載通國際
Transport International

TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 062)

2006 Interim Results Announcement

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
	Note	**2006**	**2005**
		HK$ million	*HK$ million*
		(Unaudited)	(Unaudited) (restated)
Turnover	4, 9	3,223.1	3,143.5
Other net income	5	84.1	55.5
Staff costs		(1,483.5)	(1,495.1)
Depreciation and amortisation		(445.6)	(438.0)
Fuel and oil		(529.1)	(413.0)
Toll charges		(161.6)	(142.5)
Spare parts and stores		(116.3)	(103.3)
Other operating expenses		(315.1)	(277.3)
Profit from operations	9	256.0	329.8
Finance costs	6	(50.4)	(24.4)
Share of profits of associates		23.8	23.1
Share of profit of jointly controlled entity		—	0.4
Profit before taxation		229.4	328.9
Income tax	7	(33.9)	(49.8)
Profit for the period		195.5	279.1
Attributable to:			
Equity shareholders of the Company		169.9	273.7
Minority interests		25.6	5.4
Profit for the period		195.5	279.1
Earnings per share	8	HK$0.42	HK$0.68
Dividend attributable to the interim period		181.6	181.6

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006

	Note	**At 30 June 2006** *HK$ million* (Unaudited)	**At 31 December 2005** *HK$ million* (Audited)
Non-current assets			
Fixed assets			
- Property, plant and equipment		5,492.0	5,634.0
- Interest in leasehold land held for own use under operating leases		85.3	86.3
		5,577.3	5,720.3
Goodwill		32.6	32.6
Media assets	10	1.5	95.8
Non-current prepayments		54.7	62.6
Interest in associates		810.3	776.4
Interest in jointly controlled entity		18.0	16.4
Other financial assets		33.9	33.9
Employee benefit assets		512.1	485.0
Deferred tax assets		14.4	16.1
		7,054.8	7,239.1
Current assets			
Other investments		51.8	47.3
Property under development		950.6	707.1
Spare parts and stores		73.1	72.2
Accounts receivable	11	282.3	297.2
Deposits and prepayments		110.8	79.6
Current taxation recoverable		3.7	4.3
Cash and cash equivalents		1,111.4	1,133.6
		2,583.7	2,341.3
Assets of a disposal group held for sale	12(a)	180.7	—
		2,764.4	2,341.3
Current liabilities			
Bank loans and overdrafts		679.3	961.5
Accounts payable and accruals	13	842.1	856.7
Third party claims payable		302.6	305.7
Current taxation payable		50.4	33.6
		1,874.4	2,157.5
Liabilities directly associated with assets of a disposal group held for sale	12(b)	40.7	—
		1,915.1	2,157.5
Net current assets		849.3	183.8
Total assets less current liabilities		7,904.1	7,422.9

	Note	At 30 June 2006 HK$ million (Unaudited)	At 31 December 2005 HK$ million (Audited)
Non-current liabilities			
Bank loans		3,172.2	2,218.4
Contingency provision - insurance		55.8	52.1
Deferred tax liabilities		787.6	801.8
Provision for long service payments		48.6	49.9
		4,064.2	3,122.2
Net assets		3,839.9	4,300.7
Capital and reserves			
Share capital		403.6	403.6
Reserves		3,167.1	3,628.5
Total equity attributable to equity shareholders of the Company		3,570.7	4,032.1
Minority interests		269.2	268.6
Total equity		3,839.9	4,300.7

Notes:

1. **Independent review**

   The interim results for the six months ended 30 June 2006 are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose unmodified independent review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Audit Committee of the Company.

2. **Basis of preparation**

   This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the HKICPA.

   The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

3. **Comparative figures**

   Certain comparative figures have been restated as a result of a change in accounting policy during the preparation of the 2005 annual financial statements. In prior periods, the Group's share of taxation of associates and jointly controlled entity accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. In accordance with the implementation guidance in HKAS 1 "Presentation of financial statements", the Group has changed the presentation and included the share of taxation of associates and jointly controlled entity in the respective shares of profits reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These resulted in a decrease in "share of profits of associates" and "share of profit of jointly controlled entity" in the consolidated income statement for the six months ended 30 June 2005 by HK$7.2 million and HK$0.2 million respectively, and a corresponding decrease in "income tax" by HK$7.4 million, with no impact on profit after taxation of the Group for the six months ended 30 June 2005. Further, certain comparative figures have also been reclassified to conform with the current period's presentation.

4. **Turnover**

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

	Six months ended 30 June	
	2006	**2005**
	HK$ million	*HK$ million*
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	2,955.1	2,893.5
Revenue from non-franchised transport services	156.5	137.5
Media sales revenue	111.5	112.5
	3,223.1	3,143.5

5. **Other net income**

	Six months ended 30 June	
	2006	**2005**
	HK$ million	*HK$ million*
	(Unaudited)	(Unaudited)
Gain on disposal of media assets	43.2	—
Interest income from bank deposits and unlisted debt securities	13.8	8.5
Claims received	10.8	10.9
Net realised and unrealised gain/(loss) on investments in securities carried at fair value	4.7	(1.0)
Gain on disposal of plant and equipment	3.1	3.2
Net miscellaneous business receipts	2.6	2.2
Dividend income from listed securities	0.6	0.6
Dividend income from unlisted securities	—	18.6
Net exchange (loss)/gain	(0.5)	5.9
Sundry revenue	5.8	6.6
	84.1	55.5

6. **Finance costs**

	Six months ended 30 June	
	2006	**2005**
	HK$ million	*HK$ million*
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other unsecured loans wholly repayable within five years	65.6	26.2
Less: borrowing costs capitalised into property under development	(15.2)	(1.8)
	50.4	24.4

7. **Income tax**

	Six months ended 30 June	
	2006	**2005**
	HK$ million	*HK$ million*
	(Unaudited)	(Unaudited)
		(restated)
Current tax		
Provision for Hong Kong Profits Tax for the period	43.0	65.0
Provision for the People's Republic of China ("PRC") income tax for the period	3.4	0.5
	46.4	65.5
Deferred tax		
Origination and reversal of temporary differences	(12.5)	(15.7)
	33.9	49.8

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 June 2006. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

8. **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$169.9 million (six months ended 30 June 2005: HK$273.7 million) and 403.6 million shares in issue during the two interim periods.

(b) *Diluted earnings per share*

Diluted earnings per share for the six months ended 30 June 2006 and 2005 are not presented as there are no dilutive potential ordinary shares as at the period ends.

9. **Segment reporting**

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents fare revenue from transport operations and media sales revenue.

	Transport operations Six months ended 30 June		**Media sales business Six months ended 30 June**		**Inter-segment elimination Six months ended 30 June**		**Consolidated Six months ended 30 June**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	3,111.6	3,031.0	111.5	112.5	—	—	3,223.1	3,143.5
Inter-segment revenue	—	—	11.4	3.9	(11.4)	(3.9)	—	—
Other revenue from external customers	16.2	16.9	1.8	1.2	—	—	18.0	18.1
Total	3,127.8	3,047.9	124.7	117.6	(11.4)	(3.9)	3,241.1	3,161.6
Segment result	177.0	273.3	66.3	29.8	—	—	243.3	303.1
Unallocated net operating income							12.7	26.7
Profit from operations							256.0	329.8

10. **Media assets**

(a) *Disposal of media assets*

During the six months ended 30 June 2006, the Group disposed of certain media assets in Beijing with a net book value of HK$27.5 million, resulting in a gain on disposal of HK$43.2 million. Further details in relation to the disposal are set out in RoadShow Holdings Limited's circular dated 31 July 2006.

(b) *Impairment loss of media assets*

A number of advertising display panels were dismantled during the six months ended 30 June 2006. Management considers that the estimated future cash flows which would be generated from these panels are less than their reconstruction costs. Therefore, all these media assets with carrying amount of HK$2.1 million were impaired and charged to the consolidated income statement during the period.

11. **Accounts receivable**

	At 30 June 2006 *HK$ million* (Unaudited)	**At 31 December 2005** *HK$ million* (Audited)
Trade and other receivables	279.4	293.1
Interest receivable	1.5	1.5
Derivative financial instruments	1.4	2.6
	282.3	297.2

All of the accounts receivable, except for derivative financial instruments of HK$0.3 million (31 December 2005: HK$1.1 million), are expected to be recovered within one year.

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

	At 30 June 2006 *HK$ million* (Unaudited)	**At 31 December 2005** *HK$ million* (Audited)
Current	55.5	157.2
1 to 3 months overdue	85.4	23.1
More than 3 months overdue	13.2	23.4
	154.1	203.7

Debts are normally due within 30 to 90 days from the date of billing.

12. **Assets of a disposal group held for sale**

On 30 June 2006, RoadShow Holdings Limited ("RoadShow") and its subsidiaries (the "RoadShow Group") entered into two agreements regarding the disposals of its 100% interest in RoadVision (Dalian) Limited ("Dalian") and 2.5% interest in Guangzhou Key Media Advertising Company Limited ("Key Media") with entities which are controlled by connected persons (as defined under the Listing Rules) of RoadShow. As Dalian holds 48.5% interest in Key Media, the RoadShow Group would dispose of all its 51% interest in

Key Media at a total consideration of HK$49.4 million under the agreements. The transactions are expected to be completed by the end of 2006 and, in aggregate, constitute a major and connected transaction of RoadShow and a connected transaction of the Company pursuant to the Listing Rules. Further details in relation to the transactions are set out in RoadShow's circular dated 31 July 2006.

"Assets of a disposal group held for sale" and "Liabilities directly associated with assets of a disposal group held for sale" mainly comprise the assets and liabilities of Key Media respectively.

(a) *Assets of a disposal group held for sale comprise the following:*

	At 30 June 2006 *HK$ million* (Unaudited)
Fixed assets	0.5
Media assets	59.9
Accounts receivable	30.7
Deposits and prepayments	32.2
Cash and cash equivalents	57.4
	180.7

(b) *Liabilities directly associated with assets of a disposal group held for sale comprise the following:*

	At 30 June 2006 *HK$ million* (Unaudited)
Accounts payable and accruals	15.8
Current taxation payable	3.4
Loans from minority shareholders	21.5
	40.7

Included in exchange reserve is an amount of HK$2.3 million recognised directly in equity in respect of assets of a disposal group.

13. **Accounts payable and accruals**

	At 30 June 2006 *HK$ million* (Unaudited)	**At 31 December 2005** *HK$ million* (Audited)
Trade payables	123.4	96.9
Other payables and accruals	718.7	759.8
	842.1	856.7

All of the accounts payable and accruals are expected to be settled within one year.

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

	At 30 June 2006 *HK$ million* (Unaudited)	At 31 December 2005 *HK$ million* (Audited)
Due within 1 month or on demand	114.4	80.4
Due after 1 month but within 3 months	7.5	14.7
Due after more than 3 months	1.5	1.8
	123.4	96.9

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders for the six months ended 30 June 2006 was HK$169.9 million (2005: HK$273.7 million). Earnings per share for the period under review amounted to HK$0.42 (2005: HK$0.68). These represent a decrease of 37.9% compared with the corresponding period of 2005.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.45 per share (2005: HK$0.45 per share), totalling HK$181.6 million (2005: HK$181.6 million), for the six months ended 30 June 2006. This interim dividend will be payable on 13 October 2006 to the shareholders of the Company whose names are on the Register of Members at the close of business on 6 October 2006. The Register will be closed from 4 October 2006 to 6 October 2006, both dates inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates 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 3 October 2006.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNITS

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited ("KMB")

Profit after taxation for the six months ended 30 June 2006 amounted to HK$113.3 million, representing a decrease of 46.1% compared with HK$210.3 million for the corresponding period of 2005.

Fare revenue for the first half of 2006 increased by 1.7% to HK$2,814.7 million (2005: HK$2,766.5 million). Ridership for the first six months of 2006, however, slightly decreased by 0.46% to 495.7 million passenger trips (or a daily average of 2.74 million passenger trips) compared with 498.0 million passenger trips (or a daily average of 2.75 million passenger trips) for the corresponding period of last year. The increase in fare revenue was mainly due to changes in the fare concession schemes offered by KMB whilst the slight decline in ridership was mainly attributed to the continued loss of patronage to the railways, particularly to the Ma On Shan Rail. Advertising revenue for the first half of 2006 amounted to HK$32.3 million (2005: HK$32.0 million), an increase of 0.9% compared with that of the same period of 2005.

Total operating expense for the period under review amounted to HK$2,710.8 million, representing an increase of HK$145.8 million or 5.7% compared with HK$2,565.0 million for the same period of 2005. The increase was mainly attributed to the sharp rise in oil prices to a historically high level, resulting in fuel costs increasing by HK$102.1 million or 28.0% to HK$466.9 million for the first six months of 2006 (2005: HK$364.8 million). Tunnel toll charges and finance costs for the first half of 2006 also increased by HK$18.0 million and HK$15.5 million respectively compared with the corresponding period of 2005. All these increases in operating costs were totally beyond the control of KMB. On the other hand, KMB has continually taken vigorous efforts to enhance productivity and maintain its competitive edge through rationalising its bus network and services. Stringent cost control measures have also been implemented to contain controllable operating costs wherever feasible, but without compromising the quality of our services.

At the end of June 2006, KMB operated a total of 402 routes compared with 404 at the end of 2005. In addition, there were 55 Octopus Bus-bus Interchange ("BBI") schemes covering 209 bus routes, operating both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes provide passengers with significant fare discounts and at the same time allow KMB to deploy its resources more efficiently and effectively.

55 new air-conditioned double-deck buses were licensed during the first half of 2006. At 30 June 2006, KMB had a fleet of 4,058 (end of 2005: 4,029) licensed buses, comprising 3,902 double-deck and 156 single-deck buses, of which 3,705 buses (91.3%) were air-conditioned. An additional 95 air-conditioned double-deck buses will be delivered during the second half of 2006 and early 2007.

Long Win Bus Company Limited ("LWB")

LWB recorded a profit after taxation of HK$8.0 million for the first half of 2006. This represents a decrease of HK$1.7 million or 17.5% compared with HK$9.7 million for the corresponding period of 2005.

Fare revenue for the first six months of 2006 amounted to HK$140.3 million, representing an increase of 10.6% compared with HK$126.9 million for the corresponding period of 2005. During the period, LWB recorded a total ridership of 12.7 million passenger trips (or a daily average of 70,253 passenger trips), an increase of 11.4% compared with 11.4 million passenger trips (or a daily average of 63,206 passenger trips) for the corresponding period of 2005. The increase in patronage was due mainly to the continuous population intake at Tung Chung New Town and the growth of travel demand to and from the Hong Kong International Airport, Hong Kong Disneyland and AsiaWorld-Expo. To meet the increasing needs of customers, five service improvement programmes are planned to be implemented in the second half of 2006.

Total operating expense for the period under review amounted to HK$129.1 million, representing an increase of HK$13.8 million or 12.0% compared with HK$115.3 million for the same period of 2005. The increase was mainly due to increase in fuel costs and tunnel toll charges, as well as other operating expenses as a result of enhancement to cope with the growing transport demand.

At 30 June 2006, LWB had 141 air-conditioned double-deck buses and 9 air-conditioned single-deck buses serving a total of 18 routes (end of 2005: 18 routes). Two new air-conditioned double-deck buses were added to its bus fleet during the period under review. At 30 June 2006, three new air-conditioned double-deck buses were under construction.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$14.4 million for the first half of 2006, representing an increase of 3.6% compared with HK$13.9 million for the corresponding period of 2005. Turnover increased by 13.9% to HK$156.6 million compared with HK$137.5 million for the first half of 2005. The increases were due mainly to the continuous improvement of the local economy, new business opportunities associated with 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 turnover of the SBH Group for the first half of 2006 increased by 30.3% compared with the corresponding period of 2005. The increase was due mainly to the growth in patronage as a result of the launching of new shuttle bus routes serving Hong Kong Disneyland since its opening in September 2005 and the continuing growth of the inbound tourism market, particularly the increase in the number of tourists from the Mainland. However, the continuous surge in fuel prices partially offset the favourable increase in turnover.

The SBH Group's various strategic business units, with Sun Bus Limited as the flagship, provide a range of bus services tailored to the specific needs of different client groups through chartered hire. Its fleet serves large residential estates, shopping malls, major employers, local travel agents and schools, as well as the general public. The SBH Group has been maintaining its leading position in Hong Kong's non-franchised bus sector by providing quality bus services for different types of customers and penetrating into different market sectors. To cater for its expansion, 31 new coaches were purchased during the first half of 2006 bringing the total number of buses to 265 at 30 June 2006.

Park Island Transport Company Limited ("PITC")

PITC provides quality shuttle bus and ferry services for the residents of and visitors to Park Island, a prestigious residential development on Ma Wan Island. The total patronage for the first half of 2006 increased to 3.3 million passenger trips, 25.6% higher than that for the corresponding period of 2005. The increase was due mainly to further population intake. At the end of June 2006, PITC operated two ferry routes and two bus routes serving Ma Wan Island with a fleet of 15 air-conditioned buses and seven high-speed catamarans, same as at the end of 2005.

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 (commonly known as the Huang Bus service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen. With the increase in the number of Mainland tourists visiting Hong Kong as a result of the expansion of the Individual Visit Scheme to cover more Mainland cities, the average monthly ridership reached 1.63 million passenger trips for the first half of 2006, an increase of 13.2% compared with 1.44 million passenger trips for the corresponding period of 2005. At the end of June 2006, NHKB operated a total of 15 buses, same as at the end of 2005.

Property Development

Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary of the Group, is the owner and developer of "Manhattan Hill", an up-scale residential and commercial complex situated at Po Lun Street, Lai Chi Kok, Kowloon. This prestigious development, currently under construction, comprises about 1,115 luxurious residential units with sizes ranging from 720 square feet to 4,750 square feet. There are five high rise multi-storey residential blocks, ranging from 41 storeys to 43 storeys above podium level with a total gross floor area of about one million square feet, and a five-storey podium containing a luxurious residential clubhouse, landscaped podium gardens and public open spaces. In addition, four levels of car park provide some 390 car parking spaces for the residents, tenants and visitors of Manhattan Hill.

At 30 June 2006, the construction of building structures and external glazing, as well as exterior finishing was completed and the interior fitting-out works was in progress. Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited, is responsible for overseeing the construction, marketing and sales for the Manhattan Hill project.

The development of Manhattan Hill is financed by the Group's working capital and unsecured bank loans. By 30 June 2006, the total construction cost incurred for Manhattan Hill amounted to HK$950.6 million (31 December 2005: HK$707.1 million).

Media Sales Business

RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group")

The RoadShow Group, in which the Group has a 73% interest, is a leading media sales group in Hong Kong and other parts of the People's Republic of China ("PRC"). 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 in the PRC such as Beijing, Shanghai and Guangzhou. The RoadShow Group also provides tailor-made advertising services for its customers and placements on advertising networks across the PRC.

For the first half of 2006, the RoadShow Group reported a total operating revenue of HK$104.2 million (2005: HK$93.6 million) and a profit attributable to equity shareholders of HK$24.4 million (2005: HK$6.0 million), representing increases of 11.3% and 306.7% respectively over the corresponding period of 2005.

On 19 June 2006, the RoadShow Group disposed of certain media assets in Beijing at a consideration of HK$76.9 million, resulting in a gain on disposal of HK$43.2 million. The transaction constituted a discloseable transaction of the RoadShow Group pursuant to the Listing Rules.

Further information relating to the RoadShow Group is available in its 2006 interim report.

Mainland Transport Operations

As at 30 June 2006, the Group's total interest in associates and jointly controlled entity on the Mainland amounted to HK$649.3 million (31 December 2005: HK$648.4 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. During the period under review, the Group's Mainland Transport Operations Division reported a profit after taxation of HK$18.6 million, representing an increase of 3.9% compared with HK$17.9 million for the corresponding period of 2005. The growth in profit was suppressed by the surge in fuel prices.

Dalian (大連)

The co-operative joint venture ("CJV") in Dalian, Liaoning Province (遼寧省大連市) was established in July 1997 between a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company (大連市第一公共汽車公司). This CJV currently operates three routes in Dalian City deploying 85 single-deck buses. During the period under review, the performance of this CJV remained stable and a ridership of 13.5 million passenger trips (2005: 13.9 million passenger trips) was recorded.

Beijing (北京)

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT principally engages in taxi hire and car rental businesses in Beijing City (北京市) with a fleet of over 4,200 vehicles. 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 during the first half of 2006.

Wuxi (無錫)

Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) ("WKPT") is a Sino-foreign joint stock company established in Wuxi City, Jiangsu Province (江蘇省無錫市) in February 2004. It is the only franchised bus operator in Wuxi City and has about 1,800 buses operating on over 110 routes. The Group has invested RMB135.4 million (HK$127.2 million), representing 45% equity interest, in WKPT. During the first half of 2006, WKPT continued to make steady progress and recorded a ridership of 138.3 million passenger trips (2005: 136.1 million passenger trips).

Shenzhen (深圳)

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Group and four other Mainland investors, commenced operation in 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 (廣東省深圳市), with about 3,800 vehicles serving some 140 routes. SBG recorded 318.7 million bus passenger trips (2005: 278.7 million bus passenger trips) and made a significant contribution to the profit of the Group for the first half of 2006.

FINANCIAL LIQUIDITY AND RESOURCES

The Group's policy is to maintain a healthy financial position so that cash inflow from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditures, as well as potential business expansion and development. The Group has been financed mainly by shareholders' funds, bank loans and overdrafts. 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, representing the ratio of the Group's net borrowings to the total share capital and reserves attributable to equity shareholders, was 0.77 as at 30 June 2006 (31 December 2005: 0.51). The increase in gearing ratio during the first half of 2006 was due mainly to the increase in loan drawdown to finance the development of Manhattan Hill. It is expected that the Group's gearing ratio will reduce significantly or turn into a net cash position after the sale of residential flats of Manhattan Hill.

Net borrowings

At 30 June 2006, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK$2,740.1 million, representing an increase of HK$693.8 million as compared with the net borrowings of HK$2,046.3 million at 31 December 2005. An analysis of the Group's net borrowings by currency at 30 June 2006 is shown below:

Currency	**At 30 June 2006** Net borrowings/ (cash) in foreign currency *million*	**Net borrowings/ (cash)** *HK$ million* (Unaudited)	At 31 December 2005 Net borrowings/ (cash) in foreign currency *million*	Net borrowings/ (cash) *HK$ million* (Audited)
Hong Kong Dollars		2,990.2		2,297.8
United States Dollars	(28.5)	(221.1)	(28.3)	(220.5)
British Pound Sterling	(1.5)	(21.5)	(1.5)	(20.3)
Renminbi	(7.8)	(7.5)	(11.2)	(10.7)
Total		2,740.1		2,046.3

Bank loans and overdrafts

Bank loans and overdrafts at 30 June 2006 amounted to HK$3,851.5 million (31 December 2005: HK$3,179.9 million). The maturity profile of the bank loans and overdrafts of the Group is shown below:

	At 30 June 2006 *HK$ million* (Unaudited)	**At 31 December 2005** *HK$ million* (Audited)
Within 1 year or on demand	679.3	961.5
After 1 year but within 2 years	1,219.7	392.9
After 2 years but within 5 years	1,952.5	1,825.5
	3,172.2	2,218.4
Total	3,851.5	3,179.9

Banking facilities

At 30 June 2006, the Group had stand-by banking facilities totalling HK$1,124.1 million (31 December 2005: HK$1,299.0 million).

Finance costs

The finance costs for the six months ended 30 June 2006 amounted to HK$50.4 million (2005: HK$24.4 million). This represents an average interest rate of 4.31% per annum for the first half of 2006, compared with 1.96% per annum for the corresponding period of 2005.

Cash and deposits at banks

At 30 June 2006, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, United States Dollars, British Pound Sterling and Renminbi) amounted to HK$1,111.4 million (31 December 2005: HK$1,133.6 million).

FUNDING AND TREASURY POLICIES

Major operating companies of the Group arrange their own financing to meet specific requirements whilst other subsidiaries of the Group obtain financing from the holding company from its own capital base. Stand-by banking facilities have been maintained to facilitate routine treasury operations.

Currency risk management

Foreign currency exposure did not pose a significant risk for the Group as the levels of foreign currency assets and liabilities were relatively low compared to its total asset base. The Group's foreign currency exposure mainly arises from payments for new buses and overseas motor vehicle components which are denominated in British Pound Sterling. To minimise the foreign exchange risk particularly at times when the currency market is volatile, it is the Group's policy to closely monitor the foreign exchange movements and strategically enter into forward exchange contracts when opportunities arise to hedge the foreign currency requirement.

Interest rate risk management

It is the Group's policy to closely monitor the market conditions and devise suitable strategies including the use of interest rate swaps to mitigate interest rate risk. At 30 June 2006, the Group's borrowings were mainly denominated in Hong Kong Dollars and on a floating interest rate basis. This enabled the Group to take advantage of the lower floating interest rates compared with fixed rate financing. The Group will continue to review its strategy on interest rate risk management in light of the prevailing market conditions.

CAPITAL EXPENDITURE AND COMMITMENTS

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 30 June 2006. During the period under review, capital expenditure incurred by the Group amounted to HK$297.5 million (2005: HK$165.3 million). The increase in capital expenditure was mainly attributable to the purchase of more buses by KMB as compared with the corresponding period of 2005.

Capital commitments outstanding and not provided for in the interim financial report of the Group as at 30 June 2006 amounted to HK$1,430.5 million (31 December 2005: HK$1,878.6 million). The commitments are mainly in respect of the development of Manhattan Hill and the purchase of buses and other fixed assets. The commitments are to be financed by bank borrowings and the working capital of the Group.

CONTINGENT LIABILITIES

At 30 June 2006, the Company had undertaken to guarantee certain bank loans granted to certain subsidiaries to the extent of HK$2,306.0 million (31 December 2005: HK$1,640.0 million).

EMPLOYEES AND REMUNERATION POLICIES

The Group employs over 13,000 employees for its franchised bus and non-franchised transportation services, and media sales business. Due to the labour intensive nature of the businesses, staff costs represent a substantial portion of the operating costs of the Group. The number and remuneration of the employees have been closely monitored to align with productivity and market trends. At 30 June 2006, the Group had 13,541 employees (2005: 13,498 employees). Total remuneration for the six months ended 30 June 2006 amounted to approximately HK$1,483.5 million (2005: HK$1,495.1 million), representing 47% (2005: 51%) of the total operating cost for the period.

OUTLOOK

2006 is again another extremely challenging year for the Group's franchised public bus operations. We have been facing unprecedented difficulties as a result of substantial escalation of operating costs, particularly the sharp upsurge in oil prices since late March 2006 and the increases in wages, tunnel toll charges and interest rates. All these cost elements are wholly or largely beyond our control and oil prices are widely expected to remain at a relatively high level in the second half of 2006. However, the negative impact of the new rails has been stabilizing and our franchised bus fare revenue for the first half of 2006 slightly increased compared with the corresponding period last year.

To counterbalance the adverse impact of rising costs, we will continue to step up our cost control measures to contain controllable operating costs wherever possible. For environmental protection and effective deployment of resources, we will also strive to work with the Government to rationalise under-utilised bus routes. Nevertheless, it is expected that the profit margin of our franchised public bus operations will be further eroded by high oil prices in the second half of 2006.

As regards our non-franchised transport businesses, particularly the tourist service and cross-boundary shuttle service, we are optimistic that their performances will continue to improve along with the expansion of the Individual Visit Scheme to more Mainland cities. We also expect that our media sales business operated by the RoadShow Group will benefit from the continued economic growth in the second half of 2006.

Our joint venture transportation projects in the Mainland cities of Dalian, Beijing, Wuxi and Shenzhen have been making good progress. We will continue to explore new opportunities to expand into other major population centres on the Mainland.

The construction of Manhattan Hill has been progressing smoothly according to our work plan. It is expected that the occupation permit for the residential flats of Manhattan Hill will be issued by the end of 2006. Meanwhile, we will formulate appropriate sales and marketing strategies in the light of the prevailing property market conditions. With the superior quality and uniqueness of Manhattan Hill, we are confident that it will generate considerable income and cash flow for the Group in the near future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2006, 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 six months ended 30 June 2006 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee 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 unaudited interim financial report for the six months ended 30 June 2006. The review of the unaudited interim financial report was conducted with the Group's external auditors, KPMG. The independent review report of the external auditors is set out on page 36 of the interim report.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.tih.hk and the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk. The interim report will be available at the Company's website and dispatched to shareholders of the Company in late September 2006.

By Order of the Board
S.Y. CHUNG
Chairman

Hong Kong, 18 September 2006

As at the date of this interim results 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. 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 Mr. YUNG Wing Chung 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