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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)

2012 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2012 was HK\$309.2 million, an increase of 27.6% compared with HK\$242.4 million for 2011. The increase was mainly due to the fact that no further provision for impairment loss (2011: HK\$109.6 million) was made by the RoadShow Group on an investment in Mainland China in 2012. When excluding the impairment loss provision made by the RoadShow Group in 2011, the Group's profit attributable to equity shareholders for 2012 represents a 4.1% decrease compared with that for 2011. The decrease was mainly due to the deterioration in the financial performance of KMB, which recorded a loss after taxation of HK\$51.5 million for 2012, an unfavourable change of HK\$102.9 million compared to the profit after taxation of HK\$51.4 million for 2011.
- KMB's results for 2012 included a deemed income of HK\$43.7 million (2011: HK\$84.8 million) recognised in respect of two defined benefit staff retirement schemes operated by KMB in accordance with Hong Kong Accounting Standard 19, Employee Benefits. When excluding the aforesaid deemed income, KMB recorded a pre-tax operating loss of HK\$96.3 million for 2012, an unfavourable change of HK\$78.5 million compared with that of HK\$17.8 million for 2011.

FINANCIAL HIGHLIGHTS
(continued)

- The Group's earnings per share for 2012 were HK\$0.77, an increase of 27.6% compared to HK\$0.60 for 2011.
- An ordinary final dividend of HK\$0.45 per share for the year ended 31 December 2012 has been declared (2011: HK\$0.45 per share), resulting in total dividend for the year amounted to HK\$0.60 per share (2011: HK\$0.60 per share).

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,315,180	6,177,135
Revenue from non-franchised transport services		301,417	265,021
Media sales revenue		424,673	374,817
Revenue from sales of properties		112,720	109,084
Gross rentals from investment properties		27,020	21,487
Turnover	6	7,181,010	6,947,544
Other net income		228,544	248,471
Cost of properties sold		(21,489)	(25,103)
Staff costs		(3,238,980)	(3,075,104)
Depreciation and amortisation		(842,725)	(883,491)
Fuel and oil		(1,593,553)	(1,548,498)
Spare parts and stores		(239,412)	(219,080)
Toll charges		(390,883)	(383,563)
Selling and marketing expenses for property sales		(3,334)	(1,206)
Other operating expenses		(735,898)	(697,658)
Profit from operations		343,280	362,312
Finance costs	2	(9,433)	(8,630)
Share of profits of associates		34,526	31,292
Impairment loss on other financial assets		-	(109,606)
Profit before taxation	2	368,373	275,368
Income tax	4	(34,297)	(41,253)
Profit for the year		334,076	234,115
Attributable to:			
Equity shareholders of the Company		309,197	242,351
Non-controlling interests		24,879	(8,236)
Profit for the year		334,076	234,115

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012
(continued)**

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the year attributable to equity shareholders of the Company:			
Arising from sale of Manhattan Hill properties		76,320	72,869
Arising from the Group's other operations		232,877	169,482
		309,197	242,351
Earnings per share – basic and diluted:			
	5		
Arising from sale of Manhattan Hill properties		HK\$ 0.19	HK\$ 0.18
Arising from the Group's other operations		0.58	0.42
		HK\$ 0.77	HK\$ 0.60

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012**

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets			
Fixed assets			
- Investment properties		120,398	123,135
- Investment property under development		13,397	11,741
- Interest in leasehold land		69,414	71,426
- Other properties, plant and equipment		3,648,572	3,914,255
		3,851,781	4,120,557
Intangible assets		132,122	44,178
Goodwill		84,051	63,315
Non-current prepayments		3,741	1,667
Interest in associates		671,521	668,136
Other financial assets		591,020	472,465
Employee benefit assets		758,371	800,656
Deferred tax assets		4,499	3,536
		6,097,106	6,174,510
Current assets			
Completed property held for sale		351	19,702
Spare parts and stores		46,224	59,420
Accounts receivable	7	455,071	348,444
Other financial assets		48,435	15,032
Deposits and prepayments		27,946	30,340
Current tax recoverable		21,581	110,757
Pledged and restricted bank deposits		62,885	45,455
Cash and cash equivalents		3,033,703	2,928,606
		3,696,196	3,557,756
Current liabilities			
Bank loans and overdrafts		200,082	70,040
Accounts payable and accruals	8	1,116,877	1,066,876
Contingency provision - insurance		135,997	136,297
Current tax payable		17,627	4,541
		1,470,583	1,277,754
Net current assets		2,225,613	2,280,002
Total assets less current liabilities		8,322,719	8,454,512

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012
(continued)

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current liabilities			
Bank loans		598,497	797,901
Deferred tax liabilities		602,796	607,445
Contingency provision – insurance		310,718	309,575
Provision for long service payments		28,859	37,254
		<u>1,540,870</u>	<u>1,752,175</u>
Net assets		<u>6,781,849</u>	<u>6,702,337</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		6,193,504	6,116,421
Total equity attributable to equity shareholders of the Company		<u>6,597,143</u>	<u>6,520,060</u>
Non-controlling interests		<u>184,706</u>	<u>182,277</u>
Total equity		<u>6,781,849</u>	<u>6,702,337</u>

Notes:

1. 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's 2011 annual financial statements.

HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have a significant impact on the Group's results of operations and financial position.

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

2. Profit before taxation

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	(9,433)	(8,630)
Net movement in balance of passenger rewards	(2,851)	28,066
Net foreign exchange (loss) / gain	(2,463)	10,954
Dividend income from unlisted equity securities	77,252	31,000
Interest income on other financial assets not at fair value through profit or loss	67,695	46,667
Net income recognised in respect of defined benefit retirement plans	42,715	84,673
Claims received	21,546	23,272
Sundry revenue	16,856	12,234
Net miscellaneous business receipts	7,147	7,826
Net gain on disposal of fixed assets	580	3,636

3. Dividends

	2012		2011	
	<i>per share</i> <i>HK\$</i>	<i>Total</i> <i>HK\$'000</i>	<i>per share</i> <i>HK\$</i>	<i>Total</i> <i>HK\$'000</i>
Ordinary interim dividend paid	0.15	60,546	0.15	60,546
Ordinary final dividend proposed	0.45	181,638	0.45	181,638
	0.60	242,184	0.60	242,184

At the Board Meeting held on 21 March 2013, the Directors recommended an ordinary final dividend of HK\$0.45 per share for 2012 (2011: HK\$0.45 per share). Such dividend, which will be proposed at the annual general meeting of the Company to be held on 23 May 2013, has not been recognised as liability in the financial statements.

4. Income tax

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	53,033	33,991
Revision of prior years' tax provision (note)	-	(104,527)
Under/(over) - provision in respect of prior years	315	(196)
	53,348	(70,732)
Current tax – PRC Income Tax		
Provision for the year	163	-
PRC withholding tax	1,525	1,477
	55,036	(69,255)
Deferred tax		
Effect of revision of prior years' tax provision (note)	-	104,527
Origination and reversal of other temporary differences	(20,739)	5,981
	(20,739)	110,508
	34,297	41,253

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 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.

Note: During the year ended 31 December 2011, the Hong Kong Inland Revenue Department (“the IRD”) revised its assessing practice regarding the tax treatment of defined

benefit retirement schemes. Due to the IRD's change in assessing practice, a subsidiary of the Company is eligible for additional tax deductions and a resulting tax refund from the IRD in respect of previous years. As a result, the subsidiary has revised its Hong Kong Profits Tax computations for prior years, resulting in an increase in current taxation recoverable relating to prior years of HK\$104,527,000 as at 31 December 2011, and a corresponding increase in deferred tax liabilities. This has no material impact on the Group's net assets as at 31 December 2011 and its profit for the year then ended.

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\$309,197,000 (2011: HK\$242,351,000) and 403,639,413 shares in issue during the years ended 31 December 2012 and 2011. The calculation of basic earnings per share arising from sale of Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK\$76,320,000 (2011: HK\$72,869,000) and HK\$232,877,000 (2011: HK\$169,482,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2012 and 2011.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

6. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker ("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 2012 and 2011 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,318,984	6,180,941	421,154	371,491	113,197	109,512	327,675	285,600	7,181,010	6,947,544
Inter-segment revenue	110,028	101,318	-	-	-	-	25,586	22,971	135,614	124,289
Reportable segment revenue	6,429,012	6,282,259	421,154	371,491	113,197	109,512	353,261	308,571	7,316,624	7,071,833
Reportable segment (loss)/profit	(25,142)	69,045	79,499	(43,744)	76,320	72,869	80,288	64,321	210,965	162,491
Interest income	9,762	2,952	11,885	9,815	-	-	213	142	21,860	12,909
Interest expense	(9,433)	(8,630)	-	-	-	-	-	-	(9,433)	(8,630)
Depreciation and amortisation for the year	(793,676)	(835,740)	(10,784)	(9,699)	-	-	(38,265)	(38,052)	(842,725)	(883,491)
Provision of impairment loss on trade and other receivables	-	-	-	-	-	-	(885)	(104)	(885)	(104)
Impairment loss on other financial assets	-	-	-	(109,606)	-	-	-	-	-	(109,606)
Staff costs	(3,061,200)	(2,916,398)	(72,743)	(60,047)	-	-	(98,192)	(90,224)	(3,232,135)	(3,066,669)
Share of profits of associates	-	-	-	-	-	-	34,526	31,292	34,526	31,292
Income tax credit / (expense)	5,267	(10,847)	(16,991)	(12,863)	(10,991)	(9,163)	(11,569)	(8,335)	(34,284)	(41,208)
Reportable segment assets	5,376,550	5,430,052	766,483	766,074	3,080	36,653	1,488,383	1,163,533	7,634,496	7,396,312
- including interest in associates	-	-	-	-	-	-	671,521	668,136	671,521	668,136
Additions to non-current segment assets during the year	544,787	626,790	6,696	66,567	-	-	148,641	60,966	700,124	754,323
Reportable segment liabilities	2,628,839	2,654,887	110,369	124,344	149,161	154,944	71,290	56,536	2,959,659	2,990,711

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 properties and investments in associates.

6. Segment reporting (continued)

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	6,963,363	6,763,262
Revenue from all other segments	353,261	308,571
Elimination of inter-segment revenue	(135,614)	(124,289)
Consolidated turnover	7,181,010	6,947,544
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Profit</i>		
Reportable segment profit	130,677	98,170
Profit from all other segments	80,288	64,321
Unallocated profits	123,111	71,624
Consolidated profit after taxation	334,076	234,115
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Assets</i>		
Reportable segment assets	6,146,113	6,232,779
Assets from all other segments	1,488,383	1,163,533
Unallocated assets	2,158,806	2,335,954
Consolidated total assets	9,793,302	9,732,266
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Liabilities</i>		
Reportable segment liabilities	2,888,369	2,934,175
Liabilities from all other segments	71,290	56,536
Unallocated liabilities	51,794	39,218
Consolidated total liabilities	3,011,453	3,029,929

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	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	3,981,540	4,218,166
The PRC	757,935	678,020
	4,739,475	4,896,186

7. Accounts receivable

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other receivables	432,165	330,649
Instalments receivable from sale of properties	52	1,003
Interest receivable	22,960	16,896
Less: allowance for doubtful debts	(106)	(104)
	455,071	348,444

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, based on the due date, as of the balance sheet date:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	189,407	105,951
1 to 3 months past due	57,367	50,888
More than 3 months past due	9,873	8,037
	256,647	164,876

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.

8. Accounts payable and accruals

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade payables	235,858	220,642
Balance of passenger rewards	6,546	3,695
Other payables and accruals	874,473	842,539
	1,116,877	1,066,876

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on due date, as of the balance sheet date:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Due within 1 month or on demand	200,236	197,655
Due after 1 month but within 3 months	33,862	17,219
Due after more than 3 months	1,760	5,768
	235,858	220,642

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 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 2012 was HK\$309.2 million, representing an increase of HK\$66.8 million or 27.6% compared to HK\$242.4 million for 2011. Earnings per share increased correspondingly from HK\$0.60 for 2011 to HK\$0.77 for 2012. The increase in profit was mainly due to the fact that no further provision for impairment loss (2011: HK\$109.6 million) was made by the RoadShow Group on an investment in Mainland China in 2012. When excluding the impairment loss provision made by the RoadShow Group in 2011, the Group's profit attributable to equity shareholders for 2012 represents a 4.1% decrease compared with that for 2011. The decrease was mainly due to the deterioration in the financial performance of the Group's core franchised public bus business operated by The Kowloon Motor Bus Company (1933) Limited ("KMB"), which, having posted a profit after taxation of HK\$51.4 million in 2011, recorded a loss after taxation of HK\$51.5 million in 2012, mainly as a result of high fuel prices and a significant increase in wages and other operating expenses, but without having a corresponding reasonable adjustment to its bus fares in 2012.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 29 May 2013 an ordinary final dividend of HK\$0.45 per share (2011: HK\$0.45 per share) totalling HK\$181.6 million (2011: HK\$181.6 million). Together with the ordinary interim dividend of HK\$0.15 per share (2011: HK\$0.15 per share) paid on 16 October 2012, total dividends for the year will amount to HK\$0.60 per share (2011: HK\$0.60 per share). The total dividend payout for the year will amount to HK\$242.2 million (2011: HK\$242.2 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM") to be held on 23 May 2013 or at any adjournment thereof, the ordinary final dividend will be payable on 7 June 2013.

The Transfer Books of the Company will be closed from 16 May 2013 to 23 May 2013, 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 15 May 2013.

For the purpose of ascertaining shareholders’ entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2012, the Transfer Books of the Company will be closed on 29 May 2013. 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 28 May 2013.

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 loss after taxation of KMB for 2012 amounted to HK\$51.5 million, an unfavourable change of HK\$102.9 million compared to the profit after taxation of HK\$51.4 million for 2011. Such results included a deemed income of HK\$43.7 million (2011: HK\$84.8 million) recognised in respect of two defined benefit staff retirement schemes operated by KMB in accordance with Hong Kong Accounting Standard 19, Employee Benefits. When excluding the aforesaid deemed income, KMB recorded a pre-tax operating loss of HK\$96.3 million for 2012, an unfavourable change of HK\$78.5 million compared to that of HK\$17.8 million for 2011.

KMB’s fare revenue for the year amounted to HK\$5,942.7 million, an increase of HK\$119.9 million or 2.1% compared to HK\$5,822.8 million for 2011. Total ridership for 2012 was 942.9 million passenger trips (a daily average of 2.58 million passenger trips) compared to 936.4 million passenger trips (a daily average of 2.56 million passenger trips) for 2011. The increase in fare revenue was mainly due to the full year effect of the 3.6% fare increase which was implemented with effect from 15 May 2011, and a slight year-on-year increase in ridership of 0.7%. Advertising revenue for the year also increased by 7.2% from HK\$104.5 million for 2011 to HK\$112.0 million for 2012.

Total operating expenses for 2012 amounted to HK\$6,230.8 million, an increase of HK\$180.1 million or 3.0% compared to HK\$6,050.7 million for 2011. The increase was due mainly to the increase in staff costs of HK\$138.9 million resulting from the annual pay rise of 5%, which took effect for KMB's operations and maintenance staff on 1 June 2012 and for other staff on 1 September 2012, and the recruitment of additional bus captains for service enhancement and for compliance with the new 60-minute meal break requirements by 30 September 2012. In addition, fuel costs also increased by HK\$41.8 million compared with 2011. Such increase was mainly due to the rise in 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, from US\$124.6 per barrel in 2011 to US\$125.9 per barrel in 2012, as well as the increase in the number of bus-kilometres travelled as service levels were further enhanced. These unfavourable factors, together with additional costs incurred on spare parts, toll charges and other operating expenses due to general inflation, further adversely affected the financial performance of KMB for 2012. 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 29 November 2012 for a fare increase of 8.5%. On 19 February 2013, the HKSAR Government granted KMB a fare increase at an average rate of 4.9% with effect from 17 March 2013. Given the tough operating environment currently faced by KMB, this approved rate of increase is insufficient to offset the high operating costs generated by escalating wage costs, fuel prices, and toll charges.

Long Win Bus Company Limited ("LWB")

The profit after taxation of LWB for 2012 amounted to HK\$26.3 million, representing an increase of HK\$8.6 million or 48.6% compared with HK\$17.7 million for 2011.

LWB's fare revenue for 2012 amounted to HK\$372.5 million, an increase of HK\$18.1 million or 5.1% compared to HK\$354.4 million for 2011. The increase was mainly due to the full year effect of the 3.2% fare increase, which took effect from 15 May 2011. In addition, LWB recorded a total ridership of 31.3 million passenger trips (a daily average of 85,409 passenger trips) for 2012, an increase of 3.3% compared to 30.3 million passenger trips (a daily average of 82,889 passenger trips) for 2011. The increase in ridership was mainly due to the

increasing transport demand from international travellers and from construction workers involved in various infrastructural projects at the Airport and in the expanding Hong Kong Disneyland.

LWB's total operating expenses for the year amounted to HK\$339.8 million, an increase of HK\$3.6 million compared to HK\$336.2 million for 2011. The increase was mainly due to the increase in staff costs as a result of annual pay rise, as well as increase in fuel costs and in other operating expenses due to inflationary pressure.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$30.5 million for 2012, representing an increase of HK\$13.0 million or 74.3% compared to HK\$17.5 million for 2011. Turnover increased by 13.8% from HK\$264.5 million for 2011 to HK\$301.1 million for 2012. 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, with Sun Bus Limited as the flagship company, is a leading non-franchised bus operator in Hong Kong. It provides customized high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.

The turnover of the SBH Group increased by HK\$35.4 million or 15.6% from HK\$226.3 million in 2011 to HK\$261.7 million in 2012. The increase was mainly attributed to business growth and general increase in coach hiring charges upon contract renewal. Total operating costs for 2012 also increased as a result of increases in salaries, fuel costs and other operating expenses due to general inflation.

During the year, the SBH Group acquired two non-franchised bus operators for business expansion. In line with the SBH Group's commitment to quality service and environmental protection, the SBH Group added 25 Euro V buses to its fleet in replacement of older buses in 2012. As at 31 December 2012, the SBH Group had a fleet of 394 buses (2011: 388 buses).

New Hong Kong Bus Company Limited (“NHKB”)

In conjunction with its Shenzhen (深圳) counterpart, NHKB operates 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. With the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange, and the increasing number of cross-boundary transport options available for passengers, NHKB faced keen competition from railway and public minibus services and its ridership has been decreasing. NHKB’s total patronage decreased by 5.8% from 5.2 million passenger trips (an average monthly ridership of 0.43 million passenger trips) for 2011 to 4.9 million passenger trips (an average monthly ridership of 0.41 million passenger trips) for 2012. The adverse impact from the loss of ridership was, however, partly compensated by the fare increase for day-time services from HK\$7 per trip to HK\$8 per trip for day services which took effect from 21 November 2011. At the end of 2012, NHKB had a fleet of 15 buses, same as the number as at the end of 2011.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited (“LCKPI”)

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

During 2012, the last residential unit of Manhattan Hill with a total saleable gross floor area of about 5,008 square feet and 13 car parking spaces were sold, generating an after-tax profit of HK\$76.3 million (2011: HK\$72.9 million).

As at 31 December 2012, only one car parking space (classified as completed property held for sale under current assets on the consolidated balance sheet) at a carrying value of HK\$0.4 million (2011: HK\$19.7 million) was available for sale.

There were no outstanding bank loans in respect of the construction of Manhattan Hill as at 31 December 2012 (2011: Nil).

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of the shopping mall, “Manhattan Mid-town”, which was opened in March 2009. The mall provides Manhattan Hill residents, as well as local householders and office staff, with a mix of high quality shops and restaurants. As at 31 December 2012, the shopping mall’s entire lettable area of the 50,000 square feet was fully leased out, generating a steady income stream for the Group.

As at 31 December 2012, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK\$100.8 million (2011: HK\$105.9 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. As at 31 December 2012, the building was stated on the consolidated balance sheet at cost less accumulated depreciation and impairment losses in the amount of HK\$33.2 million (2011: HK\$33.9 million).

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of the Company, and Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), jointly own 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. Since April 2010, 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. SHKRE is currently handling matters relating to the modification of the lease and the submission of the building plan. The Group intends to hold the development for long-term investment purposes.

As at 31 December 2012, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK\$13.4 million (2011: HK\$11.7 million). The capital commitment outstanding and not provided for as at 31 December 2012 was HK\$1,788.8 million (2011: HK\$1,791.3 million).

TM Properties Investment Limited (“TMPI”)

TMPI owns an industrial 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, at 1 Kin Fung Circuit, Tuen Mun. The property has been leased out since March 2011 to generate additional rental income for the Group.

As at 31 December 2012, the carrying value of the industrial property (classified as investment property on the consolidated balance sheet), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK\$8.6 million (2011: HK\$9.9 million).

Media Sales Business

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

For the year ended 31 December 2012, the RoadShow Group reported a total operating revenue of HK\$443.2 million (2011: HK\$397.3 million) and a profit attributable to equity shareholders of HK\$74.8 million (2011: a loss attributable to equity shareholders of HK\$48.6 million). The improvement in the results was mainly attributable to business growth as well as the fact that no provision for impairment loss was made by the RoadShow Group in 2012 whereas a provision of HK\$109.6 million was made on an investment in Mainland China in 2011.

The revenue generated from the RoadShow Group’s Hong Kong media sales services in 2012 amounted to HK\$417.0 million, an increase of HK\$46.4 million or 12.5% compared with HK\$370.6 million in 2011. Such increase was mainly attributable to the growth in the bus body advertising business.

The total operating expenses for 2012 increased by HK\$28.2 million or 8.9% from HK\$318.5 million in 2011 to HK\$346.7 million in 2012, which was in line with the growth of the media sales business.

Further information relating to the RoadShow Group is available in its 2012 final results announcement and annual report.

Mainland Transport Operations

As at 31 December 2012, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$671.5 million (2011: HK\$668.1 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 2012, the Group's China Mainland Transport Operations Division reported an after-tax profit of HK\$34.5 million (2011: HK\$31.3 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 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 principally engages in taxi hire and car rental businesses with a fleet of around 4,680 vehicles and 5,174 employees. Its business was stable and continued to record a profit in 2012.

Shenzhen

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), 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 SBG, representing a stake of 35%. SBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating some 5,813 vehicles serving on 265 routes. In 2012, SBG recorded a total ridership of 877.3 million passenger trips, a decrease of 3.3% compared with 907.0 million

passenger trips for 2011, due mainly to the shift of passengers to new railway lines. SBG has continued to make steady progress by enhancing its productivity and management capability, and recorded a profit in 2012.

FINANCIAL LIQUIDITY AND RESOURCES

Under the principle of prudent financial management, the Group closely monitors its liquidity and financial resources by preparing and reviewing a rolling 12-month cash flow projection on a monthly basis to ensure that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demands 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. For the other subsidiaries, they are mainly financed by their parent company from its capital base. The Group's funding strategy is regularly reviewed by management to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through maintaining adequate stand-by banking facilities and proper planning and close monitoring of the level of debts, management ensures that the Group's routine treasury operation is able to effectively meet its normal funding and ad hoc investment requirements.

As at 31 December 2012, the Group had undrawn banking facilities totaling HK\$609.9 million (2011: HK\$730 million), of which HK\$600.0 million (2011: HK\$720.0 million) was of a committed nature.

The Group has consistently maintained a highly liquid position. As at 31 December 2012, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$2,298.0 million (2011: HK\$2,106.1 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.5 (2011: 2.8).

The finance costs incurred by the Group for the year ended 31 December 2012 was HK\$9.4 million (2011: HK\$8.6 million). The increase was mainly due to the rise in the Group's average interest rate for borrowings from 0.95% per annum for 2011 to 1.14% per annum for 2012, an increase of 19 basis points.

For the year ended 31 December 2012, the Group was in a net interest income position as its interest income exceeded the total finance costs by HK\$58.3 million (2011: HK\$38.2 million).

CAPITAL EXPENDITURE

The Group's fixed assets mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and other equipment, investment properties, and interest in leasehold land. None of the Group's fixed assets was pledged or charged as at 31 December 2012.

In 2012, the Group incurred capital expenditure of HK\$700.1 million (2011: HK\$754.3 million). The decrease was mainly attributable to the fact that fewer new buses were added to the fleet during the year.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for over 45.8% of the total operating cost of the Group in 2012. The Group closely monitors its headcount and staff remuneration against productivity and market trends. For the year ended 31 December 2012, total remuneration of employees of the Group amounted to HK\$3,156.7 million (2011: HK\$2,987.0 million). The number of employees of the Group at the year end of 2012 increased by 3.1% from 12,879 at the year end of 2011 to 13,272 at the year end of 2012. The increase in headcount was mainly due to the recruitment of more bus captains for service enhancement and for compliance with the new meal break requirements which increase the length of meal break for bus captains from 45 minutes to 60 minutes by 30 September 2012.

LOOKING AHEAD

In view of the losses incurred by KMB due to factors beyond its control and for the purpose of restoring its financial viability for the provision of sustainable quality services, on 29 November 2012, KMB submitted to the Transport Department of the HKSAR Government an application for a fare increase of 8.5%. On 19 February 2013, the HKSAR Government announced that an approved rate of increase of 4.9% would take effect on 17 March 2013. Given the tough operating conditions currently faced by KMB, such an approved rate of increase is insufficient to offset the high operating costs generated by surging

fuel prices, wages, toll charges and other operating expenses, and therefore route reorganisation must be implemented on a large scale and at a faster pace to enable us to make better use of our limited resources to meet our customers' needs and expectation.

With an expanding rail network in Hong Kong, high fuel prices and continuous increases in staff costs and other operating expenses, it is inevitable that the Group's franchised public bus operations will continue to face significant financial and operational challenges. KMB's response to these adverse changes in market conditions is founded in bus route reorganisation which can enhance network efficiency and put the company back on a solid financial footing. Such reorganisation would entail the provision of more "point-to-point" express routes, more direct routings while leveraging interchange services for better network connectivity. The objective is to make better use of our resources by redeploying the buses on duplicated routes with low patronage towards those with high passenger demand. These measures would improve bus services for passengers, ease traffic congestion, enhance the environment and alleviate the pressure on fares, representing a true all-win solution for the community at large.

The Group's non-franchised transport businesses saw strong profit growth in 2012, in large part owing to improved economies of scale. We will continue to enhance the service quality of our local and cross-boundary coach services and explore business opportunities in both Hong Kong and the Mainland.

The development of the industrial site at 98 How Ming Street, East Kowloon, in which the Group has a 50% stake, is under way. The site is set for development for non-residential (excluding hotel) use, and upon completion it will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall at 1 Po Lun Street, Lai Chi Kok, with a total area of 50,000 square feet, and the shops in our headquarters building at 9 Po Lun Street, Lai Chi Kok, together with the industrial property at 1 Kin Fung Circuit, Tuen Mun, have been leased out and will continue to provide steady rental income for the Group.

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 Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012, except that pertaining to the code provision A.6.7, two of the Non-executive Directors of the Company, Mr. Raymond Kwok Ping-luen and Dr. Walter Kwok Ping-sheung, were unable to attend the Annual General Meeting of the Company held on 17 May 2012 due to other engagements.

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 2012.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 21 March 2013

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* (Mr. YUNG Wing Chung as his alternate)
Dr. Walter KWOK Ping Sheung, *JP* (Mr. Godwin SO Wai Kei as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)

Mr. William LOUEY Lai Kuen
Ms. Winnie NG
Mr. John Anthony MILLER, *SBS, OBE*

Executive Directors:

Mr. Edmond HO Tat Man (Managing Director)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. Evan AU YANG Chi Chun

**For identification purposes only*