

Report of the Directors

The Directors have pleasure in submitting their annual report and the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services. Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements.

The Group's turnover and profit are mainly attributable to franchised and non-franchised bus operations, property development and media sales business. The analysis of the principal activities of the Group during the financial year is set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 131 to 199 of this Annual Report.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of HK\$866,886,000 (2009: HK\$673,504,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of 30 cents per share was paid to the shareholders on 18 October 2010 (2009: 30 cents per share). The Directors now recommend that an ordinary final dividend of HK\$1.05 per share in respect of the year ended 31 December 2010 (2009: ordinary final dividend of HK\$1.05 per share and special dividend of HK\$1.00 per share) be paid to the shareholders on 24 May 2011.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$535,000 (2009: HK\$1,070,000).

FIXED ASSETS

During the year, major additions to the fixed assets of the Group were buses under construction with a total cost of HK\$703,686,000 and tools and other fixed assets with a total cost of HK\$335,051,000. Buses with a total cost of HK\$341,080,000 were licensed and put into service during the year following the completion of construction. Other movements in fixed assets during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31(b) to the financial statements. There were no movements during the year.

Report of the Directors

DIRECTORS

The Directors during the financial year and up to the date of this report were:

The Hon Sir Sze-yuen CHUNG*, <i>GBM, GBE, PhD, FREng, JP</i>	(Chairman)
Dr Norman LEUNG Nai Pang*, <i>GBS, JP</i>	(Deputy Chairman)
KWOK Ping-luen, Raymond, <i>JP</i>	
Dr KWOK Ping-sheung, Walter, <i>JP</i>	
NG Siu Chan	
William LOUEY Lai Kuen	
Dr John CHAN Cho Chak, <i>GBS, JP</i>	
Charles LUI Chung Yuen, <i>M.H.</i>	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan)
George CHIEN Yuan Hwei	
Dr Eric LI Ka Cheung*, <i>GBS, OBE, JP</i>	
Edmond HO Tat Man	(Managing Director)
SIU Kwing-chue, Gordon*, <i>GBS, CBE, JP</i>	
John Anthony MILLER, <i>SBS, OBE</i>	
Evan AU YANG Chi Chun	(Deputy Managing Director)(Appointed on 20 May 2010)
YUNG Wing Chung	(Alternate Director to Mr KWOK Ping-luen, Raymond, <i>JP</i>)
SO Wai Kei, Godwin	(Alternate Director to Dr KWOK Ping-sheung, Walter, <i>JP</i>)
Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i>	(Passed away on 9 May 2010)
KUNG Lin Cheng, Leo, <i>JP</i>	(Ceased to be Alternate Director to Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i> with effect from 9 May 2010)

* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), the Hon Sir Sze-yuen Chung, Mr Ng Siu Chan, Dr John Chan Cho Chak, Mr Siu Kwing-chue, Gordon, Mr John Anthony Miller and Mr Evan Au Yang Chi Chun retire from the Board by rotation and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 112 to 117 of this Annual Report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2010 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

(i) Interests in Issued Shares

(a) The Company

	Ordinary shares of HK\$1 each					Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	
The Hon Sir Sze-yuen CHUNG*	18,821	—	—	—	18,821	0.005%
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	393,350	—	—	—	393,350	0.097%
Dr KWOK Ping-sheung, Walter	61,522	—	—	—	61,522	0.015%
NG Siu Chan	—	21,000,609	—	—	21,000,609	5.203%
William LOUEY Lai Kuen	6,251,416	—	—	—	6,251,416	1.549%
Dr John CHAN Cho Chak	2,000	—	—	—	2,000	—
Charles LUI Chung Yuen	12,427	—	—	2,651,750	2,664,177	0.660%
				(Note 1)		
Winnie NG	41,416	—	—	21,000,609	21,042,025	5.213%
				(Note 2)		
George CHIEN Yuan Hwei	2,000	—	—	—	2,000	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* Independent Non-executive Director

Notes: (1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,651,750 shares in the Company.

(2) Ms Winnie Ng has interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(i) Interests in Issued Shares (continued)

(b) RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Company

	Ordinary shares of HK\$0.1 each					Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	
The Hon Sir Sze-yuen CHUNG*	4,000	—	—	—	4,000	—
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	37,400	—	—	—	37,400	0.004%
Dr KWOK Ping-sheung, Walter	6,600	—	—	—	6,600	0.001%
NG Siu Chan	—	123,743	—	—	123,743	0.012%
William LOUEY Lai Kuen	412,371	—	—	—	412,371	0.041%
Dr John CHAN Cho Chak	—	—	—	—	—	—
Charles LUI Chung Yuen	—	—	—	209,131 (Note 1)	209,131	0.021%
Winnie NG	1,000,000	—	—	123,743 (Note 2)	1,123,743	0.113%
George CHIEN Yuan Hwei	—	—	—	—	—	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* Independent Non-executive Director

Notes: (1) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.

(2) Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 31 December 2010, none of the Directors had any non-beneficial interest in the share capital of the Company.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(ii) Interests in Underlying Shares

RoadShow has a share option scheme ("the Scheme") which was adopted on 7 June 2001, under which the directors of RoadShow may, at their discretion, offer any employee (including any directors) of RoadShow or any of its wholly-owned subsidiaries options to subscribe for shares in RoadShow to recognise their contributions to the growth of RoadShow, subject to the terms and conditions stipulated in the Scheme.

The exercise price of the options is determined as the highest of the nominal value of the shares of RoadShow ("the Shares"), the closing price of the Shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date of the grant and the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of grant. The options vest immediately from the date of grant and are then exercisable within a period of three years. The Scheme is valid and effective for a period of ten years ending on 6 June 2011, after which no further options will be granted.

The total number of securities available for issue under the Scheme as at 31 December 2010 was 99,736,533 shares which represented 10% of the issued share capital of RoadShow at 31 December 2010. In respect of the maximum entitlement of each participant under the Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of RoadShow's ordinary shares in issue. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 of RoadShow.

As at 31 December 2010, no options were outstanding.

Apart from the above, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors' interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 36(a) to the financial statements, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Mr Kwok Ping-luen, Raymond and Dr Kwok Ping-sheung, Walter are directors of SHKP. Mr Kwok Ping-luen, Raymond is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the Securities and Futures Ordinance in more than 5% of the issued shares of SHKP and the interest of Dr Kwok Ping-sheung, Walter in the issued shares of SHKP is pending resolution.

Save as disclosed above, no contract of significance to which the Company, any of its holding companies, subsidiary or fellow subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Report of the Directors

DISCLOSEABLE INTERESTS OF SHAREHOLDERS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2010, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK\$1 each			
	Registered shareholders	Corporate interests	Total number of shares held	Percentage of total issued shares
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	133,271,012	133,271,012	33.0%
Arklake Limited (Note 1)	68,600,352	–	68,600,352	17.0%
HSBC International Trustee Limited (Note 3)	42,592,788	–	42,592,788	10.6%
HSBC Trustee (C.I.) Limited (Note 3)	134,341,973	–	134,341,973	33.3%
Kwong Tai Holdings (PTC) Limited (Note 4)	21,000,609	–	21,000,609	5.2%

Notes: (1) The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.

(2) Under The Code on Takeovers and Mergers ("the Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP has been holding 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001.

(3) HSBC International Trustee Limited and HSBC Trustee (C.I.) Limited are deemed to be interested in a total of 176,934,761 shares in the Company held on trust for their clients, of which 133,271,012 shares are held for SHKP.

(4) The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both are Directors of the Company.

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.

SENIOR MANAGEMENT

Brief particulars of the senior management of the Group are set out on page 118 of this Annual Report.



STAFF RETIREMENT SCHEMES

The Group operates two separate non-contributory defined benefit retirement schemes, The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme ("The KMB Monthly Rated Employees Scheme") and The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme ("The KMB Daily Rated Employees Scheme"), and participates in a defined contribution retirement scheme, SHKP MPF Employer Sponsored Scheme.

Defined Benefit Retirement Schemes

The Group makes contributions to two defined benefit retirement schemes that provide pension benefits for employees upon retirement. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals.

The most recent actuarial valuations of the two schemes were at 1 January 2011 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

The KMB Monthly Rated Employees Scheme

- (i) The scheme was established with effect from 15 February 1978.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 65.
- (iii) The market value of the scheme assets at 31 December 2010 was HK\$1,206,019,000.
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the year ended 31 December 2010.
- (v) The ongoing funding surplus in the scheme was HK\$504,970,000 and the solvency surplus was HK\$505,221,000 at 31 December 2010.

The KMB Daily Rated Employees Scheme

- (i) The scheme was established with effect from 1 July 1983.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 60.
- (iii) The market value of the scheme assets at 31 December 2010 was HK\$2,767,252,000.
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the year ended 31 December 2010.
- (v) The ongoing funding surplus in the scheme was HK\$1,212,364,000 and the solvency surplus was HK\$1,294,235,000 at 31 December 2010.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 22 to the financial statements).

Report of the Directors

STAFF RETIREMENT SCHEMES (continued)

Defined Contribution Retirement Scheme

SHKP MPF Employer Sponsored Scheme ("the SHKP Scheme")

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the SHKP Scheme during the year are charged to the income statement as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2010 were insignificant to the Group.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group as at 31 December 2010 are set out in note 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 200 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein throughout the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules.

PROPERTIES

Particulars of the investment properties and completed property held for sale of the Group are shown on page 87 of this Annual Report.



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 also reviewed the financial statements for the year ended 31 December 2010.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

S.Y. CHUNG

Chairman

Hong Kong, 17 March 2011