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Transport International Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2009 Final Results Announcement

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,146,454	6,137,548
Revenue from non-franchised transport services		295,373	399,983
Revenue from sales of properties		156,176	619,032
Media sales revenue		236,525	196,523
Gross rentals from investment property		7,667	-
Turnover	6	6,842,195	7,353,086
Other net income		80,738	404,595
Cost of properties sold		(27,809)	(134,214)
Staff costs		(3,057,194)	(3,047,200)
Depreciation and amortisation		(900,942)	(916,470)
Fuel and oil		(960,000)	(1,643,709)
Spare parts and stores		(236,013)	(226,760)
Toll charges		(372,356)	(351,747)
Selling and marketing expenses for property sales		(2,069)	(22,633)
Other operating expenses		(587,198)	(745,059)
Profit from operations		779,352	669,889
Finance costs	2	(12,143)	(32,614)
Share of profits less losses of associates		29,568	59,759
Share of profits less losses of jointly controlled entities		3,021	(3,363)
Profit before taxation	2	799,798	693,671
Income tax	4	(117,742)	(17,837)
Profit for the year		682,056	675,834
Attributable to:			
Equity shareholders of the Company		673,504	658,670
Minority interests		8,552	17,164
Profit for the year		682,056	675,834

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009
(continued)**

	<i>Note</i>	2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to equity shareholders of the Company:			
Arising from sales of properties		186,099	366,154
Arising from the Group's other operations		487,405	292,516
		673,504	658,670
Earnings per share:			
Arising from sales of properties	5	HK\$ 0.46	HK\$ 0.91
Arising from the Group's other operations		1.21	0.72
		HK\$ 1.67	HK\$ 1.63

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Fixed assets			
- Investment property		115,925	-
- Investment property under development		-	120,375
- Other property, plant and equipment		3,906,247	4,265,488
- Interest in leasehold land held for own use under operating leases		77,946	80,025
		4,100,118	4,465,888
Passenger service licences		21,536	15,036
Goodwill		63,315	62,885
Media assets		372	778
Non-current prepayments		19,161	28,741
Interest in associates		612,007	833,680
Interest in jointly controlled entities		-	20,422
Other financial assets		333,548	135,540
Employee benefit assets		715,993	755,435
Deferred tax assets		6,013	8,493
		5,872,063	6,326,898
Current assets			
Completed property held for sale		42,082	78,469
Spare parts and stores		72,376	76,240
Accounts receivable	7	384,579	717,823
Deposits and prepayments		40,074	28,858
Current taxation recoverable		7,868	24,608
Pledged bank deposit		51,200	-
Cash and cash equivalents		3,501,861	3,034,131
		4,100,040	3,960,129
Current liabilities			
Bank loans and overdrafts		401,930	725,384
Accounts payable and accruals	8	1,069,502	989,087
Third party claims payable		127,542	142,684
Current taxation payable		47,104	19,458
		1,646,078	1,876,613
Net current assets		2,453,962	2,083,516
Total assets less current liabilities		8,326,025	8,410,414

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009
(continued)

	<i>Note</i>	2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank loans		469,832	589,748
Contingency provision – insurance		305,067	336,912
Deferred tax liabilities		499,146	531,330
Provision for long service payments		34,280	38,521
		<u>1,308,325</u>	<u>1,496,511</u>
Net assets		<u>7,017,700</u>	<u>6,913,903</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		6,385,218	6,257,184
Total equity attributable to equity shareholders of the Company		<u>6,788,857</u>	<u>6,660,823</u>
Minority interests		<u>228,843</u>	<u>253,080</u>
Total equity		<u>7,017,700</u>	<u>6,913,903</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 2008 annual financial statements except for changes in accounting policies, as required in adopting the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for accounting period beginning on or after 1 January 2009:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures - improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKAS 27, Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate

The adoption of HKFRS 8, HKAS 1 (revised 2007) and the amendments to HKFRS 7 has impacts on the presentation and/or disclosures in the Group's 2009 consolidated financial statements. The adoption of Improvements to HKFRSs (2008), HKAS 23 (revised 2007) and the amendments to HKAS 27 does not have a material impact on the Group's results of operations and financial position.

2. Profit before taxation

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	<u>(12,143)</u>	<u>(32,614)</u>
Net (loss)/income recognised in respect of two defined benefit retirement schemes	(39,442)	153,207
Net movement in balance of passenger reward	(58,100)	-
Write-back of impairment loss on instalments receivable	80,285	-
Interest income on instalments receivable from sales of properties	852	34,627

Interest income on other financial assets not at fair value through profit or loss	36,380	86,542
Gain on disposal of associate	-	64,626
Impairment loss on unlisted equity securities	(9,801)	-
Net gain on disposal of fixed assets	400	1,191
Dividend income from unlisted equity securities	8,680	4,960

3. Dividends

	2009		2008	
	<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	0.30	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	-	-
	2.35	948,552	1.35	544,913

At the Board Meeting held on 18 March 2010, the Directors recommended an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share for 2009 (2008: an ordinary final dividend of HK\$1.05 per share). Such dividends are to be proposed at the Annual General Meeting on 20 May 2010 and have not been recognised as liabilities in the financial statements.

4. Income tax

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	139,170	177,388
– The People's Republic of China ("PRC") Income Tax	247	7,239
	139,417	184,627
Deferred tax	(21,675)	(166,790)
	117,742	17,837

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 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\$673,504,000 (2008: HK\$658,670,000) and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008. The calculation of basic earnings per share arising from sales of properties and the Group's other operations is based on profits arising from the respective operations of HK\$186,099,000 (2008: HK\$366,154,000) and HK\$487,405,000 (2008: HK\$292,516,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008.

(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 2009 and 2008 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,200,046	6,201,551	183,022	132,794	156,176	619,032	302,951	399,709	6,842,195	7,353,086
Inter-segment revenue	54,371	32,567	13,339	15,619	-	-	19,837	19,440	87,547	67,626
Reportable segment revenue	6,254,417	6,234,118	196,361	148,413	156,176	619,032	322,788	419,149	6,929,742	7,420,712
Reportable segment profit	387,897	87,391	18,220	51,472	185,252	364,311	59,682	121,891	651,051	625,065
Interest income	3,109	4,151	13,648	24,411	-	32,501	852	2,702	17,609	63,765
Interest expense	(9,930)	(25,547)	-	(300)	-	-	(2,213)	(6,767)	(12,143)	(32,614)
Depreciation and amortisation for the year	(854,498)	(862,720)	(9,875)	(14,638)	-	-	(36,569)	(39,112)	(900,942)	(916,470)
(Provision)/write-back of impairment losses on receivables	-	-	(10)	(414)	80,285	(80,285)	(286)	(291)	79,989	(80,990)
Impairment loss on unlisted equity securities	-	-	(9,801)	-	-	-	-	-	(9,801)	-
Staff costs	(2,903,030)	(2,886,806)	(39,975)	(28,726)	-	-	(106,691)	(124,455)	(3,049,696)	(3,039,987)
Reportable segment assets	5,055,096	5,286,692	852,081	888,083	198,217	342,733	1,072,698	1,470,807	7,178,092	7,988,315
- including interest in jointly controlled entities	-	-	-	-	-	-	-	20,422	-	20,422
- including interest in associates	-	-	-	256,926	-	-	612,007	576,754	612,007	833,680
Additions to non-current segment assets during the year	605,984	336,419	11,021	403	-	-	36,569	87,112	653,574	423,934
Reportable segment liabilities	2,433,116	2,665,537	47,987	34,538	187,252	245,785	247,777	389,852	2,916,132	3,335,712

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	6,606,954	7,001,563
Revenue from all other segments	322,788	419,149
Elimination of inter-segment revenue	<u>(87,547)</u>	<u>(67,626)</u>
Consolidated turnover	<u>6,842,195</u>	<u>7,353,086</u>
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Profit</i>		
Reportable segment profit	591,369	503,174
Profit from all other segments	59,682	121,891
Unallocated profits	<u>31,005</u>	<u>50,769</u>
Consolidated profit after taxation	<u>682,056</u>	<u>675,834</u>
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Assets</i>		
Reportable segment assets	6,105,394	6,517,508
Assets from all other segments	1,072,698	1,470,807
Unallocated assets	<u>2,794,011</u>	<u>2,298,712</u>
Consolidated total assets	<u>9,972,103</u>	<u>10,287,027</u>
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Liabilities</i>		
Reportable segment liabilities	2,668,355	2,945,860
Liabilities from all other segments	247,777	389,852
Unallocated liabilities	<u>38,271</u>	<u>37,412</u>
Consolidated total liabilities	<u>2,954,403</u>	<u>3,373,124</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 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 and jointly controlled entities ("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 and jointly controlled entities.

	Specified non-current assets	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	4,169,731	4,528,453
The PRC	627,617	870,236
	4,797,348	5,398,689

7. Accounts receivable

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other receivables	236,159	493,385
Instalments receivable from sale of properties	143,571	299,860
Interest receivable	9,378	9,106
Less: Allowance for doubtful debts	(4,529)	(84,528)
Financial assets measured at amortised cost	384,579	717,823

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:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	148,726	342,229
1 to 3 months past due	17,872	15,810
More than 3 months past due	93,708	19,008
	260,306	377,047

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	206,375	139,924
Balance of passenger reward	58,100	-
Other payables and accruals	805,027	848,568
Financial liabilities measured at amortised cost	1,069,502	988,492
Derivative financial instruments	-	595
	1,069,502	989,087

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	188,291	122,979
Due after 1 month but within 3 months	16,686	15,312
Due after more than 3 months	1,398	1,633
	206,375	139,924

9. Comparative figures

As a result of the adoption of HKAS 1 (revised 2007) and HKFRS 8, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

RESULTS

The Group's profit attributable to equity shareholders for the year ended 31 December 2009 was HK\$673.5 million, an increase of 2.3% compared to HK\$658.7 million for 2008. Earnings per share increased correspondingly from HK\$1.63 for 2008 to HK\$1.67 for 2009. The profit for 2009 included the non-recurrent after-tax profit of HK\$186.1 million (2008: HK\$366.2 million) arising from the further sales of five residential units (2008: 27 residential units) of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary in the Group's Property Holdings and Development Division. If this non-recurrent profit from property sales was excluded, the profit attributable to equity shareholders of the Company for 2009 would have been HK\$487.4 million (2008: HK\$292.5 million).

PROPOSED DIVIDENDS

The Board has proposed the payment to shareholders registered as at 20 May 2010 an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share (2008: an ordinary final dividend of HK\$1.05 per share) totalling HK\$827.5 million (2008: HK\$423.8 million). Together with the ordinary interim dividend of HK\$0.30 per share (2008: an ordinary interim dividend of HK\$0.30 per share) paid on 15 October 2009, total dividends for the year will amount to HK\$2.35 per share (2008: HK\$1.35 per share). The total dividend payout for the year will amount to HK\$948.6 million (2008: HK\$544.9 million). It should be noted that the aforesaid special dividend is to be paid out of the profit derived from the sale of the Manhattan Hill residential units. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 20 May 2010, the ordinary final dividend together with the special dividend will be payable on 24 May 2010.

The Transfer Books of the Company will be closed from 12 May 2010 to 20 May 2010, 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 2010.

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\$1,344.5 million, which comprised HK\$364.5 million (2008: HK\$75.7 million) derived from franchised public bus operations and a one-off non-cash capital gain of HK\$980.0 million (2008: Nil) arising from the transfer of an industrial site at Kwun Tong to two fellow subsidiaries under the Group’s Property Holdings and Development Division.

KMB’s fare revenue and ridership for the year amounted to HK\$5,821.3 million (2008: HK\$5,816.3 million) and 965.2 million passenger trips (2008: 986.5 million passenger trips) respectively. The increase in fare revenue was due mainly to the fare increase of 4.5% which took effect from 8 June 2008, but was partly offset by a decrease in total ridership of 2.2% for 2009 due to intensified competition from the railways and the decreased travel demand resulting from the economic downturn and higher unemployment rate. Advertising revenue for the year amounted to HK\$105.0 million, an increase of 15.8% compared to HK\$90.7 million for the previous year. The increase was mainly due to the introduction of bus interior advertising since February 2009.

Total operating expenses for the year amounted to HK\$5,465.6 million (2008: HK\$6,096.5 million), representing a decrease of HK\$630.9 million. The decrease was mainly due to the decrease in fuel costs by HK\$595.8 million or 41.4% compared to 2008 as a result of the fall in the price of Singapore 0.5% Sulphur Gas Oil (“Gasoil”), on which the price of the ultra-low sulphur diesel used by our franchised public bus fleets is based. The decrease in fuel costs was, however, partly offset by the increase in staff costs and toll charges, as well as the increase in costs incurred for the defined benefit retirement plans, totalling HK\$222.3 million.

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.

At the end of 2009, KMB operated a total of 396 bus routes. In light of the intensifying competition from the continued expansion of the rail network within its service areas, KMB launched four special routes to cater for a number of one-off events. Two special routes were introduced to operate from Hong Kong Gold Coast and Hoi Wing Road to the railway stations at Tsuen Wan and Tuen Mun respectively for the pyrotechnics display cum variety show held in Tuen Mun on 19 September 2009. The other two special routes were operated for the Community Chest New Territories Walk (Stonecutters Bridge) held on 15 November 2009, one running from Nam Cheong Station Public Transport Interchange to Ngong Shuen Chau Viaduct, the other from Nam Wan Tunnel West Control Building to Tsing Yi Station.

As at 31 December 2009, KMB operated a total of 3,880 buses (comprising 3,729 double-deck and 151 single-deck buses), of which 95.4% were air-conditioned.

Long Win Bus Company Limited (“LWB”)

The profit after taxation of LWB for the year amounted to HK\$23.4 million (2008: HK\$11.7 million), representing an increase of HK\$11.7 million or 100.0% compared to the previous year.

LWB’s fare revenue for the year amounted to HK\$325.1 million, representing an increase of 1.2% compared to HK\$321.3 million for 2008. During the year, LWB recorded a total ridership of 28.2 million (a daily average of 77,151) passenger trips, a decrease of 2.4% compared to 28.9 million (a daily average of 78,890) passenger trips in 2008. The increase in fare revenue was mainly due to the fare increase of 4.5% which took effect from 8 June 2008. The decrease in ridership was mainly due to the adverse impact of the economic downturn and the widespread incidence of human swine influenza which had a negative impact on air travel demand, as reflected in the decline in passenger throughput at Hong Kong International Airport in 2009. The advertising revenue of LWB for the year amounted to HK\$1.5 million (2008: HK\$1.8 million).

LWB's total operating expenses for the year amounted to HK\$292.1 million (2008: HK\$312.1 million), a decrease of HK\$20.0 million compared to 2008. The decrease was mainly due to the decrease in fuel costs of HK\$30.8 million during the year as compared to 2008, but was partly offset by increases in other operating expenses such as staff costs, tunnel tolls and depreciation charges due to service enhancement. Finance costs for 2009 decreased by HK\$1.5 million to HK\$0.4 million (2008: HK\$1.9 million) due mainly to the decrease in market interest rates compared to the previous year.

At the end of 2009, LWB operated 19 routes compared with 18 at the end of 2008. The overnight route, N64, plying between the Airport (Ground Transportation Centre) and Tung Chung (Yat Tung Estate) has been introduced since October 2009.

As at 31 December 2009, LWB operated a total of 165 air-conditioned double-deck buses and two air-conditioned single-deck buses.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$18.9 million for 2009 (2008: HK\$19.3 million), representing a decrease of 2.1% compared to 2008. Turnover decreased by 26.2% to HK\$295.0 million for 2009 from HK\$399.7 million for 2008. 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. It provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local 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\$210.8 million, a decrease of 3.7% compared to 2008. The decrease was mainly due to the negative impact of the economic downturn and the outbreak of human swine influenza in 2009.

As at 31 December 2009, the SBH Group had a fleet of 377 buses (2008: 367 buses). During the year, 38 buses (2008: 19 buses) were purchased for business expansion, service enhancement and fleet replacement.

In November 2008, Sun Bus Limited (“SBL”) became the first commercial non-franchised bus company in Hong Kong to achieve ISO 9001:2000 certification. In 2009, a new ISO 9001:2008 certificate was issued by HKQAA to SBL on completion of the upgrading audit, confirming the quality of SBL’s management systems.

Park Island Transport Company Limited (“PITC”)

PITC provides quality shuttle bus and ferry services for residents of and visitors to Park Island, a prestigious development on Ma Wan Island. On 1 June 2009, the Group disposed of its entire interest in PITC to Sun Hung Kai Transport Company Limited, a subsidiary of Sun Hung Kai Properties Limited.

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) between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. The opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007, the launch of direct charter flights between Taiwan and China Mainland in July 2008, and the outbreak of human swine influenza in the first half of 2009 coupled with economic downturn has resulted in NHKB’s patronage decreasing by 17.1% from 7.0 million passenger trips in 2008 to 5.8 million passenger trips in 2009. At the end of 2009, NHKB operated a total of 15 buses, the same number as at the end of 2008.

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 2008, 1,107 residential units of Manhattan Hill with a total saleable gross floor area (“saleable GFA”) of about 1,173,600 square feet (representing 98.6% of the total saleable GFA) and 354 car parking spaces had been sold. In 2009, a further 5 residential units with a total saleable GFA of about 13,300 square feet (representing 1.1% of the total saleable GFA) and 13 car parking spaces were sold, generating an after-tax profit of HK\$186.1 million (2008: HK\$366.2 million).

As at 31 December 2009, completed property held for sale (classified under current assets in the consolidated balance sheet) amounted to HK\$42.1 million (2008: HK\$78.5 million).

There were no outstanding bank loans in respect of the construction of Manhattan Hill as at 31 December 2009 (2008: Nil).

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 in the amount of HK\$35.9 million (2008: HK\$37.5 million) on its consolidated balance sheet as at 31 December 2009.

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of the new shopping mall, “Manhattan Mid-town”, which is providing Manhattan Hill residents, as well as local householders and office staff, with high quality retail facilities. Positioned as a high-end retail complex to complement the image of Manhattan Hill, Manhattan Mid-town’s mix of shops and restaurants covers a total floor area of around 50,000 square feet. The mall was opened in March 2009 and about 95% of the lettable area of the shopping mall had been leased out as at 31 December 2009, generating additional rental income for the Group.

At 31 December, 2009, LCKCP had no capital commitment outstanding and not provided for (2008: Nil).

Media Sales Business

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

As one of the leading media sales companies in the Greater China region, the RoadShow Group capitalises on a vibrant advertising market consisting of bus passengers and pedestrians on transit vehicle routes. From the outset, it has sold and marketed business advertising on its proprietary Multi-media On-board (“MMOB”) system in Hong Kong. Since 1 February 2009 and 1 November 2009 respectively, the RoadShow Group has operated the bus interior and bus exterior advertising business. Additionally, the RoadShow Group runs a television programme syndication and media sales network in China Mainland.

Further information relating to the RoadShow Group is available in its 2009 final results announcement and annual report.

Mainland Transport Operations

As at 31 December 2009, the Group’s total interests in associates (2008: associates and jointly controlled entities) within the Mainland Transport Operations Division amounted to HK\$612.0 million (2008: HK\$597.2 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 2009, the Group’s Mainland Transport Operations Division reported a profit of HK\$38.4 million (2008: HK\$106.9 million). The decrease in profit was mainly due to the fact that a one-off gain on disposal of the Group’s entire 45% equity interest in Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) (“WKPT”) was recognised in 2008.

Summary of Investments in Mainland Transport Operations as at 31 December 2009:

Dalian

This co-operative joint venture (“CJV”) in Dalian, Liaoning Province (遼寧省), was established in July 1997 by a 60% owned subsidiary of the Group and

Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as Dalian City No.1 Bus Company (大連市第一公共汽車公司). The Dalian CJV has a fleet of about 84 single-deck buses operating on three routes serving Dalian City. In view of the fact that the scale of the Dalian CJV's operation was relatively small with limited prospects for expansion, the Group has disposed of its entire interest in the Dalian CJV in 2009 at a reasonable profit.

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 (HK\$75.5 million) in BBKT, representing an equity interest of 31.38%. BBKT principally engages in taxi hire and car rental businesses with a fleet of around 4,346 vehicles and 4,257 employees. It made steady progress and continued to record a profit in 2009.

Shenzhen

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SBG”), which started operating 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 (HK\$363.9 million) 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), which includes the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) areas, with about 4,951 vehicles serving 222 routes. In 2009, it continued to make steady progress and recorded a ridership of 862.8 million passenger trips, representing an increase of 13.6% compared to 759.2 million passenger trips in 2008.

FINANCIAL LIQUIDITY AND RESOURCES

Under the principle of prudent financial management, the Group closely monitored its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the 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 for 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. The Group's funding strategy is regularly reviewed by management to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary.

The Group was in a net cash position as at 31 December 2009 and 31 December 2008. Its liquidity ratios at the year end of 2009 and 2008 are set out below:

	2009	2008
Liquidity ratio at 31 December	2.49	2.11
<i>(the ratio of current assets to current liabilities)</i>		

The Group's net cash as at 31 December 2009 amounted to HK\$2,681.3 million (2008: HK\$1,719.0 million). This increase was mainly attributable to the increase in liquid funds arising from the receipt of proceeds from the sales of Manhattan Hill residential units and the disposal of the Group's interests in WKPT and PITC, a portion of which had been utilised as working capital and for the repayment of bank loans.

As at 31 December 2009, the Group had unutilised banking facilities totalling HK\$720.0 million (2008: HK\$535.0 million).

For the year ended 31 December 2009, the finance costs incurred by the Group decreased to HK\$12.1 million from HK\$32.6 million for 2008. 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 2009 was 0.89%, a decrease of 126 basis points compared to 2.15% for 2008.

For the year ended 31 December 2009, the Group's interest income exceeded the total finance costs by HK\$25.1 million (i.e. a net interest income position) (2008: HK\$88.6 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 property, and interest in leasehold land held for own use under operating leases. None of the Group's fixed assets was pledged or charged as at 31 December 2009.

During 2009, the Group incurred capital expenditure of HK\$651.5 million (2008: HK\$409.5 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 cost of the Group. The Group closely monitors the number and remuneration of its employees against productivity and market trends. For the year ended 31 December 2009, total remuneration of employees of the Group (including employees of the Group's subsidiary companies on the Mainland) amounted to HK\$2,988.8 million (2008: HK\$2,985.6 million). The number of employees of the Group at the year end of 2009 decreased by 1.8% to 13,074 (2008: 13,321). The decrease was due mainly to natural attrition and strict control of headcount.

OUTLOOK

With an expanding railway network, surging fuel oil prices and rising expectations for higher service levels, we expect that the operating environment of KMB and LWB will become increasingly challenging in 2010 and in the years ahead. We will respond to this challenge by making improvements to the efficiency of our bus network in Hong Kong by reorganising routes with low demand and increasing the service on routes with growing demand. We will also have to explore ways to turn higher expectations of the travelling public into business opportunities by providing service of better quality.

The sale of the residential units of the Manhattan Hill development has almost been completed, providing the Group with a net cash position. The Manhattan Hill retail podium, commonly known as the “Manhattan Mid-town” shopping mall, with a total area of approximately 50,000 square feet, was opened in March 2009, adding a new element to the West Kowloon shopping and dining scene. This will continue to provide a steady income stream for the Group in the future.

We are pleased to report that at the Special General Meeting held on 21 January 2010, the shareholders of the Company approved the disposal of 50% of the Group’s interest in an industrial site at Kwun Tong and the entering into of a development agreement with Sun Hung Kai Properties Limited and its subsidiary to redevelop the industrial site into commercial use for long-term investment purposes. The gain arising from this disposal of approximately HK\$489 million will be recognised in 2010, and will be used by the Group to fund the redevelopment. The redevelopment of the site for the purpose of generating rental income is in line with the Group’s business strategy of seeking diversification to establish new recurrent income sources.

The Group will continue to look for further investment opportunities in China Mainland while enhancing our efficiency through reorganizing and rationalizing our bus network. Whatever challenges meet us in the coming years will be met with the same ethos of quality service married to sustainable business growth that has seen us become a leading transport operator in the region.

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 2009 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 2009.

By Order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 18 March 2010

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. KUNG Ziang Mien, James, GBS, OBE (with Mr. KUNG Lin Cheng, Leo, JP as alternate), 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. as Executive Director; 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.

This announcement is also available on websites:

www.tih.hk

www.irasia.com/listco/hk/transport/announcement