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Transport International Holdings Limited

(載通國際控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2016 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2016 was HK\$830.9 million (2015: HK\$628.7 million), an increase of HK\$202.2 million or 32.2% compared with 2015.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited, recorded a profit after taxation of HK\$617.7 million for 2016 (2015: HK\$488.2 million), an increase of HK\$129.5 million or 26.5% compared with 2015. The improvement in results was mainly due to the increase in fare revenue mainly attributable to patronage growth, as well as the reduction in fuel costs resulting from the fall in international fuel prices and continuous improvement in operating efficiency.
- The Group's 73% owned subsidiary, RoadShow Holdings Limited ("RoadShow"), reported a loss attributable to equity shareholders of HK\$45.3 million for 2016 (2015: HK\$47.9 million). Further information relating to RoadShow is available in its 2016 annual results announcement published on 17 March 2017.
- The Group's earnings per share for 2016 were HK\$2.04 (2015: HK\$1.56).
- An ordinary final dividend of HK\$0.90 per share for 2016 has been declared (2015: HK\$0.90 per share), resulting in total dividend for the year amounted to HK\$1.25 per share (2015: HK\$1.20 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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
Revenue	3	7,936,481	7,779,930
Other income	4	128,445	78,938
Staff costs	5	(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	6	(17,788)	(9,674)
Share of profits of associates		30,847	32,357
Impairment loss on other property, plant and equipment		(22,910)	-
Impairment loss on intangible assets		(217)	(2,895)
Profit before taxation		974,406	746,943
Income tax	8	(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 – basic and diluted:	 9	 HK\$ 2.04	 HK\$ 1.56

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	824,316	618,868
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurements of the employee benefit assets and liabilities, net of tax expense of HK\$24,519,000 (2015: tax credit of HK\$31,353,000)	124,078	(158,663)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	(39,285)	(34,348)
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Investment properties		113,800	106,838
Investment property under development		2,186,205	24,888
Interest in leasehold land		61,366	63,378
Other property, plant and equipment		6,513,736	5,938,303
		8,875,107	6,133,407
Intangible assets		132,122	132,311
Goodwill		84,051	84,051
Non-current prepayments		1,523	14,502
Interest in associates		601,557	634,363
Other financial assets		1,207,151	112,446
Employee benefit assets		626,206	577,303
Deferred tax assets		11,028	5,551
		11,538,745	7,693,934
Current assets			
Spare parts and stores		56,428	69,225
Accounts receivable	10	516,750	435,640
Other financial assets		94,915	67,223
Deposits and prepayments		25,569	85,129
Current tax recoverable		4,131	4,167
Pledged and restricted bank deposits		131,714	84,678
Cash and cash equivalents		944,271	2,629,796
		1,773,778	3,375,858
Current liabilities			
Bank loans		-	459,942
Accounts payable and accruals	11	1,209,064	1,402,209
Contingency provision – insurance		183,203	183,133
Current tax payable		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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016
(continued)

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank loans	2,724,366	589,000
Deferred tax liabilities	951,211	794,425
Contingency provision – insurance	253,026	251,289
Employee benefit liabilities	8,897	9,107
Provision for long service payments	6,363	9,423
	3,943,863	1,653,244
Net assets	7,971,530	7,361,563
Capital and reserves		
Share capital	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

Notes:

1. Auditor's report

The results for the year ended 31 December 2016 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Group's auditor, KPMG, Certified Public Accountants, whose unmodified auditor's report is included in the annual report to be sent to shareholders. The results have also been reviewed by the Company's Audit and Risk Management Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

2. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's 2015 annual financial statements except for the accounting policy changes as described below.

The HKICPA has issued certain new and revised 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.

3. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

Information regarding the Group's reportable segments for the years ended 31 December 2016 and 2015 is set out below:

	Franchised bus operation		Media sales business		Property holdings and development		All other segments (note)		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	7,125,790	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 other property,										
plant and equipment	-	-	(22,910)	-	-	-	-	-	(22,910)	-
Impairment loss on intangible assets	-	-	(217)	(2,895)	-	-	-	-	(217)	(2,895)
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

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

3. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit, assets and liabilities:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<i>Revenue</i>		
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	<u>7,936,481</u>	<u>7,779,930</u>
<i>Profit</i>		
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	<u>824,316</u>	<u>618,868</u>
<i>Assets</i>		
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	<u>13,312,523</u>	<u>11,069,792</u>
<i>Liabilities</i>		
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	<u>5,340,993</u>	<u>3,708,229</u>

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.

3. Segment reporting (continued)

Geographic information (continued)

	Specified non-current assets	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	8,998,962	6,259,501
The PRC	693,875	724,631
	<u>9,692,837</u>	<u>6,984,132</u>

4. Other income

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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	(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	(9)	11
Government subsidies	6,334	29,351
Net foreign exchange loss	(14,054)	(49,643)
Sundry revenue	24,530	16,987
	<u>128,445</u>	<u>78,938</u>

5. Staff costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Defined benefit retirement plan expense	99,484	96,243
Contributions to defined contribution retirement plans	123,144	114,874
Movements in provision for long service payments	4,636	2,222
Total retirement cost	227,264	213,339
Equity-settled share-based payment expenses	990	-
Salaries, wages and other benefits	3,726,162	3,633,582
	<u>3,954,416</u>	<u>3,846,921</u>

6. Finance costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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).

7. Dividends

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

	2016		2015	
	Per share <i>HK\$</i>	Total <i>HK\$'000</i>	Per share <i>HK\$</i>	Total <i>HK\$'000</i>
Interim dividend declared and paid	0.35	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 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 HK\$62,387,000 was settled by the issuance of 2,628,991 shares at an issue price of HK\$23.73 per share under the scrip dividend scheme.

At the Board meeting held on 23 March 2017, the Directors recommended a final dividend of HK\$0.90 per share for 2016 (2015: HK\$0.90 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 18 May 2017, has not been recognised as liability at the end of the reporting period.

7. Dividends (continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2016		2015	
	Per share HK\$	Total HK\$'000	Per share HK\$	Total HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	<u>0.90</u>	<u>363,275</u>	<u>0.75</u>	<u>302,730</u>

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 HK\$108,458,000 was settled by the issuance of 5,412,095 shares at an issue price of HK\$20.04 per share under the scrip dividend scheme.

8. Income tax

	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	20,841	19,981
Under-provision in respect of prior years	360	137
	<u>21,201</u>	<u>20,118</u>
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
	<u>647</u>	<u>463</u>
PRC withholding tax	<u>1,452</u>	<u>1,776</u>
	<u>23,300</u>	<u>22,357</u>
Deferred tax		
Origination and reversal of temporary differences	126,790	105,718
	<u>150,090</u>	<u>128,075</u>

8. Income tax (continued)

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.

9. 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 HK\$830,873,000 (2015: HK\$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	<u>406,773,495</u>	<u>403,639,413</u>

(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 during the year ended 31 December 2015 and diluted earnings per share are the same as basic earnings per share.

10. Accounts receivable

	2016 HK\$'000	2015 HK\$'000
Trade and other receivables	498,566	443,834
Interest receivable	26,054	5,210
Less: allowance for doubtful debts	(7,870)	(13,404)
	<u>516,750</u>	<u>435,640</u>

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

10. Accounts receivable (continued)

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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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, 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.

11. Accounts payable and accruals

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	146,283	88,377
Balance of passenger rewards	109,134	76,150
Other payables and accruals	953,647	1,237,682
	1,209,064	1,402,209

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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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.

RESULTS

The Group's profit attributable to equity shareholders for the year ended 31 December 2016 was HK\$830.9 million, an increase of 32.2% compared to HK\$628.7 million for 2015. Earnings per share increased 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.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 24 May 2017 an ordinary final dividend of HK\$0.90 per share (2015: HK\$0.90 per share) totalling HK\$370.5 million (2015: HK\$363.3 million). Together with the ordinary interim dividend of HK\$0.35 per share (2015: HK\$0.30 per share) paid on 18 October 2016, total dividends for the year will amount to HK\$1.25 per share (2015: HK\$1.20 per share). The total dividend payout for the year will amount to HK\$513.7 million (2015: HK\$484.4 million).

The ordinary final dividend will be payable in cash, with an option for the shareholders of the Company to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid ordinary final dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders on or about 5 June 2017.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of ordinary final dividend at the forthcoming Annual General Meeting ("AGM") to be held on 18 May 2017 or at any adjournment thereof and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. The ordinary final dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 30 June 2017.

The Transfer Books of the Company will be closed from 11 May 2017 to 18 May 2017, both dates inclusive. In order to be eligible to attend and vote at the AGM,

all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 10 May 2017.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2016, the Transfer Books of the Company will be closed on 24 May 2017. In order to qualify for the proposed ordinary final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars at the aforementioned address for registration not later than 4:30 p.m. on 23 May 2017.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNIT

Franchised Public Bus Operations

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

KMB recorded a profit after taxation of HK\$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”)

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 industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “Kwun Tong Site”) in equal shares as tenants in common.

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

Media Sales Business

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

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 a 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).

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.

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.

As at 31 December 2016, the Group's net borrowing (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).

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.

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).

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 the Kwun Tong Site, of HK\$2,152.5 million, which was recorded as investment property under development. None of these assets was pledged or charged as at 31 December 2016.

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).

OUTLOOK

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 networks. 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 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.

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 reviewed the financial results for the year ended 31 December 2016.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 23 March 2017

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:

Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Mr. Gordon SIU Kwing Chue, *GBS, CBE, JP*
Professor LIU Pak Wai, *SBS, JP*

Non-executive Directors:

Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)
Ms. Winnie NG
Mr. Edmond HO Tat Man
Mr. John Anthony MILLER, *SBS, OBE*
Mr. Allen FUNG Yuk Lun

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

**For identification purposes only*