriving buses.

Hong Kong Franchised Public Bus Operations

LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1 June 1997. LWB's network currently covers the Airport, Tung Chung, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.

Long Win Bus Company Limited ("LWB")

In order to offer higher quality airport bus services, in June 2016 LWB A-route Airbuses underwent a major transformation designed to provide passengers with a more comfortable and enjoyable travelling experience. The multifaceted overhaul encompassed a new logo, a new bus livery, a new bus compartment design and a new image for the bus captains.

Performance Assurance

LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency are maintained at the highest levels across its bus fleet. LWB measures its operational performance by reference to two key performance indicators: mechanical reliability and operational capability. Mechanical reliability is the average number of kilometres a bus operates

before it experiences a mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction in the peak hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2016, LWB achieved 48,137 km: 1 in mechanical reliability and 102.28% in operational capability.

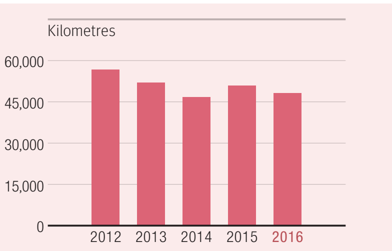
Having obtained ISO 9001:2008 quality management systems certification in November 2012, LWB had its certification extended for three years to September 2018 after undergoing a certification renewal audit in 2015.

LWB launched new bus captain uniform and bus livery

In 2016 LWB A-series buses were transformed to provide passengers with a more comfortable and enjoyable travelling experience. The overhaul included new logo, new bus livery, new bus compartment design and new bus captain uniform.

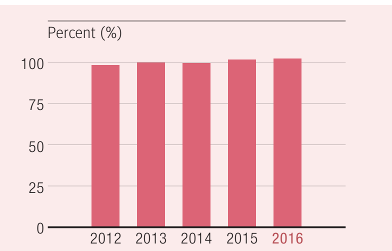
LWB A-series buses offer ergonomic seats, free Wi-Fi service, USB chargers, spacious luggage racks and bus arrival time

Mechanical reliability – LWB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

Operational capability – LWB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

Bus Fleet and Fleet Upgrade

Presented in its traditional vivid orange, LWB's new logo features the Chinese character for "Dragon" and the English letters "LWB", following the concept applied by its sister company KMB, with an eye to forging a clearer connection between the two companies. The bus livery and compartments come in orange complemented by warm grey and khaki. Reflecting an interior design focused on luxury, ergonomically designed seats with increased legroom are provided, while the upper compartment adopts a more spacious design. The buses provide a free 30-minute Wi-Fi service, USB chargers, seatback magazine bags, spacious luggage racks, a screen displaying the bus arrival time and glass windows with a high degree of opacity, mirroring the experience of flying.

The new LWB Airbuses are operated by a selected group of elite bus captains offering professional and friendly services. The design of their new uniforms, featuring orange and grey, is consistent with the style of KMB uniforms, further consolidating the connection between the two companies.

In 2016, LWB introduced 82 new Euro V super-low floor air-conditioned double-deck buses. As at 31 December 2016, LWB operated 242 super-low floor air-conditioned double-deck buses, all wheelchair accessible and equipped with the On-board Electronic Bus Stop Announcement System. To meet growing passenger demand, 42 of these buses are 12.8 metres in length, offering a higher carrying capacity.

LWB's air-conditioned double-deck bus fleet	Total number of buses
As at 1 January 2016	190
Additions during year	82
Disposals during year	(30)
As at 31 December 2016	242

In addition, LWB has on order 19 Euro V super-low floor air-conditioned double-deck buses and four electric single-deck buses scheduled for delivery in 2017. The vast majority of these buses are premium design buses, which are slated to operate on existing or new Airbus routes.

Bus Service Network

At the end of 2016, LWB operated 28 routes. To cater for passenger growth and increased service expectations, LWB added 35 new buses to enhance the service of Airbus routes. Besides, one bus was added in response to the extension of the service hours of Route E33P.

Airbus networks in different districts were restructured in phases in 2016. LWB introduced new routes, converted existing routes to whole-day services and strengthened bus frequencies to every 20-30 minutes for increased passenger convenience.

In the western New Territories, LWB added new Airbus Route A37, serving Hung Shui Kiu and Tin Shui Wai, in July and converted Route A36 serving Yuen Long to a whole-day service in August. Route A33 serving Tuen Mun was converted to a whole-day service in August, while some departures of A33 include stops at the Gold Coast.

To provide a more convenient bus service for Tsuen Wan and Sham Tseng residents travelling to and from the Airport, in August LWB introduced Route A31P. In December, residents in Tsuen Wan and Kwai Tsing Districts were benefited by the introduction of Route A32 and by the rerouting of Route A31, which allowed those in Kwai Chung and Tsuen Wan to travel directly to the airport, while serving the residents of South and North Tsing Yi.

LWB's network covers the growing population in Tung Chung

LWB has strengthened the service of its Overnight Airbus Routes to meet increasing demand

In the eastern New Territories, LWB enhanced the service of Airbus Route A43P from the Airport to Fanling in June to provide a whole-day service for passengers between the Airport and San Tin. In August, Airbus Route A47X was added to allow Tai Po residents to enjoy direct whole-day travel to the airport.

To satisfy the needs of the increasing number of air passengers arriving late at night and Airport staff working night or early morning shifts, LWB strengthened the service of Overnight Airbus Routes NA33 and NA34 in August and September, serving Tuen Mun, and Yuen Long and Tin Shui Wai, respectively. In December, LWB also introduced three Overnight Airbus Routes – NA40, NA41 and NA43 – to serve Sha Tin/Ma On Shan, Tai Wai and Sheung Shui/Fanling, respectively.

LWB is committed to maintaining high standards of network coverage and service for all its passengers, while exploring ways to meet increasing travel demand in the tourism and leisure sectors. It will continue to operate according to its mission of providing the most efficient, direct and user-friendly bus services for its passengers.

LWB and KMB introduced a Bus-bus Interchange Discount Scheme ("BBI") between LWB's Airbus routes and KMB's bus routes with effect from 19 November 2016. Under the scheme, which allows more LWB passengers to transfer to KMB buses en route to the airport, passengers can save up to HK$6.

Depots

The depot at Siu Ho Wan provides daily bus maintenance, refuelling, bus washing and parking for the LWB fleet. The depot is equipped with a waste water treatment system to ensure that waste water quality complies with the statutory requirements before discharge into the public drainage system.

Safety and Customer Service

Regular and thorough inspections of LWB's buses are undertaken to make sure that they are maintained at the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, while safety briefings are held from time to time and safety reminders circulated to all bus captains. LWB runs various quality campaigns to recognise and reward good performance.

To provide passengers with real-time bus trip information to assist journey planning, App 1933 provides estimated time of arrival information on all LWB routes with a regular service, along with other bus service information. Estimated time of arrival information is also provided on LWB's website, which also furnishes passengers with convenient access to route information, and on display panels at selected bus stops.

In addition to a brand new interface and smarter functions, App 1933 automatically displays on its home page each user's regular bus routes as well as information on buses at bus stops near the user's location. The app also has icons for bookmarking locations such as home, work place and school. A single tap gives users access to the quickest route to their destination from their current location.

LWB offered the "Same-day Second-trip Discount Concession" from 10 September 2016 to 7 January 2017. Passengers making any two trips on the same day within the same route group of "A" routes or "E" routes enjoyed a 20% or 10% discount, respectively, on the same-day second trip. The concession was offered in accordance with the passenger reward arrangement agreed with the Government.

Environmental Protection

LWB is fully aware of the importance of environment protection and continues to invest in environment-friendly buses that meet the stringent emission standards of the European Council of Environmental Ministers. In 2016, LWB introduced 82 new Euro V buses to its fleet, bringing the proportion of Euro V buses up to 79%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro II and Euro III buses to reduce the emission of particulates. To further improve air quality, Near Zero Sulphur Diesel ("NZSD") has been used fleet-wide since 2010.

The electrostatic air filtration function in the air-conditioning system of LWB buses significantly improves the air quality in the bus compartment, while the Eco-driveline system reduces both fuel consumption and exhaust emissions.

To improve roadside air quality, the HKSAR Government has set aside HK$180 million for Hong Kong's franchised bus operators, including LWB, to purchase 36 electric buses for trial on different routes to evaluate their performance in different operating environments. Under this scheme, LWB has received funding to procure four single-deck electric buses. The procuring arrangement for these four buses has been approved by the HKSAR Government. One of these buses has arrived in Hong Kong and is currently undergoing trials.

Hong Kong Non-franchised Transport Operations

The Group's non-franchised transport operations offer transport services to a wide range of customers, including business commuters, tourists, shoppers, students and residents of large residential estates, as well as providing chartered hire services and cross-boundary shuttle bus services.

Sun Bus Holdings Limited and its Subsidiaries (the "SBH Group")

The SBH Group is one of the leading non-franchised bus operators in Hong Kong, providing premium, safe, reliable, and economical transport services.

Led by its flagship subsidiary, Sun Bus Limited ("SBL"), the SBH Group designs a range of bus services for specific markets, including residential estates, shopping malls, major employers, travel agents and schools, as well as providing the general public with chartered hire services.

The SBH Group continues to upgrade its fleet by acquiring the latest environment-friendly buses. At the end of 2016, after 48 Euro V buses had been added to the fleet for bus replacement, the SBH Group had a fleet of 386 buses. The SBH Group will continue to introduce more Euro V/VI buses as part of its fleet upgrade programme.

Sun Bus introduced new bus captain uniform and open-top double-deck bus

Sun Bus enhanced its services by launching an open-top sightseeing bus service and upgrading its bus captain uniforms.

Hong Kong Non-franchised Transport Operations

NHKB jointly operates with its Shenzhen counterpart a direct, value-for-money, 24-hour cross-boundary shuttle bus service, known as the “Huang Bus”, catering to regular commuters and those travelling for leisure between Lok Ma Chau and Huanggang.

New Hong Kong Bus Company Limited (“NHKB”)

In 2016, NHKB operated a fleet of 15 air-conditioned super-low floor single-deck buses on its shuttle bus service between Lok Ma Chau and Huanggang. NHKB’s terminus at the San Tin Public Transport Interchange is equipped with four comfortable air-conditioned boarding lounges and an integrated information display system.

Due mainly to the decline in the number of mainland visitors, NHKB experienced a decline in patronage from 4.81 million in 2015 to 4.47 million in 2016. Notwithstanding the decline in patronage, the demand for cross-boundary bus services remains strong in view of the social and economic ties between Hong Kong and Mainland China.

NHKB remains committed to providing convenient shuttle bus services as the preferred means of transport for cross-boundary travellers.


Shenzhen
Huanggang
Lo Wu
Lok Ma Chau
Sheung Shui
Yuen Long
Hong Kong

China Mainland Transport Operations

The Group has investments in transport service operators in Shenzhen and Beijing as part of its strategy of leveraging transport-related business opportunities in China Mainland that offer a reasonable return.

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SZBG")

SZBG 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 Mainland investors. The Group has a 35% interest in SZBG.

SZBG has been operating public bus, minibus and taxi services in Shenzhen since 2005. SZBG has a fleet of over 5,000 buses, operating on more than 250 routes. Owing in large part to the expansion of the Shenzhen underground railway system and increasing operating costs reflecting higher staff costs, patronage of SZBG's bus operations fell by 11% to 682.9 million in 2016 as compared to 766.1 million in 2015.


Beijing
China
Shenzhen

SZBG has a fleet of over 5,000 buses, operating on more than 250 routes

The holder of ISO 9001:2008 certification for the provision of bus transport services in Shenzhen, SZBG is currently the largest electric vehicle operator in China and one of the biggest electric vehicle operators in the world. SZBG remains committed to upgrading its services and maintaining its business edge.

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

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, holds an equity interest of 31.38% in BBKT – the first Sino-foreign joint stock company to enter China Mainland's taxi hire and car rental sector when it was established in 2003.

BBKT operated both taxi hire and car rental businesses until April 2013, when, to sharpen its focus on the business opportunities provided by the booming car rental market, it spun off its car rental business and set up a new joint stock company, Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司).

ISO 9001:2008 certified for its quality management systems in taxi services, BBKT is renowned for the excellence of its services in the capital's highly competitive market.

With a fleet of more than 3,700 taxis, BBKT continues to put service quality first as it explores sustainable new business opportunities in spite of the challenge of rising staff costs and other operating expenses.

Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司)("BBF")

BBF is a Sino-foreign joint stock company established in April 2013 to operate the car rental business formerly undertaken by BBKT. BBF has over 1,100 vehicles available for charter, mainly servicing Beijing and Tianjin (天津). With ISO 9001:2008 certification for quality management systems in car rental services, BBF has carved out a niche for itself in the competitive car hire market through high standard of the services it offers.

BBKT operates in the capital with a fleet of more than 3,700 taxis

BBF has over 1,100 rental vehicles serving Beijing and Tianjin

Property Holdings and Development

The Group has a portfolio of investment properties, including a shopping mall, an office building and an industrial property, which provide steady rental income, and a property development project underway.

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of TIH, is the owner of Manhattan Mid-town, the commercial complex of Manhattan Hill.

LCKCP owns Manhattan Mid-town shopping mall, the two-level high-end retail podium at Manhattan Hill, centrally situated in Kowloon and within easy reach of Hong Kong Island and Hong Kong International Airport by rail or road. The shopping mall has provided Manhattan Hill residents and discerning shoppers with retail facilities since its opening in 2009. At the end of 2016, 100% of the lettable area of the 50,000 square feet shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring rental income for the Group.

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of TIH, is the owner of the Group’s headquarters building in Lai Chi Kok.

LCKRE owns the 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 for office use and rental purposes. The building is situated next to Manhattan Hill. A portion of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to shops and restaurants. In 2016, the area for headquarters usage was reduced, and the released gross floor area was reallocated for leasing to generate rental income for the Group.

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of TIH, and Turbo Result Limited (“TRL”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), own Kwun Tong Inland Lot No. 240 (the “Kwun Tong Site”) at 98 How Ming Street, Kowloon, as tenants in common in equal shares.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses. Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP, has been appointed by KTRE and TRL as the project manager. In

August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification from industrial to non-residential use. The site will be developed into an office and retail complex, and is expected to generate additional rental income for the Group in the years ahead.

TM Properties Investment Limited ("TMPI")

TMPI, a wholly-owned subsidiary of TIH, is the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories.

TMPI owns an industrial property comprising a single-storey high-ceiling structure and a three-storey workshop with a total gross floor area of about 105,900 square feet. Since March 2011, the entire lettable area of this property has been leased out to generate recurring rental income for the Group.

The Group's Property Holdings and Development:

Property	Usage	Total Gross Floor Area (square feet)	Group's Interest %	Remarks
Kwun Tong Inland Lot 240, 98 How Ming Street, Kwun Tong, Kowloon	(Note)	1,150,000	50	The site was acquired at public auction in 1967
Manhattan Mid-town, 1 Po Lun Street, Lai Chi Kok, Kowloon	Shopping Centre	50,000	100	The site was acquired at market price through private purchase in 1955
TIH Headquarters Building, 9 Po Lun Street, Lai Chi Kok, Kowloon	Office/Shops	156,700	100	The site was acquired at market price through private purchase in 1955
Tuen Mun Town Lot No. 80, 1 Kin Fung Circuit, Tuen Mun, New Territories	Industrial/ Godown	105,900	100	The site was acquired at public auction in 1974

Note: The site is under development.

Media Sales Business

The RoadShow Group is probably Hong Kong's premier provider of comprehensive integrated marketing and advertising services. We remain a valued partner of choice for leading advertisers wishing to maximise awareness of their brands.

RoadShow Holdings Limited and its Subsidiaries

Established as the Group's media sales arm, RoadShow Holdings Limited ("RoadShow") has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001. The Group currently holds a controlling 73.0% interest in RoadShow.

BUS-BODY

2016 was another satisfactory year for BUS-BODY in spite of the increasingly fierce competition. This channel continues to play a major role in enabling RoadShow to extend its client base by attracting new partners, especially from the lucrative blue-chip sector. The positive response of advertisers and agencies to BUS-BODY's seamless integration with BUS-TV and IN-BUS via Theme Bus underlines its sustained attractiveness. BUS-BODY is poised to increase its value by enabling advertisers to broaden their appeal in 2017 and beyond.

The Single Deck Super Whole Bus and the Double Deck Super Whole Bus constitute another pioneering RoadShow format that has been acclaimed by top advertisers and agencies. This innovative channel not only lets brands enjoy a dominant presence at optimal cost but also guarantees them an outstanding means of creating year round top-of-mind awareness.

IN-BUS

IN-BUS maintained its encouraging forward momentum in 2016, with advertisers and agencies pleased with the effectiveness and flexibility offered by the various formats of IN-BUS for optimising brand awareness. In 2016, RoadShow enhanced IN-BUS's creativity and interactivity by leveraging state-of-

the-art technologies, making IN-BUS the first choice for advertisers and agencies striving to strengthen links between their Offline and Online (O2O) marketing initiatives.

Bus-Shelters

Set up in 2001 and operating in tandem with JCDecaux Cityscape Limited, RoadShow's bus shelter business also posted favourable growth figures for 2016. The channel's sizeable market share and status as probably Hong Kong's foremost out-of-home (OOH) advertising specialist were also further strengthened, and its revenue and profitability significantly boosted.

BUS-TV

In 2016, BUS-TV continued to produce a broad spectrum of programming providing general infotainment, entertainment and environmental news. During the year, RoadShow further integrated BUS-TV with its other core online platforms and social media.

Billboards

RoadShow has been granted sole and exclusive rights to several high-profile outdoor advertising spaces. In addition to the Aberdeen Tunnel and Hip Kee Godown No.1 and No.2 in Hung Hom, locations include Cheong Wan Road at the entrance of the Cross-Harbour Tunnel in Tsim Sha Tsui.

Digital & Social Media

The roadshow.hk portal is a fine example of the way in which RoadShow has cemented its position as one of Hong Kong's top integrated advertising platforms. In 2016, RoadShow expanded its social media channels' promotional capabilities by offering clients a tailor-made video feed via the RoadShow Facebook Fan Page, which is attracting high page view figures.

Integrated Marketing Services

RoadShow's optimally-balanced integration of essential marketing services provides a powerful tool for empowering advertising agencies and brand managers with the flexibility needed to create ground-breaking marketing campaigns. Demand for RoadShow's expertise in this highly specialised area remained consistently strong in 2016.

In addition to leveraging RoadShow's popular BUS-TV and BUS-BODY platforms, the Integrated Marketing Services team capitalises on its content production and event management support. Extensions of coverage to include Billboards, roadshow.hk and the RoadShow Facebook Fan Page ensure that RoadShow remains well placed to benefit its clients by bringing them a comprehensive spectrum of essential services.

Care for Customers

Safety, efficiency, value-for-money and comfort underpin our customer service philosophy.

Safety First

KMB and LWB's Safety Policy is based on a commitment to providing a safe and healthy environment for everyone who uses our services or may be affected by our bus operations. Over the years, we have kept the annual accident rate at a low level. In 2016, the number of accidents per million km operated was around three for KMB and one for LWB respectively. We adopt a safety management system which supports safety performance improvement in accordance with the international standards of Occupational Health and Safety Assessment Series ("OHSAS") 18001. The system promotes continual improvement of the safety performance of all aspects of our business, including bus maintenance, design upgrade, frontline staff safety training and passenger safety awareness promotion. Since 2012, KMB has held OHSAS 18001 certification from the Hong Kong Quality Assurance Agency – the first franchised bus company in Hong Kong to win such recognition.

Public Safety Awareness Promotion

We make use of different channels to boost public awareness of safety issues. A series of safety messages, broadcast on the Bus Stop Announcement System in Cantonese, English and Putonghua, as well as stickers placed in the bus compartment, reminds passengers to hold the handrail at all times. In addition, this message is conveyed via the KMB Facebook page and App 1933. A number of technological devices are built into buses to improve safety and record operational data, including speed limiting devices, which limit the speed of buses to 70 km/h, and the telematics system. All buses undergo an ISO-certified maintenance regime, comprising daily, monthly, semi-annual minor dock and annual road-worthiness inspections carried out at our depots, in addition to random checks from the Transport Department of the HKSAR Government.

Operational Excellence

KMB and LWB are ISO 9001 certified for their Quality Management Systems. KMB is also ISO 14001 certified for its Environmental Management Systems. KMB's four major depots and LWB's Siu Ho Wan Depot are subject to annually surveillance audits to ensure compliance with stringent environmental management standards.

KMB receives recognition for outstanding website

KMB received the Triple Gold Award, Most Favourite Website Award and Easiest-to-Use Website Award in the Web Accessibility Recognition Scheme, organised by the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

The KMB and LWB fleets are maintained to the highest standards

Bus Design and Maintenance

KMB and LWB's latest double-deck buses are equipped with a wide compartment, a straight staircase for easy access to the upper deck, more spacious 2+2 seating, priority seats for passengers in need, space near the entrance/exit for wheelchair users, brightly coloured handrails and bell-pushes. The KMB and LWB fleets have been air-conditioned since 2012, with later models equipped with air-conditioning systems featuring advanced temperature and humidity control and electrostatic air filtration.

Passenger-centred Training

The focus of the training of new and in-service bus captains is on the all-round safety and comfort of passengers. This training, which is also available on the staff internet, considers important aspects of a bus captain's responsibilities aimed at ensuring a safe and smooth journey, including appropriate acceleration and braking, the operation of the front and rear doors, and issuing reminders to passengers to hold the handrail.

Comfortable Compartments

We continue to improve the comfort inside the bus compartment of our fleet, incorporating the latest ergonomic designs for passenger seats and installing sophisticated automatically-controlled air-conditioning systems. The air quality in bus compartments benefits from the electrostatic air filtration function incorporated in the air-conditioning system of all air-conditioned bus models purchased after 2002, which is able to remove up to 80% of fine particles. At the end of 2016, electrostatic filters had been installed on 2,829 buses. In addition, all buses ordered after 2008 are equipped with power-saving variable capacity air-conditioning compressors, which provide more adaptive and refined thermal control in the most fuel-efficient manner in all weather conditions.

We adopt buses with the super-low floor design for easy boarding and alighting, as well as wide entrance and exit doors for better passenger access. The spacious layout of the well-illuminated bus saloon creates a pleasant ambience, complemented by the high quality interior finish. The full-air suspension system and ergonomic seats keep vibrations to a minimum.

Estimated Time of Arrival Service

At the end of 2016, the in-house developed Estimated Time of Arrival service had been applied to all KMB and LWB regular routes. Passengers are able to obtain bus arrival information via display panels at bus termini and bus stops, as well as on App 1933 and the KMB website.

App 1933

App 1933's new interface features a smarter, more personalised homepage, which shows regularly used bus routes and bus routes observing bus stops near the user's current location. Three icons enable passengers to bookmark frequently used bus routes for home, work and school, and to search for routes that will shortly arrive at their location. The top right corner of the homepage displays the temperature, along with icons for "Local news", "Lifestyle", "Sports/ Technology" and "Parents".

In December 2016, App 1933 won the HK50+ Award for mobile apps, an award organised by the Christian Family Service Centre and voted for by those aged 50 and above.

Revamp of KMB Website

The KMB website has been upgraded with a simpler and clearer interface. LWB's logo is shown in the top left corner of the homepage for passengers wishing to check airport bus information. The enhanced route search function features a more informative map, which displays the route chosen by passengers entering their point of departure and destination, together with bus stop information, including a view of the streets around the stops. In addition, a list of other routes observing each bus stop is provided, along with the arrival time of the next three departures. The website's upgrade means that passengers can enter any location or destination they wish – offering greater flexibility, comprehensiveness and convenience as location choices are no longer limited to a fixed set. In addition, passengers can check bus information and ascertain travel time more easily.

Octopus Bus-Bus Interchange ("BBI") Schemes

KMB and LWB's Octopus BBI Schemes offer fare discounts to passengers on the second leg of journeys and broaden our network coverage. The schemes contribute to a greener environment by improving bus use and reducing congestion on busy roads. At the end of 2016, KMB operated 142 Octopus BBI Schemes covering 391 routes, and LWB operated 22 Octopus BBI Schemes covering 19 routes. The BBI interface on the KMB website provides detailed and comprehensive route-to-route BBI information.

Passenger Reward Schemes

KMB introduced a short-term "20% Same-day Return Discount Concession Scheme" from November 2016 to January 2017 in accordance with the passenger reward arrangement agreed with the Government.

KMB and LWB organised a lucky draw in December 2016, offering more than 500 prizes with a total value of over $150,000.

Facility Upgrade

Our continual upgrade of the facilities on its buses and at its termini and bus stops is reflected by the following data:

- By the end of 2016, around 400 display panels had been installed to notify passengers of the estimated arrival time of the next bus at bus stops, or of the time of the next departure at termini. About 170 seats were installed at bus shelters, bus termini and interchanges for the elderly, disabled and parents with young children.

- 20 bus shelters were constructed from January 2016 to December 2016, bringing the total to 2,533.

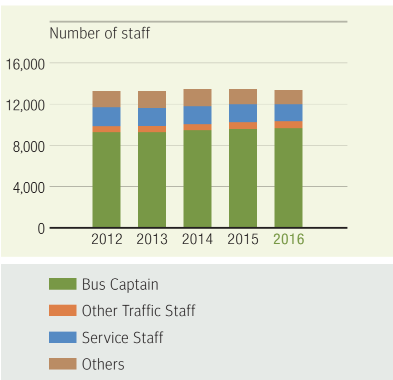
By end of 2016, we upgraded with additional facilities the passenger waiting area at a number of major hubs: the urban side of the Tai Lam Tunnel Bus-Bus Interchange, Tuen Mun Road Bus-Bus Interchange, Tsing Sha Highway Bus-Bus Interchange, Tate's Cairn Tunnel Bus-Bus Interchange, and busy bus stops at Lung Cheung Road in Wong Tai Sin. Besides LCD panels notifying passengers of the arrival time of the next bus, prominent rooftop signs, large graphic information boards, benches, standing seats and a free Wi-Fi service were added.

Passenger waiting areas have been upgraded with estimated time of arrival and benches

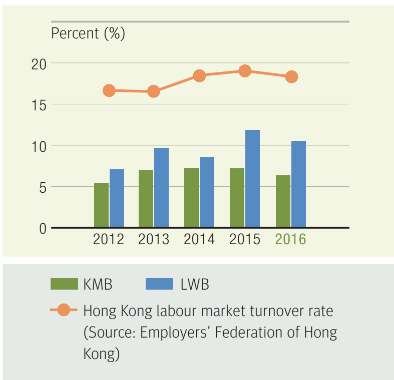
Care for Employees

Our staff are our greatest resources and we cherish them accordingly.

Number of staff in the Group at 31 December



Staff turnover rate
(voluntary resignation only)



Human Resources Policy

We look after our employees by maintaining a safe, harmonious and respectful workplace. We adopt a set of comprehensive human resources policies promoting gender equality, offering protection against sexual harassment, preventing bribery and protecting personal privacy. These and other policies are published on the staff website. We observe Hong Kong's labour and anti-discrimination laws and ensure that all our suppliers respect labour rights with regard to employment and freedom of association, and prohibit child labour and forced labour in all aspects relating to our business.

As an equal employment opportunity employer, we are committed to ensuring

that no job applicant or employee is discriminated against on the grounds of race, sex, marital status, family status, pregnancy or disability. When collecting personal data from job applicants and existing staff members, we comply with the requirements of the Personal Data (Privacy) Ordinance, respecting the privacy of personal data while taking all reasonable steps to ensure that the personal data of job applicants and staff members is securely held and used only for the purposes stated in our personal data collection statement. As part of a Public Body included in the Schedule of the Prevention of Bribery Ordinance, KMB and LWB staff members should not make use of their position to solicit or receive any advantage from the public.

The "Star" Bus Captain Award

In December 2016, the "Star" Bus Captain Award Presentation Ceremony was held to recognise KMB and LWB staff with good performance in safe driving and customer care.

A scholarship scheme supports the tertiary education of children of staff

Staff Benefits

To help attract and keep talented staff, attractive benefit packages are offered, including annual leave, medical benefits, hospitalization, insurance, accident insurance and free bus travel for staff and dependents. We provide a scholarship scheme for the children of our staff with satisfactory academic performance to support their tertiary education. In 2016, 103 children of KMB and LWB staff members received the scholarship, and some of them worked as interns at KMB in the summer. We brought festive joy to our staff and their families by distributing limited-edition Year of the Monkey lai see packets at Lunar New Year, and rice dumpling coupons and mooncakes at Dragon Boat Festival and Mid-Autumn Festival respectively. In 2016, the company launched an initiative to provide all uniformed operations staff members including bus captains with new leather shoes providing support and comfort.

Staff Communication

To strengthen bilateral communication, besides regular meetings with the unions, five KMB Joint Consultative Committees and one LWB Joint Consultative Committee, representing around 90% of the total workforce, are held each month and bi-monthly respectively between management and staff representatives to review issues including safety, operations, the work environment and staff welfare. At the meetings, employee representatives generally account for 75% of attendees to ensure the views of staff are well reflected.

Staff are kept informed through the staff website of useful information, including company announcements, safe driving tips, reports on company activities and notices of forthcoming events. Staff can check duty roster information and make annual leave arrangements online, as well as using the e-learning training platform. The bi-monthly corporate magazine KMB Today provides another means of keeping employees up to date on company and industry developments.

Rice dumpling and mooncakes were distributed to staff at Dragon Boat Festival and Mid-Autumn Festival

A gymnasium and renovated staff canteens improve the working environment

Improved Working Environment

Since November 2015, various departments have moved to the comfortable environment of the renovated office space at Kowloon Bay Depot. An indoor gymnasium is provided on third floor of the depot, so that staff members may exercise in their spare time. Cafes for staff commenced service at Kowloon Bay Depot and at TIH Headquarters in Lai Chi Kok in 2016. Staff canteens in various depots have been renovated, with a better selection of food and beverage items offered in a more pleasant environment. Staff discount shops and barber's shops at depots provide grocery items and haircuts to staff members, retired staff and staff dependents at exclusive discounted prices. At a number of depots, duty dispatch offices, rest areas and toilets have been renovated and upgraded to provide bus captains with a place to rest before working. Besides, staff toilets and rest areas at bus termini have been improved and all these improvements have been much appreciated by frontline staff members.

Senior Management Visits

Once again this year, members of the senior management team visited depots and offices, including helping to welcome in the Year of the Monkey with staff members. These visits provided a good opportunity for staff to share their observations on operational matters and workplace-related issues with management.

Bus Captain Training and Safety Awareness Programme

The Bus Captain Training School provides our bus captains with comprehensive training, including basic training for new bus captains, and driving enhancement training and bus route & bus type training for in-service bus captains. Defensive driving skills, good driving attitude and handling emergencies are incorporated in various training courses. Training in Eco-driving stresses the skills involved in accelerating, braking and manoeuvring, and good practices when parking at bus termini. By implementing Eco-driving practices, we are able to reduce fuel consumption and air and noise pollution. Bus captains are provided with driving regulations and safety reminders, including the "Bus Captain Safe Driving Handbook", the "Safe Driving Card" and "Driving Tips", while a safety video demonstrating defensive driving skills is available on the staff website. All bus captains are required to observe the Bus Captain Working Procedures and to comply with the procedures relating to Bus Terminus Safety Operations and Traffic Accident Handling. We also produced video clips reminding bus captains of the proper ways to deal with passengers' opinions and behaviour, as well as looking after passengers with special needs.

Technical and Apprentice Training

The KMB Technical Training School has been training our bus maintenance staff in the latest bus technologies since 1973. In 2016, 171 in-house training sessions were run for 1,247 skilled workers, while 4 training sessions were organised in collaboration with our manufacturers for 136 engineers, supervisors and foremen. To ensure a continuous stream of skilled workers to provide maintenance for our bus fleet, the school runs a four-year

KMB teams participated in the Corporate Relay in the SHKP Vertical Run for Charity

apprenticeship training programme for youngsters who are interested in bus maintenance. In 2016, 17 apprentices graduated from the school, bringing the total of graduates since the school's establishment to 2,375. At the end of 2016, 195 apprentices were enrolled in the School's programme. Two engineering graduates completed the requirements of the Hong Kong Institution of Engineers Graduate Training in August 2016 and another two are still being trained in that programme. The quality of our apprentice training was once again recognised in 2016 with two KMB apprentices placing second runner-up and third runner-up respectively in the Vocational Training Council's Best Apprentice in the Automobile Trade Competition. Their reward was an invitation to visit the Toyota Motor Plant in Japan.

Rewarding Service Excellence

Various safety awards and competitions are run to promote safe driving, including the quarterly Route-based Safety Performance Team Award and the quarterly Route-based Safety Improvement Team Award. Since 1990, the Safe Driving Award has recognised bus captains who have driven without any liable accidents for 5 years, 10 years, 15 years, 20 years, 25 years and 30 or more years. In 2016, the driving excellence of a total of 579 bus captains was recognised with the Safe Driving Award.

In December 2016, we held the "Star" Bus Captain cum Long Service Award Presentation Ceremony to recognise staff with good performance in safe driving and customer care, as well as the loyal service of our long service staff. There were 1,025 "Star" Bus Captains, three employees received the Grand Star Award, one employee received the Gold Star Award, 197 employees received the Double Star Award and 824 employees received the Silver Star Award. In addition, 54 employees received the 35-year award and a gold medal, 155 employees received the 30-year award and a plaque and a pin, 356 employees received the 20-year award and a plaque and a pin, and 191 employees with 10 years' service received a certificate of appreciation.

TIH Retiree Association

In September 2016, we formed the TIH Retiree Association with the aim of organising activities to maintain close contact between staff and retired colleagues. The Association swung into action with two dinners to celebrate the Mid-Autumn Festival, attended by around 1,000 retired and current staff.

Sports and Leisure Activities

To achieve work-life balance, staff members are encouraged to participate in sports and leisure activities as well as take part in voluntary work. As at the end of 2016, nine interest clubs were available for our staff members to join, focusing on dragon boat racing, photography, basketball, table tennis, badminton, football, long distance running, chess and singing. The clubs arrange for members to take part in different activities or competitions in their free time.

Statistics of Workforce in Hong Kong (as of 31 December 2016)

Company		KMB	LWB	SBH Group
Total workforce		11,958	652	634
By gender	Female	843	51	127
	Male	11,115	601	507
By age group	Below 30 years old	848	50	29
	30-50 years old	5,537	345	291
	Over 50 years old	5,573	257	314
By employment category	Senior level	42	1	3
	Middle level	249	9	30
	Entry level	11,667	642	601

Training (1 January 2016 – 31 December 2016)

Company		KMB	LWB	SBH Group
Total hours of training for employees		172,190	3,469	2,383
By gender	Female	2,895 (3.4 hours per capita)	264 (5.2 hours per capita)	328 (2.6 hours per capita)
	Male	169,295 (15.2 hours per capita)	3,205 (5.3 hours per capita)	2,055 (4.1 hours per capita)
By employment category	Senior level	446 (10.6 hours per capita)	0	3 (1 hour per capita)
	Middle level	802 (3.2 hours per capita)	50 (5.6 hours per capita)	85 (2.8 hours per capita)
	Entry level	170,942 (14.7 hours per capita)	3,419 (5.3 hours per capita)	2,295 (3.8 hours per capita)

Care for the Environment

Our commitment to innovation and concern for the environment are helping usher in a new era.

Environmental Policy

We recognise the potential environmental impacts of our services and are committed to mitigating and minimising these impacts in the following ways:

- Preventing pollution and continually improving our environmental performance by establishing and achieving objectives and targets;
- Conserving resources by reducing waste at source, and recycling and reusing resources;
- Minimising and controlling emissions from buses by adopting control measures and providing professional bus repair and maintenance services;
- Enhancing staff environmental awareness by providing training in line with our environmental policy and environmental objectives and targets, as well as in relation to the potential environmental impacts arising from our operations;
- Communicating our environmental policy and environmental requirements to our contractors and suppliers, and making the policy available to the public;

- Responding to environmental inquiries from stakeholders promptly and ensuring effective communication on environmental issues internally; and
- Ensuring compliance with all applicable local environmental legislation and other relevant requirements.

Environmental Bus Design

We are committed to creating a better environment by investing in environment-friendly buses that meet the strict exhaust emission standards of the European Council of Environmental Ministers. As at the end of 2016, there were 2,010 and 191 air-conditioned Euro V or above buses in the KMB and LWB fleets respectively. In collaboration with our suppliers, we have been gradually replacing older bus models (i.e. Euro II/III double-deck diesel-powered buses) with the latest, more energy-efficient bus models (i.e. Euro V/VI double-deck diesel-powered buses). In 2016, the average energy use per kilometre of Euro V/VI buses was about 20% less than that of Euro II/III buses.

KMB won Certificate of Merit in Hong Kong Awards for Environmental Excellence

KMB won the Certificate of Merit in the Transport and Logistics category at the 2015 Hong Kong Awards for Environmental Excellence.

The aircraft-style "Posilock" fuel filling system as used on KMB buses

Green Operations

KMB and LWB reuse and recycle a wide range of materials.

Tyres

In 2016, 25,000 used tyres (equivalent to a saving of 1,250 tonnes in solid waste disposal at landfills) were retreaded at our retreading workshop. More than 18,000 scrapped tyres and 130 tonnes of tyre chips, which would otherwise have been disposed of at landfills, were collected by an agent for recycling into various products.

Fluorescent Tubes

Since 2006, we have sent a total of around 840,000 used fluorescent tubes to the Government's Chemical Waste Treatment Centre for recycling.

Oil and Chemicals

In 2016, around 260,000 kilograms of solid chemical waste were treated and stored according to type in designated areas at bus depots before being disposed of by a registered chemical waste collector at the Government's Chemical Waste Treatment Centre. Around 594,000 litres of waste oil were recycled or disposed of in accordance with the statutory standards. Around 160,000 kilograms of waste lead-acid batteries were disposed of by a licensed contractor in compliance with Environmental Protection Department ("EPD") instructions, including some which were exported to overseas facilities approved by the EPD under the Basel Convention.

Waste Water Treatment

Our depots are equipped with 11 automatic waste water treatment systems with a capacity of 520 cubic metres per day. Chemicals are added to separate the solid impurities from the waste water produced during daily operations, with the impurities being disposed of at landfills and the treated water discharged into the public drainage system.

Emission Reduction

We adopt the latest technologies to reduce roadside emissions and maintain good air quality in our bus compartments.

To meet the stringent exhaust emission standards laid down by the European Council of Environmental Ministers, we use Near Zero Sulphur Diesel, renew the bus fleet with the latest low-emission models and upgrade older buses by retrofitting exhaust treatment devices, including Diesel Oxidation Catalysts, Diesel Particulate Filters and Selective Catalytic Reduction units.

The Eco-Driveline System, a standard feature on new buses since 2003, reduces exhaust emissions by 6%-10% compared with conventional drivelines by improving fuel economy. As at 31 December 2016, KMB had improved emissions of particulate matter and nitrogen oxides by 96% and 74% respectively compared to 1992.

Selective Catalytic Reduction Devices

At the end of 2016, 2,043 KMB and 223 LWB Euro IV, V and VI buses were equipped with a Selective Catalytic Reduction device, which reduces emissions of nitrogen oxides, as the ammonia formed from the urea solution converts nitrogen oxides into nitrogen gas and water vapour.

Checks on CO_2 Concentration

Each year, 80 KMB/LWB buses from passenger-intensive bus routes are selected for a data-logger measurement of CO_2 concentration, with compliance typically being achieved.

Exploring New Low-emission and Zero-emission Bus Technologies

We put a great deal of effort into improving environmental protection by exploring various kinds of zero- and low-emission technologies.

We have co-developed with the manufacturer the “hBus” which is a Euro VI diesel electric hybrid 12m air-conditioned double-decker, equipped with an electric driveline, a battery power pack and a generator driven by an Euro VI diesel engine supplying electricity to drive the traction motor to power the bus. The hBus adopts state-of-the-art start/stop technology, by means of which, depending on the state-of-charge of the battery and the actual power requirements of the vehicle, it can shut down the engine at speeds below 7 km/hr, leaving the vehicle to rely on battery power. The engine is restarted once the vehicle exceeds 11 km/hr. Regenerative braking recovers otherwise wasted braking energy to improve overall fuel efficiency.

Fuel Consumption and Greenhouse Gas Emissions

To reduce fuel consumption and greenhouse gas emissions, we adopt a number of measures on our bus fleet and across our operations:

- The aircraft-style “Posilock” fuel filling system is used to refuel KMB buses.
- Ambient sensors are installed on air-conditioned buses to save energy by reducing unnecessary cooling.
- The use of synthetic gearbox oil extends the oil drain interval from 30,000 to 150,000 km, reducing waste oil by 80%.
- The mileage-based oil change scheme brings about a 40% reduction in engine oil consumption and waste oil.

Green Measures in the Office

The Green Office concept drives both the design and the renovation of our premises. Air-conditioning thermostats are set at 25.5°C to conserve energy and protect air quality in line with the Government’s Action Blue Sky Campaign. Lower-energy LED lighting is used in all newly renovated office spaces in depots and in the common areas of our headquarters building, including the main lobby, to reduce electricity consumption and the demand for air-conditioning. As part of our dedication to promoting a low carbon environment, we are progressively installing energy efficient lamps in place of the existing high intensity discharge high-bay lamps in our bus depots. In 2016, the use of energy saving induction lamps helped the company reduce its total electricity consumption by 30%.

25,000 used tyres were retreaded at our retreading workshop

Engaging Stakeholders

Many different communication channels are employed to engage with our stakeholders, including passengers, manufacturers, suppliers, contractors, political parties, community groups, the government and members of the public.

Media and Online Communication

In 2016, we invited the media to events to strengthen communications and made increasing use of social media such as Facebook and Instagram to publicise KMB-related information. Our interaction with netizens included a number of cross-media activities that have been well received, as the number of fans of our Facebook page grew from 14,000 in July 2015 to over 40,000 in December 2016.

Alert to the potential of new-generation social media platforms, KMB Instagram accounts are provided to capitalise on the selfie trend among young people and enhance our interaction with young passengers. The number of Instagram accounts had reached nearly 2,900 by the end of 2016.

Firm in the belief that social media platforms constitute a major communication means between the public and the company, KMB will continue to make good use of online communication platforms to strengthen its ties with the public.

The following activities were organised via online social media platforms:

- In March and April, in celebration of its 83rd birthday, KMB organised an event via its online social media platforms Facebook and Instagram seeking Hong Kong permanent residents with the same birthday as KMB – April 13. More than 2,800 people responded and were given a complimentary personalised bus model as a birthday gift.
- In April, as part of its birthday celebrations, KMB launched an activity on its Facebook encouraging the public to log onto a designated page to write birthday messages for relatives and friends who were born in April. The messages were broadcast across the city on ETA panels at bus stops.
- In June, KMB used the Facebook live function to introduce the new-generation Long Win Airport buses to the public.

Social media used to promote KMB

In 2016, we made increasing use of social media such as Facebook and Instagram to publicise KMB-related information.

- In September, KMB invited over 100 participants to join a light-painting activity at Kowloon Bay Depot via Facebook.

KMB's award-winning website (www.kmb.hk) serves the needs of the travelling public in a variety of ways, including Hong Kong's first map-based point-to-point bus route search function for a public bus company and the "Street View" function, which gives passengers a 360-degree photo tour of the street near their chosen bus stop. A new activity guide called "Popular places to visit" was added to promote leisure spots accessible via the KMB network, while the Bus-Bus Interchange enquiry page was upgraded to provide more detailed information on the interchange network.

A subsidiary of TIH sponsored Hong Kong Premier League team “KMB Yuen Long” in the 2016-17 season

In April 2016, the KMB website was granted the Triple Gold Award, the Most Favourite Website Award and Easiest-to-Use Website Award by the Office of the Government Chief Information Officer and the Equal Opportunities Commission in the Web Accessibility Recognition Scheme.

Engaging the Public

KMB has shared many important milestones with the people of Hong Kong since its establishment in 1933, including large influxes of population, economic ups and downs and the development of new towns. In many ways, KMB's story is the story of Hong Kong people.

In 2016, a number of events were organised to interact with the public we serve.

- On 5 March, KMB organised the event “Getting Around with KMB, Yesterday and Today” at the Hong Kong Cultural Centre Piazza in Tsim Sha Tsui, which allowed the public to look back at the services provided by KMB in Hong Kong over the past 80-plus years, as well as updating them on the latest developments in bus services.
- On 9 April, KMB organised the event “KMB B-day@83” at its Kowloon Bay Depot, which attracted more than 20,000 visitors. In addition to celebrating KMB's birthday, the event showcased vintage buses and provided games and activities for participants. At the event, an award presentation ceremony for KMB's “Time Travel” painting competition was held.
- In June, KMB stepped up its engagement with the public via social media platforms by using the Facebook live function to explain bus topics of interest to the public.
- To bring care, love and blessing to the elderly, KMB launched a campaign in June to distribute more than 20,000 free mooncakes to old people at various bus termini in Hong Kong, Kowloon and the New Territories.
- On 19 August, a subsidiary of TIH sponsored Yuen Long Football Club for the new Hong Kong Premier League season, renaming the team “KMB Yuen Long”, thus engaging the public by promoting local football.
- On 12 November, KMB organised the “KMB Academy” event at Kowloon Bay Depot. In addition to introducing the Group's latest developments to the public, the event showcased new buses and provided games and activities for more than 22,000 people.

Passenger Liaison Group meetings

In 2016, KMB and LWB held a total of 12 Passenger Liaison Group meetings to collect customer views on a variety of issues, including interchange schemes, environment-friendly buses, passenger facilities and network connectivity. Each company organised six meetings at bus termini across its operating area.

Customers Service Centres

KMB's eight customer service centres provide passengers with a one-stop service offering KMB souvenirs, Octopus Card add-value services and the provision of bus route information, while the Tai Lam Interchange customer service kiosk similarly provides a wide range of services. The kiosk provides cash withdrawal and free Wi-Fi services, as well as a range of convenience goods, providing a handy one-stop service for those changing buses at the Interchange. To meet the needs of cross-boundary passengers, KMB operates a ticketing office at Lok Ma Chau providing Octopus services.

KMB Customer Service Hotline

The award-winning KMB customer service hotline (2745-4466) handled about 1.85 million calls in 2016, an average of 154,000 calls a month. Our hotline operator service, available daily from 7:00 a.m. to 11:00 p.m., is complemented by a 24-hour hotline system.

Hosting Visits

To increase our stakeholders' understanding of the daily operations at our bus depots, including maintenance and bus cleaning procedures, we received visitors from 62 organisations in 2016, including 27 social service organisations and 7 overseas delegations.

Memberships of Industry Associations

During 2016, KMB further strengthened its links with stakeholders via participation in the following organisations:

- Business Environment Council
- The Chartered Institute of Logistics and Transport in Hong Kong
- The Hong Kong General Chamber of Commerce
- Federation of Hong Kong Industries

FRIENDS OF KMB

KMB's volunteer club FRIENDS OF KMB ("FRN") has promoted environmental protection, civic education and social service activities since it was formed in 1995. In 2016, FRN's 5,000 volunteers contributed more than 24,000 hours of their time to community service. Of special note, during the year FRN volunteers, in partnership with Tung Wah Group of Hospitals, Prince of Wales Hospital, Suicide Prevention Services, Po Leung Kuk, The Boys' & Girls' Clubs Association of Hong Kong, The Hong Kong Society for the Aged and Lok Sin Tong, visited elderly people and people in need living in Cheung Sha Wan, Wong Tai Sin, Ping Shek, Kwai Chung, Sha Tin, Shau Kei Wan and Lam Tin.

Showing Care

KMB and LWB supported the "International Day of Disabled Persons" event by offering free rides on all its bus routes for people with disabilities and one accompanying carer on 13 November 2016. On 20 November, KMB supported "Senior Citizens Day" by offering free rides to people aged 65 and over. Both events were organised by the Hong Kong Council of Social Service.

Community Sponsorship

KMB sponsors and participates in a variety of local community programmes, including the New Territories Walk for Millions, Dress Casual Day and the Corporate Challenge Half Marathon, all organised by The Community Chest of Hong Kong, as well as taking part in the Hong Kong Council of Social Service's Caring Company Patron's Club. In 2016, KMB provided bus-body advertisements for 16 non-governmental organisations ("NGOs") on 20 buses, as well as giving 11 NGOs airtime on KMB's on-bus broadcasting system.

Working with Suppliers

Supply Chain Management

We believe in upstream integrated supply chain management with the emphasis on quality and logistics control. We work closely with our business partners to develop new buses and services that are well adapted to the local climatic and operational environment. We encourage fair and open competition with the aim of developing long term relationships with suppliers and sub-contractors based on mutual trust. Our supply chain activities are guided by company policies and procedures that are geared to ensuring the ethical procurement of supplies and services, as well as high quality end products in which our customers can be confident.

Policies on Managing Environmental and Social Risks in the Supply Chain

To bring vendors into line with our vision for sustainability, we require all new vendors to declare their

Members of KMB's volunteer club FRIENDS OF KMB were recognised at the KMB Academy event in November 2016 for their commitment to community service

compliance with KMB's "Environmental Care, Health and Safety of Suppliers/ Sub-contractors" guidelines. For major purchases, such as that of new buses, we incorporate "Corporate Responsibility Considerations" into the tender assessment criteria.

Operating Practices Relating to Engaging Suppliers and Sub-contractors

Our suppliers and sub-contractors' operations are expected to be conducted in a socially and environmentally responsible manner and to be in compliance with all legal and regulatory requirements.

Corporate Code of Conduct

Environmental Care, Health and Safety of Suppliers/Sub-contractors

Our suppliers and their sub-contractors are expected to demonstrate their commitment to environmental care and a healthy and safe workplace by adopting the following measures:

- Continuous improvement of environmental performance:
  - Boosting employee awareness of environmental issues;
  - Encouraging energy conservation;
  - Promoting reduction of waste by appropriate measures and finding alternative uses for waste; and
  - Complying with all relevant legislations.
- Implementation and enforcement of proper health and safety procedures by:
  - Providing and maintaining a safe and risk-free operating environment by adopting good systems and equipment;
  - Enforcing appropriate procedures for the use, handling, storage and transport of materials; and
  - Complying with all relevant legislations.

Forced Labour and Child Labour

Suppliers and their sub-contractors undertake that they will not use forced labour in any form or child labour (persons below the local minimum age or below the age of 16).

To ensure that our suppliers conduct operations with a comprehensive consideration of their environmental and social aspects, we require our tenderers to provide us with details of the following aspects of their operations. We view their performance in these areas carefully when considering the awarding of contracts:

- The tenderer's awareness of environmental care, health and safety, and policies regarding the prevention of the use of forced labour and child labour;
- Measures taken by the tenderer to check compliance of its key suppliers/ sub-contractors against its standards on Environmental Care, Health and Safety of Suppliers/Sub-contractors, and Forced Labour and Child Labour; and

- Any major social controversies, fines or settlements related to the activities of the tenderer's suppliers/ sub-contractors.

Legal and Regulatory Compliance

Our suppliers are expected to fulfil all their contracts with us in a proper and lawful manner and in no way violate the laws of the HKSAR.

Prevention of Bribery and of Corrupt Practices in Procurement

We promote fair and open competition and aim to develop and secure long-term relationships with suppliers and sub-contractors based on mutual trust. We make efforts to ensure that the procurement of supplies and services is conducted to the highest ethical standards so as to ensure a high quality end product and the sustained confidence of customers, suppliers and the public. We ensure that all suppliers, sub-contractors and consultants are managed equally without prejudice, both local and overseas, and that those staff involved in the selection of and purchase from suppliers and sub-contractors avoid misuse of authority and do not engage in actions which could interfere with their ability to make free and independent decisions in respect of purchase and procurement.

Procurement and Tendering Procedures

The criteria for the procurement and tendering of services or goods are based solely upon price, quality, need and other relevant factors, including environmental and social responsibility standards. Our procurement and tendering measures are implemented on the following principles:

- Impartial selection of capable and responsible suppliers and subcontractors;
- Fair competition;
- Selection of appropriate contract types according to needs;
- Compliance with laws, relevant regulations and contractual obligations; and
- Adoption of an effective monitoring system and management controls to detect and prevent bribery, fraud or other malpractices in procurement and tendering. Procurement and tendering protocols for implementing this policy will specifically include procedures and practices designed to detect and prevent fraudulent activities.

Suppliers are asked to declare any close personal or business relationships they may have with any of our directors, staff or handling agents. They are also requested to make a report to the Independent Commission Against Corruption if an employee has committed any offence of corruption under the Prevention of Bribery Ordinance (Chapter 201, Laws of Hong Kong). Should a supplier or sub-contractor be found to have committed any offence of corruption under this Ordinance, we reserve the right to immediately terminate all outstanding contract(s) without allowing the supplier or sub-contractor recourse to any compensation or claim for loss.

The Group

Summary of Financial Performance

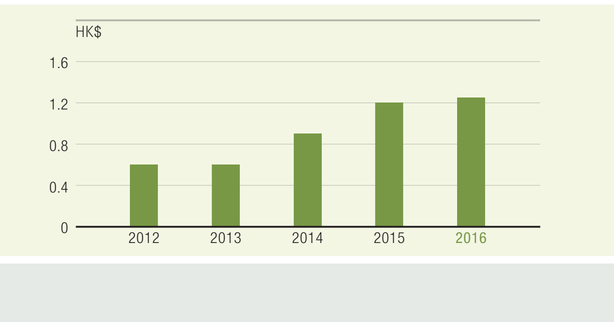
	2016	2015	Favourable/(Unfavourable) Change	
	HK$ million	HK$ million	HK$ million	%
Revenue	7,936.5	7,779.9	156.6	2.0
Other income	128.4	78.9	49.5	62.7
Operating expenses	(7,080.4)	(7,131.6)	51.2	0.7
Finance costs	(17.8)	(9.7)	(8.1)	(83.5)
Share of profits of associates	30.8	32.4	(1.6)	(4.9)
Impairment loss on other property, plant and equipment	(22.9)	–	(22.9)	N/A
Impairment loss on intangible assets	(0.2)	(2.9)	2.7	93.1
Profit before taxation	974.4	747.0	227.4	30.4
Income tax	(150.1)	(128.1)	(22.0)	(17.2)
Non-controlling interests	6.6	9.8	(3.2)	(32.7)
Profit attributable to equity shareholders of the Company	830.9	628.7	202.2	32.2
Earnings per share (HK$)	2.04	1.56	0.48	30.8

Review of 2016 Financial Performance

The Group's Results for the Year

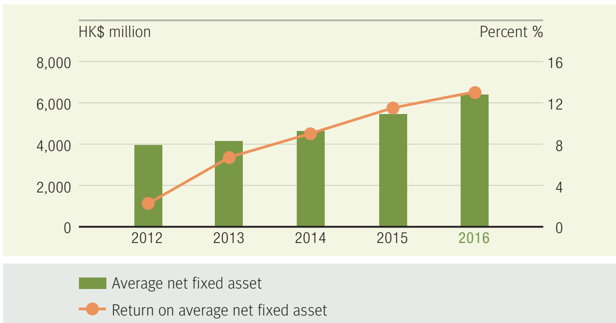
The Group's profit attributable to equity shareholders for the year ended 31 December 2016 was HK$830.9 million, an increase of HK$202.2 million or 32.2% compared to HK$628.7 million for 2015. Earnings per share increased correspondingly from HK$1.56 for 2015 to HK$2.04 for 2016. The increase in profit was mainly attributable to the improvement in the financial performance of our franchised public bus business operated by The Kowloon Motor Bus Company (1933) Limited ("KMB"), and the increase in investment return through the purchase of debt securities.

Dividends per share



Return on average net fixed asset employed

(exclude property development)



The revenue and underlying profit generated by the Group's six Divisions for the year ended 31 December 2016 are shown below:

HK$ million	Revenue 2016	Revenue 2015	Profit/(Loss) before taxation 2016	Profit/(Loss) before taxation 2015
Franchised Public Bus Operations Division	7,125.8	6,982.3	794.6	664.4
Non-franchised Transport Operations Division	342.7	347.0	65.0	49.3
Property Holdings and Development Division	60.5	38.7	54.7	45.9
Media Sales Business Division	407.5	411.9	(30.7)	(41.1)
Financial Services Division	–	–	50.5	8.1
China Mainland Transport Operations Division	–	–	30.8	32.4
	7,936.5	7,779.9	964.9	759.0
Finance costs			(17.8)	(9.7)
Unallocated net operating income/(loss)			27.3	(2.3)
Profit before taxation and non-controlling Interests			974.4	747.0
Income tax			(150.1)	(128.1)
Non-controlling interests			6.6	9.8
Profit attributable to equity shareholders of the Company			830.9	628.7

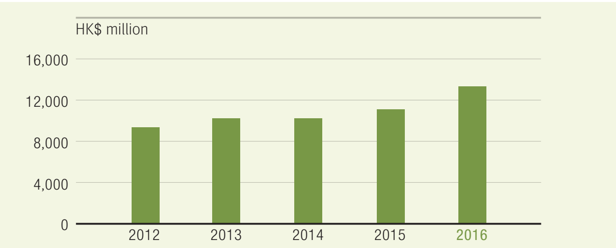
Segment information on the Group's main businesses is set out in note 12 to the financial statements on pages 163 to 165 of this Annual Report.

Key Changes to the Group's Revenue, Other Income and Operating Expenses

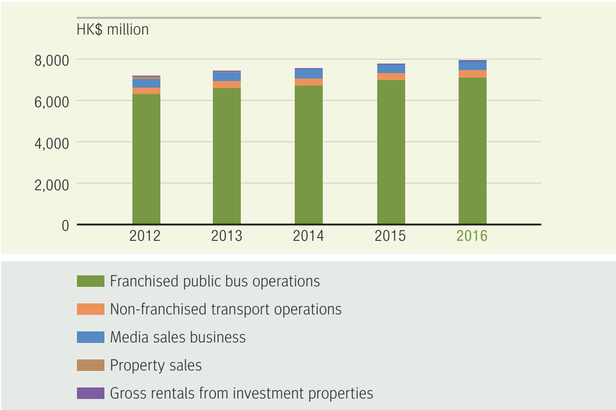
Revenue for 2016 amounted to HK$7,936.5 million, an increase of HK$156.6 million or 2.0% compared with HK$7,779.9 million for 2015. The increase was mainly due to the increase in revenue from the Group's franchised public bus operations by HK$143.5 million, primarily as a result of patronage growth. In addition, the rental income arising from the Group's investment properties increased by HK$21.8 million. However, such positive factors were partly offset by the decrease in the media sales revenue from RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group") by HK$4.4 million as a result of sluggish demand in the advertising market, and decrease in revenue from the Group's Non-franchised Transport Operations Division by HK$4.3 million.

Other income increased by HK$49.5 million from HK$78.9 million in 2015 to HK$128.4 million in 2016. The increase was mainly due to the additional interest income generated from the purchase of debt securities. The breakdown of other income is set out in note 4 to the financial statements on page 156 of this Annual Report.

Total assets at 31 December



Group revenue



Total operating expenses for 2016 amounted to HK$7,080.4 million, a decrease of HK$51.2 million or 0.7% compared to HK$7,131.6 million for 2015. The decrease was mainly due to the decrease in fuel and oil costs by HK$118.3 million or 14.6% as a result of the fall in international fuel prices, and the decrease in other operating expenses due to enhancement in operating efficiency. However, these positive factors were partly offset by the increase in staff costs of HK$107.5 million due to the annual pay rise.

The Group's share of profits of associates for 2016 amounted to HK$30.8 million, a decrease of HK$1.6 million or 4.9% compared to HK$32.4 million for 2015.

Income tax expense for the year amounted to HK$150.1 million (2015: HK$128.1 million). The breakdown of the income tax expense is set out in note 6 to the financial statements on page 158 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 79 to 84 of this Annual Report.

Dividend

The Board has recommended an ordinary final dividend of HK$0.90 per share (2015: HK$0.90 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 18 May 2017 or at any adjournment thereof, the proposed final dividend, together with the interim dividend of HK$0.35 per share (2015: HK$0.30 per share) paid in October 2016, would result in a total dividend of HK$1.25 per share for 2016 (2015: HK$1.20 per share), representing an increase of 4.2% compared with 2015.

Key Changes to Financial Position

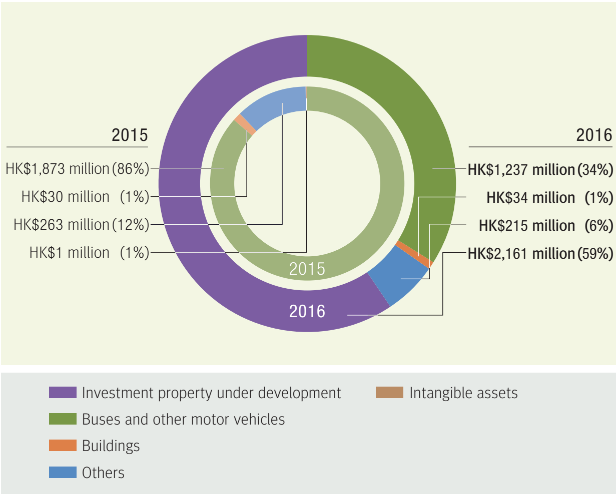
Capital Expenditure

As at 31 December 2016, 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$8,875.1 million (2015: HK$6,133.4 million). The increase was mainly due to the payment of the Group's share of the land premium for Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site"), which amounted to HK$2,152.5 million, and was recorded as investment property under development. None of these assets was pledged or charged as at 31 December 2016. The breakdown of the capital expenditure is shown in note 13 to the financial statements on pages 166 and 170 of this Annual Report.

Intangible Assets and Goodwill

As at 31 December 2016, the Group's intangible assets and goodwill amounted to HK$132.1 million (2015: HK$132.3 million) and HK$84.1 million (2015: HK$84.1 million) respectively. The intangible assets mainly represent passenger service licences and transport operating rights of the Group's non-franchised transport operations.

Capital expenditure



Current Assets and Current Liabilities

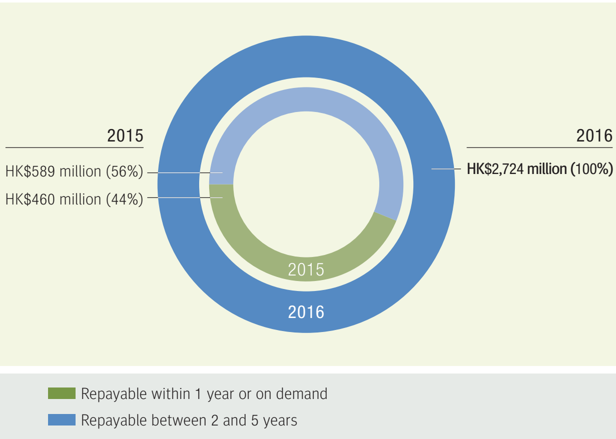
The Group's total current assets as at 31 December 2016 amounted to HK$1,773.8 million (2015: HK$3,375.9 million), mainly comprising liquid funds of HK$1,076.0 million (2015: HK$2,714.5 million) and accounts receivable of HK$516.8 million (2015: HK$435.6 million). The decrease in liquid funds was mainly due to the purchase of debt securities of HK$1,200.0 million in 2016 as well as the payment of the Group's share of the land premium for the Kwun Tong Site which was partially funded by the Group's liquid funds. The Group's liquid funds at the end of 2016 were mainly denominated in Hong Kong dollars.

Total current liabilities as at 31 December 2016 amounted to HK$1,397.1 million (2015: HK$2,055.0 million), which mainly included accounts payable and accruals.

Bank Loans

As at 31 December 2016, bank loans, all unsecured, amounted to HK$2,724.4 million (2015: HK$1,048.9 million). The increase in bank loans was mainly due to additional bank financing arranged for the Kwun Tong Site project. The maturity profile of the bank loans of the Group as at 31 December 2016 and 31 December 2015 is shown in the chart below:

Debt maturity profile at 31 December



As at 31 December 2016, the Group had undrawn banking facilities totalling HK$1,490.0 million (2015: HK$1,980.0 million), of which HK$1,480.0 million (2015: HK$1,970.0 million) was of a committed nature.

Capital Commitments

The Group's capital commitments as at 31 December 2016 amounted to HK$479.1 million (2015: HK$936.3 million). These commitments are to be financed by borrowings and from the Group's working capital. A summary of the capital commitments is set out below:

HK$ million	2016	2015
Development of the Kwun Tong Site	22.3	22.3
Purchase of buses and other motor vehicles	418.4	861.3
Purchase of other properties, plant and equipment	38.4	52.7
Total	479.1	936.3

As at 31 December 2016, the Group had 323 (2015: 550) new buses on order for delivery in 2017.

Funding and Financing

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, bank loans and overdrafts. 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.

Net Cash/Net Borrowings and Liquidity Ratio

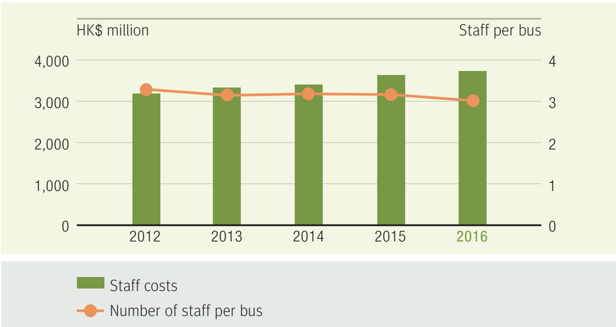
As at 31 December 2016, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,648.4 million (2015: net cash of HK$1,665.6 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.3 (2015: 1.6). The details of the Group's net cash/net borrowings position by currency are set out as follows:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans HK$ million	Net cash/ (Net borrowings) HK$ million
At 31 December 2016				
Hong Kong dollars		739.4	(2,724.4)	(1,985.0)
Renminbi	157.1	174.7	–	174.7
United States dollars	16.1	125.1	–	125.1
British Pounds Sterling	2.8	26.4	–	26.4
Other currencies		10.4	–	10.4
Total		1,076.0	(2,724.4)	(1,648.4)
At 31 December 2015				
Hong Kong dollars		2,384.4	(1,048.9)	1,335.5
Renminbi	156.2	184.3	–	184.3
United States dollars	15.9	123.6	–	123.6
British Pounds Sterling	1.2	13.8	–	13.8
Other currencies		8.4	–	8.4
Total		2,714.5	(1,048.9)	1,665.6

Shareholders' fund at 31 December

Staff costs and staff per bus

(Franchised public bus operations)



Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2016 were HK$17.8 million, an increase of HK$8.1 million compared with HK$9.7 million for 2015. The increase was mainly due to the increase in average bank borrowings of the Group as well as the rise in average interest rate from 1.28% per annum for 2015 to 1.61% per annum for 2016.

For the year ended 31 December 2016, the Group's interest income exceeded the total finance costs by HK$42.4 million (2015: HK$45.5 million).

Net Cash Flow

For 2016, there was a net decrease of HK$15.4 million (2015: a net decrease of HK$640.1 million) in cash and cash equivalents. The sources are set out below:

	2016 HK$ million	2015 HK$ million
Net cash generated from/ (used in):		
• Operating activities	1,978.1	1,741.0
• Investing activities	(3,327.1)	(2,434.1)
• Financing activities	1,333.6	53.0
Total	(15.4)	(640.1)

The main components of the net cash outflow of HK$15.4 million (2015: HK$640.1 million) included: (i) net cash generated from operating activities of the franchised public bus operations of HK$1,750.5 million (2015: HK$1,607.7 million); (ii) payment of the Group's share of the land premium for the Kwun Tong Site of HK$2,152.5 million (2015: nil); (iii) payment of capital expenditure of HK$1,729.4 million (2015: HK$1,982.9 million); (iv) purchase of debt securities of HK$1,200.0 million (2015: nil); (v) decrease of HK$1,664.9 million (2015: increase of HK$662.3 million) in bank deposits with original maturities of over three months; (vi) proceeds received on the maturity of available-for-sale debt securities of HK$66.8 million (2015: HK$42.7 million); and (vii) payment of dividends of HK$335.6 million (2015: HK$423.8 million).

Details of the Group's cash flow movement for the year ended 31 December 2016 are set out in the consolidated cash flow statement on page 137 of this Annual Report.

Treasury Risk Management

The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

Foreign Currency Risk

The Group is exposed to foreign currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a foreign currency. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP), United States dollars (USD) and Renminbi (RMB). In respect of its exposure in British Pounds Sterling used for bus purchases, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate.

In 2016, the Group hedged approximately 50% (2015: 38%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. As at 31 December 2016, the Group had outstanding GBP forward contracts totalling GBP6.2 million (2015: GBP15.4 million), which had maturities of less than one year after the end of the reporting period.

Interest Rate Risk

The Group closely monitors the market conditions and devises suitable strategies to manage its exposure to interest rate risk. Different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates, and derivative financial instruments such as interest rate swaps will be considered as and when appropriate. As at 31 December 2016, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

The Group's major subsidiary, KMB, has been assigned an "A" credit rating with stable outlook by Standard & Poor's since 14 January 2002. The credit rating agency viewed KMB as an integrated economic entity of Transport International Holdings Limited. Accordingly, the rating of KMB also reflect the Group's credit profile.

Fuel Price Risk

The impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated and considered the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be equally as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long term. Therefore the Group did not enter into any fuel oil swap contract during 2016. On the other hand, the Group has entered into purchase contracts with two diesel suppliers for the supply of diesel for a term of three years commencing from 1 January 2016. A new price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these new contracts. Management will continue to closely monitor fuel price movements and constantly review its strategy in respect of fuel price risk management in the light of prevailing market condition.

Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables and debt investments. Management has a credit policy in place under which exposure to credit risks is monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on major customers requiring credit over a certain amount. Regular reviews and any necessary follow up action are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. The Group has established treasury management guidelines for investment of surplus cash reserves in debt securities for yield enhancement purposes. Limits are set for the total portfolio size and individual debt security to minimize the overall risk as well as the concentration risk. The credit ratings of the debt issuers and market news relating to them, as available, are closely monitored over the life of the transactions. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution. The Group has no significant concentrations of credit risk and does not provide guarantees to third parties which would expose the Group to credit risk.

Cash Flow and Liquidity Risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure and dividend payments as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

Employees and Remuneration Policies

Running a transport operation is a labour intensive business, and staff costs accounted for about 56% (2015: 54%) of the total operating expenses of the Group in 2016. 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 2016 amounted to HK$3,726.2 million (2015: HK$3,633.6 million), representing an increase of 2.5%. At the end of 2016, the Group employed over 13,300 staff (2015: over 13,400 staff).

Individual Business Units

Franchised Public Bus Operations

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

	Unit	2016	2015
Revenue	HK$ million	6,834.4	6,719.4
Other income	HK$ million	66.7	72.1
Total operating expenses	HK$ million	(6,144.7)	(6,195.6)
Profit from operations	HK$ million	756.4	595.9
Finance costs	HK$ million	(16.8)	(9.7)
Profit before taxation	HK$ million	739.6	586.2
Income tax	HK$ million	(121.9)	(98.0)
Profit after taxation	HK$ million	617.7	488.2
Net profit margin		9.0%	7.3%
Passenger volume	Million passenger trips	990.1	969.2
Kilometres operated	Million km	282.5	285.6
Staff number at year-end	Number of staff	11,958	12,175
Fleet size at year-end	Number of buses	3,920	3,889
Total assets	HK$ million	7,067.6	6,317.3

KMB recorded a profit after taxation of HK$617.7 million for 2016, representing an increase of HK$129.5 million compared with HK$488.2 million for 2015.

KMB's fare revenue for 2016 was HK$6,649.4 million, an increase of HK$116.7 million or 1.8% compared with HK$6,532.7 million for 2015. The increase was mainly attributable to patronage growth. During the year, with improvements in service levels and quality, as well as enhancement in bus service reliability and efficiency, KMB's total ridership increased by 2.2% to 990.1 million passenger trips (a daily average of 2.71 million passenger trips) as compared with 969.2 million passenger trips (a daily average of 2.66 million passenger trips) for 2015.

Total operating expenses for 2016 amounted to HK$6,144.7 million, a decrease of HK$50.9 million or 0.8% compared with HK$6,195.6 million for 2015. The decrease was mainly attributable to the reduction in fuel and oil costs of HK$110.9 million as a result of the fall in international fuel prices and the decrease in fuel consumption through the continued improvement in operating efficiency. This positive factor was, however, partly offset by the increase of HK$79.7 million in staff costs due to annual pay rise at an average rate of 4.1%, and the increase in depreciation charges.

Long Win Bus Company Limited ("LWB")

	Unit	2016	2015
Revenue	HK$ million	464.9	443.9
Other income/(loss)	HK$ million	8.5	(3.9)
Total operating expenses	HK$ million	(435.2)	(371.5)
Profit from operations	HK$ million	38.2	68.5
Finance costs	HK$ million	(1.0)	–
Profit before taxation	HK$ million	37.2	68.5
Income tax	HK$ million	(6.0)	(11.5)
Profit after taxation	HK$ million	31.2	57.0
Net profit margin		6.7%	12.8%
Passenger volume	Million passenger trips	37.3	36.7
Kilometres operated	Million km	32.0	28.0
Staff number at year-end	Number of staff	652	546
Fleet size at year-end	Number of buses	242	190
Total assets	HK$ million	617.0	596.1

The profit after taxation of LWB for 2016 was HK$31.2 million, representing a decrease of HK$25.8 million or 45.3% compared with HK$57.0 million for 2015.

LWB's fare revenue for 2016 was HK$460.4 million, an increase of HK$20.4 million or 4.6% compared with HK$440.0 million for 2015. The increase was mainly due to the growth in ridership of 1.7%, and the increase in average fare by 2.9% as a result of more A-route passengers. LWB recorded a total ridership of 37.3 million passenger trips (a daily average of 101,900 passenger trips) for 2016, as compared with 36.7 million passenger trips (a daily average of 100,450 passenger trips) for 2015.

Total operating expenses for 2016 amounted to HK$435.2 million, an increase of HK$63.7 million or 17.1% compared with HK$371.5 million for 2015. The increase in operating expenses was mainly due to enhancements in A-route service through strengthening bus frequencies for increased passenger convenience. In addition, fuel consumption also increased as a result of the increase in kilometres travelled due to service enhancement, but this was partly offset by reduction in fuel costs as a result of the fall in international fuel prices.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$55.4 million for 2016, representing an increase of HK$6.2 million or 12.6% compared with HK$49.2 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, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group slightly decreased by HK$4.6 million or 1.5% from HK$302.7 million in 2015 to HK$298.1 million in 2016. Total operating costs for 2016 decreased as a result of the reduction in fuel costs due to the fall in international fuel prices, but this was partly offset by the rise in staff salaries and general inflation.

In 2016, in line with the SBH Group's commitment to quality service and environmental protection, SBH Group purchased 48 (2015: 47) Euro V buses for fleet replacement purposes. As at 31 December 2016, the SBH Group had a fleet of 386 buses (2015: 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$0.3 million or 0.7% from HK$44.3 million in 2015 to HK$44.6 million in 2016. The increase was mainly attributable to the increase in fares of the Huang Bus from HK$9 per trip to HK$10 per trip for both daytime and midnight services with effect from 19 October 2015. This positive factor was, however, partly offset by the decrease in NHKB's patronage by 7.1% from 4.81 million passenger trips (an average monthly ridership of 401,000 passenger trips) in 2015 to 4.47 million passenger trips (an average monthly ridership of 372,000 passenger trips) in 2016.

As at 31 December 2016, NHKB had a fleet of 15 buses (2015: 15 buses).

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$45.6 million for 2016, representing an increase of HK$7.4 million or 19.4% compared with HK$38.2 million for 2015. Revenue increased by 56.3% from HK$38.7 million in 2015 to HK$60.5 million in 2016. 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 2016, 100% of the lettable area of the shopping mall was leased out, generating a stream of recurring income for the Group.

As at 31 December 2016, 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$82.9 million (2015: HK$85.4 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 2016, the area for headquarters usage was reduced to 20% from 55% in 2015, and more space was freed up for earning additional rental income for the Group.

As at 31 December 2016, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK$31.3 million (2015: HK$29.9 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 2016, 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$3.5 million (2015: HK$4.8 million).

KT Real Estate Limited ("KTRE")

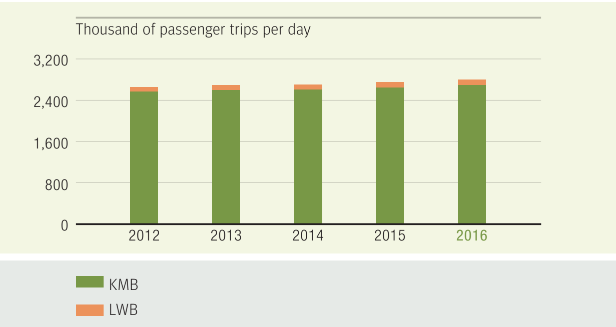
KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns the Kwun Tong Site in equal shares as tenants in common.

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, 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 2016, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK$2,186.2 million (2015: HK$24.9 million).

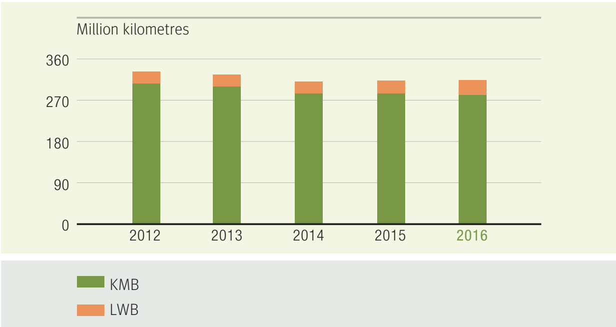
Average number of passenger trips per day

(Franchised public bus operations)

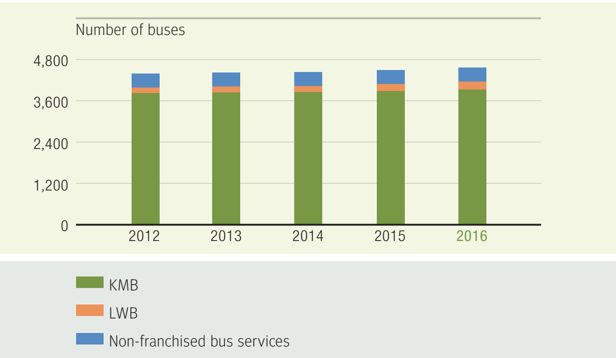


Bus kilometres operated

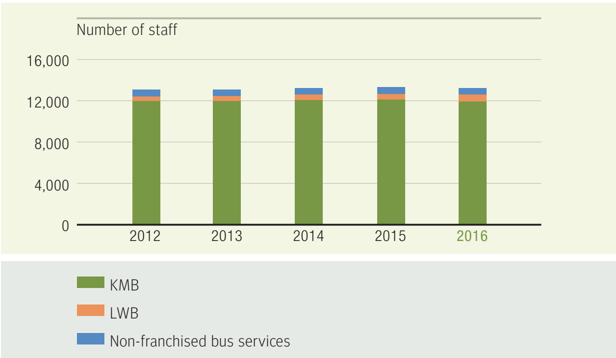
(Franchised public bus operations)



Number of licensed buses at 31 December



Number of staff at 31 December



Media Sales Business

RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group")

HK$ million	2016	2015
Revenue	407.5	411.9
Other income	7.2	18.0
Total operating revenue	414.7	429.9
Total operating expenses	(456.8)	(471.0)
Loss before taxation	(42.1)	(41.1)
Income tax	(0.1)	(4.9)
Loss after taxation	(42.2)	(46.0)
Non-controlling interests	(3.1)	(1.9)
Loss attributable to equity shareholders	(45.3)	(47.9)

The RoadShow Group reported a loss attributable to equity shareholders of HK$45.3 million for 2016, compared with a loss attributable to equity shareholders of HK$47.9 million for 2015. The loss for the year was mainly attributable to reduction in revenue due to sluggish demand in the advertising market, the impairment loss on other property, plant and equipment of HK$22.9 million, and provision for onerous contracts for Bus-TV business of HK$14.5 million.

For 2016, the RoadShow Group reported total operating revenue of HK$414.7 million, a decrease of 3.5% over the previous year. The revenue generated from the RoadShow Group's Hong Kong media sales services in 2016 amounted to HK$407.5 million, a decrease of HK$4.4 million or 1.1% compared with HK$411.9 million in 2015.

Total operating expenses for 2016 decreased by HK$14.2 million or 3.0% from HK$471.0 million in 2015 to HK$456.8 million in 2016.

Further information relating to the RoadShow Group is available in its 2016 annual results announcement and annual report.

China Mainland Transport Operations

The Group's China Mainland Transport Operations Division reported a profit after taxation of HK$30.8 million for 2016, representing a decrease of HK$1.6 million or 4.9% compared with HK$32.4 million for 2015.

As at 31 December 2016, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$601.6 million (2015: HK$634.4 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).

Summary of Investments in China Mainland Transport Operations as at 31 December 2016

	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 2016 (Number of vehicles)	7,911	4,805
Bus passenger volume (Million trips)	683	N/A
Bus kilometres travelled (Million km)	377	N/A
Staff number at year-end 2016	22,513	5,408

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 5,211 buses running on around 264 route and 2,700 taxis. Due mainly to the keen competition from the Shenzhen underground railway system, SZBG total ridership fell by 10.9% from 766.1 million passenger trips in 2015 to 682.9 million passenger trips in 2016. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity and successfully sought for additional subsidies from the Shenzhen Government. As a result, SZBG recorded a profit in 2016.

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 2016, BBKT had a fleet of 3,633 taxis, of which 563 are environment-friendly hybrid taxis, and 5,348 employees. BBKT recorded a profit in 2016.

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 2016, BBF had 1,172 vehicles available for charter mainly in Beijing and Tianjin and 60 employees. BBF recorded a profit in 2016.

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 33(a) to the financial statements on page 202 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, on 26 May 2015 (the "2015/16 Insurance Arrangements") and on 2 November 2016 (the "2017/18 Insurance Arrangements") pursuant to which SHKPI agreed to provide insurance coverage and services to the Group, and such insurance policies took effect from 1 July 2015 to 31 December 2016 and from 1 January 2017 to 31 December 2018 respectively. The transactions contemplated under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of these continuing connected transactions under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements were disclosed in the announcements of the Company dated 26 May 2015 and 2 November 2016 respectively. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2015/16 Insurance Arrangements for the year ended 31 December 2016 as disclosed in the announcement dated 26 May 2015 were HK$105,000,000. The cap amounts of the insurance premium payable by the Group to SHKPI under the 2017/18 Insurance Arrangements for the two years ending 31 December 2017 and 2018 as disclosed in the announcement dated 2 November 2016 were HK$77,000,000 and HK$80,000,000 respectively. Such cap amounts were determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements. For the year ended 31 December 2016, the insurance premium paid and payable to SHKPI was HK$94,524,000. The insurance premium paid and payable by the Group under the 2015/16 Insurance Arrangements and 2017/18 Insurance Arrangements will be satisfied by internal resources. The transactions under the 2015/16 Insurance Arrangements and 2017/18 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) SUB BUS LIMITED ("Sun Bus")

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

As detailed in note 33(a) to the financial statements on page 202 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 service fees for the provision of the shuttle bus services 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 transactions contemplated under the Shuttle Bus Service Agreements constituted continuing connected transactions of the Company under the Listing Rules. Particulars of these continuing connected transactions were disclosed in the announcement of the Company dated 17 December 2015. The cap amounts estimated to be receivable by Sun Bus under the Shuttle Bus Service Agreements for the two years ending 31 December 2016 and 2017 as disclosed in the announcement dated 17 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. For the year ended 31 December 2016, the service fees 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$6,551,000. 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;
2. the annual insurance premium paid and payable by the Group to SHKPI under the 2015/16 Insurance Arrangements for the year ended 31 December 2016 did not exceed the cap amount of HK$105,000,000 as disclosed in the announcement dated 26 May 2015; and
3. the service fees received or receivable by Sun Bus (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) from certain subsidiaries of SHKP under the Shuttle Bus Service Agreements for the year ended 31 December 2016 did not exceed the cap amount of HK$8,350,000 as disclosed in the announcement dated 17 December 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 its 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.

Good corporate governance provides a solid foundation for business success by guaranteeing sustainable returns to shareholders and fostering stakeholder confidence. To this end, a set of sound policies, procedures and rules are observed by Board members and staff, and the interests of our stakeholders taken into account as we set our long term business goals.

Corporate Governance Framework

The Group has a Corporate Governance Framework (the "Framework") for identifying all the key participants in good governance, the ways in which they correlate and the contribution each makes to the application of effective governance policies and processes. The Framework is built on principles of accountability, transparency and integrity.

The Board and senior management use the Framework as a performance-oriented benchmark when evaluating the achievement of the Group's business goals. In response to changes in regulatory requirements, environmental needs, evolving social expectations and international relations, the Group regularly reviews the Framework. Management policies and practices generated by the Framework are closely followed at all levels throughout the Group.

Our corporate governance objectives are achieved primarily through implementation of the following measures:

- Maintenance of a diverse and optimal board composition, establishment of efficient management reporting systems and retention of a professional management team to ensure that the Directors are sufficiently informed prior to making decisions in the best interests of our stakeholders;
- Establishment of thorough internal audit and control systems to safeguard against risks, protect the assets of the Group and ensure that its policies and management practices are executed as planned, and any irregularities, deviations, material mis-statements and instances of malpractice are swiftly identified and rectified; and
- Establishment of transparent and effective communication channels to ensure that the Group's affairs are brought to the attention of shareholders, customers and other stakeholders.

Corporate Governance Code Compliance

The Company abides by the corporate governance principles contained in the Corporate Governance Code ("the CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The CG Code lists the principles of good corporate governance at two levels of recommendations, namely, (a) "Code Provisions" and (b) "Recommended Best Practices".

The Company complied with all applicable Code Provisions throughout the year ended 31 December 2016, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 26 May 2016 as provided for in Code Provision A.6.7 owing to another engagement.

The Board of Directors

Board Composition

The structure of the Board maintains a balance of high calibre executive and non-executive directors possessing relevant skills, industry knowledge, first-hand experience and a diversity of perspectives that is suitable for the Group's businesses. Mr Evan AU YANG Chi Chun tendered his resignation from the position of Executive Director of the Company and its subsidiaries with effect from 1 March 2016. Mr Charles LUI Chung Yuen was re-designated as a Non-executive Director of the Company on 20 October 2016 owing to other personal commitments. Subsequent to Mr AU YANG's resignation and Mr LUI's re-designation, as at 31 December 2016, the Board comprised 14 members, of which five are Independent Non-executive Directors, eight are Non-executive Directors and one is Executive Director. Day-to-day management of the Group's business is delegated to the senior management under the supervision of four designated Board Committees: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors. The compositions of the Board and Board Committees at 31 December 2016 are stated below:

	Independent Non-executive Directors	Non-executive Directors	Executive Directors	Total
Board of Directors	5	8	1*	14
Board Committees:				
Standing Committee	2	3	1*	6
Audit and Risk Management Committee	2	1	–	3
Remuneration Committee	3	1	–	4
Nomination Committee	3	–	–	3

* The Managing Director

While the Non-executive Directors are not involved in the day-to-day management of the Group's businesses, they serve as custodians of the governance process by scrutinising the management's performance in meeting agreed corporate goals and objectives. Their contribution is made, among other ways, by attending Board meetings at which they provide independent views on various matters relating to the Group's strategy, policy, performance, accountability, resources, key appointments, and standards of conduct. The term of appointment of Non-executive directors is for a period of three years.

Independent Non-executive Directors review issues that come before the Board critically and objectively. In particular, they ensure that the general interests of shareholders are thoroughly considered by the Board. They also see that connected transactions and other issues are subject to impartial and thorough consideration by the Board.

Independent Non-executive Directors are identified in all corporate communications. Pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent, as all Independent Non-executive Directors have confirmed their independence in writing to both the Stock Exchange and the Company. The Company complies with the Listing Rules' requirement that at least one-third of Board members should be Independent Non-executive Directors.

In accordance with Code Provision I(h) of Appendix 14 of the Listing Rules, the relationship between members of the Board is disclosed in Directors' Profiles in the Annual Report.

Board Diversity

Diverse board composition ensures a wide range of business and professional experience on the Board, which ensures that the decision-making process includes different perspectives and supports the achievement of the Company's strategic objectives. All Board appointments are merit-based. The Company has adopted a Board Diversity Policy that takes into account, among other aspects, each candidate's gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All candidates are considered against these criteria.

The backgrounds of our Executive and Non-executive Directors are diverse. Each of them possesses the depth of relevant experience and the expertise to oversee the business of the Group. This ensures that sustainable value is delivered and shareholders' interests are safeguarded. The current mix of our Board members represents a balance of business, academia and the professions.

The age group and gender diversity of the Board of Directors as at 31 December 2016 are set out below:

Age Group	Male	Female
41-50	1	0
51-60	3	1
61-70	4	0
Over 70	5	0
Total	**13**	**1**

The Role of the Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The primary responsibilities of the Board are as follows:

- setting the Group's values and standards;
- giving the management objectives and directions;
- monitoring management performance;
- managing relationships with stakeholders, including shareholders, the HKSAR Government, employees and the community;
- establishing appropriate policies to manage risks in pursuit of the Group's strategic objectives;
- reviewing the effectiveness of internal controls and risk management procedures;
- reviewing and approving the accounts of the Group;
- ensuring the integrity of the Group's financial reporting system and public announcements;
- approving major financing arrangements;
- evaluating major acquisitions, disposals and material contracts; and
- setting dividend policy.

The Roles of Chairman and Managing Director

The Chairman and the Managing Director are two distinct posts, separately held by Dr Norman LEUNG Nai Pang, an Independent Non-executive Director, and Mr Roger LEE Chak Cheong, an Executive Director, respectively, neither of whom have any financial, business, family or other relationship with each other.

There is a clear distinction between the roles of the Chairman and the Managing Director. The responsibilities of the Chairman and the Managing Director are defined in writing and summarised below:

Responsibilities of the Chairman:

- chairing the Board and shareholders' meetings (ensuring that the views and concerns of Board members and shareholders are expressed at these meetings);
- ensuring the operations of the Board are managed effectively by discussing all principal and appropriate issues in a timely manner;
- ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner;
- facilitating effective communication with shareholders and ensuring that shareholders' views are adequately reflected to the Board; and
- ensuring that all corporate governance practices adopted by the Board are implemented.

Responsibilities of the Managing Director:

- reflecting the long-term objectives and priorities set by the Board through developing and implementing the Group's policies and strategies;
- providing salient, accurate, timely and succinct information for the Board to monitor the performance of the management;
- leading an effective and professional executive team in the management of the Group's day-to-day businesses;
- closely monitoring operational and financial results in accordance with plans and budgets;
- maintaining regular dialogue with the Chairman on important and strategic issues faced by the Group, and bringing the same to the Board's attention;

- putting adequate operational, planning, legal and financial-control systems in place; and
- managing the Company's relationships with its diverse stakeholders.

The Chairman also meets once a year with the Non-executive Directors, in the absence of the Executive Director, to discuss the Group's business affairs. Such a meeting was held on 15 December 2016.

Board Proceedings

Board Meetings

A Board meeting is generally held every other month, where Board members meet to discuss major corporate, strategic and operational matters and to evaluate investment opportunities. All Board meetings are conducted according to the procedures laid down in the Company's Bye-laws and the Code Provisions contained in the CG Code. At the beginning of every year, all Board members will be provided with the schedule of regular Board meetings. They will be duly informed of any amendments to the schedule at least 14 days before the relevant meeting.

The agenda for regular Board meetings is consolidated by the Company Secretary for approval by the Chairman. All Directors are entitled to put forward items for inclusion in the agenda of Board meetings. A Notice of Board meeting is delivered to each Director one month in advance of the scheduled meeting date together with the agenda. Detailed discussion papers for the Board meeting are circulated seven days prior to the meeting to ensure that Directors have sufficient time to consider the items for discussion and make decisions in the best interests of the Company.

At the Board meetings, senior management together with the relevant corporate executives report to the Board on the operations and financial performance of the Group's various business areas. Draft minutes of Board meetings, recording the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors, are taken by the Company Secretary, which are then circulated to the Directors for their comments. The final version of the draft minutes is submitted to the Board at the ensuing meeting for formal adoption. Subsequent to this, the adopted minutes are kept by the Company Secretary, and are available for inspection by the Directors.

Voting on Connected Transactions

The Company's Bye-laws provide that all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be discussed at a Board meeting and to abstain from voting on relevant resolutions if they have a conflict of interest or a material interest in the proposed transaction. Any such declaration of interest will be recorded by the Company Secretary in the minutes. A Director is not included in the quorum for such part of a meeting that relates to a resolution he/she is not allowed to vote on but he/she shall be included in the quorum for all other parts of that meeting. This reduces the potential for conflict which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement 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. The Company Secretary ensures that all connected transactions entered into are in compliance with the Listing Rules. In 2016, the Company entered into one continuing connected transaction, details of which are given on pages 84 and 85 of this Annual Report.

Obligations of Directors

Code of Conduct

All Directors and staff of the Company are subject to a written Code of Conduct, which is available on the staff website. It provides guidance on matters relating to personal conduct, relations with suppliers and contractors, responsibilities to shareholders, relations with customers, employment practices and responsibilities to the community, as well as procedures for monitoring compliance and means of enforcement. The code promulgates ethical values in business activities and requires that Directors and employees adhere to it when discharging their delegated duties. The code is reviewed and updated periodically to ensure that it keeps up to date with regulatory changes. The Company has a whistleblowing policy to encourage employees and related third parties (such as customers and suppliers) who deal with the Company to raise concerns in confidence about misconduct, malpractice or irregularity in any matters related to the Company. The whistleblowing policy is published on the Company website and staff website.

Securities Transactions by Directors

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct to regulate Directors' securities transactions in respect of the Company's shares. Senior managers, other nominated managers and staff who, because of their positions in the Company, are likely to be in possession of Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), are requested to comply with the provisions of the Model Code.

After the making of specific enquiries, all Directors confirmed that they had complied throughout 2016 with the standard of dealings set out in the Model Code. Details of the shareholding interests held by the Directors in the Company and its indirect non-wholly-owned subsidiary, RoadShow Holdings Limited, as at 31 December 2016, are set out on pages 119 to 121 of this Annual Report.

Induction and Continuous Professional Development

All Directors attended training programmes in the year to keep themselves abreast of the latest developments in the fields relevant to their respective expertise and professions. The Company Secretary is responsible for providing tailored induction programmes for new Directors and appropriate training programmes for the ongoing development of all Directors to ensure that they have a proper understanding of the Company's business operations and practices and are fully aware of their responsibilities under the Listing Rules and other regulatory requirements. Information on the latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as and when required. The Directors are provided with detailed monthly management reports, as well as monthly media reports, including press articles relevant to the Company's businesses. On 20 October 2016, a seminar was run by a professional services firm to update the Directors on the latest developments in corporate governance. Directors are encouraged to participate in continuous professional development programmes organised by qualified institutions. The costs for such programmes are borne by the Company. There is a formal procedure in place for reporting the training and continuous professional development received by Directors.

Time Commitment of Directors

For the year ended 31 December 2016, the Company has received confirmation from each Director that he/she committed sufficient time and attention to the Company's affairs. The Board reviews their contribution annually.

Re-election, Re-designation and Resignation of Directors and Appointment of Alternate Director

The Company has in place a formal and transparent procedure for the appointment of new directors. A person may be appointed as a member of the Board at any time either by the shareholders in general meeting or by the Board on the recommendation of the Nomination Committee when it is necessary to fill a casual vacancy. A Director appointed by the Board to fill a casual vacancy must retire at the first annual general meeting after such appointment but is eligible for election at the same meeting. All Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years. All Directors have a current term of office not longer than three years. Shareholders may remove a Director before the expiration of his or her period of office by passing a special resolution giving detailed reasons at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

The election of individual Directors is subject to separate resolutions to be approved by the shareholders. In respect of the re-appointment of an Independent Non-executive Director who has served on the Board for nine years, the Company is required to explain in a circular containing the notice of the annual general meeting why it considers that the Director continues to be independent and why it recommends his/her re-election to the shareholders.

Re-election of Directors

At the annual general meeting held on 26 May 2016 (the "2016 AGM"), two Directors, namely, Dr Norman LEUNG Nai Pang, GBS, JP and Mr William LOUEY Lai Kuen, retired by rotation and were re-elected as Directors of the Company.

Re-designation of Director

Mr Charles LUI Chung Yuen was re-designated as a Non-executive Director on 20 October 2016 due to other personal commitments.

Appointment of Alternate Director

Mr Gao Feng was appointed as Alternate Director to Mr William LOUEY Lai Kuen of the Company and of its two subsidiary companies, namely, The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") with effect from 1 January 2017.

Resignation of Director

Mr Evan AU YANG Chi Chun resigned as Executive Director of the Company, KMB and LWB with effect from 1 March 2016.

Appropriate announcements of the re-election, re-designation, appointment of alternate director and resignation of directors were published in accordance with the Listing Rules.

At the forthcoming annual general meeting to be held on 18 May 2017 (the "2017 AGM"), Mr Gordon SIU Kwing Chue and Mr John Anthony MILLER will retire with effect from the conclusion of the 2017 AGM. Mr NG Siu Chan, Dr John CHAN Cho Chak, Mr Allen FUNG Yuk Lun and Mr Roger LEE Chak Cheong will retire from office by rotation at the 2017 AGM and will offer themselves for re-election at the 2017 AGM. All the four retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2017 AGM. The election of each Director will be subject to the vote of the Shareholders in a separate resolution.

Procedures for Making Proposals to Nominate a Person for Election as a Director

The Shareholders are entitled to nominate a person for election as a Director at a general meeting of the Company. The procedures for making proposals to nominate a person for election as a Director are available on the websites of the Company and of the Stock Exchange.

Directors' Indemnities and Protections

The Company has taken out an appropriate insurance policy covering any legal action against the Directors of the Company, which indemnifies the Directors for liability incurred in connection with the Company's activities. These indemnities were in force during 2016 and remain in force.

Delegation by the Board of Directors

The Board maintains four designated Board Committees to oversee various aspects of the Group's affairs: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Committees are governed by their respective terms of reference and are provided with adequate authority and resources to discharge their duties. The terms of reference are regularly reviewed and are available on the websites of the Company and the Stock Exchange.

The membership of each Committee is shown below:

Name of Directors	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors				
Dr Norman LEUNG Nai Pang, *GBS, JP*	Chairman			
Dr John CHAN Cho Chak, *GBS, JP*	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, *GBS, OBE, JP*		Chairman	Member	Member
Mr Gordon SIU Kwing Chue, *GBS, CBE, JP*		Member		Member
Professor LIU Pak Wai, *SBS, JP*			Member	
Non-executive Directors				
Mr Raymond KWOK Ping Luen, *JP*	Member			
Mr Charles LUI Chung Yuen, *M.H.*	Member			
Ms Winnie NG	Member			
Mr John Anthony MILLER, *SBS, OBE*		Member	Member	
Executive Director				
Mr Roger LEE Chak Cheong	Member			

Standing Committee

The role of the Standing Committee is to advise and assist the Board in devising business strategies, making significant investment proposals and monitoring their implementation. In 2016, it held six meetings with senior management to review and discuss financial, operational and strategic planning, as well as potential investment opportunities for the Group. The findings and recommendations of the Standing Committee are submitted directly to the Board.

Audit and Risk Management Committee

The Chairman of the Audit and Risk Management Committee, Dr Eric LI Ka Cheung, an Independent Non-executive Director of the Company, is a Certified Public Accountant who possesses the professional qualifications and accounting expertise prescribed by the Listing Rules. Dr Li and the other members of the Audit and Risk Management Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 108 to 114 of this Annual Report. None of the Audit and Risk Management Committee members is a former or existing partner of the external auditors of the Company. The Audit and Risk Management Committee is responsible for establishing and maintaining an adequate internal control structure, for ensuring the quality and integrity of financial statements, for nominating independent external auditors, and for reviewing the adequacy of external audits in respect of cost, scope and performance. It also ensures that an effective system of internal control and risk management is established within the Company. The Audit and Risk Management Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are regularly updated with reference to the recommendations of the CG Code of the Listing Rules.

In 2016, the Audit and Risk Management Committee and senior management held three meetings – two of which were with the Company's external auditors, KPMG – at which the Company's financial reports, internal control systems and other relevant matters were reviewed and discussed. At the end of the meetings which they attended, the external auditors were invited to discuss in private with members of the Audit and Risk Management Committee issues noted during the course of the audit and any other matters they might wish to bring to the attention of the Audit and Risk Management Committee without the presence of senior management. Following each of the three meetings, the Chairman of the Audit and Risk Management Committee submitted a report to the Board of Directors and gave a briefing on all significant issues that had arisen.

The major work undertaken by the Audit and Risk Management Committee in the financial year ended 31 December 2016 included:

(a) Supervision of the Company's Financial Reporting Process, and Internal Control and Risk Management Systems

- Reviewed with senior management the accounting principles and practices adopted by the Group, the financial results of the Company and of its major subsidiaries, the accuracy and fairness of the financial statements, and the scope of internal and external audit work;

- Reviewed the revised accounting standards and any prospective changes to accounting standards, and considered their impact on the financial reporting of the Company and the Group;

- Reviewed with the external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements, as well as management's response to their findings;

- Discussed and reviewed the internal audit reports prepared by the Head of the Internal Audit Department covering among other things audit objectives, audit approach, audit work done and the findings arising therefrom. The Audit and Risk Management Committee also examined the qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources and training programmes;

- Conducted reviews with the external auditors and senior management to ensure that connected transactions were properly disclosed in accordance with the requirements of the Listing Rules; and

- Monitored the operation of the whistleblowing policy.

Following these reviews and discussions, the Audit and Risk Management Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2016 and the audited annual financial statements for the year ended 31 December 2016 be approved.

(b) Maintenance of Relationship with External Auditors

- Reviewed the independence of the external auditors and considered their terms of engagement and audit fee proposal to ensure that there was no impediment to their independence; and

- Ensured that the external auditors conducted their audit and non-audit services effectively.

Based on the conclusions drawn from these reviews, the Audit and Risk Management Committee recommended to the Board that KPMG, the existing external auditors, be re-appointed as auditors of the financial statements of the Company for the year ending 31 December 2017.

Remuneration Committee

On 12 April 2016, the Board appointed Mr John Anthony MILLER, a Non-executive Director, as a member of the Remuneration Committee. The Board has devolved upon the Remuneration Committee the authority to formulate remuneration policies, including the establishment of guidelines to determine terms and conditions of employment, and remuneration and retirement benefits of Directors and employees of the Group. The Remuneration Committee also draws up criteria for performance-based bonuses and makes recommendations to the Board on human resources related policies based on the Group's goals and objectives. Details of the terms of reference, remuneration policies and work performed by the Remuneration Committee in 2016 are set out in the Remuneration Report on pages 104 to 107 of this Annual Report.

Nomination Committee

The Board has appointed the Nomination Committee to identify suitable candidates of a high calibre and with sufficient experience for its consideration, taking into account the Board Diversity Policy. The Nomination Committee ensures that the appointment of Directors undergoes formal, stringent and transparent procedures. All members of the Nomination Committee, including its chairman, are Independent Non-executive Directors of the Company. The principal terms of reference of the Nomination Committee include:

- Formulating nomination policy for consideration by the Board and implementing the nomination policy established by the Board;

- Identifying and nominating for the approval of the Board appropriately qualified candidates for appointment as Directors;

- Making recommendations to the Board for the appointment or re-appointment of Directors and making recommendations regarding succession planning for Directors, in particular, the Chairman and the Managing Director;

- Reviewing and monitoring the structure, size and composition (including evaluating the balance and blend of skills, knowledge, professional experience, gender, age, cultural and educational background and length of service) of the Board and making recommendations to the Board regarding any proposed changes; and

- Evaluating the independence of Independent Non-executive Directors.

Attendance Records

The Directors' attendance at the Annual General Meeting, Board Meetings and Committee Meetings in 2016 is given below:

Members of the Board of Directors	2016 AGM	Board	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors						
Dr Norman LEUNG Nai Pang, *GBS, JP* *(Chairman)*	1/1	7/7	6/6			
Dr John CHAN Cho Chak, *GBS, JP* *(Deputy Chairman)*	1/1	7/7	6/6		3/3	1/1
Dr Eric LI Ka Cheung, *GBS, OBE, JP*	1/1	7/7		3/3	3/3	1/1
Mr Gordon SIU Kwing Chue, *GBS, CBE, JP*	1/1	7/7		3/3		1/1
Professor LIU Pak Wai, *SBS, JP*	0/1	6/7			3/3	
Non-executive Directors						
Mr Raymond KWOK Ping Luen, *JP* *(with Ms Susanna WONG Sze Lai, as alternate)*	0/1	1/7	6/6			
Mr NG Siu Chan *(with Ms Winnie NG as alternate)*	0/1	5/7				
Mr Charles LUI Chung Yuen, *M.H.*	1/1	7/7	5/6			
Mr William LOUEY Lai Kuen	1/1	7/7				
Ms Winnie NG	1/1	7/7	6/6			
Mr John Anthony MILLER, *SBS, OBE*	1/1	7/7		3/3	2/2	
Mr Allen FUNG Yuk Lun	1/1	6/7				
Mr Edmond HO Tat Man	1/1	7/7				
Executive Director						
Mr Roger LEE Chak Cheong *(Managing Director)*	1/1	7/7	6/6			
Alternate Directors						
Ms Winnie NG (Alternate Director to Mr NG Siu Chan)	1/1	2/2				
Ms Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen, *JP*)	0/1	6/7				
In attendance						
External Auditors	1/1			2/2		

Note: Particulars of the 2016 AGM are set out on pages 101 and 102 of this Annual Report.

The Board held seven meetings in 2016, which exceeded the minimum of four board meetings a year required by the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least two hours.

Delegation of Responsibilities to Senior Management

Senior management is responsible for implementing the strategies and day-to-day management of the Group's businesses. It is under the continual supervision of the Board and the corresponding Board Committees. Drawing upon their extensive experience and expertise in different areas, senior management provides accurate, adequate and detailed financial and operational information in a timely manner to the Board to keep them informed of the latest developments of the Group, enabling them to make informed decisions and discharge their responsibilities effectively.

The Role of the Company Secretary

The post of Company Secretary is held by Miss Lana WOO, who is a fellow member of The Hong Kong Institute of Chartered Secretaries. She is responsible for ensuring that the correct Board procedures are followed, advising the Board on all corporate governance matters and facilitating the induction and continuous professional development of Directors. She reports to the Managing Director of the Company, and all Directors may call upon her for advice and assistance at any time in respect of their duties and the effective operation of the Board and Board Committees. In 2016, the Company Secretary took more than 15 hours of professional training to update her skills and knowledge.

Accountability and Audit

Financial Reporting

The Board is responsible for the preparation of the Group's financial statements. It ensures that a true and fair view of the financial status of the Group is given in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility extends to the accuracy and sufficiency of the content of interim and annual reports, as well as "price-sensitive" announcements and other financial disclosures required by the Listing Rules, reports to regulators, and any information that needs to be disclosed under statutory requirements.

The financial statements of the Company and the Group for the year ended 31 December 2016 given on pages 132 to 207 of this Annual Report represent a true and fair view of the state of affairs of the Company and the Group, and the results and cash flow for the year. The Audit and Risk Management Committee of the Company, together with senior management and the Company's external auditors, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the financial results for the year ended 31 December 2016.

Internal Control and Risk Management Systems

The Board has the overall responsibility for establishing, maintaining and reviewing the effectiveness of the Group's internal control systems. It is duty bound to safeguard the Group's assets and stakeholders' interests, minimise operational system risks, and provide reasonable assurance against material mis-statement of information (whether financial or non-financial). Stringent internal control measures are implemented at all levels of the Group in order to ensure effective monitoring of its day-to-day operations.

The Audit and Risk Management Committee is delegated by the Board with the responsibility of maintaining and reviewing the effectiveness of the internal control and risk management systems and determining the nature and extent of any significant risks. With the assistance of the external auditors and the Internal Audit Department, the Audit and Risk Management Committee provides strong assurance regarding the quality and effectiveness of our control practices.

Internal Control Framework

The Group's Internal Control Framework is monitored, managed and reviewed by the following bodies:

The Board

- Has the ultimate responsibility for the Group's risk management and internal control systems
- Reviews the effectiveness of the Group's risk management and internal control systems in achieving the Group's objectives
- Provides direction on the risk management and internal control culture

The Audit and Risk Management Committee

- Assists the Board in monitoring the performance of the Group's risk management and internal control systems
- Reviews the Group's internal control and risk management reports prior to endorsement by the Board
- Reviews the effectiveness of the Company's external and internal audit functions
- Ensures staff are appropriately trained for their relevant positions to ensure that they carry out their duties in accordance with the requirements of internal control practices

Management

- Designs, implements and maintains an effective internal control system including the Group's Quality Management System
- Ensures a proper reporting channel so that emerging risks are reported to the Audit and Risk Management Committee in a timely manner

The Internal Audit Department

- Supports the Audit and Risk Management Committee in reviewing the effectiveness of the Group's risk management and internal control systems
- Works with business units to ensure sound internal controls and compliance functions are in place
- Conducts independent reviews and other special investigations requested by the Board, the Audit and Risk Management Committee and the Management

The Group's internal control and risk management framework, based on the Committee of Sponsoring Organisations of the Treadway Commission's Internal Control – Integrated Framework issued in May 2013 ("COSO 2013 Framework"), consists of the following components:

Control Environments

The Group complies with the Listing Rules requirement that at least one-third of the Board members should be Independent Non-executive Directors to demonstrate independence from management and exercises oversight of the development and performance of internal control. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors.

There are four designated Board Committees which meet on a regular basis for day-to-day management of the Group's business.

The Group has a well-defined organisational structure with succinct lines of authority and control responsibilities, which are clearly set out in writing and documented in the form of organisation charts and job manuals for the corresponding operating and business units.

Integrity and honourable business ethics are foundational to the continued success of the Group. The Code of Conduct and the Staff Handbook, which are accessible to all Directors and employees, define the rules and policies which all Directors and staff are bound to follow. The Code emphasises transparency, objectivity, integrity and reliability in the handling of financial information and in respect of disclosure in financial reports. In addition, the Staff Handbook reminds all staff members that they must not make use of their position to solicit or receive any advantage from any third parties.

A whistleblowing policy has been established by the Audit and Risk Management Committee to deal with concerns related to fraudulent or unethical acts or instances of non-compliance with the law or with the Group's policies that have or could have a significant adverse financial, legal or reputational impact on the Group. The Group will respond to all such concerns expressed fairly and properly. The Group's whistleblowing policy and procedures, which are published on the Company's website, apply to employees at all levels and in all divisions as well as to business partners, suppliers and any third party that deals with the Group. The Audit and Risk Management Committee has overall responsibility for the whistleblowing policy, but has delegated day-to-day responsibility for overseeing and implementing it to the Company Secretary.

Risk Assessment

TIH Enterprise Risk Management System

In January 2016, the Group established and developed an enterprise risk management system ("ERM System") with the following objectives:

- To provide a systematic approach to the early identification and management of risks
- To provide consistent risk assessment criteria
- To make available accurate and concise risk information that informs decision making including business directions
- To adopt risk treatments that are cost effective and efficient in reducing risk to an acceptable level
- To monitor and review risk levels to ensure that risk exposure remains within an acceptable level

The Group's ERM System was designed with reference to the COSO ERM framework.

The Group's risk management structure is presented below:

Risk Rating is determined by Impact and Vulnerability. A dynamic risk rating matrix, using both quantitative and qualitative factors, is used to assess risk.

A Risk Key Performance Indicator Report ("Risk KPI Report"), summarising the Group's top ten risks as identified by management, is submitted to the Audit and Risk Management Committee every six months. The risk report provides a comprehensive profile of these top ten risks and the monitoring mechanism for these risks as established by management.

TIH Risk Management Framework

Internal Audit

Board of Directors

- Evaluates and provide direction to the Group on the nature and extent of the risks that shall be taken in achieving its strategic objectives (i.e. setting the Risk Appetite).
- Ensures review of the effectiveness of the risk management and internal control systems.

Audit and Risk Management Committee

- Ensures that Risk Management Taskforce ("RMTF") and Business Lines have fulfilled their duties in establishing and maintaining an effective risk management programme.
- Reviews the Risk Key Performance Indicator Report ("Risk KPI Report") semi-annually.

Risk Management Taskforce ("RMTF")

- RMTF comprises of Finance Director and General Manager, Corporate Planning and Business Development ("GM-CP & BD"). It is chaired by GM-CP & BD.
- Maintains an oversight of the Group's risk management system, framework and programme.
- Proposes to the Board for approval at least annually enhancements as needed, including those to fulfill regulators or governance bodies' statutory requirements.
- Reviews and/or approves the Risk Inventory in the Risk Management Programme and monitors the Risk KPI Report.
- Ensures Business Lines of the Group commit sufficient resources to carrying out the risk management exercise.

Individual Department Head/ Director (collectively referred as "Business Lines")

- Develops policies and controls to effectively embed the Group's risk management directions into day-to-day operations.
- Promotes the risk culture to those working under the Business Lines so they comply with the risk management policies and procedures when conducting day-to-day operations.
- Identifies the risks associated with business activities (including new business) within his/her own Business Lines, and implements appropriate action plans to manage the identified risks and opportunities.

Control Activities

The Group's franchised and non-franchised businesses involve well-established business processes. Control activities are built on top-level reviews, segregation of duties and physical controls. Written policies and procedures with defined limits of delegated authority are in place. These policies and procedures include but are not limited to:

- Annual budgeting and planning processes
- Financial and payment authorisation guidelines
- Procurement and tendering policies
- IT security policy

Quality Management System

The Group's franchised operations, KMB and LWB, have implemented a quality management system ("QMS") based on the benchmarks prescribed by the International Organisation for Standardisation ("ISO"). Under ISO requirements, major financial and operational procedures and instructions, including illustrative flow charts, are clearly documented and followed by operations.

The Hong Kong Quality Assurance Agency ("HKQAA") conducts an annual independent audit of QMS to assess its effectiveness, efficiency and conformity. During 2016, there was no non-conformity in QMS noted during the ISO audits of the operations of both KMB and LWB.

As of December 2016, both KMB and LWB possessed ISO 9001:2008 quality management system certification. In addition, two of KMB's major bus depots are ISO 14001-certified for their environmental management systems.

Business Continuity Plan

The Group's flagship subsidiary, KMB, has formulated and documented a Business Continuity Plan ("BCP") in respect of key business and IT operations. The BCP is reviewed and updated from time to time according to changes in circumstances. BCP, which is an integral part of the risk management process, provides a systematic approach for building an effective response that enables management to safeguard shareholder value in a crisis by responding promptly and by resuming KMB's critical business functions at acceptable pre-defined levels. KMB performs walk-through tests and drills periodically to ensure that the BCP will be able to adequately ensure minimal disruption to key businesses if an unforeseeable event occurs.

Information and Communication/Monitoring Activities

The Group IT systems generate timely data to allow management to monitor business operations and thus achieve business objectives.

Regular and ad-hoc management and operational meetings are held to facilitate the proper monitoring of internal control and risk management items.

Internal Audit Function

The Internal Audit Department plays an important role in the assessment of the effectiveness of our risk management and internal control systems. It is responsible for providing the Audit and Risk Management Committee and senior management with independent and objective assurance that the internal control systems of the Group are effective in achieving their objectives, and that any risks and internal control weaknesses have been adequately addressed. The Internal Audit Department holds a group-wide function and covers both franchised and non-franchised operations of the Group. The Head of the Internal Audit Department reports directly to the Audit and Risk Management Committee and the Managing Director.

The Internal Audit Department conducts risk-based internal audit reviews in accordance with the International Standards for the Professional Practice of Internal Auditing. All staff in the Internal Audit Department, including the Head of Internal Audit, are required to declare their independence every year.

In 2016, the Internal Audit Department performed the following functions, among others:

- Conducted compliance reviews of relevant laws and regulations applicable to the Group's business;
- Carried out operational reviews of major processes in respect of both franchised and non-franchised businesses;
- Performed special investigations at the request of the Group's management; and
- Assisted operations in carrying out Internal Quality Audits ("IQA") in accordance with ISO requirements.

Based on the report of the Internal Audit Department and the report of the Company Secretary on the Group's whistleblowing policy, the Audit and Risk Management Committee has concluded that the Group continues to operate in a sound control environment with a control system that effectively monitors and corrects non-compliance in all significant areas. Following the Audit and Risk Management Committee's annual review of the Group's internal control and risk management systems, the Board is satisfied that the Group fully complied with the Code Provision on internal controls in 2016.

Control Practices for Handling and Disseminating Price-sensitive and/or Inside Information

The Company is fully aware of its obligations under the Listing Rules and the Securities and Futures Ordinance. It has a suite of procedures and internal control measures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. All members of the Board, senior management and nominated executives, who are likely to have access to price-sensitive and/or inside information because of their office or employment in the Company or a subsidiary, are bound by the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules. In addition, every employee is required to follow the guidelines of the Code of Conduct and the Staff Handbook to keep unpublished price-sensitive and/or inside information strictly confidential.

External Audit

The external auditors play a crucial role in ensuring the integrity of the disclosure of financial information. If during the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements, the external auditors discover any major irregularities, they will report their findings directly to the Audit and Risk Management Committee and the Board. The external auditors are invited to attend meetings of the Audit and Risk Management Committee, as well as the Annual General Meeting.

The Audit and Risk Management Committee is responsible for monitoring the audit and non-audit services rendered to the Group by its external auditors. A formal policy is in place to ensure that the engagement of the external auditors in non-audit services will not impair their independence in providing the audit services. The external auditors are also required to review annually their relationship with the Group and to give written confirmation to the Audit and Risk Management Committee of their independent status.

The Company engaged KPMG as its external auditors to audit the financial statements of the Company for the year ended 31 December 2016. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2016 and up to the date of this Annual Report, it remains independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services rendered by KPMG to the Group for the year ended 31 December 2016 are set out below:

	HK$ million
Audit related services	7.7
Non-audit related services (Note)	0.3
Total	**8.0**

Note: Non-audit related services mainly consist of other review and reporting services.

Engagement with Stakeholders

Shareholders

The Company had 4,025 registered shareholders as at 31 December 2016. The Shareholders comprise individual shareholders, institutional investors plus people and organisations holding shares via financial intermediaries such as nominees, investment funds and the Central Clearing and Settlement System ("CCASS") of Hong Kong.

The names of the shareholders, other than Directors of the Company, holding 5% or more of the shares of the Company as at 31 December 2016 are disclosed in the Report of the Directors on page 123 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 35.83% in the Company.

As at 31 December 2016, the shareholding distribution of the Company was as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0-1,000	1,417	35.21	457,081	0.11
1,001-5,000	1,532	38.06	3,614,653	0.88
5,001-10,000	451	11.20	3,439,053	0.84
10,001-100,000	515	12.80	15,140,598	3.68
Above 100,000	110	2.73	389,029,114	94.49
	4,025	100.00	411,680,499	100.00

Note: 44.43% of all TIH's issued shares were held through CCASS.

Based on information that is publicly available to the Company and the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2016.

Shareholder Communications Policy

Transparency is at the heart of good corporate governance. The Board has formulated a Shareholder Communications Policy to provide shareholders with information about the Company to enable them to engage with the Company and exercise their rights as shareholders in an informed manner. The Shareholder Communications Policy is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels, including press releases, announcements, interim and annual reports, and circulars, to convey its messages to its shareholders. The interim and annual reports, notices of general meetings, announcements and circulars in English and/or Chinese are posted on the Company's website (www.tih.hk) as well as the website of the Hong Kong Stock Exchange, and are delivered to shareholders within the respective deadlines stipulated by the Listing Rules. Other information of interest to shareholders and the public is also available on the Company's website.

Annual Reports

The annual report is a unique source of information for shareholders and other stakeholders who wish to understand the business of the Group. Senior management endeavours to make it informative, comprehensible and transparent, with a sufficient level of disclosure. The Annual Report has English and Chinese versions and is available in both print and electronic versions. Shareholders can choose to receive a print version (in English, Chinese or both languages) or the electronic version. In the interests of environmental preservation and economy, the Company encourages its shareholders to choose the electronic version of all the Company's corporate communications: the annual and interim reports, notices of meetings, listing documents, circulars and forms of proxy. Shareholders are at liberty to change their choice of language or means of receiving the Company's corporate communications by giving written notice of not less than seven days to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or by emailing tih.ecom@computershare.com.hk.

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2016, the Company won the Gold Award for Written Text (Transportation & Leasing) in the International ARC Awards.

The Company's General Meetings

The Directors consider the Company's general meetings an important way in which they can communicate with shareholders. The annual general meetings or other general meetings are normally attended by all Directors and senior management as well as by the Company's external auditors so that any comments or questions raised by shareholders can be addressed.

Shareholders' control over the Company is primarily exercised through their voting rights at general meetings. All votings are conducted by poll at general meetings so that each shareholder is entitled to one vote. Separate resolutions are proposed for each matter, including the election of individual Directors. The circular containing the notice of the annual general meeting, proposed resolutions, biographies of Directors standing for election and information on poll voting procedures is sent to shareholders with the annual report at least 20 clear business days before the annual general meeting.

Annual General Meeting

The 2016 AGM was held on 26 May 2016 and the matters resolved are summarised below:

As ordinary business:

- Approval of the audited financial statements and reports of the Directors and Auditors for the year ended 31 December 2015;
- Approval of an ordinary final dividend of HK$0.90 per share for the year ended 31 December 2015;
- Re-election of Dr Norman LEUNG Nai Pang and Mr William LOUEY Lai Kuen as Directors of the Company;
- Re-appointment of KPMG as auditors of the Company, and authorisation of the Directors to fix their remuneration;
- Fixing the remuneration of the Directors of the Company;
- Granting of a general mandate to the Directors to issue shares;
- Granting of a general mandate to the Directors to exercise the powers of the Company to purchase its own shares;
- Extending the share issue mandate granted to the Board of Directors; and
- Adopting the Share Option Scheme.

The details and poll voting results of the 2016 AGM were published on the websites of the Company and the Hong Kong Stock Exchange on 26 May 2016.

The 2017 Financial Calendar of the Company is set out as follows:

Announcement of 2016 final results	23 March 2017
Dispatch of 2016 Annual Report and accompanying circular to shareholders	13 April 2017
Last day to register transfer to qualify to attend and vote at the 2017 AGM	10 May 2017
Book closure for 2017 AGM (both dates inclusive)	11 May 2017 – 18 May 2017
Date of 2017 AGM	18 May 2017
Last day to register transfer to qualify for 2016 final dividend	23 May 2017
Book closure for 2016 final dividend	24 May 2017
Payment of 2016 final dividend	30 June 2017
Announcement of 2017 interim results	mid-August 2017
Payment of 2017 interim dividend	mid-October 2017
Financial year end date	31 December 2017

Shareholders' Right

Under the Company's Bye-laws, shareholders holding at least 10% of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company may ask the Board to convene a special general meeting ("SGM") for the transaction of business specified in the request. The request must be in written form with the purpose of the meeting stated therein and deposited at the head office of the Company at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. The request must be signed by the shareholders concerned and may consist of two or more documents in like form, each signed by one or more of those shareholders. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will arrange to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with the Company's Bye-laws and the statutory requirements.

Procedures for Making Proposals at General Meetings

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at the general meetings or not less than 100 shareholders holding shares in the Company are entitled to submit a written request to move a resolution at general meetings. The procedures for making proposals at general meetings are laid down in the Company's Shareholder Communications Policy, which is available on the Company's website.

Procedure for Sending Enquiries to the Board

Enquiries from shareholders can be sent to the attention of the Board. All enquiries should be addressed to the Board or the Company Secretary and sent to the Company's head office at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. Shareholders may also email their enquiries to the Directors at the Company's email address director@tih.hk. The Company Secretary will respond to such enquiries within a reasonable time.

Constitutional Documents

An up-to-date and consolidated version of the Bye-laws of the Company is published on the websites of the Company and the Stock Exchange. No changes were made to the Company's constitutional documents in 2016.

Change of Principal Place of Business in Hong Kong

The Company on 30 December 2016 announced that the Company's principal place of business in Hong Kong will be changed to 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong with effect from 1 January 2017.

General Public

The Group use the following communication channels to keep the general public informed of its developments:

Website – The Company's website www.tih.hk offers a wide range of information about the Group and its various businesses for shareholders and other interested parties.

Media and Online Communication – To keep the public informed about the bus services of KMB and LWB, the two major subsidiaries of the Group, press sessions are held at which the media are introduced to the latest developments in terms of services, facilities, safety and environmental protection. Social media such as Facebook, Instagram and YouTube are also used to publicise KMB's initiatives and achievements, as well as to gather useful feedback from the public.

Publications – KMB and LWB publish a number of booklets and leaflets which keep the travelling public updated on their services and operations.

In 2016, the KMB website received the Triple Gold Award, the Most Favourite Website Award and the Easiest-to-use Website Award from the Office of the Government Chief Information Officer and the Equal Opportunities Commission. KMB also received the Silver Award in the Internet of Things Applications category of the ICT Awards 2016: Best Smart Hong Kong Award from the Office of the Government Chief Information Officer and GS1 Hong Kong.

KMB publications may be accessed on its website www.kmb.hk, together with regular updates on corporate, financial and media matters relating to the Group.

Employees

Effective communication between management and staff a key means to boost efficiency and morale. The Group's staff website is an effective way for staff to access relevant management announcements and information on issues that concern them, such as payroll and staff events and activities. Orientation training courses, e-learning programmes and a staff forum are also available online. Our corporate magazine KMB Today keeps employees, especially frontline staff, informed of news and events relating to the Group and the industry.

The Staff Handbook, which is accessible on the staff website, outlines the Company's human resources policies and employment guidelines.

The Board delegates authority to the Remuneration Committee to ensure that the Company adopts properly structured and fair remuneration policies, which are in line with the interests of Directors, staff and other stakeholders of the Company. The Committee has four members, three of whom are Independent Non-executive Directors and one of whom is a Non-executive Director. The Committee is chaired by Independent Non-executive Director Dr John CHAN Cho Chak, who is the Deputy Chairman of the Company, and the other members are Independent Non-executive Director Dr Eric LI Ka Cheung, Independent Non-executive Director Professor LIU Pak Wai and Non-executive Director Mr John Anthony MILLER.

The Remuneration Committee makes recommendations to the Board on the remuneration packages of Directors and employees of the Company and its subsidiaries (the "Group"). The level of remuneration is determined in accordance with the principles of performance, fairness, transparency and market competitiveness. The Group's remuneration packages are designed to attract, retain and motivate high calibre individuals who will make significant contributions to the Group. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues if required.

The main remuneration policies adopted by the Group are as follows:

- Remuneration policy and practice including that relating to Directors should be fair, transparent and compliant with relevant legislation;
- No Director or member of senior management is to be involved in deciding his or her own remuneration; and
- Directors and employees should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, taking into account market practices and packages offered for similar posts by comparable companies.

The Remuneration Committee's written terms of reference, which are published on the Company's website, comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee are to:

- Determine the policies on remuneration of the Directors and the employees of the Group for approval by the Board;
- Set appropriate criteria for performance-related bonuses for employees, having regard to achievement against the assessment criteria with reference to market norms, and the Group's business objectives and targets;
- Establish guidelines for determining the remuneration of Directors, including the terms and conditions of employment, remuneration and retirement benefits of the Executive Directors;
- Review and make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, as well as Non-executive Directors; and
- Review and consider proposals submitted by the Managing Director on human resources or related policies and make appropriate recommendations to the Board.

In 2016, the Remuneration Committee:

- Reviewed the remuneration policy for 2016;
- Reviewed the annual performance-related bonuses for Group employees, with reference to the performance of the Group, individual achievement, the assessment criteria and market norms;

- Examined employees' wage and salary increments on a merit basis with reference to relevant factors including market pay trends and inflation forecasts;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarked against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business; and
- Reviewed and adopted the Share Option Scheme.

Criteria for Determination of the Remuneration of Directors

In line with good corporate governance practice, assessment of the remuneration of Directors is based on formal principles, which take into account both market practices and a tried and tested methodology. Consistent with previous years, Directors' fees for 2016 were determined based on the methodology developed in the "Higgs Report" in the United Kingdom on the "Review of the Role and Effectiveness of Non-executive Directors", which takes into account the likely workload, the scale and complexity of the business, and the responsibility involved. Reference was also made to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited. The fee structure for Directors in 2016 is set out as follows:

	Fee per annum HK$
Board Members	
– Chairman	453,600
– Other Director	324,000
Audit and Risk Management Committee Members	
– Chairman	200,000
– Other member	180,000
Remuneration Committee Members	
– Chairman	70,000
– Other member	60,000
Nomination Committee Members	
– Chairman	70,000
– Other member	60,000
Standing Committee Members (except Executive Directors)	
– Chairman	1,352,800
– Other member	252,000

Except as disclosed above, no Independent Non-executive Director or Non-executive Director received any pension benefits or bonuses from the Group in 2016.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2016, together with 2015 comparisons, are given in note 7 to the consolidated financial statements on pages 159 and 160 of this Annual Report.

Criteria for Determination of the Remuneration of Corporate Executives and Other Employees

The remuneration of the corporate executives of the Company as well as those of other employees are benchmarked against the remuneration for similar positions in comparable local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Depending on the financial performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The level of any such discretionary bonus is subject to review and approval by the Remuneration Committee and the Board after consideration of the financial results of the Group.

The main components of remuneration for corporate executives and other employees are as follows:

Base Compensation

The Remuneration Committee reviews base compensation, including salaries, allowances and fringe benefits, with reference to the Group's financial performance, the scope and complexity of the individual's responsibilities, market pay levels and individual performance.

Discretionary Bonus

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to a comprehensive annual performance appraisal by their immediate supervisors. Only those who obtain at least a satisfactory performance rating are considered for the award of an incentive bonus.

Share Option Scheme

The Share Option Scheme was approved and adopted by shareholders at the 2016 AGM on 26 May 2016, whereby the Board may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Share Option Scheme is intended to provide employees of the Company and its subsidiaries with the opportunity to participate in the growth and success of the Company. The Board may exercise its discretion to grant options to eligible employees of the Company proposed by the Remuneration Committee. The options cannot be exercised under the Scheme before the first anniversary of the date of grant.

Details of the Share Option Scheme and options granted to eligible employees of the Company under the Share Option Scheme are set out on pages 121 and 122 of this Annual Report.

Staff Retirement Schemes

The KMB Monthly Rated Employees Provident Fund Scheme (the "Monthly Scheme") and the KMB Daily Rated Employees Retirement Fund Scheme (the "Daily Scheme") are two non-contributory defined benefit retirement schemes operated by the Group. The Group also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the Hong Kong MPF Ordinance") in 2000.

i) **The Monthly Scheme**

Formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO"), the Monthly Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member's completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of an independent actuary firm which values the retirement scheme at regular intervals. The scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Monthly Scheme) on or after 1 December 2000.

ii) The Daily Scheme

Formally established under trust and registered under the ORSO, the Daily Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee and further multiplied by a benefit factor applicable to the member's completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary's recommendations. The Scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Daily Scheme) on or after 1 December 2000.

iii) SHKP MPF Employer Sponsored Scheme

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme ("SHKP Scheme"), which is a defined contribution retirement scheme. Employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme, which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of relevant employees' salaries, depending on their employment terms and length of service with the Group. Employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong MPF Ordinance, subject to a cap of monthly relevant income of HK$30,000.

Dr Norman LEUNG Nai Pang
GBS, JP, LLD, BA

Chairman and Independent Non-executive Director, aged 76. Dr Leung has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He has been appointed as the Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. Dr Leung is the Chairman of the Standing Committee of the Company. He is an Independent Non-executive Director of Sun Hung Kai Properties Limited and was the Executive Chairman of Television Broadcasts Limited from 2012 to 2014 (both companies are listed on the Hong Kong Stock Exchange). Dr Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013, Council Chairman of the City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of such University from 2005 to June 2016. Dr Leung has been appointed as the Council Chairman of The Chinese University of Hong Kong since May 2016.

Dr John CHAN Cho Chak
GBS, JP, DBA(Hon), DSocSc(Hon), BA, DipMS, CCMI, FCILT, FHKIoD

Deputy Chairman and Independent Non-executive Director, aged 73. Dr Chan was the Managing Director of Transport International Holdings Limited (the "Company") from 4 September 1997 to 7 April 2008; the Managing Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") from 1 November 1993 to 31 December 2006 and from 8 May 1997 to 31 December 2006 respectively; and the Senior Executive Director of KMB and LWB from 1 January 2007 to 7 April 2008. He has been a Non-executive Director of the Company, KMB and LWB since 8 April 2008, and was re-designated as Independent Non-executive Director of the Company with effect from 4 January 2012. He was appointed as the Deputy Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. He is the Chairman of the Remuneration Committee and the Nomination Committee as well as a member of the Standing Committee of the Company. He is also the Chairman and Non-executive Director of RoadShow Holdings Limited, an indirect subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited and an Independent Non-executive Director of Hang Seng Bank Limited and Guangdong Investment Limited. He was formerly an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited, 2000-03 and a member of the Hong Kong Civil Service, 1964-78 and 1980-93. Key posts held in Government included Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. Dr Chan was formerly also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited, 1978-80. He was a Director of Swire Properties Limited from April 2010 to March 2017 during which he acted as an Independent Non-Executive Director from December 2011 to March 2017. He is currently a Director of The Community Chest of Hong Kong and Chairman of the Court of The Hong Kong University of Science and Technology. In December 2000, Dr Chan won the Executive Award in the DHL/SCMP HK Business Awards 2000 and received an Honorary University Fellowship from The University of Hong Kong. He was awarded the degrees of Doctor of Business Administration (honoris causa) by the International Management Centres in 1997 and Doctor of Social Sciences (honoris causa) by The Hong Kong University of Science and Technology in 2009, The University of Hong Kong in 2011 and Lingnan University in 2012. He is a Companion of the Chartered Management Institute, a Fellow of the Chartered Institute of Logistics and Transport and a Fellow of the Hong Kong Institute of Directors.

Raymond KWOK Ping Luen
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

Non-executive Director, aged 63. Mr Kwok has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a member of the Standing Committee of the Company. He has been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 September 1981 and 8 May 1997 respectively. Mr Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is the Chairman and Managing Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the Chairman and an Executive Director of SUNeVision Holdings Ltd., the Chairman and a Non-executive Director of SmarTone Telecommunications Holdings Limited and a Non-executive Director of Wing Tai Properties Limited.

In civic activities, Mr Kwok is a Director of The Real Estate Developers Association of Hong Kong and a Member of the Council of The Chinese University of Hong Kong.

NG Siu Chan

Non-executive Director, aged 86. Mr Ng has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 1983 and 8 May 1997 respectively. Mr Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited.

Mr Ng is the father of Ms Winnie Ng, who is a Director of the Company, KMB and LWB, and also Founder and Deputy Chairman and Non-executive Director of RoadShow Holdings Limited.

William LOUEY Lai Kuen
BSc(Econ)

Non-executive Director, aged 57. Mr Louey has been a Director of Transport International Holdings Limited since 4 September 1997 and of its subsidiaries, The Kowloon Motor Bus Company (1933) Limited since 14 January 1993 and Long Win Bus Company Limited since 8 May 1997.

Formerly, Mr Louey had a successful career in the United Kingdom, with an international merchant bank for five years and an international accounting firm for three years afterwards.

In memory of his grandfather, Mr William S D Louey, William S D Louey Educational Foundation was set up in 1995 to offer scholarship and bursaries to students with academic excellence from Hong Kong and Greater China to pursue their studies abroad. The Foundation has extended its financial support to promising candidates from other countries in recent years. In 1999, Mr Louey was invited to join the committee of the China Oxford Scholarship Fund, and subsequently in 2011, appointed as Member of Vice-Chancellor's Circle, University of Oxford.

Between 2003 and 2012, he also served as Executive Committee Member of The Friends of Cambridge University in Hong Kong, the sponsor of Prince Philip Scholarship.

In recognition of his exceptional contribution to education, Mr Louey was presented with Elizabeth Wordsworth Fellowship by St Hugh's College in February 2013, the very first recipient of this top accolade bestowed by University of Oxford.

Charles LUI Chung Yuen
M.H., BEc, AASA, FCILT

Non-executive Director, aged 82. Mr Lui has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively, and has been re-designated as a Non-executive Director of the Company with effect from 20 October 2016. He is also a member of the Standing Committee of the Company. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited ("KMB (China)") on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003 until 20 October 2016.

Winnie NG
BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD

Non-executive Director, aged 53, has been Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") since 1995 and Director of Transport International Holdings Limited (the "Company") and Long Win Bus Company Limited since 1997, and is also Founder and Deputy Chairman of RoadShow Holdings Limited ("RoadShow"). Ms Ng has received numerous awards and recognition. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award, and China Top Ten Outstanding Women Entrepreneurs. In 2010, she was named a Woman of Excellence and was also selected as one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution. In previous years, she won the Yazhou Zhoukan Young Chinese Entrepreneur Award, was named one of China's 100 Outstanding Women Entrepreneurs, was Mason Fellow of Harvard University, and was the Caring Heart Award recipient.

Ms Ng has been appointed Member of Standing Committee of the Company since 23 October 2008 to assist and advise the Board in formulating policy, and to monitor implementation by management. She was Executive Director of the Company from 1995 until 13 October 2008 and looked after business development, procurement, insurance, facilities management, marketing and sales, and corporate relations. She successfully positioned KMB as a powerful out-of-home media sales tool by raising the profiles and sales of bus body exterior and on street bus shelter advertising, and created the innovative multi-media on board transit vehicles, unlocking the huge potential of the travelling passengers, which operations model has been adopted by many companies in Hong Kong, China, and over the world. Moreover, she spearheaded the spinoff of RoadShow as the media sales arm of the Company, on the main board of the Hong Kong Stock Exchange (HK stock code 888), which was a business development breakthrough in the public transportation industry. In doing so, she created a significant and substantial value asset for the Company, which is independently listed and financially strong, poised to create and realise more economic value and opportunity for the group.

Active in public service, she is Chairman of Hospital Governing Committee of Prince of Wales Hospital, Convenor of Course Vetting Committee of Employees Retraining Board, Member of Town Planning Board, Advisor of Our Hong Kong Foundation, Member of Vocational Training Council, Member of Employees Retraining Board, Council Member of The Better Hong Kong Foundation, Member of Public Relations Committee of The Community Chest, and is also involved with a number of other public and community boards. She was Member of Hong Kong Tourism Board, and Member of the Hospital Authority from 2010 to 2016.

Ms Ng is daughter of Director Mr Ng Siu Chan and also acts as his alternate director. Ms Ng holds an MBA degree from University of Chicago and an MPA degree from Harvard University. She is a Fellow of the Chartered Institute of Marketing.

Dr Eric LI Ka Cheung

GBS, OBE, JP, LLD, DSocSc, Hon DSocSc(EdUHK), BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Independent Non-executive Director, aged 63. Dr Li has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 10 December 1998. Dr Li was appointed an Independent Non-executive Director of RoadShow Holdings Limited since 16 September 2004. He is the Senior Partner of Li, Tang, Chen & Co., Certified Public Accountants. Dr Li is an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited, China Resources Beer (Holdings) Company Limited (formerly China Resources Enterprises, Limited) and Bank of Communications Co. Ltd. (until 25 June 2013), all of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was formerly an Independent Non-executive Director of China Vanke Co., Ltd., Sinofert Holdings Limited, CATIC International Holdings Limited and Meadville Holdings Limited (a company listed on the Stock Exchange until its withdrawal of its listing status on 19 April 2010). He is also an Independent Non-executive Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the Chairman of the Legal Aid Services Council. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit and Risk Management Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.

Edmond HO Tat Man

MA(Cantab), MBA, FCILT, MHKIoD

Non-executive Director, aged 55. Mr Ho has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 1 January 2001. He joined KMB in September 1998 and served as Finance and Administration Director from January 1999 to April 2003. Mr Ho was promoted to Deputy Managing Director of the Company, KMB and LWB with effect from 10 January 2002, and was appointed as Managing Director of KMB and LWB on 1 January 2007, and as Managing Director of the Company on 8 April 2008. Mr Ho was re-designated as a Non-executive Director of the Company, KMB and LWB with effect from 1 January 2015. Mr Ho was a Non-executive Director of RoadShow Holdings Limited for the period from 13 October 2008 to 8 July 2014. Positions previously held by him included Investment Director of a merchant bank and executive director of a number of transport infrastructure management and investment companies in Hong Kong and in the Mainland of China. He was formerly also a director of four Sino-foreign joint venture companies of an international leading soft drink brand. Mr Ho holds a master's degree in engineering from Cambridge University and an MBA degree from The University of Hong Kong.

Gordon SIU Kwing Chue

GBS, CBE, JP, MSS(Birmingham, UK)

Independent Non-executive Director, aged 71. Mr Siu was appointed Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 26 October 2004. He is also a member of the Audit and Risk Management Committee and Nomination Committee of the Company. Mr Siu is currently an Independent Non-executive Director of China Resources Beer (Holdings) Company Limited (formerly China Resources Enterprise, Limited). He was formerly an Independent Non-executive Director of Television Broadcasts Limited (2007 to 2014). Mr Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in July 2002 with a service of over 36 years. His positions in Government included Deputy Secretary for the Civil Service (1981-1985), Secretary-General of OMELCO (1985-1988), Postmaster General (1988-1989), Commissioner for Transport (1989-1992), Director, New Airport Projects Co-ordination Office (1992- 1993), Secretary for Economic Services (1993-1996), Secretary for Transport (1996-1997), Head, Central Policy Unit (1997-1999) and Secretary for Planning, Environment & Lands (1999-2002). Mr Siu was awarded the honours of Commander of the Most Excellent Order of the British Empire (CBE) in 1997 and Gold Bauhinia Star (GBS) in 2002, and appointed a non-official Justice of the Peace in 2003.

Since retirement in 2002, Mr Siu's main focus is charitable education work. He founded, and is now Director of The Music for Our Young Foundation.

John Anthony MILLER

SBS, OBE, MPA(Harvard), BA(Lond)

Non-executive Director, aged 66. Mr Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, a Director of Long Win Bus Company Limited since 1 April 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. He is also a member of the Audit and Risk Management Committee and Remuneration Committee of the Company. Mr Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization in Geneva. Key positions held over a career spanning 35 years prior to Mr Miller's retirement include Permanent Secretary for Financial Services and the Treasury 2002-2004, Director of Housing and Chief Executive of the Housing Authority 1996-2002, Director-General of Trade 1993-1996, Director of Marine 1991-1993, Information Coordinator in the Chief Secretary's Office 1989-1991 and Private Secretary to the Governor 1979-1982. Mr Miller is also a Non-executive Director of SmarTone Telecommunications Holdings Limited and was a Non-executive Director of SUNeVision Holdings Ltd. until 31 December 2013 and Chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited until April 2016. Mr Miller holds an MPA degree from Harvard University and a BA degree from London University.

Professor LIU Pak Wai
SBS, JP

Independent Non-executive Director, aged 69. Professor Liu was appointed Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 September 2011. He was appointed as a member of the Remuneration Committee with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. He received his AB degree from Princeton University and PhD degree from Stanford University in the United States of America. He is the Research Professor and formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong and holds a number of positions related to his field of study, including Executive Committee Chairman of the Lau Chor Tak Institute of Global Economics and Finance, and Executive Committee Chairman of the Economic Research Centre of the Hong Kong Institute of Asia-Pacific Studies. Professor Liu is an Independent Non-executive Director of Hang Lung Group Limited and China Zheshang Bank Co., Ltd., both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an Independent Non-executive Director of Hang Lung Properties Limited. He is also a director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, a board member of the Shenzhen Finance Institute and was a Non-executive Director of the Securities and Futures Commission and the Chairman of its Remuneration Committee. In public service, he serves as Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. He was a past member of the Commission on Strategic Development, the Working Group on Long Term Fiscal Planning, the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR.

Allen FUNG Yuk Lun
BA, Ph.D.

Non-executive Director, aged 48. Mr Fung has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2014, and a Non-executive Director of RoadShow Holdings Limited since 8 July 2014. He is an Executive Director of Sun Hung Kai Properties Limited ("SHKP"), a Deputy Chairman of SmarTone Telecommunications Holdings Limited and a Vice Chairman of SUNeVision Holdings Limited. He is also a member of the Executive Committee of SHKP and the Chief Executive Officer of the SHKP Group's non-property related portfolio investments. He is also a director of certain SHKP subsidiaries. Mr Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr Fung was a Teaching Fellow at Harvard University from 1993 to 1994 and a visiting Assistant Professor of History at Brown University from 1996 to 1997. Mr Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. During his time in McKinsey, he primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr Fung was the co-leader of the infrastructure practice for McKinsey. He was the Managing Partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a Director of McKinsey globally, being the first Hong Kong Chinese to become a Director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr Fung is the President of the Hong Kong Society for the Protection of Children, a member of the General Committee of the Hong Kong General Chamber of Commerce, an honorary treasurer of The Hong Kong Federation of Youth Groups and a council member of The Hong Kong Management Association, a Council member of Sir Edward Youde Memorial Fund and a member of the board of the Asian Youth Orchestra.

Roger LEE Chak Cheong
BSc, MSc, MICE, CEng

Managing Director, aged 54. Mr Lee has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 2014. He has been appointed as Managing Director of the Company, KMB and LWB since 1 January 2015. He is a member of the Standing Committee of the Company. Mr Lee also served as an Alternate Director to Mr Raymond Kwok Ping Luen of the Company, KMB and LWB for the period from 1 April 2013 to 2 March 2014. Prior to joining Sun Hung Kai Properties Limited in 2006, he was a Director with MVA Hong Kong Limited, a leading traffic and transport consultancy in Hong Kong. Before returning to Hong Kong, Mr Lee has worked for the West Sussex County Council, the London Borough of Bexley and the East Sussex County Council in England between 1986 and 1994. Mr Lee obtained a Bachelor Degree in Civil Engineering from University of Westminster, England in 1985 and a Master Degree in Transportation Planning & Engineering from University of Southampton, England in 1986. Mr Lee is a Chartered Engineer and is a member of the Institution of Civil Engineers.

Key Corporate Executives

Company / Position	Name
Transport International Holdings Limited	
Managing Director	Roger LEE Chak Cheong, BSc, MSc, MICE, CEng
General Manager, Corporate Planning and Business Development	Godwin SO Wai Kei, BA, MBA, FCPA, FCCA, FCIS, FCS, ACIB
Finance Director	William HO Sai Kei, BBA, MBA, CA, CPA(Canada), FCPA
Company Secretary	Lana WOO, BA, MBA, FCIS, FCS(PE), CPA(Canada), CGA
Head of Internal Audit Department	Louisa LEUNG Chik Yee, AICPA, CIA, CISA, CFE, CRMA
Head of Legal Department	Henry LEUNG Ho Yin, BA, LLB
The Kowloon Motor Bus Company (1933) Limited	
Operations Director	LEUNG Kin Wang, BSc
Commercial Director	Thomas TONG Tung Ming, MSc, MBA, CEng, MIStructE, MHKIE, AP, RSE
Assistant Operations Director	Camillus WOO Kin Keung
Head of Corporate Communications Department (Acting)	Addie LAM Tsz Ho, BA, MSc
Head of Customer Service Department	CHAN Pik Yin, BA
Head of Financial Accounting & Treasury Department	Monica WAI Ching Yee, BMath in Chartered Accountancy, AICPA
Head of Financial Planning and Control Department	Joseph LEUNG Cho Tak, BA, CPA, AICPA
Head of Human Resources Department	Susanna WONG Pui Yee, BSocSc, MIHRM (HK)
Head of Information Technology Department	Jonathan CHIU Chi Hang, MSc in Information Technology
Head of Insurance Department	Clara LEUNG Mee Fun, ACII, Chartered Insurance Practitioner
Head of Planning & Development Department	Howard Brain CHENG Hay Wing, BASc, MEng, MBA
Head of Procurement Department	Anita LAM Chiu Lin, BCom, MSc, MCIPS
Depot General Manager	Andrew KWAN Chi Wai, CMILT
Depot General Manager	Paul YEUNG Kwok Ho, BA, MBA
Long Win Bus Company Limited	
Operations Director	HO Chi Man, MA, CMILT
Sun Bus Holdings Limited	
Executive Director	Eddie CHOI Shun Kei
RoadShow Holdings Limited	
Managing Director	Stephen LOH Chan, EMBA

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The Directors have pleasure in submitting their Annual Report together with the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2016.

Principal place of business

The Company was incorporated in Bermuda and is domiciled in Hong Kong and has its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

Principal activities and business review

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services.

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

The Group's revenue and profit are mainly attributable to franchised bus operations and media sales business.

The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 22 to 107 of this Annual Report. This discussion forms part of this Directors' Report.

Recommended dividend

An interim dividend of HK$0.35 (2015: HK$0.30) per share was paid to the shareholders on 18 October 2016. This included a scrip dividend alternative to allow shareholders to elect to receive the dividend wholly or partly in the form of new fully paid shares in lieu of cash. The Directors now recommend that a final dividend of HK$0.90 (2015: HK$0.90) per share in respect of the year ended 31 December 2016 be paid to shareholders on 30 June 2017.

Charitable donations

Charitable donations made by the Group during the year amounted to HK$2,374,000 (2015: HK$353,000).

Share capital

Details of the share capital of the Company are set out in note 29(b) to the financial statements. The Company issued 5,412,095 shares at an issue price of HK$20.04 per share and 2,628,991 shares at an issue price of HK$23.73 per share in lieu of the final dividend for the year ended 31 December 2015 and the interim dividend for the six months period ended 30 June 2016 respectively. Details about the issue of shares are also set out in note 29(b) to the financial statements.

Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,846,413,000 (2015: HK$1,373,147,000). After the end of the reporting period the Directors proposed a final dividend of HK$0.90 per share (2015: HK$0.90 per share), amounting to HK$370,512,000 (2015: HK$363,275,000) (note 11(a)). This dividend has not been recognised as a liability at the end of the reporting period.

Directors

The Directors during the financial year and up to the date of this report were:

Dr Norman LEUNG Nai Pang*, GBS, JP	(Chairman)
Dr John CHAN Cho Chak*, GBS, JP	(Deputy Chairman)
Raymond KWOK Ping Luen, JP	
NG Siu Chan	
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, M.H.	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan)
Dr Eric LI Ka Cheung*, GBS, OBE, JP	
Edmond HO Tat Man	
Gordon SIU Kwing Chue*, GBS, CBE, JP	
John Anthony MILLER, SBS, OBE	
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheong	(Managing Director)
Susanna WONG Sze Lai	(Alternate Director to Mr Raymond KWOK Ping Luen, JP)
GAO Feng	(Appointed as Alternate Director to Mr William LOUEY Lai Kuen on 1 January 2017)
Evan AU YANG Chi Chun	(Resigned on 1 March 2016)

* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), Mr Ng Siu Chan, Dr John Chan Cho Chak, Mr Gordon Siu Kwing Chue, Mr John Anthony Miller, Mr Allen Fung Yuk Lun and Mr Roger Lee Chak Cheong will retire from the Board at the forthcoming Annual General Meeting ("AGM") of the Company. Except for Mr Gordon Siu Kwing Chue and Mr John Anthony Miller who will not offer themselves for re-election, all other retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Brief biographical details of the Directors of the Company are set out on pages 108 to 114 of this Annual Report.

Indemnity provision

The Bye-laws of the Company provides that every Director shall be indemnified out of the assets and profits of the Company from and against actions and liability which he/she may incur or sustain in or about the execution of the duties of his/her office.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Group.

Directors' interests and short positions in shares, underlying shares and debentures

The Directors of the Company who held office at 31 December 2016 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

(a) (i) Interests in issued shares of the Company

	Ordinary shares of HK$1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	2,000	–
Raymond KWOK Ping Luen	417,077 (Note 1)	–	–	–	417,077	0.101%
NG Siu Chan	–	21,971,095	–	–	21,971,095	5.337%
William LOUEY Lai Kuen	6,343,619	–	–	–	6,343,619	1.541%
Charles LUI Chung Yuen	13,176	–	–	2,811,711 (Note 2)	2,824,887	0.686%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	–	–	21,971,095 (Note 3)	22,152,511	5.381%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	104,800	–	–	–	104,800	0.025%
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	–	–	–	–	–	–

* Independent Non-executive Director

Notes:

(1) Mr Raymond Kwok Ping Luen held 413,764 shares of the Company jointly with his spouse.

(2) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,811,711 shares in the Company.

(3) Ms Winnie Ng has interest in 21,971,095 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

Directors' interests and short positions in shares, underlying shares and debentures (continued)

(a) (ii) Interests in underlying shares

A Director of the Company has been granted options under the Company's share option scheme, details of which are set out in the section "Equity-linked agreement – Share option scheme" below.

(b) Interests in issued shares of RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Company

	Ordinary shares of HK$0.1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
Dr John CHAN Cho Chak*	–	–	–	–	–	–
Raymond KWOK Ping Luen	37,400 (Note 1)	–	–	–	37,400	0.004%
NG Siu Chan	–	123,743	–	–	123,743	0.012%
William LOUEY Lai Kuen	412,371	–	–	–	412,371	0.041%
Charles LUI Chung Yuen	–	–	–	209,131 (Note 2)	209,131	0.021%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	1,000,000	–	–	123,743 (Note 3)	1,123,743	0.113%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–
Edmond HO Tat Man	–	–	–	–	–	–
Gordon SIU Kwing Chue*	–	–	–	–	–	–
John Anthony MILLER	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	–	–	–	–	–	–
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	–	–	–	–	–	–

* Independent Non-executive Director

Notes:

(1) Mr Raymond Kwok Ping Luen held 37,400 shares in RoadShow jointly with his spouse.

(2) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.

(3) Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

Directors’ interests and short positions in shares, underlying shares and debentures (continued)

As at 31 December 2016, none of the Directors had any non-beneficial interest in the share capital of the Company.

Apart from the foregoing, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors’ interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Equity-linked agreement

Share option scheme

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of HK$1 to subscribe for ordinary shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 25 May 2026, after which no further options will be granted.

The exercise price of options is the highest of (i) the nominal value of the shares on the date of grant, (ii) the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and (iii) the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the share option scheme as at 31 December 2016 was 40,363,941 shares (including options for 5,560,000 shares that have been granted but not yet lapsed or exercised) which represented 10% of the ordinary shares of the Company in issue as at the adoption date, 26 May 2016. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company’s ordinary shares in issue.

Equity-linked agreement (continued)

Share option scheme (continued)

At 31 December 2016, a Director of the Company and certain employees of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2016 was HK$22.10) granted for a consideration of HK$1 under the share option scheme of the Company. As at 31 December 2016, the total grant date fair value of unvested options, measured in accordance with the accounting policy set out in note 1(x)(iv) to the financial statements, amounted to HK$9,206,000. The options are unlisted. Once vested, each option gives the holder the right to subscribe for one ordinary share of the Company. Assuming that all the options outstanding as at 31 December 2016 are exercised, the Company will receive proceeds of HK$117,719,000.

	No. of options outstanding at 1 January 2016	No. of options granted during the year	No. of options forfeited during the year	No. of options outstanding at 31 December 2016	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Director								
Roger LEE Chak Cheong	–	860,000	–	860,000	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK$23.45	HK$23.45
Employees	–	4,700,000	(540,000)	4,160,000	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK$23.45	HK$23.45

* being the closing price of the Company's ordinary shares on the date of grant.

Note: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

	Percentage of options granted
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(x)(iv) and note 21 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' service contracts

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' interests in transactions, arrangement or contracts

As disclosed in note 33(a) to the financial statements, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Discloseable interests of shareholders in shares and short positions in shares, underlying shares and debentures

At 31 December 2016, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK$1 each			
	Registered shareholders	Corporate interests	Total number of shares held	Percentage of total issued shares
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	147,502,493	147,502,493	35.8%
Arklake Limited (Note 1)	80,648,976	–	80,648,976	19.6%
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	24,541,892	–	24,541,892	6.0%
Wister Investment Limited (Note 1)	21,771,185	–	21,771,185	5.3%
HSBC International Trustee Limited	37,805,269	–	37,805,269	9.2%
Kwong Tai Holdings (PTC) Limited (Note 3)	21,971,095	–	21,971,095	5.3%

Notes:

1 The interest disclosed by Sun Hung Kai Properties limited ("SHKP") includes the 126,962,053 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.

2 Under The Code on Takeovers and Mergers (the "Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.

3 The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,971,095 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

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.

Pre-emptive rights

There is no provision for pre-emptive rights under either the Company's Bye-laws or the laws in Bermuda.

Senior management

The Executive Director of the Company, Mr Roger Lee Chak Cheong is a member of the senior management of the Group whose brief particular is set out on page 114 of this Annual Report.

Staff retirement schemes

The Group operates two separate non-contributory defined benefit retirement schemes, The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme ("The KMB Monthly Rated Employees Scheme") and The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme ("The KMB Daily Rated Employees Scheme"), and participates in a defined contribution retirement scheme, SHKP MPF Employer Sponsored Scheme.

(a) Defined benefit retirement schemes

The Group makes contributions to two defined benefit retirement schemes that provide pension benefits for employees upon retirement. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals.

The most recent actuarial valuations of the two schemes were at 1 January 2017 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

The KMB Monthly Rated Employees Scheme

(i) The scheme was established with effect from 15 February 1978.

(ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note overleaf) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Salary escalation at 4.5% per annum; mortality rates 2015 Hong Kong Life Tables; and normal retirement age of 65.

(iii) The market value of the scheme assets at 31 December 2016 was HK$971,801,000 (2015: HK$1,057,330,000).

(iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2016 and 2015.

(v) The ongoing funding surplus in the scheme was HK$282,161,000 (2015: HK$312,735,000) and the solvency surplus was HK$283,824,000 (2015: HK$313,359,000) at 31 December 2016.

Staff retirement schemes (continued)

(a) Defined benefit retirement schemes (continued)

The KMB Daily Rated Employees Scheme

(i) The scheme was established with effect from 1 July 1983.

(ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Salary escalation at 4.5% per annum; mortality rates 2015 Hong Kong Life Tables; and normal retirement age of 60.

(iii) The market value of the scheme assets at 31 December 2016 was HK$2,187,462,000 (2015: HK$2,314,529,000).

(iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2016 and 2015.

(v) The ongoing funding surplus in the scheme was HK$768,687,000 (2015: HK$844,176,000) and the solvency surplus was HK$855,291,000 (2015: HK$910,147,000) at 31 December 2016.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 20 to the financial statements).

(b) Defined contribution retirement scheme

SHKP MPF Employer Sponsored Scheme ("the SHKP Scheme")

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). Contributions to the SHKP Scheme during the year are charged to profit or loss as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2016 were insignificant to the Group.

Bank loans

Particulars of bank loans of the Group as at 31 December 2016 are set out in note 24 to the financial statements.

Major customers and suppliers

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 208 of this Annual Report.

Model code for securities transactions by Directors

The Company has adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein throughout the year.

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 2016, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 26 May 2016 as provided for in code provision A.6.7 due to another engagement. A report on the principal corporate governance practices adopted by the Company is set out on pages 86 to 103 of this Annual Report.

Properties

Particulars of the investment properties of the Group are shown on pages 81 and 82 of this Annual Report.

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 statements for the year ended 31 December 2016.

Confirmation of independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Norman LEUNG Nai Pang
Chairman
Hong Kong, 23 March 2017

KPMG

To the shareholders of Transport International Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Transport International Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 132 to 207, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Assessing the carrying value of buses and other motor vehicles

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 143 and 147.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's buses and other motor vehicles as at 31 December 2016 totalled HK$5,465 million which accounted for 41% of the Group's total assets as at that date. Buses and other motor vehicles mainly represent the bus fleet employed in the Group's franchised bus operations. The estimated useful lives and residual values of buses and other motor vehicles are reviewed annually by management taking into consideration factors which include bus deployment and scrapping plans and technological changes which may affect the useful life expectancy of the assets and, therefore, could have a material impact on any impairment charge or the depreciation charge for the year. Internal and external information is reviewed by management annually to determine whether there are any indicators that the buses and other motor vehicles may be impaired. We identified assessing the carrying value of buses and other motor vehicles as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves the exercise of judgement by management, in particular in considering the nature, timing and likelihood of changes to factors such as bus deployment and scrapping plans and technological developments which may affect the carrying value of buses and other motor vehicles.	Our audit procedures to assess the carrying value of buses and other motor vehicles included the following: — assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of bus deployment and scrapping plans; — assessing the estimated useful lives and residual values of buses and other motor vehicles with reference to the Group's historical experience, laws and regulations relating to the deployment of buses and bus deployment and scrapping plans; — discussing with management their assessment of whether any indicators of potential impairment of buses and other motor vehicles existed at the reporting date; — challenging management's assertion that no indicators of potential impairment of buses and other motor vehicles existed at the reporting date by comparing management's assessment of the indicators of potential impairment in the prior year with actual results for the current year and by comparing the bases of management's current year's assertions with our understanding of the latest developments in the franchised bus industry and market conditions.

Key audit matters (continued)

Assessing the contingency provision for insurance

Refer to note 26 to the consolidated financial statements and the accounting policies on page 149.

The Key Audit Matter	How the matter was addressed in our audit
The Group is involved from time to time in litigation and claims in connection with its franchised bus operations. The contingency provision for insurance, which totalled HK$436 million as at 31 December 2016, has been set aside by management to meet the liabilities which are expected to arise from third party claims for incidents which have occurred in connection with the Group's franchised bus operations. Management assessed the provision based on an independent valuation performed by a qualified external actuary. The assessment of the provision involves estimates based on past claims experience and recent claims developments. The ultimate claim amount is dependent on future external events which are inherently uncertain and actual claims may therefore deviate from management estimations. We identified the assessment of the contingency provision for insurance as a key audit matter because of the level of management judgement required in assessing the variable factors and assumptions in order to estimate the potential costs of settlement of claims.	Our audit procedures to assess the contingency provision for insurance included the following: — assessing the design, implementation and operating effectiveness of key internal controls over management's maintenance of claims records and the assessment of related provision; — assessing the independence, qualifications and expertise of the external actuary engaged by management and evaluating whether a consistent methodology had been applied in determining the amount of the provision; — with the assistance of our internal actuarial specialists, assessing the valuation methodology adopted by the external actuary and comparing the key estimates and assumptions adopted in the actuarial valuation with past claims experience; — comparing the claims details provided by management to the external actuary with the claims records maintained by the management, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit, Roy.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2017

Consolidated Statement of Profit or Loss

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	3 & 12	7,936,481	7,779,930
Other income	4	128,445	78,938
Staff costs	5(a)	(3,954,416)	(3,846,921)
Depreciation and amortisation		(881,428)	(834,997)
Fuel and oil		(690,737)	(809,049)
Spare parts and stores		(235,403)	(265,731)
Toll charges		(432,258)	(413,989)
Other operating expenses		(886,210)	(961,026)
Profit from operations		984,474	727,155
Finance costs	5(b)	(17,788)	(9,674)
Share of profits of associates		30,847	32,357
Impairment loss on other property, plant and equipment	13(g)	(22,910)	–
Impairment loss on intangible assets	14	(217)	(2,895)
Profit before taxation	5	974,406	746,943
Income tax	6(a)	(150,090)	(128,075)
Profit for the year		824,316	618,868
Attributable to:			
Equity shareholders of the Company		830,873	628,711
Non-controlling interests		(6,557)	(9,843)
Profit for the year		824,316	618,868
Earnings per share	10		
Basic and diluted		$2.04	$1.56

The notes on pages 138 to 207 form part of these financial statements. Details of dividends paid and payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Profit for the year		824,316	618,868
Other comprehensive income for the year (after tax and reclassification adjustments):			
Item that will not be reclassified to profit or loss:			
Remeasurements of employee benefit assets and liabilities, net of tax expense of $24,519,000 (2015: tax credit of $31,353,000)		124,078	(158,663)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		(39,285)	(34,348)
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	9	7,666	(1,340)
Other comprehensive income for the year		92,459	(194,351)
Total comprehensive income for the year		916,775	424,517
Attributable to:			
Equity shareholders of the Company		923,332	434,360
Non-controlling interests		(6,557)	(9,843)
Total comprehensive income for the year		916,775	424,517

The notes on pages 138 to 207 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Investment properties	13(a)	113,800	106,838
Investment property under development	13(a)	2,186,205	24,888
Interest in leasehold land	13(a)	61,366	63,378
Other property, plant and equipment	13(a)	6,513,736	5,938,303
		8,875,107	6,133,407
Intangible assets	14	132,122	132,311
Goodwill	15	84,051	84,051
Non-current prepayments	16	1,523	14,502
Interest in associates	18	601,557	634,363
Other financial assets	19	1,207,151	112,446
Employee benefit assets	20(a)	626,206	577,303
Deferred tax assets	27(b)	11,028	5,551
		11,538,745	7,693,934
Current assets			
Spare parts and stores		56,428	69,225
Accounts receivable	22	516,750	435,640
Other financial assets	19	94,915	67,223
Deposits and prepayments		25,569	85,129
Current tax recoverable	27(a)	4,131	4,167
Pledged and restricted bank deposits	23(a)	131,714	84,678
Cash and cash equivalents	23(a)	944,271	2,629,796
		1,773,778	3,375,858
Current liabilities			
Bank loans	24	–	459,942
Accounts payable and accruals	25	1,209,064	1,402,209
Contingency provision – insurance	26	183,203	183,133
Current tax payable	27(a)	4,863	9,701
		1,397,130	2,054,985
Net current assets		376,648	1,320,873
Total assets less current liabilities		11,915,393	9,014,807

at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current liabilities			
Bank loans	24	2,724,366	589,000
Deferred tax liabilities	27(b)	951,211	794,425
Contingency provision – insurance	26	253,026	251,289
Employee benefit liabilities	20(a)	8,897	9,107
Provision for long service payments	28	6,363	9,423
		3,943,863	1,653,244
NET ASSETS		7,971,530	7,361,563
Capital and reserves			
Share capital	29(b)	411,680	403,639
Reserves		7,414,101	6,804,018
Total equity attributable to equity shareholders of the Company		7,825,781	7,207,657
Non-controlling interests		145,749	153,906
TOTAL EQUITY		7,971,530	7,361,563

Approved and authorised for issue by the Board of Directors on 23 March 2017

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 138 to 207 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total
		Share capital $'000	Share premium $'000 (note 29(c)(i))	Capital reserve $'000 (note 29(c)(ii))	Other reserves $'000	Exchange reserve $'000 (note 29(c)(iii))	Fair value reserve $'000 (note 29(c)(iv))	Retained profits $'000	Total $'000	$'000	$'000
Balance at 1 January 2015		403,639	–	–	1,102,614	166,659	2,268	5,521,939	7,197,119	189,953	7,387,072
Changes in equity for 2015:											
Profit for the year		–	–	–	–	–	–	628,711	628,711	(9,843)	618,868
Other comprehensive income for the year		–	–	–	–	(34,348)	(1,340)	(158,663)	(194,351)	–	(194,351)
Total comprehensive income for the year		–	–	–	–	(34,348)	(1,340)	470,048	434,360	(9,843)	424,517
Dividend approved in respect of the previous year	11(b)	–	–	–	–	–	–	(302,730)	(302,730)	–	(302,730)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(26,204)	(26,204)
Dividend approved in respect of the current year	11(a)	–	–	–	–	–	–	(121,092)	(121,092)	–	(121,092)
		–	–	–	–	–	–	(423,822)	(423,822)	(26,204)	(450,026)
Balance at 31 December 2015 and 1 January 2016		403,639	–	–	1,102,614	132,311	928	5,568,165	7,207,657	153,906	7,361,563
Changes in equity for 2016:											
Profit for the year		–	–	–	–	–	–	830,873	830,873	(6,557)	824,316
Other comprehensive income for the year		–	–	–	–	(39,285)	7,666	124,078	92,459	–	92,459
Total comprehensive income for the year		–	–	–	–	(39,285)	7,666	954,951	923,332	(6,557)	916,775
Shares issued in respect of scrip dividend – 2015 final dividend	29(b)	5,412	103,046	–	–	–	–	–	108,458	–	108,458
Shares issued in respect of scrip dividend – 2016 interim dividend	29(b)	2,629	59,758	–	–	–	–	–	62,387	–	62,387
Equity-settled share-based transactions	21	–	–	990	–	–	–	–	990	–	990
Unclaimed dividends forfeited		–	–	–	–	–	–	29,400	29,400	–	29,400
Dividend approved in respect of the previous year	11(b)	–	–	–	–	–	–	(363,275)	(363,275)	–	(363,275)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(1,600)	(1,600)
Dividend approved in respect of the current year	11(a)	–	–	–	–	–	–	(143,168)	(143,168)	–	(143,168)
		8,041	162,804	990	–	–	–	(477,043)	(305,208)	(1,600)	(306,808)
Balance at 31 December 2016		411,680	162,804	990	1,102,614	93,026	8,594	6,046,073	7,825,781	145,749	7,971,530

The notes on pages 138 to 207 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Operating activities			
Cash generated from operations	23(c)	1,970,821	1,688,315
Interest received		53,085	64,102
Interest paid		(17,719)	(7,875)
Tax paid			
– Hong Kong Profits Tax		(25,358)	(1,273)
– The People's Republic of China ("PRC") income tax		(1,292)	(499)
– PRC withholding tax		(1,452)	(1,776)
Net cash generated from operating activities		1,978,085	1,740,994
Investing activities			
Increase in pledged and restricted bank deposits		(47,036)	(16,497)
Decrease/(increase) in bank deposits with original maturities of over three months		1,664,851	(662,334)
Payment for the purchase of property, plant and equipment		(1,738,665)	(2,030,536)
Payment for the land premium in relation to investment property under development		(2,152,500)	–
Payment for other additions of investment property under development		(4,067)	(9,332)
Payment for the purchase of intangible assets		(90)	(1,418)
Receipt of government grant for the purchase of property, plant and equipment		7,072	29,026
Receipt of government grant for the disposal of property, plant and equipment		6,334	29,351
Proceeds from disposal of property, plant and equipment		10,084	16,970
Payment for purchase of available-for-sale debt securities		(1,199,958)	–
Proceeds on maturity of available-for-sale debt securities		66,789	42,704
Dividends received from associates		25,384	104,127
Dividends received from unlisted equity securities		34,720	31,000
Proceeds from disposal of other financial assets		–	32,888
Net cash used in investing activities		(3,327,082)	(2,434,051)
Financing activities			
Proceeds from new bank loans		4,050,800	2,068,000
Repayments of bank loans		(2,380,000)	(1,565,000)
Dividends paid to equity shareholders of the Company		(335,598)	(423,822)
Dividends paid to non-controlling interests		(1,600)	(26,204)
Net cash generated from financing activities		1,333,602	52,974
Net decrease in cash and cash equivalents		(15,395)	(640,083)
Cash and cash equivalents at 1 January		721,612	1,389,453
Effect of foreign exchange rate changes		(5,279)	(27,758)
Cash and cash equivalents at 31 December	23(a)	700,938	721,612

The notes on pages 138 to 207 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments in securities (see note 1(g)), derivative financial instruments (see note 1(h)) and employee benefit assets/liabilities (see note 1(x)(ii)) are stated at their fair value, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(n)(ii)).

1 Significant accounting policies (continued)

(e) Associates and joint operations

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not measured. Instead, the investment continues to be accounted for under equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

The Group recognises in the financial statements its share of a joint operation's assets and any liabilities incurred jointly with other operators according to their nature. Liabilities and expenses incurred directly in respect of its interest in the joint operation are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the joint operation, together with its share of any expenses incurred by the joint operation, are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

1 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(n)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's accounting policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(n)).

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the accounting policies set out in notes 1(u)(v) and 1(u)(iv) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When these investments are derecognised or impaired (see note 1(n)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 Significant accounting policies (continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two accounting policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above accounting policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(ii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in the accounting policies set out in note 1(u)(vi).

1 Significant accounting policies (continued)

(k) Other property, plant and equipment

Properties held for own use and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land	The shorter of 40 years and the unexpired terms of the leases
– Leasehold land classified as being held under finance leases	The unexpired terms of the leases
– Buses	14 years
– Other motor vehicles	5 to 14 years
– Others	2 to 7 years

No depreciation is provided for buses under construction.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (continued)

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as interest in leasehold land and property, plant and equipment. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, in accordance with the accounting policies as set out in note 1(k). Impairment losses are accounted for in accordance with the accounting policies as set out in note 1(n)(ii). All of the Group's leasehold land classified as held under finance lease has been fully paid.

(ii) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(m) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(n)(ii)).

(i) Passenger service licences and transport operating rights

Passenger service licences and transport operating rights are assessed and regarded by the Group to have indefinite useful lives and are not amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated remaining useful life.

(ii) Website and mobile apps

Amortisation of these intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, which are 5 years. Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies (continued)

(n) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with the accounting policies set out in note 1(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with the accounting policies set out in note 1(n)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the financial asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties and investment property under development;
- other property, plant and equipment;
- interest in leasehold land;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, their recoverable amounts are estimated annually whether or not there is indication of impairment.

- Calculation of the recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(n)(i) and 1(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(o) Spare parts and stores

Spare parts and stores are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(n)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 Significant accounting policies (continued)

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with the accounting policies set out in note 1(t)(iii).

Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with the accounting policies set out in note 1(t)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies (continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.

(ii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.

(iii) Income from media sales management and administrative services, production of advertisements, and advertising agency services is recognised when the related services are rendered.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that assets. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(w) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in The People's Republic of China is Renminbi. The presentation currency of the Group is Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

1 Significant accounting policies (continued)

(w) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the average foreign exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group’s net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group’s obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 Significant accounting policies (continued)

(x) Employee benefits (continued)

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

(iv) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (continued)

(y) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:
   (1) has control or joint control over the Group;
   (2) has significant influence over the Group; or
   (3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:
   (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (3) Both entities are joint ventures of the same third party.
   (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
   (6) The entity is controlled or jointly controlled by a person identified in (i).
   (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting estimates and judgements

Notes 15, 20(f), 21(c) and 31(f) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets/liabilities, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation/amortisation

Investment properties, interest in leasehold land and other property, plant and equipment are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(c) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 26, is based on past claims experience and recent claims developments. The provision is assessed based on an independent valuation performed by a qualified external actuary. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

3 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services.

The amount of each significant category of revenue is as follows:

	2016 $'000	2015 $'000
Fare revenue from franchised public bus services	7,109,812	6,972,748
Revenue from non-franchised transport services	346,350	349,628
Media sales revenue	417,335	418,675
Gross rentals from investment properties	62,984	38,879
	7,936,481	7,779,930

The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. Further details regarding the Group's principal activities are disclosed in note 12 to the financial statements.

4 Other income

	2016 $'000	2015 $'000
Interest income on other financial assets not at fair value through profit or loss	60,195	55,133
Dividend income from equity securities	34,720	31,000
Net movement in balance of passenger rewards (note (a))	(32,792)	(66,901)
Claims received	35,911	52,029
Net miscellaneous business receipts	5,141	9,226
Net gain on disposal of property, plant and equipment	8,469	1,745
Available-for-sale debt securities: reclassified from equity on maturity (note 9)	(9)	11
Government subsidies (note (b))	6,334	29,351
Net foreign exchange loss	(14,054)	(49,643)
Sundry revenue	24,530	16,987
	128,445	78,938

Notes:

(a) Under the revised Modified Basket of Factors ("MBOF") approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net interest in leasehold land and other property, plant and equipment is required to be set aside and accumulated in a balance of passenger rewards, which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2016 and 2015 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2016, included in accounts payable and accruals (note 25), was $109,134,000 (2015: $76,150,000).

(b) In 2016, subsidies totalling $6,334,000 (2015: $29,351,000) were received or receivable under the HKSAR Government's ex-gratia payment scheme for the disposal of aged diesel commercial vehicles included in other property, plant and equipment. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2016 $'000	2015 $'000
(a) Staff costs		
Defined benefit retirement plan expense (note 20(e))	99,484	96,243
Contributions to defined contribution retirement plans	123,144	114,874
Movements in provision for long service payments (note 28)	4,636	2,222
Total retirement cost	227,264	213,339
Equity-settled share-based payment expenses (note 21)	990	–
Salaries, wages and other benefits	3,726,162	3,633,582
	3,954,416	3,846,921
(b) Finance costs		
Total interest on bank loans not at fair value through profit or loss	22,538	9,674
Less: Interest expense capitalised into investment property under development*	(4,750)	–
	17,788	9,674

* The borrowing costs have been capitalised at the average interest rate of 1.50% per annum (2015: Nil).

	2016 $'000	2015 $'000
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	(62,984)	(38,879)
Less: direct outgoings	16,571	10,896
	(46,413)	(27,983)

Note: Included contingent rental income of $7,000 (2015: $60,000).

	2016 $'000	2015 $'000
(d) Other items		
Amortisation of intangible assets	62	775
Amortisation of land lease premium	2,012	2,012
Depreciation	879,354	832,210
Impairment loss on trade and other receivables (note 22(b))		
– recognised	3,690	13,164
– written-back	–	(19)
Impairment loss on other property, plant and equipment (note 13(g))	22,910	–
Impairment loss on intangible assets (note 14)	217	2,895
Write-back of spare parts and stores	(3,228)	(1,452)
Operating lease charges: minimum lease payments	34,031	42,795
Auditors' remuneration		
– audit services	6,335	6,208
– other services	1,640	1,909

6 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 $'000	2015 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	20,841	19,981
Under-provision in respect of prior years	360	137
	21,201	20,118
Current tax – The People's Republic of China ("PRC") Income Tax		
Provision for the year	621	406
Under-provision in respect of prior years	26	57
	647	463
PRC withholding tax	1,452	1,776
	23,300	22,357
Deferred tax		
Origination and reversal of temporary differences	126,790	105,718
	150,090	128,075

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2016 $'000	2015 $'000
Profit before taxation	974,406	746,943
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	162,353	120,555
Tax effect of non-deductible expenses	10,231	20,009
Tax effect of non-taxable income	(25,115)	(23,374)
Tax effect of unused tax losses not recognised	3,169	9,938
Under-provision in prior years	386	194
Tax effect of utilisation of unused tax losses not recognised in prior years	(58)	–
Tax effect of recognition of unused tax losses not recognised in prior years	–	(608)
Others	(876)	1,361
Actual tax expense	150,090	128,075

7 Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2016						
	Note	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payment (note (h)) $'000	Total $'000
Executive Directors								
Roger Lee Chak Cheong	(a) & (c)	324	5,344	800	307	6,775	170	6,945
Evan Au Yang Chi Chun	(a) & (g)	53	1,069	–	53	1,175	–	1,175
Non-executive Directors								
Raymond Kwok Ping Luen		576	–	–	–	576	–	576
Ng Siu Chan		324	–	–	–	324	–	324
Charles Lui Chung Yuen	(a) & (b)	374	673	–	–	1,047	–	1,047
William Louey Lai Kuen		324	–	–	–	324	–	324
Winnie Ng	(a)	807	–	–	–	807	–	807
Edmond Ho Tat Man	(d)	324	–	–	–	324	–	324
John Anthony Miller	(a)	679	–	–	–	679	–	679
Allen Fung Yuk Lun	(a)	456	–	–	–	456	–	456
Susanna Wong Sze Lai	(f)	–	–	–	–	–	–	–
Independent Non-executive Directors								
Dr Norman Leung Nai Pang		1,806	–	–	–	1,806	–	1,806
Dr John Chan Cho Chak	(a)	870	–	–	–	870	–	870
Dr Eric Li Ka Cheung	(a)	924	–	–	–	924	–	924
Gordon Siu Kwing Chue		564	–	–	–	564	–	564
Professor Liu Pak Wai		384	–	–	–	384	–	384
		8,789	7,086	800	360	17,035	170	17,205

7 Directors' emoluments (continued)

		2015				
	Note	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors						
Charles Lui Chung Yuen	(a) & (b)	288	840	–	–	1,128
Roger Lee Chak Cheong	(a) & (c)	288	5,117	700	256	6,361
Evan Au Yang Chi Chun	(a) & (g)	288	4,691	600	235	5,814
Non-executive Directors						
Raymond Kwok Ping Luen		540	–	–	–	540
Ng Siu Chan		288	–	–	–	288
William Louey Lai Kuen		288	–	–	–	288
Winnie Ng	(a)	771	–	–	–	771
Edmond Ho Tat Man	(d)	288	–	–	–	288
John Anthony Miller	(a)	570	–	–	–	570
Allen Fung Yuk Lun	(a)	420	–	–	–	420
Godwin So Wai Kei	(e)	–	–	–	–	–
Susanna Wong Sze Lai	(f)	–	–	–	–	–
Independent Non-executive Directors						
Dr Norman Leung Nai Pang		756	–	–	–	756
Dr John Chan Cho Chak	(a)	834	–	–	–	834
Dr Eric Li Ka Cheung	(a)	857	–	–	–	857
Gordon Siu Kwing Chue		498	–	–	–	498
Professor Liu Pak Wai		348	–	–	–	348
		7,322	10,648	1,300	491	19,761

Notes:

(a) The amounts included emoluments from the Company and certain of its subsidiaries.

(b) Mr Charles Lui Chung Yuen retired from the position of Executive Director on 20 October 2016 and was re-designated as a Non-executive Director on 20 October 2016.

(c) Mr Roger Lee Chak Cheong took up the position of Managing Director on 1 January 2015.

(d) Mr Edmond Ho Tat Man retired from the position of Managing Director on 1 January 2015 and was re-designated as a Non-executive Director on 1 January 2015.

(e) Mr Godwin So Wai Kei was appointed as Alternate Director to Mr Raymond Kwok Ping Luen for the period from 3 March 2014 to 30 November 2015.

(f) Ms Susanna Wong Sze Lai was appointed as Alternate Director to Mr Raymond Kwok Ping Luen with effect from 1 December 2015.

(g) Mr Evan Au Yang Chi Chun resigned on 1 March 2016.

(h) These represent the estimated value of share options granted to a Director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 1(x)(iv).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' Report and note 21.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2015: two) is a Director whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Director) are as follows:

	2016 $'000	2015 $'000
Fees	324	576
Salaries, allowances and benefits in kind	20,224	19,789
Discretionary bonuses	800	1,300
Equity-settled share-based payment expenses	493	–
Retirement scheme contributions	726	839
	22,567	22,504

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
$3,000,001 – $3,500,000	2	2
$4,000,001 – $4,500,000	1	1
$4,500,001 – $5,000,000	1	–
$5,500,001 – $6,000,000	–	1
$6,000,001 – $6,500,000	–	1
$6,500,001 – $7,000,000	1	–

9 Other comprehensive income

	2016 $'000	2015 $'000
Available-for-sale debt securities:		
Change in fair value recognised during the year	(7,657)	1,329
Reclassification adjustment for amount transferred to profit or loss on maturity (note 4)	(9)	11
	(7,666)	1,340

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $830,873,000 (2015: $628,711,000) and the weighted average number of shares in issue during the year, calculated as follows:

	2016	2015
Issued shares at 1 January	403,639,413	403,639,413
Effect of shares issued in respect of scrip dividend	3,134,082	–
Weighted average number of shares at 31 December	406,773,495	403,639,413

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2016 is the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

There were no dilutive potential ordinary shares for the year ended 31 December 2015 and diluted earnings per share is the same as basic earnings per share.

11 Dividends

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

	2016		2015	
	Per share $	Total $'000	Per share $	Total $'000
Interim dividend declared and paid	0.35	143,168	0.30	121,092
Final dividend proposed after the end of the reporting period	0.90	370,512	0.90	363,275
	1.25	513,680	1.20	484,367

The final dividend proposed after the end of the reporting period has not been recognised as liability at the end of the reporting period.

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 $62,387,000 was settled by the issuance of 2,628,991 shares at an issue price of $23.73 per share under the scrip dividend scheme.

11 Dividends (continued)

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

	2016		2015	
	Per share	Total	Per share	Total
	$	$'000	$	$'000
Final dividend in respect of the previous financial year, approved and paid during the year	0.90	363,275	0.75	302,730

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 $108,458,000 was settled by the issuance of 5,412,095 shares at an issue price of $20.04 per share under the scrip dividend scheme.

12 Segment reporting

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

Franchised bus operation:	The provision of franchised public transport services in Hong Kong.
Media sales business:	The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.
Property holdings and development:	The holding and development of non-residential property for the use as investment property.

For the year ended 31 December 2015, property holdings and development did not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments* to qualify as a reportable segment, and was included in "all other segments". As a result of the additions of investment property under development in 2016, property holdings and development qualifies as a reportable segment in 2016. Comparatives have been restated to disclose the segment separately from "all other segments" as a reportable segment in 2015.

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.

12 Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM 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 2016 and 2015 is set out below.

	Franchised bus operation		Media sales business		Property holdings and development		All other segments		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue from external customers	7,125,790	6,982,263	407,511	411,946	60,466	38,712	342,714	347,009	7,936,481	7,779,930
Inter-segment revenue	169,029	180,086	–	–	10,745	20,385	55,301	69,183	235,075	269,654
Reportable segment revenue	7,294,819	7,162,349	407,511	411,946	71,211	59,097	398,015	416,192	8,171,556	8,049,584
Reportable segment profit/(loss)	648,892	545,275	(42,124)	(46,029)	45,588	23,724	81,983	78,952	734,339	601,922
Interest income	117	125	3,815	4,998	–	–	–	3,096	3,932	8,219
Interest expense	(17,788)	(9,674)	–	–	–	–	–	–	(17,788)	(9,674)
Depreciation and amortisation for the year	(833,402)	(773,322)	(15,241)	(16,014)	(6,465)	(23,030)	(26,320)	(22,631)	(881,428)	(834,997)
Provision of impairment loss on trade and other receivables	(1,104)	–	(2,421)	(13,137)	–	–	(165)	(8)	(3,690)	(13,145)
Impairment loss on intangible assets	–	–	(217)	(2,895)	–	–	–	–	(217)	(2,895)
Impairment loss on other property, plant and equipment	–	–	(22,910)	–	–	–	–	–	(22,910)	–
Staff costs	(3,744,065)	(3,634,488)	(66,010)	(77,806)	–	–	(132,939)	(126,093)	(3,943,014)	(3,838,387)
Share of profits of associates	–	–	–	–	–	–	30,847	32,357	30,847	32,357
Income tax expense	(127,879)	(109,497)	(24)	(4,892)	(9,242)	(7,765)	(12,945)	(6,226)	(150,090)	(128,380)
Reportable segment assets	7,680,474	6,913,429	617,630	687,354	2,319,280	154,021	1,300,842	1,290,574	11,918,226	9,045,378
– including interest in associates	–	–	–	–	–	–	601,557	634,363	601,557	634,363
Additions to non-current segment assets during the year	1,405,057	2,117,257	19,988	8,061	2,165,135	10,914	57,363	29,425	3,647,543	2,165,657
Reportable segment liabilities	3,552,478	3,379,811	116,796	141,781	1,528,559	33,079	128,047	108,368	5,325,880	3,663,039

12 Segment reporting (continued)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2016 $'000	2015 $'000
Revenue		
Reportable segment revenue	7,773,541	7,633,392
Revenue from all other segments	398,015	416,192
Elimination of inter-segment revenue	(235,075)	(269,654)
Consolidated revenue	7,936,481	7,779,930
Profit		
Reportable segment profit	652,356	522,970
Profit from all other segments	81,983	78,952
Unallocated profits	89,977	16,946
Consolidated profit after taxation	824,316	618,868
Assets		
Reportable segment assets	10,617,384	7,754,804
Assets from all other segments	1,300,842	1,290,574
Unallocated assets	1,394,297	2,024,414
Consolidated total assets	13,312,523	11,069,792
Liabilities		
Reportable segment liabilities	5,197,833	3,554,671
Liabilities from all other segments	128,047	108,368
Unallocated liabilities	15,113	45,190
Consolidated total liabilities	5,340,993	3,708,229

(c) 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	
	2016 $'000	2015 $'000
Hong Kong	8,998,962	6,259,501
The PRC	693,875	724,631
	9,692,837	6,984,132

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings $'000	Buses and other motor vehicles $'000	Buses under construction $'000	Tools and others $'000	Sub-total $'000	Investment property under development $'000	Investment properties $'000	Interest in leasehold land $'000	Total $'000
Cost:									
At 1 January 2015	1,509,629	10,223,139	269,035	3,519,446	15,521,249	17,575	173,288	115,513	15,827,625
Additions	29,755	43,306	1,877,073	251,728	2,201,862	9,333	2,282	–	2,213,477
Disposals	(16,275)	(1,139,458)	–	(509,506)	(1,665,239)	–	–	–	(1,665,239)
Exchange adjustments	–	–	–	(51)	(51)	–	–	–	(51)
Transfers	(5,018)	1,671,434	(1,671,434)	–	(5,018)	–	5,018	–	–
At 31 December 2015	1,518,091	10,798,421	474,674	3,261,617	16,052,803	26,908	180,588	115,513	16,375,812
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2015	992,571	6,972,867	–	3,065,290	11,030,728	2,020	64,425	50,123	11,147,296
Charge for the year	52,237	493,872	–	279,120	825,229	–	6,981	2,012	834,222
Written back on disposal	(16,275)	(1,138,981)	–	(494,758)	(1,650,014)	–	–	–	(1,650,014)
Exchange adjustments	–	–	–	(48)	(48)	–	–	–	(48)
Transfers	(2,344)	–	–	–	(2,344)	–	2,344	–	–
At 31 December 2015	1,026,189	6,327,758	–	2,849,604	10,203,551	2,020	73,750	52,135	10,331,456
Net book value:									
At 31 December 2015	491,902	4,470,663	474,674	412,013	5,849,252	24,888	106,838	63,378	6,044,356
Add: Deposits paid in respect of buses on order					89,051	–	–	–	89,051
					5,938,303	24,888	106,838	63,378	6,133,407

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Buildings $'000	Buses and other motor vehicles $'000	Buses under construction $'000	Tools and others $'000	Sub-total $'000	Investment property under development $'000	Investment properties $'000	Interest in leasehold land $'000	Total $'000
Cost:									
At 1 January 2016	1,518,091	10,798,421	474,674	3,261,617	16,052,803	26,908	180,588	115,513	16,375,812
Additions	34,203	54,483	1,220,958	211,144	1,520,788	2,161,317	4,184	–	3,686,289
Disposals	(5,704)	(954,577)	–	(268,668)	(1,228,949)	–	–	–	(1,228,949)
Exchange adjustments	–	–	–	(54)	(54)	–	–	–	(54)
Transfers	(17,651)	1,511,118	(1,511,118)	–	(17,651)	–	17,651	–	–
At 31 December 2016	1,528,939	11,409,445	184,514	3,204,039	16,326,937	2,188,225	202,423	115,513	18,833,098
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2016	1,026,189	6,327,758	–	2,849,604	10,203,551	2,020	73,750	52,135	10,331,456
Charge for the year	40,728	570,886	–	262,160	873,774	–	5,580	2,012	881,366
Written back on disposal	(5,704)	(953,800)	–	(267,830)	(1,227,334)	–	–	–	(1,227,334)
Impairment loss (note 13(g))	–	–	–	22,910	22,910	–	–	–	22,910
Exchange adjustments	–	–	–	(51)	(51)	–	–	–	(51)
Transfers	(9,293)	–	–	–	(9,293)	–	9,293	–	–
At 31 December 2016	1,051,920	5,944,844	–	2,866,793	9,863,557	2,020	88,623	54,147	10,008,347
Net book value:									
At 31 December 2016	477,019	5,464,601	184,514	337,246	6,463,380	2,186,205	113,800	61,366	8,824,751
Add: Deposits paid in respect of buses on order					50,356	–	–	–	50,356
					6,513,736	2,186,205	113,800	61,366	8,875,107

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(b) All the Group's buildings, investment properties, investment property under development and interest in leasehold land are held in Hong Kong. The analysis of the net book value of properties is as follows:

	2016 $'000	2015 $'000
Medium-term leases	2,531,317	377,004
Short-term leases	307,073	310,002
	2,838,390	687,006
Representing:		
Buildings	477,019	491,902
Investment property under development	2,186,205	24,888
Investment properties	113,800	106,838
Interest in leasehold land	61,366	63,378
	2,838,390	687,006

(c) Investment properties and investment property under development are stated at cost less accumulated depreciation and impairment loss. The fair values of the investment properties and investment property under development were $3,993,170,000 and $3,225,000,000 respectively (2015: $3,056,810,000 and $2,115,000,000 respectively) as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's management have had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at each annual reporting date. During the year ended 31 December 2016, additions of investment property under development includes the payment of land premium of $2,152,500,000 (2015: $Nil). As at 31 December 2016, investment property under development of $2,186,205,000 (2015: $24,888,000) is related to the Group's interests in a joint operation.

(d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment property under development disclosed at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(d) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	2016			
		Fair value measurements categorised into		
	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value disclosures				
Investment properties in Hong Kong:				
– commercial properties	2,864,170	–	–	2,864,170
– industrial property	1,129,000	–	–	1,129,000
Investment property under development in Hong Kong	3,225,000	–	–	3,225,000

	2015			
		Fair value measurements categorised into		
	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value disclosures				
Investment properties in Hong Kong:				
– commercial properties	1,914,810	–	–	1,914,810
– industrial property	1,142,000	–	–	1,142,000
Investment property under development in Hong Kong	2,115,000	–	–	2,115,000

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties	Market comparison approach	Discount/premium on quality of shops	-50% to 10% (2015: -60% to 10%)
Investment properties in Hong Kong – industrial property	Market comparison approach	Discount/premium on quality of redevelopment	-20% to 60% (2015: -20% to -5%)
Investment property under development in Hong Kong	Market comparison approach	Discount/premium on location characteristics of the property	-10% to 5% (2015: -10% to 15%)

The Group has adopted market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2016 and 2015. The fair value of commercial properties using market comparison approach is determined by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's commercial properties compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures (continued)

The fair value of the industrial property in Hong Kong, taken into account its future redevelopment value, is determined using market comparison approach. The market comparison approach determined the fair value of the gross development value with reference to recent transaction data of nearby project, adjusted for a premium or a discount specific to the quality of the Group's property compared to the recent transaction. Higher premium for higher quality redevelopment will result in a higher gross development value. The redevelopment of the industrial property is considered as its highest and best use under HKFRS 13.

The fair value of investment property under development located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property under development compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

(e) The Group leased out investment properties under operating leases. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. Certain leases include contingent rentals being the excess of a percentage of the monthly revenue generated by the lessees over the monthly minimum lease rentals.

The total future minimum lease payments from investment properties under non-cancellable operating leases are receivable as follows:

	2016 $'000	2015 $'000
Within 1 year	68,670	26,975
After 1 year but within 5 years	72,796	30,653
	141,466	57,628

(f) In 2016, subsidies totalling $7,072,000 (2015: $22,426,000) were received or receivable from the HKSAR Government for purchase of diesel-electric hybrid buses and electric buses (the "Buses"). The purpose of the subsidies is to encourage the use of the Buses by granting financial assistance to franchised public bus operators to purchase the Buses for trial. The Group has to use the Buses for trial on certain routes agreed with the HKSAR Government for two years. The subsidies received or receivable have been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(k).

(g) Audio and visual equipment included in tools and others is used in the media sales business. For the year ended 31 December 2016, management assessed that the carrying amount of the audio and visual equipment may not be recoverable through future cash flows to be generated from operations or from their disposal. Therefore, the carrying amount of the audio and visual equipment was fully impaired and an impairment loss of $22,910,000 was recognised (2015: $Nil).

14 Intangible assets

	Passenger service licenses and transport operating rights $'000	Websites and mobile apps $'000	Total $'000
Cost:			
At 1 January 2015	132,122	2,930	135,052
Additions	–	1,418	1,418
At 31 December 2015	132,122	4,348	136,470
At 1 January 2016	132,122	4,348	136,470
Additions	–	90	90
At 31 December 2016	132,122	4,438	136,560
Accumulated amortisation and impairment losses:			
At 1 January 2015	–	489	489
Charge for the year	–	775	775
Impairment loss	–	2,895	2,895
At 31 December 2015	–	4,159	4,159
At 1 January 2016	–	4,159	4,159
Charge for the year	–	62	62
Impairment loss	–	217	217
At 31 December 2016	–	4,438	4,438
Net book value:			
At 31 December 2016	132,122	–	132,122
At 31 December 2015	132,122	189	132,311

For those passenger service licences and transport operating rights of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Intangible assets that are regarded to have indefinite useful lives have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

15 Goodwill

	2016 $'000	2015 $'000
Cost and carrying amount:		
At 1 January and 31 December	84,051	84,051

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations are as follows:

	2016 %	2015 %
Growth rate	2.4	3.0
Discount rate	5.3 – 6.4	6.9 – 8.0

The growth rate used does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the cash-generating unit based on the value-in-use calculations is higher than its carrying amount. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in profit or loss.

16 Non-current prepayments

Non-current prepayments and deposits comprise prepayments and deposits for purchase of other property, plant and equipment, security for the due payment for licence fees and office rental. The amounts are neither past due nor impaired.

17 Interest in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares	100	–	100	Provision of non-franchised bus services

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
GD Bonwell Champion Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
Zhan Gang Tourist Transportation Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	500,000 shares	100	–	100	Provision of non-franchised bus services
Right Concept Transportation Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	5 shares	100	–	100	Provision of non-franchised bus services
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property Investment
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
LCK Commercial Properties Limited	Hong Kong	1 share	100	–	100	Property investment
KT Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
TM Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Group treasury management

17 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest: Group's effective interest	Percentage of ownership interest: Held by the Company	Percentage of ownership interest: Held by subsidiaries	Principal activity
KMB (Beijing) Taxi Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
KMB (Shenzhen) Transport Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
RoadShow Holdings Limited	Incorporated in Bermuda and operates in Hong Kong	997,365,332 shares of $0.1 each	73	–	73	Investment holding
RoadShow Creations Limited	Hong Kong	2 shares	73	–	100	Trading of bus souvenirs
RoadShow Media Limited	Hong Kong	2 shares	73	–	100	Provision of media sales and management services for advertising on transit vehicles, shelters and for the Multi-media On-board business
RoadShow Productions Limited	Hong Kong	2 shares	73	–	100	Production of content for Multi-media On-board systems
Bus Power Limited	Hong Kong	1 share	73	–	100	Provision of media sales services for advertising on transit vehicle exteriors and interiors

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited ("RoadShow"), at 31 December 2016 amounted to $422,313,000 (2015: $458,720,000).

17 Interest in subsidiaries (continued)

The following table lists out the information relating to RoadShow, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016 $'000	2015 $'000
NCI percentage	27%	27%
Current assets	593,152	635,763
Non-current assets	25,545	51,591
Current liabilities	117,725	141,564
Non-current liabilities	138	217
Net assets	500,834	545,573
Carrying amount of NCI (note)	145,749	153,906
Revenue	407,511	411,946
Loss for the year	(42,124)	(46,029)
Total comprehensive income	(46,275)	(46,978)
Loss allocated to NCI	(6,557)	(9,843)
Dividend paid to NCI	(1,600)	(26,204)
Cash flows from operating activities	47,674	9,295
Cash flows from/(used in) investing activities	23,441	(27,399)
Cash flows used in financing activities	(1,600)	(102,006)

Note: The amount includes the amount of NCI recognised in the consolidated financial statements of RoadShow.

18 Interest in associates

	2016 $'000	2015 $'000
Share of net assets	538,620	569,228
Goodwill	60,183	63,870
Amount due from an associate	7,676	6,187
Amount due to an associate	(4,922)	(4,922)
	601,557	634,363

Amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. The amount due from an associate is neither past due nor impaired.

18 Interest in associates (continued)

The following list contains the particulars of the material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest: Group's effective interest	Percentage of ownership interest: Held by subsidiaries	Principal activity
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB 951,430,306	35	35	Provision of bus and taxi hire services (note)

Note: Shenzhen Bus Group Company Limited, a transportation operator in the PRC, enables the Group to have exposure to this market through local expertise.

Summarised financial information of a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Bus Group Company Limited 2016 $'000	Shenzhen Bus Group Company Limited 2015 $'000
Gross amounts of the associate		
Current assets	1,688,370	1,476,492
Non-current assets	4,225,288	1,770,464
Current liabilities	3,559,316	1,545,736
Non-current liabilities	1,072,742	370,726
Total equity	1,281,600	1,330,494
Non-controlling interest	(21,883)	–
Revenue	1,576,027	1,825,275
Profit for the year	82,147	85,255
Total comprehensive income	82,147	85,255
Dividend received from the associate	24,697	29,105
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	1,259,717	1,330,494
Group's effective interest	35%	35%
Group's share of net assets of the associate	440,901	465,673
Goodwill	60,183	63,870
Carrying amount in the consolidated financial statements	501,084	529,543

18 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2016 $'000	2015 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	100,473	104,820
Aggregate amounts of the Group's share of those associates		
Profit for the year	2,096	2,518
Total comprehensive income	2,096	2,518

19 Other financial assets

	2016 $'000	2015 $'000
Unlisted equity securities, at cost (note (a))	15,355	15,355
Available-for-sale debt securities, at fair value (note (b))		
– listed outside Hong Kong	1,286,711	164,314
	1,302,066	179,669
Less: available-for-sale debt securities classified as current assets		
– listed outside Hong Kong	(94,915)	(67,223)
Other financial assets classified as non-current assets	1,207,151	112,446

Notes:

(a) The unlisted equity securities of $15,355,000 (2015: $15,355,000) relate to an investment of the Group for which no impairment loss is considered necessary.

(b) Debt securities are issued by corporate entities with credit rating ranging from B+ to A. As at 31 December 2016 and 2015, the Group's available-for-sale debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

20 Employee retirement benefits

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for employees upon retirement. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. The members' benefits are determined based on the employees' final remuneration and length of service.

The plans are funded by contributions from the Group in accordance with an actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 31 December 2016 and were prepared by Towers Watson Hong Kong Limited which has among its staff fellow members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 124% (2015: 120%) covered by the plan assets held by the trustee.

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement plans have similar risks and features, information about the two plans is aggregated and disclosed below:

(a) The amount recognised in the consolidated statement of financial position is as follows:

	2016 $'000	2015 $'000
Present value of funded obligations (note (c))	(2,541,954)	(2,803,663)
Fair value of plan assets (notes (b) and (d))	3,159,263	3,371,859
	617,309	568,196
Represented by:		
Employee benefit assets	626,206	577,303
Employee benefit liabilities	(8,897)	(9,107)
	617,309	568,196

A portion of the above asset/liability is expected to be recovered/paid after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable/payable in the next twelve months, as future refund or reduction of contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement plans for the year ending 31 December 2017 is $Nil (2016: $Nil).

20 Employee retirement benefits (continued)

(b) Plan assets consist of the following:

	2016 $'000	2015 $'000
Equity securities:		
– Hong Kong and Mainland China	724,193	817,821
– Europe	400,986	505,778
– North America	609,977	573,216
– Other Asia Pacific	600,260	606,935
	2,335,416	2,503,750
Bonds	719,351	800,672
Cash and others	104,496	67,437
	3,159,263	3,371,859

All of the equity securities and bonds have quoted prices in active markets.

(c) Movements in the present value of the defined benefit obligations:

	2016 $'000	2015 $'000
At 1 January	2,803,663	2,813,072
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(4,308)	–
– Actuarial (gains)/losses arising from changes in financial assumptions	(67,177)	85,326
– Actuarial (gains)/losses arising from liability experience	(25,205)	5,092
	(96,690)	90,418
Benefits paid by the plans	(310,038)	(260,258)
Current service cost	106,474	110,663
Interest cost	38,545	49,768
	(165,019)	(99,827)
At 31 December	2,541,954	2,803,663

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 10.2 and 6.0 years respectively (2015: 10.5 and 6.4 years respectively).

20 Employee retirement benefits (continued)

(d) Movements in plan assets:

	2016 $'000	2015 $'000
At 1 January	3,371,859	3,667,527
Administrative expenses paid	(615)	(666)
Benefits paid by the plans	(310,038)	(260,258)
Interest income	46,150	64,854
Return on plan assets, excluding interest income	51,907	(99,598)
At 31 December	3,159,263	3,371,859

(e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2016 $'000	2015 $'000
Current service cost	106,474	110,663
Net interest on net defined benefit asset	(7,605)	(15,086)
Administrative expenses paid	615	666
Total amounts recognised in profit or loss	99,484	96,243
Actuarial (gains)/losses	(96,690)	90,418
Return on plan assets, excluding interest income	(51,907)	99,598
Total amounts recognised in other comprehensive income	(148,597)	190,016
Total defined benefit (income)/expense	(49,113)	286,259

20 Employee retirement benefits (continued)

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2016	2015
Discount rate		
– Monthly Rated Employees Scheme	1.9%	1.6%
– Daily Rated Employees Scheme	1.7%	1.3%
Future salary increases	4.5%	4.5%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

	2016		2015	
	Increase in 0.25% $'000	Decrease in 0.25% $'000	Increase in 0.25% $'000	Decrease in 0.25% $'000
Discount rate	(45,679)	47,180	(53,865)	55,718
Future salary increases	42,032	(40,945)	49,710	(48,359)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

21 Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of $1 to subscribe for shares of the Company. The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Directors of the Company may also provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

21 Equity-settled share-based transactions (continued)

(a) The terms and conditions of the grants are as follows:

	Number of instruments '000	Contractual life of options
Options granted to a Director:		
– on 31 October 2016	860	five years from the date of grant
Options granted to employees:		
– on 31 October 2016	4,700	five years from the date of grant
Total share options granted	5,560	

All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

	Percentage of options granted
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

(b) The number and weighted average exercise prices of share options are as follows:

	2016	
	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the year	–	–
Granted during the year	$23.45	5,560
Forfeited during the year	$23.45	(540)
Outstanding at the end of the year	$23.45	5,020
Exercisable at the end of the year	–	–

The options outstanding at 31 December 2016 had an exercise price of $23.45 and a weighted average remaining contractual life of 4.83 years.

21 Equity-settled share-based transactions (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

	2016
Fair value of share options and assumptions	
Fair value at measurement date	$1.7937 – $1.8457
Share price at the date of grant	$23.45
Exercise price	$23.45
Expected volatility	18%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years
Expected dividends	4.18%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.709%

The expected volatility is based on the historic volatility and is assumed to remain unchanged during the weighted average remaining life of the share options (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

22 Accounts receivable

	2016 $'000	2015 $'000
Trade and other receivables	498,566	443,834
Interest receivable	26,054	5,210
Less: allowance for doubtful debts (note 22(b))	(7,870)	(13,404)
	516,750	435,640

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

22 Accounts receivable (continued)

(a) Ageing analysis

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:

	2016 $'000	2015 $'000
Current	144,600	174,352
1 to 3 months past due	17,618	27,502
More than 3 months past due	21,375	26,679
	183,593	228,533

According to the Group's credit policy set out in note 31(a) to the financial statements, 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.

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(n)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 $'000	2015 $'000
At 1 January	13,404	402
Impairment loss recognised (note 5(d))	3,690	13,164
Write-back of impairment loss (note 5(d))	–	(19)
Uncollectible amounts written off	(9,224)	(143)
At 31 December	7,870	13,404

At 31 December 2016, the Group's trade and other receivables of $7,870,000 (2015: $13,404,000) were individually determined to be impaired. The individually impaired receivables related to customers that have defaulted on repayment and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of $7,870,000 (2015: $13,404,000) were recognised as at 31 December 2016.

22 Accounts receivable (continued)

(c) Accounts receivable that are not impaired

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired	477,757	381,459
Past due but not impaired		
– 1 to 3 months past due	17,618	27,502
– More than 3 months past due	21,375	26,679
	38,993	54,181
	516,750	435,640

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The remaining receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2016 $'000	2015 $'000
Cash at bank and in hand	428,746	383,612
Bank deposits	647,239	2,330,862
	1,075,985	2,714,474
Less: pledged and restricted bank deposits (note (b))	(131,714)	(84,678)
Cash and cash equivalents in the consolidated statement of financial position	944,271	2,629,796
Less: bank deposits with original maturities of over three months	(243,333)	(1,908,184)
Cash and cash equivalents in the consolidated cash flow statement	700,938	721,612

(b) Pursuant to certain licence agreements between certain subsidiaries of the Group and certain subsidiaries of RoadShow, and between a third party and certain subsidiaries of RoadShow, the subsidiaries of RoadShow have provided bank guarantees regarding the due performance under the respective licence agreements. RoadShow has pledged bank deposits of $78,342,000 (2015: $79,691,000) to banks for the bank guarantees issued.

In addition, the Group is required to maintain the balance of passenger rewards (note 4) in designated bank accounts under the revised MBOF approach. As at 31 December 2016, the related restricted bank deposits amounted to $53,372,000 (2015: $4,987,000).

23 Cash and cash equivalents (continued)

(c) Reconciliation of profit before taxation to cash generated from operations:

	2016 $'000	2015 $'000
Profit before taxation	974,406	746,943
Adjustments for:		
Depreciation and amortisation	881,428	834,997
Impairment loss on other property, plant and equipment	22,910	–
Impairment loss on intangible assets	217	2,895
Finance costs	17,788	9,674
Dividend income from unlisted equity securities	(34,720)	(31,000)
Interest income	(60,195)	(55,133)
Share of profits of associates	(30,847)	(32,357)
Net gain on disposal of property, plant and equipment	(8,469)	(1,745)
Government subsidies	(6,334)	(29,351)
Equity-settled share-based payment expenses	990	–
Effect of foreign exchange rate	8,981	26,977
Operating profit before changes in working capital	1,766,155	1,471,900
Change in working capital:		
Decrease/(increase) in non-current prepayments	4,429	(849)
Decrease in employee benefit assets	99,484	96,243
Decrease/(increase) in spare parts and stores	12,797	(6,890)
(Increase)/decrease in trade and other receivables	(60,266)	69,779
Decrease/(increase) in deposits and prepayments	59,549	(90,087)
Increase in accounts payable and accruals	89,926	146,882
Increase in contingency provision – insurance	1,807	4,256
Decrease in provision for long service payments	(3,060)	(2,919)
Cash generated from operations	1,970,821	1,688,315

24 Bank loans

At 31 December 2016, the bank loans were repayable as follows:

	2016 $'000	2015 $'000
Within 1 year or on demand	–	459,942
After 2 years but within 5 years	2,724,366	589,000
	2,724,366	1,048,942

All of the bank loans were unsecured.

25 Accounts payable and accruals

	2016 $'000	2015 $'000
Trade payables	146,283	88,377
Balance of passenger rewards (note 4(a))	109,134	76,150
Other payables and accruals	953,647	1,237,682
	1,209,064	1,402,209

All accounts payable and accruals as at 31 December 2016 and 2015 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:

	2016 $'000	2015 $'000
Due within 1 month or on demand	140,380	80,626
Due after 1 month but within 3 months	1,893	4,932
Due after more than 3 months	4,010	2,819
	146,283	88,377

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.

26 Contingency provision – insurance

	2016 $'000	2015 $'000
At 1 January	434,422	430,166
Provision charged to profit or loss	55,875	59,764
Payments made during the year	(54,068)	(55,508)
At 31 December	436,229	434,422
Representing:		
Current portion	183,203	183,133
Non-current portion	253,026	251,289
	436,229	434,422

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.

27 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2016 $'000	2015 $'000
Provision for Hong Kong Profits Tax for the year	20,841	19,981
Provisional Profits Tax paid	(19,927)	(14,910)
	914	5,071
PRC Income Tax (recoverable)/payable	(182)	463
Net current tax payable	732	5,534
Representing:		
Current tax recoverable	(4,131)	(4,167)
Current tax payable	4,863	9,701
Net current tax payable	732	5,534

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation $'000	Intangible assets $'000	Provisions $'000	Tax losses $'000	Defined benefit assets/ liabilities $'000	Others $'000	Total $'000
At 1 January 2015	689,430	14,511	(16,648)	(119,650)	140,986	5,880	714,509
Charged/(credited) to profit or loss	107,930	–	7,703	10,151	(15,880)	(4,186)	105,718
Credited to other comprehensive income	–	–	–	–	(31,353)	–	(31,353)
At 31 December 2015	797,360	14,511	(8,945)	(109,499)	93,753	1,694	788,874
At 1 January 2016	797,360	14,511	(8,945)	(109,499)	93,753	1,694	788,874
Charged/(credited) to profit or loss	80,402	–	6,381	62,324	(16,415)	(5,902)	126,790
Charged to other comprehensive income	–	–	–	–	24,519	–	24,519
At 31 December 2016	877,762	14,511	(2,564)	(47,175)	101,857	(4,208)	940,183

(ii) Amounts recognised in the consolidated statement of financial position:

	2016 $'000	2015 $'000
Net deferred tax assets	(11,028)	(5,551)
Net deferred tax liabilities	951,211	794,425
	940,183	788,874

27 Income tax in the consolidated statement of financial position (continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of $40,244,000 (2015: $37,172,000) in respect of tax losses of $243,906,000 (2015: $225,278,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. At 31 December 2016 and 2015, the tax losses do not expire under the current tax legislation.

28 Provision for long service payments

Details of the provision for long service payments of the Group are as follows:

	2016 $'000	2015 $'000
At 1 January	9,423	12,342
Movements charged to profit or loss (note 5(a))	4,636	2,222
Payments made during the year	(7,696)	(5,141)
At 31 December	6,363	9,423

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

29 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained profits $'000	Total equity $'000
At 1 January 2015		403,639	–	–	1,300,000	46,606	1,750,245
Changes in equity for 2015:							
Dividend approved in respect of the previous year	11(b)	–	–	–	–	(302,730)	(302,730)
Profit and total comprehensive income for the year		–	–	–	–	450,363	450,363
Dividend approved in respect of the current year	11(a)	–	–	–	–	(121,092)	(121,092)
At 31 December 2015		403,639	–	–	1,300,000	73,147	1,776,786

29 Capital and reserves (continued)

(a) Movements in components of equity (continued)

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained profits $'000	Total equity $'000
At 1 January 2016		403,639	–	–	1,300,000	73,147	1,776,786
Changes in equity for 2016:							
Shares issued in respect of scrip dividend – 2015 final dividend		5,412	103,046	–	–	–	108,458
Shares issued in respect of scrip dividend – 2016 interim dividend		2,629	59,758	–	–	–	62,387
Equity-settled share-based transaction		–	–	990	–	–	990
Unclaimed dividend forfeited		–	–	–	–	29,400	29,400
Dividend approved in respect of the previous year	11(b)	–	–	–	–	(363,275)	(363,275)
Profit and total comprehensive income for the year		–	–	–	–	950,309	950,309
Dividend approved in respect of the current year	11(a)	–	–	–	–	(143,168)	(143,168)
At 31 December 2016		411,680	162,804	990	1,300,000	546,413	2,421,887

The Company's reserves available for distribution to shareholders at 31 December 2016 amounted to $1,846,413,000 (2015: $1,373,147,000). After the end of the reporting period, the Directors proposed a final dividend of $0.90 (2015: $0.90) per share, amounting to $370,512,000 (2015: $363,275,000). The final dividend proposed has not been recognised as liability at the end of the reporting period.

29 Capital and reserves (continued)

(b) Authorised and issued share capital

	2016		2015	
	No. of shares	$'000	No. of shares	$'000
Authorised:				
Ordinary shares of $1 each	600,000,000	600,000	600,000,000	600,000
Ordinary shares of $1 each, issued and fully paid:				
At 1 January	403,639,413	403,639	403,639,413	403,639
Shares issued in respect of scrip dividend – 2015 final dividend	5,412,095	5,412	–	–
Shares issued in respect of scrip dividend – 2016 interim dividend	2,628,991	2,629	–	–
At 31 December	411,680,499	411,680	403,639,413	403,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to a Director of the Company and certain employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(x)(iv).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale debt securities held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in note 1(g).

29 Capital and reserves (continued)

(d) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital structure on the basis of the level of net cash/debt compared to the amount of capital. For this purpose the Group defines net cash/debt as cash and cash equivalents and pledged and restricted bank deposits less interest-bearing loans and borrowings in the consolidated statement of financial position. Capital comprises all components of equity. Net cash/debt and equity at 31 December 2016 and 2015 were as follows:

	2016 $'000	2015 $'000
Cash and cash equivalents (note 23(a))	944,271	2,629,796
Pledged and restricted bank deposits (note 23(a))	131,714	84,678
Less: Bank loans (note 24)	(2,724,366)	(1,048,942)
Net (debt)/cash	(1,648,381)	1,665,532
Total equity	7,976,630	7,361,563

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

30 Commitments

(a) Capital commitments

(i) At 31 December 2016, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the financial statements:

	2016 $'000	2015 $'000
Contracted for	456,847	914,024

(ii) At 31 December 2016, the Group's share of capital commitments of the joint operation in respect of investment property under development not provided for in the financial statements is as follows:

	2016 $'000	2015 $'000
Contracted for	22,320	22,320

30 Commitments (continued)

(b) Operating leases

At 31 December 2016, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
Within 1 year	6,761	8,974
After 1 year but within 5 years	5,247	9,807
	12,008	18,781

The Group leases a number of properties under operating leases. The leases typically run for a period of one to five years. The leases do not include contingent rentals.

(c) Certain exclusive licences to conduct media sales agency and management business on selected bus shelters and to solicit advertising business on billboards and advertising spaces owned by the Government of the Hong Kong Special Administrative Region and other independent third parties have been granted to the Group, and the respective licences will expire in periods from 2014 to 2020. Under such licences, the Group has committed to pay licence fees or royalty fees at a pre-determined percentage of the net advertising rental received. The future minimum guaranteed licence fees or royalty fees are as follows:

	2016 $'000	2015 $'000
Within 1 year	22,537	33,550
After 1 year but within 5 years	5,011	27,548
	27,548	61,098

31 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and debt investments. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year.

Debt investments are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution.

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from debt investments and receivables are set out in notes 19 and 22 respectively.

31 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Non-derivative financial liabilities

	2016					2015				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank loans	44,282	44,282	2,932,046	3,020,610	2,724,366	468,859	8,226	621,225	1,098,310	1,048,942
Accounts payable and accruals	1,208,539	–	–	1,208,539	1,208,539	1,400,067	–	–	1,400,067	1,400,067
	1,252,821	44,282	2,932,046	4,229,149	3,932,905	1,868,926	8,226	621,225	2,498,377	2,449,009

Derivative financial liabilities

	2016		2015	
	Contractual undiscounted cash flow		Contractual undiscounted cash flow	
	Within 1 year or on demand $'000	Total $'000	Within 1 year or on demand $'000	Total $'000
Derivatives settled gross				
– outflow	(59,630)	(59,630)	(179,380)	(179,380)
– inflow	59,105	59,105	177,238	177,238

31 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2016 and 2015, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing assets and liabilities at the end of the reporting period.

	2016		2015	
	Effective interest rate p.a. %	Amount $'000	Effective interest rate p.a. %	Amount $'000
Fixed rate assets:				
Bank deposits	1.3	647,239	2.5	2,330,862
Available-for-sale debt securities	4.3	1,286,711	3.1	164,314
		1,933,950		2,495,176
Variable rate liabilities:				
Bank loans	1.5	(2,724,366)	1.2	(1,048,942)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $10,303,000 (2015: $8,759,000). Other components of consolidated equity would have decreased/increased by approximately $31,381,000 (2015: $1,254,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

31 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily British Pounds Sterling, United States dollars and Renminbi.

The Group hedges approximately 50% (2015: 38%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. During the years ended 31 December 2016 and 2015, the Group used forward foreign exchange contracts to hedge its currency risk. At 31 December 2016, the Group had liabilities arising from forward foreign exchange contracts outstanding of $525,000 (2015: $2,142,000), which were recognised as derivative financial liabilities. These forward foreign exchange contracts were for the purchases of British Pounds Sterling totalling 6,174,000 (2015: 15,433,000) and had maturities of less than one year after the end of the reporting period.

(i) Exposure to currency risk

The table below details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2016			2015		
	Renminbi $'000	British Pounds Sterling $'000	United States dollars $'000	Renminbi $'000	British Pounds Sterling $'000	United States dollars $'000
Cash and cash equivalents	174,708	26,386	125,105	184,345	13,809	123,627
Accounts payable and accruals	(16,421)	(85,496)	(11,702)	(25,669)	(248,449)	(3,185)
Available-for-sale debt securities	–	–	1,286,711	–	–	164,314
	158,287	(59,110)	1,400,114	158,676	(234,640)	284,756
Notional amount of forward foreign exchange contracts used as economic hedges	–	59,105	–	–	177,238	–
Overall net exposure	158,287	(5)	1,400,114	158,676	(57,402)	284,756

In addition, the Group is exposed to currency risk arising from inter-company receivables denominated in Renminbi which is not the functional currency of the lender. Such inter-company receivables amounted to RMB122,454,000 as at 31 December 2016, equivalent to $136,144,000 (2015: RMB122,454,000, equivalent to $144,496,000).

31 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The table below indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	2016			2015		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) $'000	Effect on other components of equity (increase/ (decrease)) $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) $'000	Effect on other components of equity (increase/ (decrease)) $'000
Renminbi	3%	8,867	–	3%	9,190	–
	(3%)	(8,867)	–	(3%)	(9,190)	–
British Pounds Sterling	6%	–	–	6%	(2,739)	–
	(6%)	–	–	(6%)	2,739	–
United States dollars	1%	1,153	12,867	1%	1,205	1,643
	(1%)	(1,153)	(12,867)	(1%)	(1,205)	(1,643)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2015.

Renminbi is not a fully convertible currency. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

(e) Fuel price risk

It is the Group's policy to closely monitor the fuel price movements. Certain subsidiaries of the Group have entered into price cap arrangements to limit the risk exposure in the event that oil prices rise above the cap level during the year ended 31 December 2016. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2016 and 2015.

31 Financial risk management and fair values of financial instruments (continued)

(f) Fair values measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	2016			2015		
		Fair value measurements categorised into			Fair value measurements categorised into	
	Fair value $'000	Level 1 $'000	Level 2 $'000	Fair value $'000	Level 1 $'000	Level 2 $'000
Recurring fair value measurements						
Assets:						
Available-for-sale debt securities – listed	1,286,711	1,286,711	–	164,314	164,314	–
Liabilities:						
Derivative financial instrument – forward foreign exchange contracts	525	–	525	2,142	–	2,142

During the years ended 31 December 2016 and 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 31 December 2016 and 2015 in Level 2 were marked to market using quoted market price from financial institutions.

31 Financial risk management and fair values of financial instruments (continued)

(f) Fair values measurement (continued)

(iii) Fair values of financial instruments carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015 except as follows:

(1) Amounts due from/to associates of the Group are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(2) Unlisted equity securities of $15,355,000 (2015: $15,355,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less accumulated impairment losses at the end of the reporting period.

32 Contingent liabilities

At 31 December 2016, guarantees are given to a bank by the Company in respect of bank loans extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under these guarantee arrangements. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by the subsidiaries that are covered by the guarantees, being $1,600,000,000 (2015: $Nil).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

33 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

(a) Transactions with related companies

	Note	2016 $'000	2015 $'000
Service fees for provision of coach services	(i) & (ii)	**47,397**	55,097
Insurance premium paid	(iii)	**94,524**	89,529
Amount paid and accrued for building management services	(iv)	**3,617**	4,762
Amount paid and accrued for project management service and lease modification	(v)	**–**	–

Notes:

(i) During the year, the Group provided coach services ("Shuttle Bus Service Agreements") to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, details of which were disclosed in the announcement of the Company dated 17 December 2015. The amounts received and receivable under the Shuttle Bus Service Agreements amounted to $6,551,000 (2015: $10,644,000). During the year, the Group also provided coach services to certain subsidiaries of SHKP ("Other Shuttle Bus Service Agreements"). The amounts received and receivable under the Other Shuttle Bus Service Agreements amounted to $5,543,000 (2015: $11,000). Outstanding balances due from these companies at 31 December 2016 amounted to $1,647,000 (2015: $3,083,000).

(ii) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $35,303,000 (2015: $44,442,000). Outstanding balances due from these companies at 31 December 2016 amounted to $5,024,000 (2015: $9,229,000).

(iii) In 2013 and 2015, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group for the period from 1 January 2014 to 30 June 2015 (the "2014/15 Insurance Arrangements") and for the period from 1 July 2015 to 31 December 2016 (the "2015/16 Insurance Arrangements") respectively. The amount paid and payable under the 2015/16 Insurance Arrangements during the year amounted to $94,524,000 (2015: $89,529,000). Outstanding balance receivable for these contracts at 31 December 2016 amounted to $812,000 (2015: outstanding balance payable of $2,369,000).

(iv) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. Amount paid and payable under the Deed during the year amounted to $3,617,000 (2015: $4,762,000). Outstanding balance payable for this contract at 31 December 2016 amounted to $45,000 (2015: $24,000).

(v) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a subsidiary of SHKP, entered into an agreement with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong (the "Kwun Tong Site") and the construction of the Kwun Tong Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20,000,000; and (2) the lower of (a) 1% of the project cost and (b) $25,000,000. The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification; and (2) $3,840,000. Outstanding balance payable for this contract as at 31 December 2016 amounted to $2,000,000 (2015: $2,000,000).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

33 Material related party transactions (continued)

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions as described in note (a)(i) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules in respect of the Shuttle Bus Service Agreements by including the relevant disclosures in the section headed “Continuing Connected Transactions” under “Financial Review” on pages 84 and 85 of this Annual Report whereas the transactions under the Other Shuttle Bus Service Agreements were exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

The related party transactions as described in note (a)(ii) above, in which the relevant SHKP Group companies acted as agents for collection of the coach service fees, did not fall within the definition of connected transactions of the Company under Chapter 14A of the Listing Rules.

The related party transactions as described in note (a)(iii) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed “Continuing Connected Transactions” under “Financial Review” on pages 84 and 85 of this Annual Report.

The related party transaction as described in note (a)(iv) above constitutes continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules. However, it is exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

The related party transaction as described in note (a)(v) above constitutes connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The relevant reporting requirements pursuant to Chapter 14A of the Listing Rules have been complied with by including disclosures in the Company’s annual report published immediately following the entering into of such transaction. No transaction amount in respect of that transaction has been incurred during the year ended 31 December 2016.

34 Company-level statement of financial position

	Note	2016 $'000	2015 $'000
Non-current assets			
Investments in subsidiaries		1,189,413	1,188,423
Deferred tax assets		730	730
		1,190,143	1,189,153
Current assets			
Deposits and prepayments		975	788
Amounts due from subsidiaries		7,217,480	6,363,762
Cash and cash equivalents		5,266	8,994
		7,223,721	6,373,544
Current liabilities			
Accounts payable and accruals		15,791	52,390
Amounts due to subsidiaries		5,976,186	5,733,521
		5,991,977	5,785,911
Net current assets		1,231,744	587,633
NET ASSETS		2,421,887	1,776,786
Capital and reserves	29(a)		
Share capital		411,680	403,639
Reserves		2,010,207	1,373,147
TOTAL EQUITY		2,421,887	1,776,786

Approved and authorised for issue by the Board of Directors on 23 March 2017

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

35 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed final dividend for the year. Further details are disclosed in note 11(a) to the financial statements.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and investments in debt securities measured at FVTOCI will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's investments in equity securities currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

HKFRS 16, *Leases*

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 30(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to $12,008,000 for properties, which are payable within 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Financial Summary

for the year ended 31 December
(Expressed in Hong Kong dollars)

	2016 $'M	2015 $'M	2014 $'M	2013 $'M	2012 $'M (Restated)	2011 $'M (Restated)	2010 $'M	2009 $'M	2008 $'M	2007 $'M
Statement of profit or loss										
Revenue	**7,936**	7,780	7,557	7,420	7,181	6,948	6,687	6,842	7,353	12,013
Profit before taxation	**974**	747	508	458	197	275	931	800	694	4,074
Income tax	**(150)**	(128)	(69)	(55)	(6)	48	(75)	(118)	(18)	(206)
Profit after taxation	**824**	619	439	403	191	323	856	682	676	3,868
Non-controlling interests	**7**	10	(24)	(32)	(25)	8	11	(9)	(18)	(21)
Profit attributable to equity shareholders of the Company	**831**	629	415	371	166	331	867	673	658	3,847
Statement of financial position										
Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment	**8,875**	6,133	4,817	4,487	3,852	4,121	4,276	4,100	4,466	4,981
Intangible assets	**132**	132	135	132	132	44	23	22	15	14
Goodwill	**84**	84	84	84	84	63	63	63	63	52
Media assets	**–**	–	–	–	–	–	–	–	1	1
Non-current prepayments	**2**	15	7	12	4	2	44	19	29	38
Interest in associates	**602**	634	740	724	672	668	640	612	834	911
Interest in joint ventures	**–**	–	–	–	–	–	–	–	20	23
Other financial assets	**1,207**	112	183	229	591	472	636	334	136	138
Employee benefit assets	**626**	577	861	1,018	326	263	790	716	755	602
Net current assets	**377**	1,321	2,112	2,009	2,226	2,280	1,763	2,455	2,083	3,224
Employment of funds	**11,905**	9,008	8,939	8,695	7,887	7,913	8,235	8,321	8,402	9,984
Financed by:										
Share capital	**412**	404	404	404	404	404	404	404	404	404
Reserves	**7,414**	6,804	6,793	6,704	5,832	5,668	6,334	6,385	6,257	7,145
Total equity attributable to equity shareholders of the Company	**7,826**	7,208	7,197	7,108	6,236	6,072	6,738	6,789	6,661	7,549
Non-controlling interests	**146**	154	190	192	185	182	205	229	253	249
Total equity	**7,972**	7,362	7,387	7,300	6,421	6,254	6,943	7,018	6,914	7,798
Contingency provision – insurance	**253**	251	274	298	311	310	300	305	337	295
Long term bank loans	**2,724**	589	545	399	598	798	470	470	590	1,155
Employee benefit liabilities	**9**	9	6	–	–	–	–	–	–	–
Other liabilities	**947**	797	727	698	557	551	522	528	561	736
Funds employed	**11,905**	9,008	8,939	8,695	7,887	7,913	8,235	8,321	8,402	9,984
Earnings per share ($)	**2.04**	1.56	1.03	0.92	0.41	0.82	2.15	1.67	1.63	9.53
Dividends per share ($)	**1.25**	1.20	0.90	0.60	0.60	0.60	1.35	2.35	1.35	5.53
Total assets per share ($)	**32.34**	27.42	25.28	25.36	23.19	22.78	24.01	24.71	25.49	29.57
Net assets per share ($)	**19.36**	18.24	18.30	18.09	15.91	15.49	17.20	17.39	17.13	19.32

Note: In order to comply with Revised Hong Kong Accounting Standards 19, *Employee benefits*, that is effective for accounting period beginning on 1 January 2013, the Group adopted new accounting policies for defined benefit plans. Figures for the years 2011 and 2012 have been adjusted and it is not practicable to restate earlier years for comparison purposes.

Corporate Directory

BOARD OF DIRECTORS

Dr Norman LEUNG Nai Pang*
GBS, JP, LLD, BA
Chairman

Dr John CHAN Cho Chak*
GBS, JP, DBA(Hon), DSocSc(Hon), BA, DipMS, CCMI, FCILT, FHKIoD
Deputy Chairman

Raymond KWOK Ping Luen^
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

NG Siu Chan^

William LOUEY Lai Kuen^
BSc(Econ)

Charles LUI Chung Yuen^
M.H., BEc, AASA, FCILT

Winnie NG^
BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD
(Non-executive Director and Alternate Director to Mr NG Siu Chan^)

Dr Eric LI Ka Cheung*
GBS, OBE, JP, LLD, DSocSc, Hon DSocSc(EdUHK), BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Edmond HO Tat Man^
MA(Cantab), MBA, FCILT, MHKIoD

Gordon SIU Kwing Chue*
GBS, CBE, JP, MSS(Birmingham, UK)

John Anthony MILLER^
SBS, OBE, MPA(Harvard), BA(Lond)

Professor LIU Pak Wai*
SBS, JP

Allen FUNG Yuk Lun^
BA, Ph.D.

Roger LEE Chak Cheong
BSc, MSc, MICE, CEng
Managing Director

Susanna WONG Sze Lai
(Alternate Director to Mr Raymond KWOK Ping Luen, JP^)

GAO Feng
(Alternate Director to Mr William LOUEY Lai Kuen^)

BOARD COMMITTEES

Audit and Risk Management Committee

Dr Eric LI Ka Cheung#
Gordon SIU Kwing Chue
John Anthony MILLER

Nomination Committee

Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Gordon SIU Kwing Chue

Remuneration Committee

Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Professor LIU Pak Wai
John Anthony MILLER

Standing Committee

Dr Norman LEUNG Nai Pang#
Raymond KWOK Ping Luen
Dr John CHAN Cho Chak
Charles LUI Chung Yuen
Winnie NG
Roger LEE Chak Cheong

COMPANY SECRETARY

Lana WOO
BA, MBA, FCIS, FCS (PE), CPA (Canada), CGA

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Hamilton HM11, Bermuda

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AUDITOR

KPMG
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Central, Hong Kong

REGISTRARS

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17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

REGISTER OF MEMBERS

Book closure for 2017 AGM:
11 May 2017 to 18 May 2017
(both dates inclusive)

Book closure for 2016 final dividend:
24 May 2017

DIVIDENDS

Interim

HK$0.35 per share,
paid on 18 October 2016

Final (proposed)

HK$0.90 per share,
payable on 30 June 2017

STOCK CODE

The Stock Exchange of Hong Kong: 62
Bloomberg: 62HK
Reuters: 0062.HK

CUSTOMER SERVICE HOTLINES

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Facsimile: (852) 2745 0600

Long Win Bus Company Limited
Telephone: (852) 2261 2791

Sun Bus Limited
Telephone: (852) 2371 2666

(* Independent Non-executive Director of the Company)
(^ Non-executive Director of the Company)
(# Committee Chairman)

This Annual Report is also available on our corporate website: www.tih.hk

載通國際
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FSC™ C021898
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Design and Production by: Toppan Vite Limited
Website: www.toppanvite.com