



TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 062)

2005 FINAL RESULTS ANNOUNCEMENT

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Note</i>	2005	2004
		<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Turnover	3, 7	6,456,404	6,544,281
Gain on disposal of building and interest in leasehold land		90,478	—
Other net income		88,464	67,140
Staff costs		(2,982,936)	(3,048,098)
Depreciation and amortisation		(913,782)	(901,700)
Fuel and oil		(916,862)	(675,118)
Spare parts and stores		(208,038)	(208,777)
Other operating expenses		<u>(907,625)</u>	<u>(872,408)</u>
Profit from operations		706,103	905,320
Finance costs	4	(69,131)	(15,376)
Share of profits of associates		53,397	22,388
Share of profit of jointly controlled entity		<u>282</u>	<u>368</u>
Profit before taxation	4	690,651	912,700
Income tax	5	<u>(95,922)</u>	<u>(168,942)</u>
Profit for the year		<u>594,729</u>	<u>743,758</u>
Attributable to:			
Equity shareholders of the Company		584,164	731,165
Minority interests		<u>10,565</u>	<u>12,593</u>
Profit for the year		<u>594,729</u>	<u>743,758</u>
Earnings per share	6	<u>HK\$1.45</u>	<u>HK\$1.81</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends paid/payable to equity shareholders of the Company attributable to the year:			
Interim dividend declared and paid of HK\$0.45 per share (2004: HK\$0.45 per share)		181,638	181,638
Final dividend proposed after the balance sheet date of HK\$1.58 per share (2004: HK\$1.58 per share)		<u>637,750</u>	<u>637,750</u>
		<u>819,388</u>	<u>819,388</u>

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005**

	<i>Note</i>	2005	2004 (restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets			
- Property, plant and equipment		5,634,008	6,029,853
- Interest in leasehold land held for own use under operating leases		<u>86,262</u>	<u>88,716</u>
		5,720,270	6,118,569
Goodwill		32,599	29,626
Media assets		95,805	114,722
Non-current prepayments		62,610	470,445
Interest in associates		776,406	330,174
Interest in jointly controlled entity		16,373	5,382
Other financial assets		33,947	15,355
Employee benefit assets		484,969	413,833
Deferred tax assets		<u>16,077</u>	<u>12,062</u>
		<u>7,239,056</u>	<u>7,510,168</u>
Current assets			
Other investments		47,250	93,385
Property under development		707,064	323,209
Spare parts and stores		72,144	74,675
Accounts receivable	8	297,203	203,766
Deposits and prepayments		79,637	48,980
Current taxation recoverable		4,289	3,694
Cash and cash equivalents		<u>1,133,658</u>	<u>1,170,184</u>
		<u>2,341,245</u>	<u>1,917,893</u>
Current liabilities			
Bank loans and overdrafts		961,489	494,256
Accounts payable and accruals	9	856,687	821,066
Third party claims payable		305,663	298,595
Current taxation payable		<u>33,611</u>	<u>50,707</u>
		<u>2,157,450</u>	<u>1,664,624</u>
Net current assets		<u>183,795</u>	<u>253,269</u>

	<i>Note</i>	2005	2004 (restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities		7,422,851	7,763,437
		<u>-----</u>	<u>-----</u>
Non-current liabilities			
Bank loans		2,218,423	2,297,704
Contingency provision - insurance		52,102	58,502
Deferred tax liabilities		801,761	819,523
Provision for long service payments		49,885	48,253
		<u>3,122,171</u>	<u>3,223,982</u>
		<u>-----</u>	<u>-----</u>
Net assets		<u>4,300,680</u>	<u>4,539,455</u>
		<u>-----</u>	<u>-----</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		3,628,494	3,846,797
		<u>3,628,494</u>	<u>3,846,797</u>
		<u>-----</u>	<u>-----</u>
Total equity attributable to equity shareholders of the Company		4,032,133	4,250,436
Minority interests		268,547	289,019
		<u>268,547</u>	<u>289,019</u>
		<u>-----</u>	<u>-----</u>
Total equity		<u>4,300,680</u>	<u>4,539,455</u>
		<u>-----</u>	<u>-----</u>

Notes:

1. Basis of preparation

The accounting policies used in the preparation of the 2005 consolidated financial statements are consistent with those set out in the 2004 Annual Report, except that the Group has changed certain of its accounting policies following the adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”). Details of these significant changes in accounting policies are set out in note 2 below.

2. Adoption of new HKFRSs

- (a) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The following sets out the information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements.
- (b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. In prior years, leasehold land held for own use was stated at cost less accumulated depreciation and accumulated impairment losses. With effect from 1 January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be separately identified from the cost of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. Any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight-line basis over the lease term. The new accounting policy has been adopted retrospectively, with comparative information adjusted for the amounts relating to prior periods.
- (c) The adoption of HKAS 39 has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments. Prior to 1 January 2005, derivatives of the Group were not recorded on the balance sheet based on the then prevailing accounting standards. In accordance with the provisions of HKAS 39, all derivatives have been recognised at their fair value on the balance sheet on 1 January 2005. Fixed interest foreign currency borrowings that are designated as hedged items for fair value hedges are also stated at fair value. Subsequent changes in fair values are recognised in the income statement. This new policy has no significant impact on opening balances of equity at 1 January 2005 and 2004 and profit after taxation for the years ended 31 December 2005 and 2004.
- (d) The adoption of HKAS 36 and HKFRS 3 has resulted in a change in the accounting policy relating to goodwill. Positive goodwill was previously amortised on a straight-line basis over its estimated useful life. With effect from 1 January 2005 and in accordance with the provisions of HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, and impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the consolidated income statement for the year ended 31 December 2005. This has increased the Group’s profit after taxation for the year ended 31 December 2005 by HK\$5,455,000.

- (e) The adoption of HKAS 1 and HKAS 28 has resulted in a change in the accounting policy relating to the presentation of shares of associates' and jointly controlled entity's taxation and goodwill arising on acquisition of associate. In prior years, the Group's share of taxation of associates and a jointly controlled entity accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. Goodwill arising on acquisition of associate was presented separately in the consolidated balance sheet. With effect from 1 January 2005, in accordance with HKAS 28 and the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and a jointly controlled entity accounted for using the equity method in the respective shares of profits reported in the consolidated income statement before arriving at the Group's profit or loss before taxation. Goodwill relating to associate is now included in interest in associates in the consolidated balance sheet.

3. Turnover

Turnover comprises fare revenue from the operation of franchised public bus and non-franchised transport services and media sales revenue during the year and is analysed as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fare revenue from franchised public bus services	5,937,649	6,053,523
Revenue from non-franchised transport services	287,003	256,401
Media sales revenue	<u>231,752</u>	<u>234,357</u>
	<u>6,456,404</u>	<u>6,544,281</u>

4. Profit before taxation

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

	2005	2004
	<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Interest on bank loans, overdrafts and other unsecured loans wholly repayable within five years	81,053	15,400
Less: borrowing costs capitalised into property under development	<u>(11,922)</u>	<u>(24)</u>
	<u>69,131</u>	<u>15,376</u>
Dividend income from listed securities	(1,575)	(1,323)
Dividend income from unlisted securities	(18,593)	—
Interest income from bank deposits	(18,764)	(9,493)
Interest income from unlisted debt securities	(2,284)	(3,522)
Net realised and unrealised gain on investments in securities carried at fair value	(365)	(2,110)
Net gain on disposal of other fixed assets	(6,847)	(7,475)
Share of associates' taxation	8,705	11,839
Share of jointly controlled entity's taxation	<u>121</u>	<u>697</u>

5. **Income tax**

	2005	2004
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Profits Tax for the year	116,262	150,621
Under/(over)-provision in respect of prior years	<u>654</u>	<u>(13,547)</u>
	116,916	137,074
Current tax — PRC Income Tax		
Provision for the year	<u>783</u>	<u>735</u>
	117,699	137,809
Deferred tax		
Origination and reversal of temporary differences	<u>(21,777)</u>	<u>31,133</u>
	<u><u>95,922</u></u>	<u><u>168,942</u></u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the People's Republic of China ("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\$584,164,000 (2004: HK\$731,165,000) and 403,639,413 shares in issue during the two years.

(b) ***Diluted earnings per share***

The diluted earnings per share for the current and the previous year are not presented as there are no dilutive potential ordinary shares during the year.

7. Segment reporting

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents fare revenue from the operation of franchised public bus and non-franchised transport services and media sales revenue.

	Transport operations		Media sales business		Inter-segment elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	<i>(restated)</i>		<i>(restated)</i>		<i>(restated)</i>		<i>(restated)</i>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,224,652	6,309,924	231,752	234,357	—	—	6,456,404	6,544,281
Inter-segment revenue	2	—	24,591	22,609	(24,593)	(22,609)	—	—
Gain on disposal of building and interest in leasehold land	90,478	—	—	—	—	—	90,478	—
Other revenue from external customers	49,342	41,731	2,345	2,200	—	—	51,687	43,931
Total	6,364,474	6,351,655	258,688	259,166	(24,593)	(22,609)	6,598,569	6,588,212
Segment result	<u>618,316</u>	<u>824,880</u>	<u>60,878</u>	<u>75,655</u>	<u>—</u>	<u>—</u>	679,194	900,535
Unallocated net operating income							<u>26,909</u>	<u>4,785</u>
Profit from operations							706,103	905,320
Finance costs							(69,131)	(15,376)
Share of profits of associates and jointly controlled entity	41,550	13,302	12,129	9,454	—	—	53,679	22,756
Income tax							<u>(95,922)</u>	<u>(168,942)</u>
Profit after taxation							<u>594,729</u>	<u>743,758</u>
Depreciation and amortisation for the year	<u>874,224</u>	<u>865,793</u>	<u>39,558</u>	<u>35,907</u>	<u>—</u>	<u>—</u>		
Segment assets	6,401,930	6,605,625	336,202	406,396	—	—	6,738,132	7,012,021
Interests in associates and jointly controlled entity	648,390	224,285	144,389	111,271	—	—	792,779	335,556
Unallocated assets							<u>2,049,390</u>	<u>2,080,484</u>
Total assets							<u>9,580,301</u>	<u>9,428,061</u>
Segment liabilities	1,122,656	1,139,609	50,443	63,474	—	—	1,173,099	1,203,083
Unallocated liabilities							<u>4,106,522</u>	<u>3,685,523</u>
Total liabilities							<u>5,279,621</u>	<u>4,888,606</u>
Capital expenditure incurred during the year	<u>514,140</u>	<u>533,755</u>	<u>3,389</u>	<u>47,836</u>	<u>—</u>	<u>—</u>		

Geographical segments

The Group's turnover and profit from operations derived from activities outside Hong Kong were insignificant. Accordingly, no analysis by geographical segment is provided.

8. Accounts receivable

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other receivables	293,131	202,153
Interest receivable	1,515	1,613
Derivative financial instruments	<u>2,557</u>	<u>—</u>
	<u><u>297,203</u></u>	<u><u>203,766</u></u>

Included in accounts receivable are trade receivables (net of impairment losses for doubtful debts) with the following ageing analysis:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	157,166	106,723
1 to 3 months overdue	23,070	10,097
More than 3 months overdue	<u>23,486</u>	<u>31,070</u>
	<u><u>203,722</u></u>	<u><u>147,890</u></u>

Debts are normally due within 30 to 90 days from the date of billing. All of the accounts receivable, except for derivative financial instruments of HK\$1,135,000, are expected to be recovered within one year.

9. Accounts payable and accruals

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	96,858	133,955
Other payables and accruals	<u>759,829</u>	<u>687,111</u>
	<u><u>856,687</u></u>	<u><u>821,066</u></u>

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	80,437	92,533
Due after 1 month but within 3 months	14,662	41,422
Due after more than 3 months	<u>1,759</u>	<u>—</u>
	<u><u>96,858</u></u>	<u><u>133,955</u></u>

10. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as disclosed in note 2 above. Further, certain comparative figures have also been reclassified to conform with the current year's presentation.

RESULTS

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2005 was HK\$584.2 million (2004: HK\$731.2 million), a decrease of 20.1% compared with that for 2004. The profit for 2005 included a one-off capital gain of HK\$90.5 million arising from the disposal of the Kwai Chung Depot which was previously owned and used by The Kowloon Motor Bus Company (1933) Limited, a wholly-owned subsidiary of the Company, at a consideration of HK\$106.0 million. Earnings per share for the year were HK\$1.45, a decrease of 20.1% compared with HK\$1.81 for 2004.

PROPOSED FINAL DIVIDEND

On 16 March 2006, the Board of Directors recommended the payment to shareholders registered on 18 May 2006 a final dividend of HK\$1.58 per share (2004: HK\$1.58 per share), totalling HK\$637.8 million (2004: HK\$637.8 million), for the year ended 31 December 2005. Together with the interim dividend of HK\$0.45 per share (2004: HK\$0.45 per share) paid on 13 October 2005, the total dividend for the year ended 31 December 2005 will amount to HK\$2.03 per share (2004: HK\$2.03 per share), totalling HK\$819.4 million (2004: HK\$819.4 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 18 May 2006, the final dividend will be payable on 19 May 2006.

The Transfer Books of the Company will be closed from 9 May 2006 to 18 May 2006, both dates inclusive. To qualify for the proposed final dividend, 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 4:00 p.m. on 8 May 2006.

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")

KMB's profit after taxation for the year amounted to HK\$475.5 million (2004: HK\$675.5 million), representing a decrease of 29.6% compared with that for the previous year. The amount included a one-off capital gain of HK\$90.5 million arising from the disposal of the Kwai Chung Depot. When excluding such capital gain, KMB's profit after taxation from the franchised public bus operation decreased by 43.0% from HK\$675.5 million in 2004 to HK\$385.0 million in 2005.

KMB's fare revenue for the year amounted to HK\$5,668.0 million (2004: HK\$5,808.8 million), a decrease of HK\$140.8 million or 2.4% compared with the previous year. Its ridership in 2005 amounted to 1,009.9 million passenger trips (2004: 1,063.8 million passenger trips), a decrease of 53.9 million passenger trips or 5.1% when compared with 2004. The decreases were mainly attributed to the continuous loss of patronage to new

railways, in particular the KCRC Ma On Shan Rail, Tsim Sha Tsui Extension and West Rail which commenced operations in December 2004, October 2004 and December 2003 respectively. KMB's advertising revenue for the year amounted to HK\$64.0 million (2004: HK\$74.5 million), a decrease of 14.1% compared with the previous year.

The actual distance travelled by KMB's buses totalled 339.0 million kilometres during the year (2004: 342.8 million kilometres). The decrease in distance travelled was mainly due to the rationalisation of certain bus routes following the commissioning of the Ma On Shan Rail.

KMB's total operating cost for the year amounted to HK\$5,295.7 million (2004: HK\$5,113.1 million), representing an increase of HK\$182.6 million or 3.6% compared with 2004. For the year ended 31 December 2005, expenditure on fuel oil amounted to HK\$809.6 million, an increase of approximately HK\$216.0 million or 36.4% compared with 2004. This increase was due mainly to the worldwide drastic escalation of oil prices. Tunnel tolls as part of the other operating expenses and finance costs for the year also increased by HK\$21.6 million and HK\$36.1 million respectively compared with those for 2004 due to the increases in toll charges and interest rates. These increases in operating costs were totally beyond the control of KMB. Faced with this situation, KMB has made strenuous efforts to reduce operating costs through productivity enhancement, bus service rationalisation and stringent cost controls on other expenses wherever possible. As a result, the bus operating cost when excluding the cost of fuel oil for the year was reduced by HK\$33.4 million or 0.8% compared with 2004, notwithstanding a 2% pay rise for KMB's operations staff and office staff with effect from 1 June 2005 and 1 September 2005 respectively.

KMB operated a total of 404 routes at the end of 2005, compared with 405 at the end of 2004. During the year, three new routes were introduced whilst four routes were cancelled in the Ma On Shan and Shatin areas as part of a rationalisation exercise following the opening of the Ma On Shan Rail.

At 31 December 2005, KMB had a fleet of 4,029 (2004: 4,150) licensed buses, comprising 3,873 double-deckers and 156 single-deckers, of which a total of 3,650 or 90.6% was air-conditioned.

Long Win Bus Company Limited ("LWB")

LWB recorded a profit after taxation of HK\$18.7 million for the year (2004: HK\$16.3 million). This represents an increase of HK\$2.4 million or 14.7% compared with the previous year.

LWB's fare revenue for the year amounted to HK\$269.5 million, representing an increase of 10.9% compared with HK\$243.0 million for 2004. The total ridership of LWB in 2005 was 24.3 million (a daily average of 66,553) passenger trips, an increase of 9.0% compared with 22.3 million (a daily average of 60,942) passenger trips in the previous year. The increase was due mainly to the continued growth of population in Tung Chung New Town and the increased road transport demand to and from the Hong Kong International Airport. The opening of Hong Kong Disneyland in 2005 also generated more patronage for LWB.

Total mileage operated for the year increased to 23.8 million kilometres (2004: 23.5 million kilometres) due to the expansion of routes to cater for the new transport demand associated with the opening of Hong Kong Disneyland.

The advertising revenue of LWB increased to HK\$1.2 million in 2005 from HK\$0.6 million in 2004.

LWB's total operating cost for the year amounted to HK\$245.4 million (2004: HK\$226.1 million), an increase of 8.5% compared with 2004. The increase was mainly due to increases in fuel costs and tunnel toll charges, as well as other operating expenses as a result of service enhancement to cope with the growing transport demand. Finance costs for 2005 increased by HK\$4.1 million to HK\$5.1 million (2004: HK\$1.0 million) due to the increase in market interest rates.

At 31 December 2005, LWB had 139 (2004: 136) air-conditioned double-deck buses and 9 (2004: 9) air-conditioned single-deck buses serving a total of 18 routes (2004: 15 routes).

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$26.8 million for 2005 (2004: HK\$23.8 million), representing an increase of 12.6% compared with that for the previous year. Turnover increased by 11.9% from HK\$256.4 million in 2004 to HK\$287.0 million in 2005. The increase was due primarily to the continuous improvement of the local economy, the opening of Hong Kong Disneyland and the growth in patronage of the cross-boundary shuttle bus service. 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 major provider of various non-franchised bus services to residential estates, shopping malls, corporations, employers, schools, tourists, and contract-hire customers. Turnover of the SBH Group for the year amounted to HK\$114.0 million, an increase of 11.7% compared with 2004. The increase was due mainly to the growth in patronage as a result of the opening of Hong Kong Disneyland and the growing inbound tourist market, particularly tour groups from the mainland of China. However, the growth in turnover was partially offset by the drastic increase in fuel costs during the year.

At 31 December 2005, the SBH Group had a fleet of 249 buses (2004: 230 buses). During the year, 65 buses (2004: 7 buses) were purchased for enhancement of service quality and replacement of older buses.

Park Island Transport Company Limited ("PITC")

PITC was previously a 65% owned subsidiary of the Group. It became a wholly-owned subsidiary of the Group on 13 December 2005 after the Group acquired the remaining 35% equity interest from the former minority shareholder of PITC. PITC has been providing shuttle bus and ferry services for residents of and visitors to Park Island, a prestigious development on Ma Wan Island. At the year-end, PITC operated two ferry routes and two bus routes serving Ma Wan Island, with a ferry fleet of seven high-speed catamarans and an

air-conditioned bus fleet of 11 super-low floor single-deck buses, three diesel-electric hybrid super-low floor single-deck buses and one 28-seat mini-bus. The patronage for the year was 5.9 million passenger trips, an increase of 15.7% compared with 5.1 million passenger trips for 2004. This increase was due mainly to further population in-take of Park Island.

New Hong Kong Bus Company Limited (“NHKB”)

NHKB, together with its Shenzhen counterpart, jointly operates a direct, economical, 24-hour cross-boundary shuttle bus service serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen. Due mainly to the increase in economic activities between Hong Kong and the Mainland as a result of the Closer Economic Partnership Arrangement (CEPA) and the increase in the number of visitors from the Mainland as a result of the extension of the Individual Visit Scheme to more Mainland cities, NHKB’s patronage increased by 19.7% from 7.6 million passenger trips for 2004 to 9.1 million passenger trips for 2005. NHKB operated a total of 15 buses at year-end 2005, same as at the end of 2004.

Property Development

Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI, a wholly-owned subsidiary of the Group, is the owner and developer of the residential and commercial complex known as “Manhattan Hill” located at Po Lun Street, Lai Chi Kok, Kowloon. This development comprises about 1,115 up-scale luxurious residential units in five multi-storey prestigious residential blocks with a total residential gross floor area of about one million square feet and a retail podium of about 50,000 square feet. At 31 December 2005, 98% of the building structure was completed and the external glazing, exterior finishing and interior fitting-out were in progress. The project is scheduled for completion by the end of 2006.

At 31 December 2005, the total construction cost incurred for the project amounted to HK\$707.1 million (2004: HK\$323.2 million). The project is financed by the Group’s working capital and unsecured bank loans.

Media Sales Business

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

The RoadShow Group is a leading media sales group in Hong Kong and other parts of Greater China. It is engaged in marketing advertising aimed at passengers riding public transit vehicles in Hong Kong through a proprietary Multi-media On-board (“MMOB”) system, and outdoor advertising in Hong Kong and major cities on the Mainland such as Beijing, Shanghai, Guangzhou and Shenzhen. The RoadShow Group also provides tailor made advertising services for all phases and placements on an advertising network that extends across the mainland of China.

The RoadShow Group achieved significant operational and financial improvement in 2005 as compared with 2004. For the year ended 31 December 2005, the RoadShow Group reported a total operating revenue of HK\$212.7 million (2004: HK\$198.1 million) and a profit attributable to its shareholders of HK\$26.3 million (2004: HK\$20.1 million), representing increases of 7.4% and 30.8% respectively over the previous year.

The total operating expense of the RoadShow Group for 2005 amounted to HK\$189.9 million, an increase of 5.9% compared with HK\$179.3 million for 2004. The increase was due mainly to the increase in depreciation and amortisation expenses arising from the full year operation of bus shelters on the Mainland.

The profit attributable to equity shareholders of the RoadShow Group comprised segment profits derived from its Hong Kong operations of HK\$19.8 million (2004: HK\$12.6 million) and China Mainland operations of HK\$6.5 million (2004: HK\$7.5 million). The increase in profit for the year was mainly attributable to the continuous improvement in the economic environment and the resultant upturn in consumer confidence in Hong Kong and on the Mainland.

Further information relating to the RoadShow Group is available in its 2005 final results announcement and annual report.

Mainland Transport Operations

At 31 December 2005, the Group's total interest in associates and jointly controlled entity on Mainland Transport Operations amounted to HK\$648.4 million (2004: HK\$224.3 million). Such investments are mainly related to the operation of passenger public transport services in Dalian, Shenzhen and Wuxi, and taxi and car rental services in Beijing. The Group's Mainland Transport Operations Division reported a profit after taxation of HK\$41.5 million for 2005 (2004: HK\$13.3 million). The increase was due mainly to the profit contributed by our new associate in Shenzhen, which commenced operation on 1 January 2005. The surge in fuel prices in 2005 suppressed the performance of these businesses on the Mainland. During the year, the Group disposed of all its equity interest in the co-operative joint venture in Tianjin to an independent third party in order to concentrate our effort on relatively larger projects. The co-operative joint venture was originally formed between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company Limited in January 2001.

Dalian

This co-operative joint venture ("CJV") in Dalian was established in July 1997 by a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company in Liaoning Province. At 31 December 2005, this CJV had 83 single-deck buses operating on three routes serving Dalian City. This CJV made satisfactory progress and recorded a profit in 2005.

Beijing

Beijing Beiqi Kowloon Taxi Company Limited ("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders comprise KMB

(Beijing) Taxi Investment Limited, a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited, Beijing Bashi Company Ltd. and two other Mainland investors. BBKT principally engages in the taxi hire and car rental businesses with a fleet of around 4,200 vehicles and some 4,200 employees. The Group's investment in BBKT was RMB80.0 million (HK\$75.5 million), representing 31.38% of BBKT's equity interest. BBKT achieved satisfactory results for the year ended 31 December 2005.

Wuxi

Wuxi Kowloon Public Transport Company Limited ("WKPT"), a Sino-foreign joint stock company in which the Group has 45% interest, was established in Wuxi City, Jiangsu Province in February 2004. WKPT currently operates some 1,800 buses on over 110 routes. The Group's investment in WKPT was RMB135.4 million (HK\$127.2 million). WKPT continued to make steady progress and recorded a profit for the year ended 31 December 2005.

Shenzhen

Shenzhen Bus Group Company Limited ("SBG"), a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited, a wholly-owned subsidiary of the Group, and four other Mainland investors, commenced operation on 1 January 2005. The Group has invested RMB387.1 million (HK\$363.9 million), representing a 35% stake, in SBG. SBG principally operates public bus and taxi hire services in Shenzhen City, Guangdong Province, with about 3,500 vehicles serving some 120 routes. SBG has made a significant contribution to the profit of the Group for the year ended 31 December 2005.

FINANCIAL LIQUIDITY AND RESOURCES

Throughout the year, the Group continued to closely monitor its liquidity and financial resources to ensure that a healthy financial position was maintained so that cash inflows from operating activities together with undrawn committed banking facilities were sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. During the year, the Group was mainly financed by shareholders' funds, bank loans and overdrafts. Whilst the major operating companies of the Group arrange their own financing to meet specific requirements, the Group's other subsidiaries are mainly financed by the holding company from its capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

The gearing ratio of the Group at 31 December 2005 was 0.51 (2004: 0.38). The increase in the Group's gearing ratio for 2005 was due mainly to the increase in loan drawdown for the development of Manhattan Hill. The gearing ratio of the Group is expected to reduce significantly or turn into a net cash position after the sale of residential flats of Manhattan Hill.

At 31 December 2005, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$2,046.3 million (2004: HK\$1,621.8 million), representing an increase of HK\$424.5 million compared with 2004.

At 31 December 2005, the Group had stand-by banking facilities totalling HK\$1,299.0 million (2004: HK\$1,945.7 million).

Due mainly to the increase in market interest rates in 2005, the total finance cost incurred by the Group increased to HK\$69.1 million in 2005 from HK\$15.4 million in 2004. The average interest rate in respect of the Group's borrowings for 2005 was 3.01%, an increase 238 basis points compared with 0.63% for 2004.

Interest cover, representing the ratio of profit before finance costs and taxation divided by net finance costs (i.e. total finance costs less interest income), was 15.8 times in 2005 (2004: 393.1 times).

CAPITAL EXPENDITURE

The Group's fixed assets mainly comprise buildings, buses, vessels and other motor vehicles, and interest in leasehold land held for own use under operating leases. None of the Group's assets was pledged or charged as at 31 December 2005.

During the year, capital expenditure incurred by the Group amounted to HK\$514.8 million (2004: HK\$541.6 million). The decrease was mainly attributable to the reduction in the purchase of new buses by KMB in 2005 as a result of bus network reorganisation.

EMPLOYEES AND REMUNERATION POLICIES

As the provision of franchised public bus and non-franchised transport services is labour intensive, staff costs accounted for a substantial portion of the total cost of the Group. Due largely to the route rationalisation plans implemented by KMB after the commencement of the KCRC Ma On Shan Rail service in December 2004, the number of staff of the Group at the year-end of 2005 decreased by 0.8% compared with the previous year, mainly through natural attrition. At 31 December 2005, the Group had 13,493 employees (2004: 13,601 employees). Total remuneration for the year ended 31 December 2005 amounted to approximately HK\$2,982.9 million (2004: HK\$3,048.1 million), representing 49% (2004: 52%) of the total costs for the year. The Group will continue to closely monitor and align the number and remuneration of its employees against productivity and market trends.

OUTLOOK

During 2005, KMB continued to face strong competition from the rail networks. The new railways launched by the Kowloon Canton Railway Corporation (Ma On Shan Rail, Tsim Sha Tsui Extension and West Rail) and the MTR Corporation Limited (Tseung Kwan O Line) within the past three years have caused a significant decrease in our patronage. We have rationalised our franchised public bus services in a timely manner and re-deployed the resources as necessary to cope with this change. As no large scale new railway is scheduled to commence operation in our operating areas in the following year, we expect our patronage will stabilise and may increase slightly with the improving economy.

We are pleased to have successfully renewed KMB's franchise for operating franchised public bus services in Hong Kong until 1 July 2017. This has added certainty for our investment planning as our operating assets have relatively long useful lives. The new fare

adjustment mechanism introduced by the HKSAR Government has, to a certain extent, improved the objectivity and transparency of the fare adjustment process. We are optimistic that under the new mechanism, KMB and LWB will be able to adjust their bus fares upward when the need to do so is clearly proven. This is of great importance for the healthy development of the franchised public bus industry in Hong Kong.

When compared with the growing public transport industry on the Mainland, the Hong Kong market is relatively mature. It has therefore been imperative that we continue to apply proven joint venture models in public bus operations and in taxi and car hire businesses on China Mainland for sustainable business growth. We are also positioning ourselves to tap the transport opportunities associated with the 2008 Beijing Olympics.

We expect to launch the sale campaign in the middle of 2006 for the residential flats of Manhattan Hill. This project is scheduled for completion by the end of 2006 and is expected to generate considerable income and cash flow for the Group in the near future.

The Group is moving forward in a clear direction with strategies at various stages of implementation. Based on our strengths and expertise, we create and deliver value to all our stakeholders. As we drive forward with our plans, we are confident that we will emerge from these challenging times as a stronger and more diverse conglomerate.

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 2005 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 has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the financial results for the year ended 31 December 2005.

By Order of the Board
S.Y. CHUNG
Chairman

Hong Kong, 16 March 2006

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 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. YU Shu Chuen as Honorary Executive Director; Mr. John CHAN Cho Chak, GBS, JP as Managing Director; Mr. Charles LUI Chung Yuen, M.H., Ms. Winnie NG, Mr. LUI Pochiu and Mr. Edmond HO Tat Man as Executive Directors; Mr. KWOK Ping-luen, Raymond, JP (with Mr. YUNG Wing Chung as alternate), Mr. KWOK Ping-sheung, Walter, JP (with Ms. Susanna LAU Shung Oi as alternate), Mr. NG Siu Chan, Mr. William LOUEY Lai Kuen and Mr. George CHIEN Yuan Hwei as Directors.

This announcement is also available on websites:

www.tih.hk

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