

## **KMB Announces Operating Loss for Full Year 2011 in face of Challenging Operating Environment**

Transport International Holdings Limited (“TIH”, together with its subsidiaries “the Group”), the parent company of The Kowloon Motor Bus Company (1933) Limited (“KMB”), announced today the Group’s final results for the year ended 31 December 2011.

KMB recorded an operating loss of HK\$17.8 million for the year ended 31 December 2011, an unfavourable change of HK\$313.3 million compared to an operating profit of HK\$295.5 million for 2010.

The deterioration in KMB’s financial performance in 2011 was due mainly to the significant rise in international fuel oil prices. The average price of Singapore 0.5% Sulphur Gas Oil (“Gasoil”), on which the cost of near-zero sulphur diesel used by KMB is based, was US\$124.6 per barrel for 2011, an increase of 39.1% compared to 2010. This resulted in KMB’s fuel costs for 2011 surging to HK\$1,403.4 million, a significant increase of HK\$374.7 million compared to HK\$1,028.7 million in 2010.

KMB’s average daily ridership for 2011 was 2.56 million passenger trips, a decrease of 1.1% compared to 2010. This decrease was mainly attributable to a shift of passengers to the expanded railway network, which overlaps with many bus routes in KMB’s service areas. This has led to increasing underutilisation of buses and an increasing number of loss-making routes.

In 2011, a fare increase of 3.6% was granted to KMB by the HKSAR Government and implemented with effect from 15 May 2011. The extra revenue of about HK\$200 million per annum generated by this fare increase was grossly insufficient to offset the aforesaid increase of HK\$374.7 million in fuel costs alone, not to mention the pay rise package (including a 4% wage increase) offered to frontline and maintenance staff with effect from 1 June 2011 and to other staff from 1 September 2011, which cost KMB about HK\$140 million per annum.

With an expanding railway network, high fuel oil prices and an increase in wages and other operating expenses due to inflationary pressure, KMB expects that its operating environment for 2012 and the years ahead will become increasingly challenging. KMB will continue to seek support from the HKSAR Government and District Councils to improve its bus network efficiency.