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Transport International Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2010 Final Results Announcement

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,060,373	6,146,454
Revenue from non-franchised transport services		256,986	295,373
Revenue from sales of properties		29,263	156,176
Media sales revenue		327,000	236,525
Gross rentals from investment properties		13,214	7,667
Turnover	6	6,686,836	6,842,195
Other net income		186,570	90,539
Cost of properties sold		(6,665)	(27,809)
Staff costs		(3,040,705)	(3,057,194)
Depreciation and amortisation		(899,248)	(900,942)
Fuel and oil		(1,140,289)	(960,000)
Spare parts and stores		(245,274)	(236,013)
Toll charges		(363,827)	(372,356)
Selling and marketing expenses for property sales		(1,832)	(2,069)
Other operating expenses		(651,095)	(587,198)
Profit from operations		524,471	789,153
Finance costs	2	(6,618)	(12,143)
Gain on disposal of building and interest in leasehold land		489,052	-
Share of profits less losses of associates		33,821	29,568
Share of profits of jointly controlled entities		-	3,021
Impairment loss on unlisted equity securities		(110,000)	(9,801)
Profit before taxation	2	930,726	799,798
Income tax	4	(75,352)	(117,742)
Profit for the year		855,374	682,056
Attributable to:			
Equity shareholders of the Company		866,886	673,504
Non-controlling interests		(11,512)	8,552
Profit for the year		855,374	682,056

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

	<i>Note</i>	2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to equity shareholders of the Company:			
Arising from sales of building and interest in leasehold land and Manhattan Hill properties		471,952	186,099
Arising from the Group's other operations		394,934	487,405
		<u>866,886</u>	<u>673,504</u>
Earnings per share:			
	5		
Arising from sales of building and interest in leasehold land and Manhattan Hill properties		HK\$ 1.17	HK\$ 0.46
Arising from the Group's other operations		0.98	1.21
		<u>HK\$ 2.15</u>	<u>HK\$ 1.67</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Fixed assets			
- Investment properties		123,767	115,925
- Investment property under development		5,236	-
- Interest in leasehold land		73,438	77,946
- Other property, plant and equipment		4,073,853	3,906,247
		<u>4,276,294</u>	<u>4,100,118</u>
Passenger service licences		22,536	21,536
Goodwill		63,315	63,315
Media assets		-	372
Non-current prepayments		44,267	19,161
Interest in associates		640,263	612,007
Other financial assets		636,262	333,548
Employee benefit assets		789,983	715,993
Deferred tax assets		6,055	6,013
		<u>6,478,975</u>	<u>5,872,063</u>
Current assets			
Completed property held for sale		45,245	42,082
Spare parts and stores		62,032	72,376
Accounts receivable	7	256,628	384,579
Deposits and prepayments		32,569	40,074
Current taxation recoverable		15,781	7,868
Pledged and restricted bank deposits		73,921	51,200
Cash and cash equivalents		2,726,776	3,501,861
		<u>3,212,952</u>	<u>4,100,040</u>
Current liabilities			
Bank loans and overdrafts		197,592	401,930
Accounts payable and accruals	8	1,109,044	1,069,502
Third party claims payable		131,122	127,542
Current taxation payable		12,400	47,104
		<u>1,450,158</u>	<u>1,646,078</u>
Net current assets		<u>1,762,794</u>	<u>2,453,962</u>
Total assets less current liabilities		<u>8,241,769</u>	<u>8,326,025</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010
(continued)

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current liabilities			
Bank loans		469,916	469,832
Contingency provision – insurance		300,295	305,067
Deferred tax liabilities		499,456	499,146
Provision for long service payments		29,885	34,280
		<u>1,299,552</u>	<u>1,308,325</u>
Net assets		<u>6,942,217</u>	<u>7,017,700</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		6,333,659	6,385,218
Total equity attributable to equity shareholders of the Company		<u>6,737,298</u>	<u>6,788,857</u>
Non-controlling interests		<u>204,919</u>	<u>228,843</u>
Total equity		<u>6,942,217</u>	<u>7,017,700</u>

Notes:

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those set out in the Group's 2009 annual financial statements except for changes in accounting policies, if required, in adopting new or revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations that are first effective of accounting period beginning on or after 1 January 2010.

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*

The amendment to HKAS 39 and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods as the impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, Leases, resulted in a change of classification of the Group's leasehold land interests located in the Hong Kong Special Administrative Region. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

2. Profit before taxation

Profit before taxation is arrived at after (charging)/crediting:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	<u>(6,618)</u>	<u>(12,143)</u>
Net income/(loss) recognised in respect of two defined benefit retirement schemes	73,990	(39,442)
Net movement in balance of passenger rewards	26,657	(58,100)
Interest income on other financial assets not at fair value through profit or loss	36,310	36,380
Claims received	27,059	29,298
Dividend income from unlisted equity securities	16,145	8,680
Net exchange gain/(loss)	15,519	(2,801)
Net gain on disposal of fixed assets	3,345	400
Interest income on instalments receivable from sales of properties	284	852
Sundry net income	17,247	27,644
Reversal of net gain on property sales previously recognised	(38,628)	-
Write-back of impairment loss on instalments receivable	<u>-</u>	<u>80,285</u>

3. Dividends

	2010		2009	
	<i>per share HK\$</i>	<i>Total HK\$'000</i>	<i>per share HK\$</i>	<i>Total HK\$'000</i>
Ordinary interim dividend paid	0.30	121,092	0.30	121,092
Ordinary final dividend proposed	1.05	423,821	1.05	423,821
Special dividend proposed	-	-	1.00	403,639
	<u>1.35</u>	<u>544,913</u>	<u>2.35</u>	<u>948,552</u>

At the Board Meeting held on 17 March 2011, the Directors recommended an ordinary final dividend of HK\$1.05 per share for 2010 (2009: an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share). Such dividend, which will be proposed at the annual general meeting of the Company to be held on 19 May 2011, has not been recognised as liability in the financial statements.

4. Income tax

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	73,825	139,170
– The People’s Republic of China (“PRC”) Income Tax	(141)	247
	<u>73,684</u>	<u>139,417</u>
PRC withholding tax	1,400	-
Deferred tax	268	(21,675)
	<u>75,352</u>	<u>117,742</u>

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the current rates of taxation applicable in the PRC.

5. 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\$866,886,000 (2009: HK\$673,504,000) and 403,639,413 shares in issue during the years ended 31 December 2010 and 2009. The calculation of basic earnings per share arising from sales of building and leasehold land interest and Manhattan Hill properties, and the Group’s other operations is based on profits arising from the respective operations of HK\$471,952,000 (2009: HK\$186,099,000) and HK\$394,934,000 (2009: HK\$487,405,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2010 and 2009.

(b) *Diluted earnings per share*

The diluted earnings per share for the current and previous years are not presented as there are no dilutive potential ordinary shares during the years.

6. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers ("CODM") monitor 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 2010 and 2009 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue from external customers	6,062,437	6,200,046	325,231	183,022	29,633	156,176	269,535	302,951	6,686,836	6,842,195
Inter-segment revenue	102,072	54,371	-	13,339	-	-	28,010	19,837	130,082	87,547
Reportable segment revenue	6,164,509	6,254,417	325,231	196,361	29,633	156,176	297,545	322,788	6,816,918	6,929,742
Reportable segment profit/(loss)	328,028	387,897	(57,155)	18,220	(16,999)	185,252	73,078	59,682	326,952	651,051
Interest income	1,044	3,109	12,024	13,648	-	-	284	852	13,352	17,609
Interest expense	(5,993)	(9,930)	-	-	-	-	(625)	(2,213)	(6,618)	(12,143)
Depreciation and amortisation for the year	(859,399)	(854,498)	(6,498)	(9,875)	-	-	(33,351)	(36,569)	(899,248)	(900,942)
Write-back/(provision) of impairment losses on receivables	731	-	(318)	(10)	-	80,285	(345)	(286)	68	79,989
Impairment loss on unlisted equity securities	-	-	(110,000)	(9,801)	-	-	-	-	(110,000)	(9,801)
Impairment loss on media assets	-	-	(171)	-	-	-	-	-	(171)	-
Staff costs	(2,886,038)	(2,903,030)	(54,454)	(39,975)	-	-	(91,445)	(106,691)	(3,031,937)	(3,049,696)
Share of profits less losses of associates	-	-	-	(4,544)	-	-	33,821	34,112	33,821	29,568
Reportable segment assets	5,113,638	5,055,096	797,887	852,081	64,610	198,217	1,087,663	1,072,698	7,063,798	7,178,092
- including interest in associates	-	-	-	-	-	-	640,263	612,007	640,263	612,007
Additions to non-current segment assets during the year	1,044,774	605,984	1,303	11,021	-	-	34,112	36,569	1,080,189	653,574
Reportable segment liabilities	2,415,519	2,433,116	66,220	47,987	176,156	187,252	49,373	247,777	2,707,268	2,916,132

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, leasing of investment property and investments in associates and jointly controlled entities.

6. Segment reporting (continued)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	6,519,373	6,606,954
Revenue from all other segments	297,545	322,788
Elimination of inter-segment revenue	<u>(130,082)</u>	<u>(87,547)</u>
Consolidated turnover	<u>6,686,836</u>	<u>6,842,195</u>
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Profit</i>		
Reportable segment profit	253,874	591,369
Profit from all other segments	73,078	59,682
Gain on disposal of building and interest in leasehold land	489,052	-
Unallocated profits	<u>39,370</u>	<u>31,005</u>
Consolidated profit after taxation	<u>855,374</u>	<u>682,056</u>
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Assets</i>		
Reportable segment assets	5,976,135	6,105,394
Assets from all other segments	1,087,663	1,072,698
Unallocated assets	<u>2,628,129</u>	<u>2,794,011</u>
Consolidated total assets	<u>9,691,927</u>	<u>9,972,103</u>
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Liabilities</i>		
Reportable segment liabilities	2,657,895	2,668,355
Liabilities from all other segments	49,373	247,777
Unallocated liabilities	<u>42,442</u>	<u>38,271</u>
Consolidated total liabilities	<u>2,749,710</u>	<u>2,954,403</u>

Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided or the properties were sold, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's fixed assets, intangible assets, goodwill and interests 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 fixed assets, 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 interests in associates.

	Specified non-current assets	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	4,354,299	4,169,731
The PRC	648,109	627,617
	<u>5,002,408</u>	<u>4,797,348</u>

7. Accounts receivable

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other receivables	242,408	236,159
Instalments receivable from sale of properties	409	143,571
Interest receivable	14,156	9,378
Less: Allowance for doubtful debts	(345)	(4,529)
	<u>256,628</u>	<u>384,579</u>

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

Included in accounts receivable are trade receivables and instalments receivable from sale of properties (net of allowance for doubtful debts) with the following ageing analysis:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	97,294	148,726
1 to 3 months past due	18,427	17,872
More than 3 months past due	7,934	93,708
	<u>123,655</u>	<u>260,306</u>

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. For instalments receivable from sale of properties, the properties sold serve as the collateral.

8. Accounts payable and accruals

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables	237,737	206,375
Balance of passenger reward	31,572	58,100
Other payables and accruals	839,735	805,027
Financial liabilities measured at amortised cost	1,109,044	1,069,502

Included in accounts payable and accruals are trade payables with the following ageing analysis:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Due within 1 month or on demand	202,101	188,291
Due after 1 month but within 3 months	33,120	16,686
Due after more than 3 months	2,516	1,398
	237,737	206,375

RESULTS

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2010 was HK\$866.9 million, an increase of HK\$193.4 million compared to HK\$673.5 million for 2009. Earnings per share increased from HK\$1.67 for 2009 to HK\$2.15 for 2010. The increase was mainly due to the recognition of the non-recurrent capital gain of HK\$489.1 million arising from the disposal of 50% of the Group's interest in an industrial site at Kwun Tong in January 2010, but was partly offset by the reduction in the number of Manhattan Hill residential units sold during the year. If these non-recurrent profits from property sale and disposal were excluded, the profit attributable to equity shareholders for 2010 would have been HK\$394.9 million, representing a decrease of 19.0% compared to 2009.

PROPOSED DIVIDENDS

The Board has proposed the payment to shareholders registered as at 19 May 2011 an ordinary final dividend of HK\$1.05 per share (2009: an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share) totalling HK\$423.8 million (2009: HK\$827.5 million). Together with the ordinary interim dividend of HK\$0.30 per share (2009: an ordinary interim dividend of HK\$0.30 per share) paid on 18 October 2010, total dividends for the year will amount to HK\$1.35 per share (2009: HK\$2.35 per share). The total dividend payout for the year will amount to HK\$544.9 million (2009: HK\$948.6 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 19 May 2011, the ordinary final dividend will be payable on 24 May 2011.

The Transfer Books of the Company will be closed from 12 May 2011 to 19 May 2011, both dates inclusive. To qualify for the proposed dividends, transfers must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 May 2011.

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”)

The profit after taxation of KMB for the year amounted to HK\$411.0 million, which included (i) a non-recurrent non-cash capital gain of HK\$105.7 million arising from the transfer of an industrial site at Tuen Mun to a fellow subsidiary (2009: a non-recurrent non-cash capital gain of HK\$980.0 million arising from the transfer of an industrial site at Kwun Tong to two fellow subsidiaries) under the Group’s Property Holdings and Development Division; and (ii) a non-cash deemed income of HK\$74.3 million (2009: deemed loss of HK\$36.4 million) determined by independent actuaries in respect of two defined benefit staff retirement schemes operated by KMB in accordance with Hong Kong Accounting Standard 19, Employee Benefits. If these non-cash items were excluded, KMB’s profit after taxation for 2010 would have been HK\$243.3 million, a decrease of HK\$151.6 million or 38.4% compared to HK\$394.9 million for 2009.

KMB’s fare revenue for 2010 amounted to HK\$5,723.7 million, a decrease of HK\$97.6 million or 1.7% compared to HK\$5,821.3 million for 2009. Total ridership for 2010 was 946.7 million passenger trips (a daily average of 2.59 million passenger trips), a decrease of 1.9% compared to 965.2 million passenger trips (a daily average of 2.64 million passenger trips) for 2009. Such decreases were mainly attributable to the expansion of the railway network. Advertising revenue for the year amounted to HK\$103.7 million, a decrease of 1.2% compared with HK\$105.0 million for the previous year.

Total operating expenses for 2010 amounted to HK\$5,648.2 million, representing an increase of HK\$182.6 million compared to HK\$5,465.6 million for 2009. The increase was mainly due to the year-on-year increase in fuel costs by HK\$184.5 million or 21.9% as a result of the significant rebound of the international fuel oil prices. The average price of Singapore 0.5% Sulphur Gas Oil (“Gasoil”), on which the prices of Near Zero Sulphur Diesel used by our franchised buses are based, increase by 29.7% from US\$69.1 per barrel in 2009

to US\$89.6 per barrel in 2010. Since the increase in fuel costs was largely beyond KMB's control and in order to maintain the financial viability and the existing service levels of its bus operations, KMB submitted an application to the Transport Department of the HKSAR Government on 30 July 2010 for a fare increase of 8.6%, which is still being considered by the Government.

Since 14 January 2002, KMB has continually been assigned a single "A" corporate rating (outlook: stable) by Standard & Poor's in recognition of its prudence in financial management.

Long Win Bus Company Limited ("LWB")

The profit after taxation of LWB for the year amounted to HK\$22.8 million, representing a decrease of HK\$0.6 million or 2.6% compared with HK\$23.4 million for the previous year.

LWB's fare revenue for 2010 amounted to HK\$336.6 million, representing an increase of HK\$11.5 million or 3.5% compared to HK\$325.1 million for 2009. During the year, LWB recorded a total ridership of 29.4 million passenger trips (a daily average of 80,579 passenger trips), an increase of 4.4% compared to 28.2 million passenger trips (a daily average of 77,151 passenger trips) in 2009. The increase in ridership was mainly due to the increase in travel demand to and from the Hong Kong International Airport as a result of the economic recovery, and the holding of a one-off, special exhibition event "Animated version of Riverside Scene at Qing Ming Festival" at the AsiaWorld-Expo in November 2010 which attracted a lot of visitors.

LWB's total operating expenses for the year amounted to HK\$310.3 million, an increase of HK\$18.2 million compared to HK\$292.1 million for 2009. The increase was mainly due to the rise in fuel costs of HK\$12.1 million or 25.9% as a result of the surge of Gasoil prices, as well as the increase in staff costs, tunnel toll charges and cost of spare parts due to inflationary pressure. To address the issue on rising operating costs and to maintain the financial viability of its bus operations, LWB submitted an application to the HKSAR Government for a fare increase of 7.4% on 30 July 2010, which is still being considered by the Government.

As at 31 December 2010, LWB operated a total of 166 air-conditioned double-deck buses.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$23.0 million for 2010, representing an increase of HK\$4.1 million or 21.7% compared to HK\$18.9 million for 2009. Turnover decreased by 13.1% from HK\$295.3 million for 2009 to HK\$256.7 million for 2010. 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, which provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as the general public through chartered hire services.

Turnover of the SBH Group for the year amounted to HK\$216.7 million, an increase of HK\$5.9 million or 2.8% compared to HK\$210.8 million for 2009. The increase was mainly attributable to the improvement in the economic environment and the strengthening of SBH's market share in the residential service segment.

As at 31 December 2010, the SBH Group had a fleet of 382 buses (2009: 377 buses). During the year, 38 buses (2009: 38 buses) were purchased for business expansion, service enhancement and fleet replacement.

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. NHKB's ridership has been decreasing since the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007, and the launch of direct charter flights between Taiwan and China Mainland in July 2008. For 2010, NHKB's total patronage was 5.6 million passenger trips (an average monthly ridership of 0.46 million passenger trips), a decrease of

3.5% compared to 5.8 million passenger trips (an average monthly ridership of 0.48 million passenger trips) for 2009. At the end of 2010, NHKB operated a total of 15 buses, the same number as at the end of 2009.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale luxurious residential complex in Lai Chi Kok, West Kowloon, comprising 1,115 residential units with a total gross floor area of over one million square feet.

Up to the end of 2009, 1,112 residential units of Manhattan Hill with a total saleable gross floor area (“saleable GFA”) of about 1,186,100 square feet (representing 99.2% of the total saleable GFA) and 367 car parking spaces had been sold. During 2010, an additional residential unit with a total saleable GFA of about 2,300 square feet and three car parking spaces were sold, generating an after-tax profit of HK\$22.2 million. However, two residential units with a total saleable GFA of about 4,700 square feet, which were sold in previous years but still pending for completion of transactions, were foreclosed during 2010, such foreclosures have resulted in a reversal of after-tax profits previously recognised of HK\$35.0 million in 2010 and has completely offset the profit generated from the current year sales, leading LCKPI to record an after-tax loss of HK\$17.0 million for 2010 (2009: an after-tax profit of HK\$186.1 million). These two foreclosed residential units were subsequently resold in January 2011 at a profit, which will be recognised in 2011.

As at 31 December 2010, the carrying value of completed property held for sale (classified under current assets on the consolidated balance sheet), comprising four residential units and 27 car parking spaces, amounted to HK\$45.2 million (2009: HK\$42.1 million).

There were no outstanding bank loans in respect of the construction of Manhattan Hill as at 31 December 2010 (2009: Nil).

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of shopping mall, “Manhattan Mid-town”. Positioned as a high-end retail complex, the 50,000 square feet shopping mall complements the image of Manhattan Hill, providing Manhattan Hill residents, as well as local householders and office staff, with high quality retail facilities including a mix of shops and restaurants. The mall was opened in the second quarter of 2009 and was fully leased out at the end of 2010, generating additional rental income for the Group.

As at 31 December 2010, the carrying value of the shopping mall (classified under investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK\$110.9 million (2009: HK\$115.9 million).

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes, and was stated at cost less accumulated depreciation and impairment losses in the amount of HK\$35.2 million on the consolidated balance sheet as at 31 December 2010 (2009: HK\$35.9 million).

KT Real Estate Limited (“KTRE”) and KT Properties Investment Limited (“KTPI”)

At the end of 2009, KTRE and KTPI, which are indirect wholly-owned subsidiaries of the Company, held the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “KT Site”) in equal shares as tenants in common. At the special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of KTPI’s 50% interest in the KT Site to Turbo Result Limited (“TRL”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), at a consideration of HK\$490.0 million, which was determined by reference to the valuation performed by Knight Frank Petty Limited, an independent property valuer. Following the completion of the

aforsaid disposal on 25 January 2010, the KT Site was owned by KTRE and TRL in equal shares as tenants in common, and a gain on disposal of 50% interest in the KT Site of HK\$489.1 million was recognised in the consolidated income statement of the Company for the year ended 31 December 2010.

Pursuant to an agreement dated 11 December 2009, KTRE, TRL, the Company and SHKP have agreed to jointly develop the KT Site for non-residential (excluding hotel) purposes. The project costs, estimated to be HK\$3.6 billion, shall be borne by KTRE and TRL in equal shares. On 26 April 2010, Sun Hung Kai Real Estate Limited (“SHKRE”), a wholly-owned subsidiary of SHKP, was appointed as project manager to ensure that quality levels are of the highest standard throughout the development of the KT Site. The project manager is currently handling matters relating to the modification of the lease and the submission of the building plan. Site demolition and building work will start once the relevant statutory approvals have been granted.

The capital commitment outstanding and not provided for as at 31 December 2010 was HK\$1,797.1 million (2009: Nil).

Media Sales Business

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

For the year ended 31 December 2010, the RoadShow Group reported a total operating revenue of HK\$356.4 million (2009: HK\$223.1 million) and a loss attributable to equity shareholders of HK\$61.6 million (2009: a profit of HK\$14.0 million). The loss was mainly attributable to the provision for impairment loss of approximately HK\$110.0 million (2009: HK\$9.8 million) made by the RoadShow Group on the carrying value of the unlisted equity interest in AdSociety Daye Advertising Company Limited based on Hong Kong Accounting Standard 39 issued by the Hong Kong Institute of Certified Public Accountants.

The revenue generated from the RoadShow Group’s Hong Kong media sales services in 2010 amounted to HK\$324.1 million, an increase of 67.0% compared to HK\$194.1 million in 2009. The increase was mainly attributed to the bus exterior advertising business, which commenced in November 2009, the growth in the bus interior advertising business following the upgrading of the bus television broadcasting system, and the enhancement of the RoadShow Group’s

unique marketing services to advertisers through the integrated 3-in-1 media (bus-television, bus-body and in-bus) platform on the road.

The total operating expenses of the RoadShow Group for 2010 amounted to HK\$295.3 million, an increase of 58.5% compared to HK\$186.3 million for 2009, which is in line with the growth of the media sales business.

Further information relating to the RoadShow Group is available in its 2010 final results announcement and annual report.

Mainland Transport Operations

As at 31 December 2010, the Group's total interests in associates within the Mainland Transport Operations Division amounted to HK\$640.3 million (2009: HK\$612.0 million). Such investments are mainly related to the operation of passenger public transport services in Shenzhen (深圳), and taxi and car rental services in Beijing (北京). For the year ended 31 December 2010, the Group's Mainland Transport Operations Division reported a profit of HK\$33.8 million (2009: HK\$38.4 million).

Beijing

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("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 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 primarily engages in taxi hire and car rental businesses with a fleet of around 4,437 vehicles and 4,656 employees. It made steady progress and continued to record a profit in 2010.

Shenzhen

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which commenced operation 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 SBG, representing a stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), with about 5,248 vehicles serving 251 routes. In 2010, SBG continued to make steady progress and recorded a ridership of 932.5 million passenger trips, representing an increase of 8.1% compared to 862.8 million passenger trips in 2009.

FINANCIAL LIQUIDITY AND RESOURCES

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained so that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demand for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts. In general, the Group's major operating companies arrange their own financing to meet their operational and investment needs. The Group's other subsidiaries are mainly financed by the holding company from its capital base. Through proper planning and close monitoring of the level of debts, the Group is able to effectively meet its funding and investment requirements. As at 31 December 2010, the Group had unutilised banking facilities totalling HK\$1,329.8 million (2009: HK\$720.0 million).

The Group was in a net cash position as at 31 December 2010 and 31 December 2009. Its liquidity ratios at the year end of 2010 and 2009 are set out below:

	2010	2009
Liquidity ratio at 31 December	2.2	2.5
<i>(the ratio of current assets to current liabilities)</i>		

The Group's net cash as at 31 December 2010 amounted to HK\$2,133.2 million (2009: HK\$2,681.3 million). This decrease was mainly attributable to the decrease in liquid funds for the purchase of new buses, payment of dividends and for the repayment of bank loans.

For the year ended 31 December 2010, the finance costs incurred by the Group decreased to HK\$6.6 million from HK\$12.1 million for 2009. The decrease

was mainly due to the decreases in interest rates and average bank borrowings during the year. The average interest rate in respect of the Group's borrowings for 2010 was 0.80%, a decrease of nine basis points compared to 0.89% for 2009.

For the year ended 31 December 2010, the Group's interest income exceeded the total finance costs by HK\$30.0 million (i.e. a net interest income position) (2009: HK\$25.1 million).

CAPITAL EXPENDITURE

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and others, investment properties, and interest in leasehold land. None of the Group's fixed assets was pledged or charged as at 31 December 2010.

In 2010, the Group incurred capital expenditure of HK\$1,080.2 million (2009: HK\$651.5 million). The increase was mainly attributable to the purchase of new buses for the franchised public bus operations.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for a substantial portion of the total operating cost of the Group. The Group closely monitors its headcount and staff remuneration against productivity and market trends. For the year ended 31 December 2010, total remuneration of employees of the Group (including employees of the Group's subsidiary companies on the Mainland) amounted to HK\$2,967.1 million (2009: HK\$2,988.8 million). As a result of natural attrition and strict control of headcount, the number of employees of the Group at the year end of 2010 was 12,863, a decrease of 1.6% compared to 13,074 at the year end of 2009.

LOOKING AHEAD

We expect KMB and LWB's operating environment to be increasingly challenging in 2011 due largely to escalating cost pressure, mainly driven by the continued upsurge in fuel oil prices and rising inflation. In addition, the expanding railway network will continue to adversely affect our bus patronage. We will respond to these challenges by our continuing efforts to improve cost

efficiency by proposing additional rationalisation plans for routes with low demand while increasing the service for routes with growing demand.

The residential units of the Manhattan Hill development have nearly all been sold in an improving residential market, providing the Group with a net cash position. Looking ahead, the Group's Property Holdings and Development Division will be looking to generate extra recurrent rental income from two of our property sites, one in Kwun Tong and another in Tuen Mun. The redevelopment of our industrial site at 98 How Ming Street, Kwun Tong, is ongoing with Sun Hung Kai Real Estate Agency Limited leading the efforts as the project manager. The Group's industrial building at 1 Kin Fung Circuit, Tuen Mun, has been leased out to generate additional rental income for the Group starting March 2011. The Manhattan Mid-town shopping mall with a total area of approximately 50,000 square feet was completely leased out in 2010 and will continue to provide the Group with a steady income stream.

The Group will continue to look for growth and investment opportunities both in Hong Kong and China Mainland. In Hong Kong, we are continuing our efforts to grow our non-franchised bus business by seeking to serve more clients who require quality coach services. As for the China Mainland market, the Group is continuously evaluating available opportunities for investment while improving the productivity and efficiency of our existing transport operations. Whatever the challenges that face us in the future, they will be met with the same drive to bring value in all our services that underpins our success as a leading transport operator. We are confident that via our continuous improvement efforts and the strengthening of our core competencies, we will continue to deliver significant value in the businesses that we operate.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 December 2010 with the code provisions set out in the Code on Corporate Governance Practices as

contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit 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 and financial reporting matters, and reviewed the financial results for the year ended 31 December 2010.

By Order of the Board

S.Y. CHUNG

Chairman

Hong Kong, 17 March 2011

As at the date of this announcement, the Directors of the Company are The Hon. Sir Sze-yuen CHUNG, GBM, GBE, JP as Chairman and Independent Non-executive Director; Dr. Norman LEUNG Nai Pang, GBS, JP as Deputy Chairman and Independent Non-executive Director; Dr. Eric LI Ka Cheung, GBS, OBE, JP and Mr. SIU Kwing-chue, Gordon, GBS, CBE, JP as Independent Non-executive Directors; Mr. Edmond HO Tat Man as Managing Director; Mr. Charles LUI Chung Yuen, M.H. and Mr. Evan AU YANG Chi Chun as Executive Directors; Mr. KWOK Ping-luen, Raymond, JP (with Mr. YUNG Wing Chung as alternate), Dr. KWOK Ping-sheung, Walter, JP (with Mr. SO Wai Kei, Godwin as alternate), Mr. NG Siu Chan (with Ms. Winnie NG as alternate), Mr. William LOUEY Lai Kuen, Dr. John CHAN Cho Chak, GBS, JP, Ms. Winnie NG, Mr. George CHIEN Yuan Hwei and Mr. John Anthony MILLER, SBS, OBE as Non-executive Directors.