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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)

2013 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2013 was HK\$371.3 million (2012: HK\$165.8 million, which has been restated from the previously reported amount of HK\$309.2 million due to the adoption of the revised Hong Kong Accounting Standard 19, Employee Benefits (the "Revised HKAS 19") with effect from 1 January 2013).
- The Kowloon Motor Bus Company (1933) Limited ("KMB"), the flagship company of the Group, recorded a loss after taxation of HK\$21.2 million for 2013 (2012: loss after taxation of HK\$192.2 million, which has been restated from the previously reported amount of HK\$51.5 million due to the adoption of the Revised HKAS 19). KMB has incurred a loss for two consecutive years despite having had a fare increase of 4.9% with effect from 17 March 2013 and a slight year-on-year growth in ridership of 1.1%.
- The Group's earnings per share for 2013 were HK\$0.92 (2012 (restated): HK\$0.41).
- An ordinary final dividend of HK\$0.45 per share for the year ended 31 December 2013 has been declared (2012: HK\$0.45 per share), resulting in total dividend for the year amounted to HK\$0.60 per share (2012: HK\$0.60 per share).

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Fare revenue from franchised public bus services		6,596,373	6,315,180
Revenue from non-franchised transport services		326,371	301,417
Media sales revenue		466,359	424,673
Revenue from sales of properties		1,600	112,720
Gross rentals from investment properties		29,671	27,020
Turnover	7	7,420,374	7,181,010
Other net income	2	271,350	185,829
Cost of properties sold		(394)	(21,489)
Staff costs	2	(3,529,075)	(3,367,954)
Depreciation and amortisation		(768,794)	(842,725)
Fuel and oil		(1,536,513)	(1,593,553)
Spare parts and stores		(270,391)	(239,412)
Toll charges		(396,424)	(390,883)
Other operating expenses		(784,721)	(739,232)
Profit from operations		405,412	171,591
Finance costs	3	(7,307)	(9,433)
Share of profits of associates		34,765	34,526
Reversal of impairment loss on other financial assets		25,611	-
Profit before taxation	3	458,481	196,684
Income tax	2 & 5	(55,087)	(5,968)
Profit for the year	2	403,394	190,716
 Attributable to:			
Equity shareholders of the Company	2	371,319	165,837
Non-controlling interests		32,075	24,879
Profit for the year		403,394	190,716

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(continued)

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Profit for the year attributable to equity shareholders of the Company:			
Arising from Manhattan Hill properties		93,854	76,320
Arising from the Group's other operations		277,465	89,517
		<u>371,319</u>	<u>165,837</u>
Earnings per share – basic and diluted:			
	2 & 6		
Arising from Manhattan Hill properties		HK\$ 0.23	HK\$ 0.19
Arising from the Group's other operations		0.69	0.22
		<u>HK\$ 0.92</u>	<u>HK\$ 0.41</u>

Note: Details of restatements made to the consolidated income statement for the year ended 31 December 2012 are disclosed in note 2.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013

	At 31 December 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i> (Restated)	At 1 January 2012 <i>HK\$'000</i> (Restated)
Non-current assets			
Fixed assets			
- Investment properties	115,338	120,398	123,135
- Investment property under development	14,913	13,397	11,741
- Interest in leasehold land	67,402	69,414	71,426
- Other properties, plant and equipment	4,289,246	3,648,572	3,914,255
	4,486,899	3,851,781	4,120,557
Intangible assets	132,122	132,122	44,178
Goodwill	84,051	84,051	63,315
Non-current prepayments	12,484	3,741	1,667
Interest in associates	723,953	671,521	668,136
Other financial assets	229,355	591,020	472,465
Employee benefit assets	1,017,614	325,882	263,203
Deferred tax assets	4,790	4,499	3,536
	6,691,268	5,664,617	5,637,057
Current assets			
Completed property held for sale	-	351	19,702
Spare parts and stores	60,344	46,224	59,420
Accounts receivable	449,566	455,071	348,444
Other financial assets	367,907	48,435	15,032
Deposits and prepayments	21,282	27,946	30,340
Current tax recoverable	17,617	21,581	110,757
Pledged and restricted bank deposits	65,682	62,885	45,455
Cash and cash equivalents	2,563,130	3,033,703	2,928,606
	3,545,528	3,696,196	3,557,756
Current liabilities			
Bank loans and overdrafts	200,003	200,082	70,040
Accounts payable and accruals	1,185,707	1,116,877	1,066,876
Contingency provision – insurance	140,999	135,997	136,297
Current tax payable	9,808	17,627	4,541
	1,536,517	1,470,583	1,277,754
Net current assets	2,009,011	2,225,613	2,280,002
Total assets less current liabilities	8,700,279	7,890,230	7,917,059

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013
(continued)

	<i>Note</i>	At 31 December 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i> (Restated)	At 1 January 2012 <i>HK\$'000</i> (Restated)
Non-current liabilities				
Bank loans		399,093	598,497	797,901
Deferred tax liabilities	2	683,017	531,435	518,765
Contingency provision – insurance		297,621	310,718	309,575
Provision for long service payments		19,806	28,859	37,254
		<u>1,399,537</u>	<u>1,469,509</u>	<u>1,663,495</u>
Net assets	2	<u>7,300,742</u>	<u>6,420,721</u>	<u>6,253,564</u>
Capital and reserves				
Share capital		403,639	403,639	403,639
Reserves	2	6,704,515	5,832,376	5,667,648
Total equity attributable to equity shareholders of the Company		<u>7,108,154</u>	<u>6,236,015</u>	<u>6,071,287</u>
Non-controlling interests		<u>192,588</u>	<u>184,706</u>	<u>182,277</u>
Total equity	2	<u>7,300,742</u>	<u>6,420,721</u>	<u>6,253,564</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 ("HKFRSs") 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 2012 annual financial statements except for the accounting policy changes that are reflected therein as described below.

2. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 - *Financial Instruments: Disclosures – offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for the Revised HKAS 19, 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.

Impacts of the adoption of the Revised HKAS 19

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, the Revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. The Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of the Revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the “corridor method” was previously applied. This change in accounting policy has been applied retrospectively by restating the balances as at 1 January 2012 and 31 December 2012, and the result for the year ended 31 December 2012 as follows:

	As previously reported <i>HK\$'000</i>	Effect of adopting the Revised HKAS 19 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Consolidated income statement for the year ended 31 December 2012:			
Other net income	228,544	(42,715)	185,829
Staff costs	3,238,980	128,974	3,367,954
Income tax expense	34,297	(28,329)	5,968
Profit for the year	334,076	(143,360)	190,716
Basic and diluted earnings per share	HK\$0.77	HK\$(0.36)	HK\$0.41
Consolidated balance sheet at 31 December 2012:			
Employee benefit assets	758,371	(432,489)	325,882
Deferred tax liabilities	602,796	(71,361)	531,435
Reserves	6,193,504	(361,128)	5,832,376
Net assets/total equity	6,781,849	(361,128)	6,420,721
Consolidated balance sheet at 1 January 2012:			
Employee benefit assets	800,656	(537,453)	263,203
Deferred tax liabilities	607,445	(88,680)	518,765
Reserves	6,116,421	(448,773)	5,667,648
Net assets/total equity	6,702,337	(448,773)	6,253,564

The impact of the adjustments on profit attributable to equity shareholders of the Company for the year ended 31 December 2012 is set out as follows:

	2012 <i>HK\$'000</i>
Profit for the year attributable to equity shareholders:	
As previously reported	309,197
Adjustment to other net income	(42,715)
Adjustment to staff costs	(128,974)
Adjustment to income tax expense	28,329
	<u>165,837</u>

3. Profit before taxation

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	(7,307)	(9,433)
Operating lease charges: minimum lease payments in respect of properties, buses and terminal shelters	(37,934)	(37,481)
Net movement in balance of passenger rewards	(4,160)	(2,851)
Net foreign exchange loss	(957)	(2,463)
	<u>108,246</u>	<u>-</u>
Reversal of development cost accrual relating to Manhattan Hill	108,246	-
Dividend income from unlisted equity securities	37,200	77,252
Interest income on other financial assets not at fair value through profit or loss	66,237	67,695
Gross rentals less direct outgoings	20,638	18,764
Claims received	34,286	21,546
Sundry revenue	20,909	16,856
Net miscellaneous business receipts	6,512	7,147
Net gain on disposal of fixed assets	2,756	580

4. Dividends

	2013		2012	
	<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
	<u>0.60</u>	<u>242,184</u>	<u>0.60</u>	<u>242,184</u>

At the Board Meeting held on 24 March 2014, the Directors recommended an ordinary final dividend of HK\$0.45 per share for 2013 (2012: HK\$0.45 per share). Such dividend, which will be proposed at the annual general meeting of the Company to be held on 22 May 2014, has not been recognised as liability in the financial statements.

5. Income tax

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	44,453	53,033
(Over)/under-provision in respect of prior years	(714)	315
	43,739	53,348
Current tax – The People’s Republic of China (“PRC”) Income Tax		
Provision for the year	611	163
PRC withholding tax	2,911	1,525
	47,261	55,036
Deferred tax		
Origination and reversal of temporary differences	7,826	(49,068)
	55,087	5,968

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 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.

6. 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\$371,319,000 (2012 (restated): HK\$165,837,000) and 403,639,413 shares in issue during the years ended 31 December 2013 and 2012. The calculation of basic earnings per share arising from Manhattan Hill properties and the Group’s other operations is based on profits arising from the respective operations of HK\$93,854,000 (2012: HK\$76,320,000) and HK\$277,465,000 (2012 (restated): HK\$89,517,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2013 and 2012.

(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.

7. 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 2013 and 2012 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Restated)
Revenue from external customers	6,602,469	6,318,984	462,002	421,154	2,466	113,197	353,437	327,675	7,420,374	7,181,010
Inter-segment revenue	111,700	110,028	-	-	-	-	62,021	25,586	173,721	135,614
Reportable segment revenue	6,714,169	6,429,012	462,002	421,154	2,466	113,197	415,458	353,261	7,594,095	7,316,624
Reportable segment profit/(loss)	14,198	(168,502)	108,622	79,499	93,854	76,320	77,921	80,288	294,595	67,605
Interest income	4,806	9,762	9,921	11,885	-	-	29	213	14,756	21,860
Interest expense	(7,307)	(9,433)	-	-	-	-	-	-	(7,307)	(9,433)
Depreciation and amortisation for the year	(713,349)	(793,676)	(11,262)	(10,784)	-	-	(44,183)	(38,265)	(768,794)	(842,725)
Reversal/(provision) of impairment loss on trade and other receivables	-	-	-	-	-	-	48	(885)	48	(885)
Reversal of impairment loss on other financial assets	-	-	25,611	-	-	-	-	-	25,611	-
Reversal of development cost accrual relating to Manhattan Hill	-	-	-	-	108,246	-	-	-	108,246	-
Staff costs	(3,332,876)	(3,190,174)	(81,973)	(72,743)	-	-	(107,443)	(98,192)	(3,522,292)	(3,361,109)
Share of profits of associates	-	-	-	-	-	-	34,765	34,526	34,765	34,526
Income tax (expense)/credit	(3,768)	33,596	(15,871)	(16,991)	(18,522)	(10,991)	(16,912)	(11,569)	(55,073)	(5,955)
Reportable segment assets	5,810,785	4,944,061	778,623	766,483	2,505	3,080	1,542,326	1,488,383	8,134,239	7,202,007
- including interest in associates	-	-	-	-	-	-	723,953	671,521	723,953	671,521
Additions to non-current segment assets during the year	1,358,228	544,787	11,226	6,696	-	-	38,988	148,641	1,408,442	700,124
Reportable segment liabilities	2,680,417	2,557,478	94,171	110,369	11,538	149,161	104,968	71,290	2,891,094	2,888,298

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.

7. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit/(loss), assets and liabilities:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
<i>Revenue</i>		
Reportable segment revenue	7,178,637	6,963,363
Revenue from all other segments	415,458	353,261
Elimination of inter-segment revenue	(173,721)	(135,614)
Consolidated turnover	<u>7,420,374</u>	<u>7,181,010</u>
<i>Profit/(loss)</i>		
Reportable segment profit/(loss)	216,674	(12,683)
Profit from all other segments	77,921	80,288
Unallocated profits	108,799	123,111
Consolidated profit after taxation	<u>403,394</u>	<u>190,716</u>
<i>Assets</i>		
Reportable segment assets	6,591,913	5,713,624
Assets from all other segments	1,542,326	1,488,383
Unallocated assets	2,102,557	2,158,806
Consolidated total assets	<u>10,236,796</u>	<u>9,360,813</u>
<i>Liabilities</i>		
Reportable segment liabilities	2,786,126	2,817,008
Liabilities from all other segments	104,968	71,290
Unallocated liabilities	44,960	51,794
Consolidated total liabilities	<u>2,936,054</u>	<u>2,940,092</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.

7. Segment reporting (continued)

	Specified non-current assets	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	4,615,665	3,981,540
The PRC	811,360	757,935
	<u>5,427,025</u>	<u>4,739,475</u>

8. Accounts receivable

	2013	2012
	HK\$'000	HK\$'000
Trade and other receivables	431,667	432,212
Instalments receivable from sale of properties	-	52
Interest receivable	18,004	22,960
Less: allowance for doubtful debts	(105)	(153)
	<u>449,566</u>	<u>455,071</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, based on the due date, as of the balance sheet date:

	2013	2012
	HK\$'000	HK\$'000
Current	220,302	189,407
1 to 3 months past due	37,977	57,367
More than 3 months past due	20,946	9,873
	<u>279,225</u>	<u>256,647</u>

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.

9. Accounts payable and accruals

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables	211,276	235,858
Balance of passenger rewards	10,706	6,546
Other payables and accruals	963,725	874,473
	1,185,707	1,116,877

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Due within 1 month or on demand	197,075	200,236
Due after 1 month but within 3 months	12,697	33,862
Due after more than 3 months	1,504	1,760
	211,276	235,858

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 2013 was HK\$371.3 million compared with the restated profit of HK\$165.8 million for 2012. The restatement of the 2012 profit attributable to equity shareholders from the previously reported amount of HK\$309.2 million was due to the adoption of the revised Hong Kong Accounting Standard 19, Employee Benefits (the "Revised HKAS 19"), which has become effective for accounting period commencing on 1 January 2013. Earnings per share increased correspondingly from HK\$0.41 (restated) for 2012 to HK\$0.92 for 2013.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 28 May 2014 an ordinary final dividend of HK\$0.45 per share (2012: HK\$0.45 per share) totalling HK\$181.6 million (2012: HK\$181.6 million). Together with the ordinary interim dividend of HK\$0.15 per share (2012: HK\$0.15 per share) paid on 17 October 2013, total dividends for the year will amount to HK\$0.60 per share (2012: HK\$0.60 per share). The total dividend payout for the year will amount to HK\$242.2 million (2012: HK\$242.2 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM") to be held on 22 May 2014 or at any adjournment thereof, the ordinary final dividend will be payable on 10 June 2014.

The Transfer Books of the Company will be closed from 15 May 2014 to 22 May 2014, 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 14 May 2014.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2013, the Transfer Books of the Company will be closed on 28 May 2014. 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 27 May 2014.

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”)

Although being granted a fare increase of 4.9% with effect from 17 March 2013, KMB continued to record a loss after taxation of HK\$21.2 million for 2013 (2012: loss after taxation of HK\$192.2 million, which has been restated from the previously reported amount of HK\$51.5 million as a result of the adoption of the Revised HKAS 19 with effect from 1 January 2013). Since this was the second consecutive year in which KMB incurred a loss and for the purpose of restoring its financial viability for the provision of sustainable quality services, on 29 November 2013, KMB submitted an application to the Transport Department for a fare increase of 4.3%. The fare increase application is currently under review by the HKSAR Government.

KMB's fare revenue for 2013 increased by HK\$260.1 million or 4.4% to HK\$6,202.8 million as compared with HK\$5,942.7 million for 2012. Such increase was mainly due to the fare increase of 4.9% which took effect on 17 March 2013 and a slight year-on-year growth in ridership. KMB's total ridership for 2013 was 952.8 million passenger trips (a daily average of 2.61 million passenger trips), an increase of 1.1% compared with 942.9 million passenger trips (a daily average of 2.58 million passenger trips) for 2012. The increase in ridership was mainly due to the increase in patronage by elderly passengers as a result of the introduction of the HKSAR Government's Public Transport Fare Concession Scheme for Elderly and Eligible Persons with Disabilities with effect from 5 August 2012. Advertising revenue for the year also increased by 3.6% from HK\$112.0 million for 2012 to HK\$116.0 million for 2013.

Total operating expenses for 2013 amounted to HK\$6,405.6 million, an increase of HK\$49.9 million or 0.8% compared to HK\$6,355.7 million (restated) for 2012. The increase was mainly attributed to the increase of HK\$137.3 million in staff costs resulting from the pay rise at an average rate of 3.9% which took effect for KMB's operations and maintenance staff on 1 June 2013 and for other staff on 1 September 2013, and the additional costs incurred on spare parts, tunnel tolls and other operating expenses due to general inflation. The aforesaid increases in

operating expenses were, however, partially offset by the decrease in fuel costs arising from mileage reduction as a result of route rationalisation, and the decrease in depreciation charges.

Long Win Bus Company Limited (“LWB”)

The profit after taxation of LWB for 2013 amounted to HK\$35.4 million, representing an increase of HK\$11.7 million or 49.4% compared with HK\$23.7 million for 2012 which has been restated due to the adoption of the Revised HKAS 19.

LWB’s fare revenue for 2013 amounted to HK\$393.6 million, an increase of HK\$21.1 million or 5.7% compared to HK\$372.5 million for 2012. This increase was mainly due to the year-on-year growth in ridership by 6.1% as a result of 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. In 2013, LWB recorded a total ridership of 33.2 million passenger trips (a daily average of 90,899 passenger trips) for 2013, as compared to 31.3 million passenger trips (a daily average of 85,409 passenger trips) for 2012.

LWB’s total operating expenses for the year amounted to HK\$349.7 million, an increase of HK\$5.8 million or 1.7% compared to HK\$343.9 million (restated) for 2012. The increase was mainly due to the increase in staff costs as a result of annual pay rise and in other operating expenses due to general inflation.

Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$30.6 million for 2013, representing an increase of HK\$0.1 million or 0.3% compared to HK\$30.5 million for 2012. Turnover increased by 7.8% from HK\$301.1 million for 2012 to HK\$324.6 million for 2013. 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 for 2013 amounted to HK\$286.5 million, an increase of HK\$24.8 million or 9.5% compared to HK\$261.7 million for 2012. The increase was mainly attributed to business growth and additional turnover generated by two cross-boundary non-franchised bus operators which were added to the SBH Group in the second half of 2012. Total operating costs for 2013 also increased as a result of increases in salaries, fuel costs and other operating expenses due to general inflation.

In line with the SBH Group's commitment to quality service and environmental protection, SBH Group added 33 Euro V buses to its fleet for business expansion, service enhancement and fleet replacement. As at 31 December 2013, the SBH Group had a fleet of 386 buses (2012: 386 buses).

New Hong Kong Bus Company Limited ("NHKB")

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. Following 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 for 2013 decreased to 4.7 million passenger trips (an average monthly ridership of 0.39 million passenger trips) from 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 mid-night services from HK\$8 per trip to HK\$9 per trip which took effect from 13 May 2013. At the end of 2013, NHKB had a fleet of 15 buses, same as the number at the end of 2012.

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.

The last residential unit of Manhattan Hill and 13 car parking spaces were sold in 2012, leaving only one car parking space which was sold in 2013, generating an after-tax profit of HK\$1.3 million (2012: HK\$76.3 million). On completion of the development project, LCKPI reached a final agreement with its contractors and sub-contractors on the contract settlement sums. Based on the quantity surveyors' certified final accounts of the work done, pre-tax development costs amounting to HK\$108.2 million were written back to the income statement during 2013 on a one off basis. As a result of this write-back and the aforesaid sale of one car parking space, LCKPI recorded a profit after taxation of HK\$93.9 million for 2013, representing an increase of HK\$17.6 million compared with HK\$76.3 million for 2012.

As at 31 December 2013, there was no completed property held for sale (2012: HK\$0.4 million under current assets on the consolidated balance sheet).

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of “Manhattan Mid-town”, the commercial complex of Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with a mix of high quality shops and restaurants. As at 31 December 2013, about 99% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

As at 31 December 2013, 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\$94.4 million (2012: HK\$100.8 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. At 31 December 2013, about 36% of the total gross floor area of the building was leased out to external parties with the remaining offices held by the Group for its own use.

As at 31 December 2013, the building was stated on the consolidated balance sheet at cost less accumulated depreciation and impairment losses in the amount of HK\$31.9 million (2012: HK\$33.2 million).

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), owns the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “Kwun Tong Site”) in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited (“SHKRE”), a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. 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 2013, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK\$14.9 million (2012: HK\$13.4 million). The capital commitment outstanding and not provided for as at 31 December 2013 was HK\$1,788.2 million (2012: HK\$1,788.8 million).

TM Properties Investment Limited (“TMPI”)

TMPI, a wholly-owned subsidiary of the Group, is the owner of 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 to generate additional rental income for the Group since March 2011.

As at 31 December 2013, 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\$7.4 million (2012: HK\$8.6 million).

Media Sales Business

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

For the year ended 31 December 2013, the RoadShow Group reported a total operating revenue of HK\$488.2 million (2012: HK\$443.2 million) and a profit attributable to equity shareholders of HK\$104.8 million (2012: HK\$74.8 million). The improvement in the results was mainly attributable to business growth and the reversal of impairment loss on a portion of the loans to an investee in Mainland China of HK\$25.6 million.

The revenue generated from the RoadShow Group’s Hong Kong media sales services in 2013 amounted to HK\$461.4 million, an increase of HK\$44.4 million or 10.6% compared with HK\$417.0 million in 2012. Such increase was mainly attributable to the growth in core businesses in Hong Kong.

The total operating expenses for 2013 increased by HK\$42.6 million or 12.3% from HK\$346.7 million in 2012 to HK\$389.3 million in 2013, which was in line with the growth of the media sales business.

Further information relating to the RoadShow Group is available in its 2013 final results announcement and annual report.

China Mainland Transport Operations

As at 31 December 2013, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$724.0 million (2012: HK\$671.5 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 2013, the Group’s China Mainland Transport Operations Division reported an after-tax profit of HK\$34.8 million (2012: HK\$34.5 million).

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SBG”)

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 5,981 vehicles serving on around 270 routes. In 2013, SBG recorded a total ridership of 834.8 million passenger trips, a decrease of 4.8% compared with 877.3 million passenger trips for 2012, due mainly to the increased competition from the new railway lines. SBG has continued to make steady progress by enhancing its productivity and management capability, and recorded a profit in 2013.

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

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT’s shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus in the exploration of business opportunities in the booming but challenging car rental market, the car rental business of BBKT has been transferred to a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), which has the same shareholding structure as BBKT. As at 31 December 2013, BBKT had a fleet of 3,719 taxis and 5,374 employees. BBKT made satisfactory progress and recorded a profit in 2013.

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

Established in April 2013, BBF is a Sino-foreign joint stock company which carries on the car rental business formerly operated by BBKT. With the same shareholding structure as BBKT, BBF is ideally positioned to take advantage of the growing business opportunities afforded by business commuters as well as the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2013, BBF had 1,170 vehicles available for charter mainly in Beijing and Tianjin (天津) and 147 employees. BBF recorded a profit in 2013.

FINANCIAL LIQUIDITY AND RESOURCES

The Group closely monitors its liquidity requirement and financial resources with an aim to ensure that the Group has sufficient reserves of cash and liquid assets, as well as adequate undrawn committed banking facilities 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 are responsible for their individual cash management including the short term investment of cash surpluses for yield enhancement and the raising of loans to cover expected cash demands to meet their operational and investment needs. For the other subsidiaries, the sources of finance are mainly from the capital base of their parent company. The management regularly reviews the Group's funding policy to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through proper planning and close monitoring of the level of debts, and maintaining adequate committed stand-by banking facilities, 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 2013, the Group had undrawn banking facilities totaling HK\$610.0 million (2012: HK\$609.9 million), of which HK\$600.0 million (2012: HK\$600.0 million) was of a committed nature.

As at 31 December 2013, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$2,029.7 million (2012: HK\$2,298.0 million) and with a liquidity ratio (the ratio of current assets to current liabilities) of 2.3 (2012: 2.5).

The finance costs incurred by the Group for the year ended 31 December 2013 was HK\$7.3 million, a decrease of HK\$2.1 million compared with HK\$9.4 million for 2012. The decrease was mainly due to the decrease in the average bank borrowings of the Group as well as the fall in the average interest rate from 1.14% per annum for 2012 to 1.06% per annum for 2013.

For the year ended 31 December 2013, the Group was in a net interest income position as its interest income exceeded the total finance costs by HK\$59.0 million (2012: HK\$58.3 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 2013.

In 2013, the Group incurred capital expenditure of HK\$1,408.4 million (2012: HK\$700.1 million). The increase was mainly due to more new buses were purchased by KMB and LWB for fleet replacement during the year.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for over 48.4% of the total operating cost of the Group in 2013. The Group closely monitors its headcount and staff remuneration against productivity and market trends. For the year ended 31 December 2013, total remuneration of employees of the Group amounted to HK\$3,299.2 million (2012: HK\$3,156.7 million), representing an increase of 4.5%. The number of employees of the Group at the year end of 2013 decreased by 0.1% from 13,272 at the year end of 2012 to 13,260 at the year end of 2013.

LOOKING AHEAD

Given that KMB has sustained a loss for two consecutive years, the outlook for the Group's franchised bus operations depends to a large extent on the pace at which KMB is allowed to implement its route reorganisation programme, as well as its extent. While the introduction over the last 11 years of six railway lines within KMB's operating area has led to a decline of more than 500,000 passengers-trips per day, KMB continues to operate with around 70% of its nearly 400 routes making a loss. The situation in which these loss-making routes are being subsidised by the remaining 30% profit-making routes is both unhealthy and unsustainable. To tackle this problem, KMB has been working with the HKSAR Government and District Councils to reorganise obsolete and lowly-utilised routes. Given the successful implementation of the route reorganisation plans for North District and Tuen Mun in the third quarter of 2013, KMB hopes to join hands with the Government and the community to launch route reorganisation programmes at a faster pace in multiple districts simultaneously in 2014 to bring about a win-win situation through the review of outdated bus routes and the introduction of new routes. The expeditious implementation of KMB's route reorganisation

programme, which is in line with Government policy on environmental protection, as underlined in the Chief Executive's Policy Address, will help reduce the number of lowly-utilised buses running on the roads, ease traffic congestion, reduce fuel consumption, and improve environmental quality by reducing roadside air pollution.

While KMB has been working hard to implement stringent cost control and revenue improvement measures to counter an operating environment made increasingly difficult by an inefficient route network, high fuel prices and annual wage increase pressures, in order to help restore its financial viability it had little choice but to submit to the Transport Department on 29 November 2013 an application for a fare increase of 4.3%, which is in line with the prevailing inflation rate. We hope that the application will be approved and come into effect as soon as possible so that sufficient resources can be made available for service improvements and the maintenance of the livelihood of its 12,000 staff members, as well as to cater for the purchase of the latest environment-friendly buses in the next few years.

The Group's non-franchised transport businesses recorded healthy growth in 2013, even though high fuel prices continued to pose significant challenges to their operations. We will continue to improve the service quality of our coaches while exploring business opportunities that can increase our income.

The development of the Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon is ongoing. The site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses, and once completed will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall with a total area of 50,000 square feet and the shops in our adjacent headquarters building in Lai Chi Kok, along with the industrial property at 1 Kin Fung Circuit, Tuen Mun, are set to continue to provide steady rental revenue 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 Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, 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 23 May 2013 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 2013.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 24 March 2014

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. 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*
Mr. Allen FUNG Yuk Lun
Mr. Roger LEE Chak Cheong

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*