



TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 062)

2006 Final Results Announcement

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,014,258	5,937,649
Revenue from non-franchised transport services		337,117	287,003
Revenue from sales of properties		2,133,202	—
Media sales revenue		<u>219,947</u>	<u>231,752</u>
Turnover	5	8,704,524	6,456,404
Gain on disposal of building and interest in leasehold land		—	90,478
Other net income		155,134	88,464
Cost of properties sold		(461,140)	—
Staff costs		(2,979,285)	(2,982,936)
Depreciation and amortisation		(935,625)	(913,782)
Fuel and oil		(1,102,961)	(916,862)
Spare parts and stores		(230,447)	(208,038)
Toll charges		(325,987)	(305,915)
Other operating expenses		<u>(766,751)</u>	<u>(601,710)</u>
Profit from operations		2,057,462	706,103
Finance costs		(106,305)	(69,131)
Share of profits of associates		51,718	53,397
Share of (loss)/profit of jointly controlled entities		<u>(205)</u>	<u>282</u>
Profit before taxation	2	2,002,670	690,651
Income tax	3	<u>(133,265)</u>	<u>(95,922)</u>
Profit for the year		<u><u>1,869,405</u></u>	<u><u>594,729</u></u>
Attributable to:			
Equity shareholders of the Company		1,838,014	584,164
Minority interests		<u>31,391</u>	<u>10,565</u>
Profit for the year		<u><u>1,869,405</u></u>	<u><u>594,729</u></u>
Earnings per share	4	<u><u>HK\$4.55</u></u>	<u><u>HK\$1.45</u></u>

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <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 (2005: HK\$0.45 per share)		181,638	181,638
Final dividend proposed after the balance sheet date of HK\$1.58 per share (2005: 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 2006**

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Fixed assets			
- Investment property under development		74,567	—
- Other property, plant and equipment		5,304,284	5,634,008
- Interest in leasehold land held for own use under operating leases		<u>84,183</u>	<u>86,262</u>
		5,463,034	5,720,270
Intangible assets		7,576	—
Goodwill		49,204	32,599
Media assets		1,408	95,805
Non-current prepayments		47,902	62,610
Interest in associates		834,161	776,406
Interest in jointly controlled entities		22,647	16,373
Other financial assets		46,576	33,947
Employee benefit assets		536,950	484,969
Deferred tax assets		<u>13,785</u>	<u>16,077</u>
		<u>7,023,243</u>	<u>7,239,056</u>
Current assets			
Other investments		—	47,250
Property under development		—	707,064
Completed property held for sale		1,433,425	—
Spare parts and stores		72,718	72,144
Accounts receivable	6	2,179,273	297,203
Deposits and prepayments		98,317	79,637

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current taxation recoverable		25,278	4,289
Pledged bank deposits		39,520	—
Cash and cash equivalents		<u>1,228,512</u>	<u>1,133,658</u>
		<u>5,077,043</u>	<u>2,341,245</u>
Current liabilities			
Bank loans and overdrafts		1,780,150	961,489
Accounts payable and accruals	7	1,627,976	856,687
Third party claims payable		262,879	305,663
Current taxation payable		<u>115,844</u>	<u>33,611</u>
		<u>3,786,849</u>	<u>2,157,450</u>
Net current assets		<u>1,290,194</u>	<u>183,795</u>
Total assets less current liabilities		<u>8,313,437</u>	<u>7,422,851</u>
Non-current liabilities			
Bank loans		2,052,500	2,218,423
Contingency provision — insurance		134,553	52,102
Deferred tax liabilities		758,215	801,761
Provision for long service payments		<u>49,290</u>	<u>49,885</u>
		<u>2,994,558</u>	<u>3,122,171</u>
Net assets		<u>5,318,879</u>	<u>4,300,680</u>
Capital and reserves			
Share capital		403,639	403,639
Reserves		<u>4,670,551</u>	<u>3,628,494</u>
Total equity attributable to equity shareholders of the Company		5,074,190	4,032,133
Minority interests		<u>244,689</u>	<u>268,547</u>
Total equity		<u>5,318,879</u>	<u>4,300,680</u>

Notes:

1. **Basis of preparation**

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies used in the preparation of the 2006 consolidated financial statements are consistent with those set out in the 2005 Annual Report except that the Group has changed its accounting policy relating to financial guarantees issued following the adoption of the Amendment to Hong Kong Accounting Standard 39 “Financial instruments: recognition and measurement on financial guarantee contracts”. The adoption of this amendment does not have a significant financial impact on the Group’s results of operations and financial position for the years ended 31 December 2006 and 2005.

2. **Profit before taxation**

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other unsecured loans wholly repayable within five years	141,670	81,053
Less: borrowing costs capitalised into property under development	<u>(35,365)</u>	<u>(11,922)</u>
	<u>106,305</u>	<u>69,131</u>
Dividend income from listed securities	(630)	(1,575)
Dividend income from unlisted securities	—	(18,593)
Interest income from bank deposits, unlisted debt securities and other loans	(40,674)	(21,048)
Net realised and unrealised gain on investments in securities carried at fair value	(7,786)	(365)
Net gain on disposal of other fixed assets	(8,007)	(6,847)
Gain on disposal of media assets	<u>(44,043)</u>	<u>—</u>

3. **Income tax**

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Profits Tax for the year	193,578	116,262
Tax recoverable on resolution of tax dispute	(22,314)	—
(Over)/under-provision in respect of prior years	<u>(66)</u>	<u>654</u>
	171,198	116,916
Current tax — The People's Republic of China ("PRC") Income Tax		
Provision for the year	<u>5,025</u>	<u>783</u>
	176,223	117,699
Deferred tax		
Origination and reversal of temporary differences	<u>(42,958)</u>	<u>(21,777)</u>
	<u>133,265</u>	<u>95,922</u>

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

4. **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\$1,838,014,000 (2005: HK\$584,164,000) and 403,639,413 shares in issue during the years ended 31 December 2006 and 2005.

(b) *Diluted earnings per share*

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

5. 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, revenue from sales of properties, and media sales revenue.

	Transport operations		Media sales business		Property holdings and development		Inter-segment elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,351,375	6,224,652	219,947	231,752	2,133,202	—	—	—	8,704,524	6,456,404
Inter-segment revenue	—	2	22,968	24,591	—	—	(22,968)	(24,593)	—	—
Gain on disposal of building and interest in leasehold land	—	90,478	—	—	—	—	—	—	—	90,478
Other revenue from external customers	31,464	49,342	2,345	2,345	384	—	—	—	34,193	51,687
Total	6,382,839	6,364,474	245,260	258,688	2,133,586	—	(22,968)	(24,593)	8,738,717	6,598,569
Segment result	332,784	618,316	108,577	60,878	1,592,620	(659)			2,033,981	678,535
Unallocated net operating income									23,481	27,568
Profit from operations									2,057,462	706,103
Finance costs									(106,305)	(69,131)
Share of profits less losses of associates and jointly controlled entities	45,126	41,550	6,387	12,129	—	—			51,513	53,679
Income tax									(133,265)	(95,922)
Profit after taxation									<u>1,869,405</u>	<u>594,729</u>
Depreciation and amortisation for the year	<u>899,452</u>	<u>874,223</u>	<u>36,173</u>	<u>39,559</u>	<u>—</u>	<u>—</u>				
Impairment losses										
- trade and other receivables	—	—	4,870	3,141	—	—				
- media assets	—	—	2,100	3,026	—	—				
- goodwill	—	—	12,487	—	—	—				
- fixed assets	—	—	7,969	—	—	—				
Segment assets	6,249,775	6,401,930	152,541	336,202	3,441,160	709,330	—	—	9,843,476	7,447,462
Interests in associates and jointly controlled entities	679,969	648,391	176,839	144,388	—	—	—	—	856,808	792,779
Unallocated assets									<u>1,400,002</u>	<u>1,340,060</u>
Total assets									<u>12,100,286</u>	<u>9,580,301</u>
Segment liabilities	1,211,608	1,122,656	52,539	50,443	778,562	59,738	—	—	2,042,709	1,232,837
Unallocated liabilities									<u>4,738,698</u>	<u>4,046,784</u>
Total liabilities									<u>6,781,407</u>	<u>5,279,621</u>
Capital expenditure incurred during the year	<u>587,769</u>	<u>514,140</u>	<u>2,918</u>	<u>3,389</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.

6. Accounts receivable

	2006	2005
	HK\$'000	HK\$'000
Trade and other receivables	321,179	293,131
Instalments receivable from sale of properties	1,855,708	—
Interest receivable	1,591	1,515
Derivative financial instruments	<u>795</u>	<u>2,557</u>
	<u>2,179,273</u>	<u>297,203</u>

All of the accounts receivable are expected to be recovered within one year.

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	2,003,382	157,166
1 to 3 months overdue	15,853	23,070
More than 3 months overdue	<u>9,803</u>	<u>23,486</u>
	<u><u>2,029,038</u></u>	<u><u>203,722</u></u>

Trade debts for the Group's transport operations and media sales business are normally due within 30 to 90 days from the date of billing. For instalments receivable from sale of properties, the properties sold serve as the collateral.

7. Accounts payable and accruals

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	253,260	96,858
Other payables and accruals	<u>1,374,716</u>	<u>759,829</u>
	<u><u>1,627,976</u></u>	<u><u>856,687</u></u>

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	196,850	80,437
Due after 1 month but within 3 months	54,571	14,662
Due after more than 3 months	<u>1,839</u>	<u>1,759</u>
	<u><u>253,260</u></u>	<u><u>96,858</u></u>

8. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

RESULTS

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2006 was HK\$1,838.0 million, an increase of HK\$1,253.8 million compared with HK\$584.2 million for 2005. The profit for 2006 included the after-tax profit of HK\$1,500.2 million arising from the sales of a number of residential units and car parking spaces of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary of the Company, which is of a non-recurrent nature. However, the after-tax profit of the Group's flagship company, The Kowloon Motor Bus Company (1933) Limited which provides franchised public bus services in Hong Kong, decreased drastically by 54.5% to HK\$216.3 million for 2006 from HK\$475.5 million for 2005.

PROPOSED FINAL DIVIDEND

Under the principle of prudent financial management, the Board has decided that proceeds arising from the sales of residential units of Manhattan Hill should first be applied towards the repayment of bank loans obtained for financing the construction costs of the development. The Board of Directors therefore recommended the payment to shareholders registered on 17 May 2007 a final dividend of the same amount as that of 2005 of HK\$1.58 per share, totalling HK\$637.8 million (2005: HK\$637.8 million), for the year ended 31 December 2006. Together with the interim dividend of HK\$0.45 per share (2005: HK\$0.45 per share) paid on 13 October 2006, the total dividend for the year ended 31 December 2006 will amount to HK\$2.03 per share (2005: HK\$2.03 per share), totalling HK\$819.4 million (2005: HK\$819.4 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 17 May 2007, the final dividend will be payable on 18 May 2007.

The Transfer Books of the Company will be closed from 8 May 2007 to 17 May 2007, 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 7 May 2007.

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")

The profit after taxation of KMB for the year amounted to HK\$216.3 million (2005: HK\$475.5 million), representing a decrease of HK\$259.2 million or 54.5% compared with that for the previous year. The decrease was due mainly to the surge of fuel prices to a historically high level in 2006 and the one-off nature of the capital gain of HK\$90.5 million arising from the disposal of the Kwai Chung Depot and included in the profit for 2005.

KMB's fare revenue for the year increased by 1.0% from HK\$5,668.0 million for 2005 to HK\$5,722.4 million for 2006 due largely to the growth in ridership of certain routes. However, its total ridership slightly decreased by 0.2% from 1,009.9 million passenger trips in 2005 to 1,007.9 million passenger trips in 2006, mainly as a result of the keen competition from the railways. KMB's advertising revenue for the year amounted to HK\$64.7 million (2005: HK\$64.0 million), an increase of 1.1% compared with the previous year.

KMB's total operating expenses for 2006 amounted to HK\$5,560.3 million (2005: HK\$5,295.7 million), representing an increase of HK\$264.6 million or 5.0% compared with that of 2005. Fuel oil expense increased by HK\$160.8 million or 19.9% to HK\$970.4 million compared with 2005 as a result of a drastic upsurge in the international fuel oil price to a historically high level during 2006. Insurance costs, tunnel tolls and finance costs for the year also increased by HK\$47.4 million, HK\$17.3 million and HK\$16.9 million respectively

compared with those for 2005 due to increases in insurance claims as well as in toll charges and interest rates. These increases in operating costs were largely beyond the control of KMB. Nevertheless, we will continue to step up our efforts in productivity enhancement, bus network reorganisation and stringent cost control, as well as exploring new sources of income wherever possible, to mitigate the impact of the escalating operating costs.

The total actual distance travelled by KMB's buses during the year was 336.2 million kilometres (2005: 339.0 million kilometres). The slight decrease was mainly due to the bus network reorganisation implemented during the year.

KMB operated a total of 403 routes at the end of 2006, compared with 404 at the end of 2005. During the year, KMB launched three new routes. One of these routes was a feeder service between Sheung Shui Kowloon-Canton Railway Station and Ching Ho Estate in North District. The other two routes were special services from Wan Chai to Mei Foo and Kwun Tong respectively to cater for the "Hong Kong Book Fair" in July 2006.

As at 31 December 2006, there were a total of 4,021 buses (comprising 3,866 double-deck and 155 single-deck buses) in KMB's fleet, of which 93.5% was air-conditioned.

Long Win Bus Company Limited ("LWB")

The profit after taxation of LWB for the year amounted to HK\$18.5 million (2005: HK\$18.7 million), representing a decrease of 1.1% compared with that for the previous year.

LWB's fare revenue for the year increased by 8.1% from HK\$269.5 million for 2005 to HK\$291.2 million for 2006. The total ridership of LWB in 2006 was 26.5 million (a daily average of 72,617) passenger trips, an increase of 9.1% compared with 24.3 million (a daily average of 66,553) passenger trips in 2005. The increase was due mainly to the continued growth of population in Tung Chung New Town and the increased travel demand to and from the Hong Kong International Airport, Hong Kong Disneyland and AsiaWorld-Expo. The opening of Ngong Ping 360 in 2006 also contributed to the increase in LWB's ridership. The advertising revenue of LWB increased to HK\$1.6 million in 2006 from HK\$1.2 million in 2005.

LWB's total operating expenses for the year amounted to HK\$267.3 million (2005: HK\$245.4 million), an increase of 8.9% compared with 2005. The increase was due mainly 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 2006 increased by HK\$1.7 million to HK\$6.8 million (2005: HK\$5.1 million) due to the increase in market interest rates.

The total actual distance operated by LWB for the year increased to 24.5 million kilometres (2005: 23.8 million kilometres) due mainly to the expansion of its route network to cater for the new transport demand associated with the opening of Hong Kong Disneyland in September 2005.

As at 31 December 2006, LWB operated 144 air-conditioned double-deck buses and nine air-conditioned single-deck buses on 18 routes.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$29.6 million for 2006 (2005: HK\$26.8 million), representing an increase of 10.4% compared with that for the previous year. Turnover increased by 17.5% from HK\$287.0 million for 2005 to HK\$337.1 million for 2006. The increase was due primarily 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 SBH Group is one of the leading operators in Hong Kong's non-franchised bus industry and provides a range of bus services tailored to specific niche markets. Its fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services.

Turnover of the SBH Group for the year amounted to HK\$157.8 million, an increase of 38.4% compared with 2005. The increase was due mainly to the growth in patronage as a result of the introduction of new shuttle bus routes serving Hong Kong Disneyland since its opening in September 2005, the continuing growth of the number of tourists from the Mainland and the contribution from the acquisition of a local non-franchised bus operator during 2006. However, the growth in turnover was partially offset by the drastic increase in fuel costs during the year.

At 31 December 2006, the SBH Group had a fleet of 330 buses (2005: 249 buses). During the year, 126 buses (2005: 65 buses) were purchased for service enhancement and fleet replacement.

Park Island Transport Company Limited ("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. For the year 2006, the total patronage of both the bus and ferry services of PITC increased by 16.9% to 6.9 million passenger trips (2005: 5.9 million passenger trips). This increase was due mainly to the additional population intake of Park Island. To cater for the increased transport demand, PITC added three new super-low floor single-deck buses to its bus fleet in 2006. 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 14 super-low floor single-deck buses, three diesel-electric hybrid super-low floor single-deck buses and one 28-seat mini-bus.

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 9.9% from 9.1 million passenger trips for 2005 to 10.0 million passenger trips for 2006. NHKB operated a total of 15 buses at year-end 2006, the same as at the end of 2005.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited ("LCKPI")

LCKPI is a wholly-owned subsidiary of the Group and the owner and developer of the residential and commercial complex known as "Manhattan Hill" located at 1 Po Lun Street, Lai Chi Kok, Kowloon. Manhattan Hill comprises about 1,115 up-scale luxurious residential units in five multi-storey prestigious residential blocks with a total gross floor area of more than one million square feet for sale, and a two-level retail podium of about 50,000 square feet. The development obtained its occupation permit in December 2006.

The first phase sales campaign of Manhattan Hill's residential units was launched in November 2006. Up to the end of 2006, 245 residential units with a total gross floor area ("GFA") of about 299,000 square feet, representing approximately 25% of the total saleable GFA, were sold. These sales generated a profit of HK\$1,500.2 million for the year ended 31 December 2006.

At 31 December 2006, completed property held for sale (classified under current assets in the consolidated balance sheet) and investment properties under development in respect of the commercial portion of Manhattan Hill (classified under fixed assets in the consolidated balance sheet) amounted to HK\$1,433.4 million (2005: Nil) and HK\$74.6 million (2005: Nil) respectively, and the Group had capital commitment of HK\$37.2 million (2005: HK\$1,275.5 million) in respect of the development. The development is financed by the Group's working capital and unsecured bank loans.

LCK Real Estate Limited ("LCKRE")

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group for its own use and was stated at cost less accumulated depreciation in the amount of HK\$40.2 million (2005: HK\$42.0 million) on the consolidated balance sheet as at 31 December 2006.

Media Sales Business

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

The RoadShow Group is a leading media sales company in Hong Kong and the Mainland. It is principally engaged in marketing advertising aimed at passengers riding public transit vehicles in Hong Kong through a Multi-media On-board system. The RoadShow Group also runs a television programme syndication and media sales network on the Mainland.

The RoadShow Group achieved significant operational and financial improvement in 2006 as compared with 2005. For the year ended 31 December 2006, the RoadShow Group reported a total revenue of HK\$266.4 million (2005: HK\$212.7 million) and a profit attributable to equity shareholders of HK\$30.8 million (2005: HK\$26.3 million), representing increases of 25.2% and 17.1% respectively over those of 2005.

The total operating expenses of the RoadShow Group for 2006 amounted to HK\$209.4 million, an increase of 10.3% compared with HK\$189.9 million for 2005.

The profit attributable to equity shareholders of the RoadShow Group comprised segment profits derived from Hong Kong operations of HK\$7.3 million (2005: HK\$19.8 million) and China Mainland operations of HK\$23.5 million (2005: HK\$6.5 million). The increase in profit for the year was mainly attributable to the continuous economic growth and the resultant upturn in consumer confidence in both Hong Kong and China Mainland.

Further information relating to the RoadShow Group is available in its 2006 final results announcement and annual report.

Mainland Transport Operations

At 31 December 2006, the Group's total interest in associates and jointly controlled entities engaged in Mainland Transport Operations amounted to HK\$680.0 million (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. The Group's Mainland Transport Operations Division reported a profit of HK\$45.1 million for 2006 (2005: HK\$41.5 million), an increase of 8.7%. The increase was due mainly to the increase in ridership for our associates on the Mainland. The surge in fuel prices in 2006 suppressed the performance of these businesses on the Mainland.

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 2006, the Group's net investment in the CJV was HK\$20.5 million (2005: HK\$14.5 million). The Dalian co-operative joint venture has a fleet of about 80 single-deck buses operating on three routes serving Dalian City. This CJV made steady progress in 2006.

Beijing

Beijing Beiqi Kowloon Taxi Company Limited ("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. The Group's investment in BBKT was RMB80.0 million (HK\$75.5 million), representing 31.38% of BBKT's equity interest. BBKT's shareholders comprise KMB (Beijing) Taxi Investment Limited, a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited and three other Mainland investors. BBKT principally engages in the taxi hire and car rental businesses with a fleet of around 4,300 vehicles and some 4,300 employees. BBKT made satisfactory progress and recorded a profit in 2006.

Wuxi

Wuxi Kowloon Public Transport Company Limited (“WKPT”) is a Sino-foreign joint stock company established in Wuxi City, Jiangsu Province in February 2004. The Group has invested RMB135.4 million (HK\$127.2 million), representing 45% equity interest, in WKPT. WKPT currently operates around 1,800 public buses serving some 120 routes. WKPT recorded a ridership of 273.6 million passenger trips (2005: 266.3 million passenger trips) and achieved satisfactory results for the year ended 31 December 2006.

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 in January 2005. The Group has invested RMB387.1 million (HK\$363.9 million), representing a 35% stake, in SBG. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province, which includes the Shenzhen Special Economic Zone and the Bao-an and Longgang areas, with about 4,100 vehicles serving some 158 routes. SBG recorded a ridership of 691.5 million passenger trips (2005: 588.3 million passenger trips) and made a satisfactory return in 2006.

FINANCIAL LIQUIDITY AND RESOURCES

Under the principle of prudent financial management, the Group has constantly monitored its liquidity and financial resources with an aim to maintain a healthy financial position throughout the year so that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demands for daily operational needs, loan repayments, capital expenditure, and potential business expansion and development. During the year, the Group’s operations were mainly financed by shareholders’ funds, bank loans and overdrafts. In general, the Group’s major operating companies arrange their own financing to meet their operational and investment needs. For the other subsidiaries, they are mainly financed by the holding company from its capital base. From time to time, the Group reviews its funding strategy 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 2006 was 0.51 (2005: 0.51).

At 31 December 2006, the Group’s net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$2,564.7 million (2005: HK\$2,046.3 million), representing an increase of HK\$518.4 million compared with 2005.

At 31 December 2006, the Group had stand-by banking facilities totalling HK\$1,254.0 million (2005: HK\$1,299.0 million).

The finance costs incurred by the Group for 2006 increased to HK\$106.3 million from HK\$69.1 million for 2005 as a result of a rise in interest rates and an increase in the Group’s borrowings during the year. The average interest rate in respect of the Group’s borrowings for 2006 was 4.34%, an increase of 133 basis points compared with 3.01% for 2005.

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 32.1 times in 2006 (2005: 15.8 times).

CAPITAL EXPENDITURE

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, interest in leasehold land held for own use under operating leases, investment property under development, buses and other motor vehicles, vessels, buses under construction, tools and others. None of the Group's fixed assets was pledged or charged as at 31 December 2006.

During the year, capital expenditure incurred by the Group amounted to HK\$588.2 million (2005: HK\$514.8 million). The increase was mainly attributable to the purchase of new buses for fleet replenishment and network reorganisation.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and therefore staff costs accounted for a substantial portion of the total cost of the Group. During the year, through cautious control of the number of staff to align with the saving in manpower resulting from the implementation of various bus network reorganisation programmes, the headcount of the Group at the year-end of 2006 decreased marginally to 13,425 (2005: 13,493). The decrease was due mainly to natural attrition and the introduction of a voluntary retirement scheme in 2006. For the year ended 31 December 2006, the total remuneration of employees of the Group (including employees of the Group's subsidiary companies on the Mainland) amounted to HK\$2,979 million (2005: HK\$2,983 million), representing 42% (2005: 49%) of the total operating costs. The Group will continue to closely monitor and align the number and remuneration of its employees against productivity and market trends.

OUTLOOK

The challenges for the Group's core franchised public bus operations over the past year were significant. KMB, the Group's flagship company providing franchised public bus services in Hong Kong, continued to face intense competition for patronage from the railways. Our response to this challenge was to continue the timely rationalisation of our franchised public bus services network, and to press on with our innovative approach to enhancing the quality of our services and efficiency that has become our hallmark over the past years. Since no new major railway is scheduled to open in our operating area in the near future and the growth in the local economy is expected to continue, we believe that our patronage will continue to prove resilient. However, we will continue to be faced with challenges of high oil prices and inflation in the years ahead.

In comparison with the relatively mature Hong Kong market, the China Mainland continues to offer opportunities that represent greater business potential, albeit building from a lower base. Our experience in public transportation and widely recognised reputation of service

excellence allowed us to enter successfully into joint venture operations in taxi and hire car businesses in Beijing, as well as public bus operations in Shenzhen, Wuxi and Dalian. The Group is well positioned to deploy its resources and expertise to explore new business opportunities on the Mainland.

The first phase of the sales campaign for the residential flats of the Manhattan Hill development began in November 2006. The market response to the initial sales launch was encouraging. With the continuing growth of the local economy and barring unforeseeable circumstances, we expect this luxury development will continue to generate considerable profit and cash flow for the Group.

Through continuing investment comes continuous improvement. The Group's levels of service, efficiency and environment-friendly technologies continue to benefit society wherever we operate. As the Group moves forward with strategies at various levels of implementation, we are confident that we will continue to deliver value for our shareholders and other stakeholders, and become a stronger and more diversified organisation.

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 2006 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 2006.

By Order of the Board
S.Y. CHUNG
Chairman

Hong Kong, 22 March 2007

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. 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