Transport International Holdings Limited

（載通國際控股有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 62)

Announcement of Interim Results For the Six Months ended 30 June 2013

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 was HK$195.4 million (six months ended 30 June 2012: HK$114.5 million, which has been restated due to the change in accounting policy with respect to defined benefit plans as a result of the adoption of the revised Hong Kong Accounting Standard 19, Employee benefits (the "Revised HKAS 19"), which has become effective for the accounting period commencing on 1 January 2013), representing an increase of HK$80.9 million or 70.7% compared with the corresponding period in 2012.

- The Kowloon Motor Bus Company (1933) Limited, the flagship company of the Group, recorded a loss after taxation of HK$19.5 million for the first half of 2013 (first half of 2012: loss after taxation of HK$82.4 million, which has been restated as a result of the adoption of the Revised HKAS 19), representing a favourable variance of HK$62.9 million compared with the corresponding period of 2012. Such favourable variance was mainly due to the growth in ridership and the fare increase of 4.9% which took effect on 17 March 2013. However, the increased revenue was still insufficient to fully cover the operating expenses incurred during the first half of 2013.

- During the first half of 2013, Lai Chi Kok Properties Investment Limited ("LCKPI"), a wholly-owned subsidiary of the Group, reached a final agreement with its contractors and sub-contractors on the contract settlement sums of the Manhattan Hill development project. Based on the quantity surveyors' certified final accounts of the work done, pre-tax development costs amounting to HK$108.2 million were written back to the income statement during the period under review on a one off basis. As a result of this write-back and the sale of one car parking space of the Manhattan Hill development, LCKPI recorded a profit after taxation of HK$91.6 million for the six months ended 30 June 2013, representing an increase of HK$20.4 million compared with that of HK$71.2 million for the first half of 2012.

FINANCIAL HIGHLIGHTS
(continued)

- Earnings per share for the period under review were HK$0.48, an increase of HK$0.20 per share compared with HK$0.28 per share (restated) for the six months ended 30 June 2012.

- An interim dividend of HK$0.15 per share for the six months ended 30 June 2013 has been declared (six months ended 30 June 2012: HK$0.15 per share).

Consolidated income statement

	Note	Six months ended 30 June **2013** **HK$ million** **(Unaudited)**	 2012 HK$ million (Unaudited) (Restated)
Turnover	2 & 3	**3,612.5**	3,554.6
Other net income	4	**191.0**	87.3
Cost of properties sold		**(0.4)**	(19.5)
Staff costs	5	**(1,735.1)**	(1,648.7)
Depreciation and amortisation		**(371.7)**	(398.0)
Fuel and oil		**(752.3)**	(777.2)
Spare parts and stores		**(136.1)**	(114.0)
Toll charges		**(196.9)**	(194.5)
Other operating expenses		**(385.5)**	(367.1)
Profit from operations		**225.5**	122.9
Finance costs	6	**(4.2)**	(4.8)
Share of profits of associates		**15.8**	15.4
Profit before taxation		**237.1**	133.5
Income tax	7	**(32.0)**	(8.9)
Profit for the period		**205.1**	124.6

Consolidated income statement (continued)

	Note	Six months ended 30 June **2013** **HK$ million** **(Unaudited)**	 2012 HK$ million (Unaudited) (Restated)
Profit for the period attributable to:			
Equity shareholders of the Company		**195.4**	114.5
Non-controlling interests		**9.7**	10.1
Profit for the period		**205.1**	124.6
Profit for the period attributable to equity shareholders of the Company:			
Arising from Manhattan Hill properties		**91.6**	71.2
Arising from the Group's other operations		**103.8**	43.3
		195.4	114.5
Earnings per share – basic and diluted:	9		
Arising from Manhattan Hill properties		**HK$ 0.22**	HK$ 0.18
Arising from the Group's other operations		**HK$ 0.26**	HK$ 0.10
		HK$ 0.48	HK$ 0.28

Consolidated balance sheet

	Note	**At 30 June 2013 HK$ million (Unaudited)**	At 31 December 2012 HK$ million (Audited) (Restated)
Non-current assets			
Fixed assets			
- Investment properties		**118.1**	120.4
- Investment property under development		**13.9**	13.4
- Interest in leasehold land		**68.4**	69.4
- Other property, plant and equipment		**3,895.5**	3,648.6
		4,095.9	3,851.8
Intangible assets		**132.1**	132.1
Goodwill		**84.1**	84.1
Non-current prepayments and deposits		**9.5**	3.7
Interest in associates		**703.1**	671.5
Other financial assets		**398.0**	591.0
Net defined benefit retirement assets		**215.9**	325.9
Deferred tax assets		**5.6**	4.5
		5,644.2	5,664.6
Current assets			
Completed property held for sale		**-**	0.4
Spare parts and stores		**57.7**	46.2
Accounts receivable	10	**474.3**	455.1
Deposits and prepayments		**69.3**	27.9
Other financial assets		**180.2**	48.4
Current tax recoverable		**18.7**	21.6
Pledged and restricted bank deposits		**67.8**	62.9
Cash and cash equivalents		**2,645.4**	3,033.7
		3,513.4	3,696.2
Current liabilities			
Bank loans and overdrafts		**200.0**	200.1
Accounts payable and accruals	11	**1,077.7**	1,116.9
Contingency provision – insurance		**143.1**	136.0
Current tax payable		**42.7**	17.6
		1,463.5	1,470.6
Net current assets		**2,049.9**	2,225.6
Total assets less current liabilities		**7,694.1**	7,890.2

Consolidated balance sheet (continued)

	Note	**At 30 June 2013 HK$ million (Unaudited)**	At 31 December 2012 HK$ million (Audited) (Restated)
Non-current liabilities			
Bank loans		**398.8**	598.5
Deferred tax liabilities		**532.0**	531.4
Contingency provision – insurance		**310.7**	310.7
Provision for long service payments		**25.2**	28.9
		1,266.7	1,469.5
Net assets		**6,427.4**	6,420.7
Capital and reserves			
Share capital		**403.6**	403.6
Reserves		**5,853.6**	5,832.4
Total equity attributable to equity shareholders of the Company		**6,257.2**	6,236.0
Non-controlling interests		**170.2**	184.7
Total equity		**6,427.4**	6,420.7

Notes:

1 Basis of preparation

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2013 but are extracted from that interim financial report.

The 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") and Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted in the preparation of the interim financial report are consistent with those set out in the Group's 2012 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income

HKFRS 10, Consolidated financial statements

HKFRS 11, Joint arrangements

HKFRS 12, Disclosure of interests in other entities

HKFRS 13, Fair value measurement

Revised HKAS 19, Employee benefits

Annual Improvements to HKFRSs 2009-2011 Cycle

Amendments to HKFRS 7 - Financial Instruments: Disclosures – offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for the Revised HKAS 19, the other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods.

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, the Revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. The Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of the Revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the "corridor method" was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012, and the result for the six months ended 30 June 2012 as follows:

	As previously reported HK$ million	*Effect of adopting the Revised HKAS 19* HK$ million	*As restated* HK$ million
Consolidated income statement for the six months ended 30 June 2012:			
Other net income	104.8	(17.5)	87.3
Staff costs	1,584.3	64.4	1,648.7
Income tax expense	22.4	(13.5)	8.9
Profit for the period	193.0	(68.4)	124.6
Basic and diluted earnings per share	HK$0.45	HK$(0.17)	HK$0.28
Consolidated statement of comprehensive income for the six months ended 30 June 2012:			
Total comprehensive income for the period	192.9	(68.4)	124.5
Consolidated balance sheet as at 31 December 2012:			
Net defined benefit retirement assets	758.4	(432.5)	325.9
Deferred tax liabilities	602.8	(71.4)	531.4
Net assets/total equity	6,781.8	(361.1)	6,420.7
Retained profits	4,914.8	(361.1)	4,553.7

2 Segment information

	Franchised bus operation Six months ended 30 June		Media sales business Six months ended 30 June		Property development Six months ended 30 June		All other segments (note) Six months ended 30 June		Total Six months ended 30 June	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$ million (Unaudited)	HK$ million (Unaudited) (Restated)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited) (Restated)
Revenue from external customers	**3,235.8**	3,103.0	**202.7**	192.6	**1.9**	103.7	**172.1**	155.3	**3,612.5**	3,554.6
Inter-segment revenue	**53.9**	52.8	**-**	-	**-**	-	**18.1**	10.3	**72.0**	63.1
Reportable segment revenue	**3,289.7**	3,155.8	**202.7**	192.6	**1.9**	103.7	**190.2**	165.6	**3,684.5**	3,617.7
Reportable segment profit/(loss)	**(0.2)**	(68.3)	**31.5**	28.9	**91.6**	71.2	**42.2**	37.8	**165.1**	69.6

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, Operating segments, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport operation, leasing of investment properties and interest in associates.

3 Turnover

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

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	**3,233.4**	3,099.8
Revenue from non-franchised transport services	**158.2**	142.1
Media sales revenue	**204.7**	195.8
Revenue from sales of properties	**1.6**	103.7
Gross rentals from investment properties	**14.6**	13.2
	3,612.5	3,554.6

4 Other net income

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
		(Restated)
Reversal of development cost accrual relating to Manhattan Hill (note)	**108.2**	-
Interest income on other financial assets not at fair value through profit or loss	**31.9**	33.4
Dividend income from unlisted equity securities	**7.4**	32.2
Net movement in balance of passenger rewards	**0.3**	0.7
Claims received	**15.8**	9.6
Net miscellaneous business receipts	**4.0**	3.9
Net gain on disposal of fixed assets	**3.4**	1.4
Net foreign exchange gain/(loss)	**13.1**	(3.0)
Sundry revenue	**6.9**	9.1
	191.0	87.3

Note: During the first half of 2013, Lai Chi Kok Properties Investment Limited, a wholly-subsidiary of the Group, reached a final agreement with its contractors and sub-contractors on the contract settlement sums of the Manhattan Hill development project. Based on the quantity surveyors' certified final accounts of the work done, development costs amounting to HK$108.2 million were written back to the consolidated income statement.

5 Staff costs

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
		(Restated)
Defined benefit retirement plan expense	**67.9**	64.4
Contributions to defined contribution retirement plans	**43.7**	37.1
Movements in provision for long service payments	**(0.2)**	0.7
Salaries, wages and other benefits	**1,623.7**	1,546.5
	1,735.1	1,648.7

6 Finance costs

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts not at fair value through profit or loss	**4.2**	4.8

7 Income tax

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
		(Restated)
Current tax – Hong Kong Profits Tax		
Provision for the period	**32.3**	52.0
Current tax – Income Tax in the People's Republic of China ("PRC")		
Provision for the period	**0.2**	-
	32.5	52.0
Deferred tax		
Origination and reversal of temporary differences	**(0.5)**	(43.1)
	32.0	8.9

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the six months ended 30 June 2013 (six months ended 30 June 2012: 16.5%). Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

8 Dividends

(a) Dividend paid/payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June			
	2013		2012	
	(Unaudited)		(Unaduited)	
	Per share		*Per share*	
	HK$	**HK$ million**	HK$	HK$ million
Interim dividend declared after the interim period end	**0.15**	**60.5**	0.15	60.5

The interim dividend declared after the balance sheet date has not been recognised as liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June			
	2013		2012	
	(Unaudited)		(Unaudited)	
	Per share		*Per share*	
	HK$	**HK$ million**	HK$	HK$'million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.45**	**181.6**	0.45	181.6

9 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$195.4 million (six months ended 30 June 2012 (restated): HK$114.5 million) and 403.6 million shares (six months ended 30 June 2012: 403.6 million shares) in issue during the periods presented. The calculation of basic earnings per share arising from Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK$91.6 million (six months ended 30 June 2012: HK$71.2 million) and HK$103.8 million (six months ended 30 June 2012 (restated): $43.3 million) and 403.6 million shares (six months ended 30 June 2012: 403.6 million shares) in issue during the periods presented.

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares during the periods presented and diluted earnings per share are the same as basic earnings per share.

10 Accounts receivable

	At 30 June 2013 HK$ million (Unaudited)	At 31 December 2012 HK$ million (Audited)
Trade and other receivables	**452.1**	432.1
Instalments receivable from sales of properties	**1.5**	0.1
Interest receivable	**20.8**	23.0
Less: allowance for doubtful debts	**(0.1)**	(0.1)
	474.3	455.1

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

Included in accounts receivable are trade receivables and instalments receivable from sales of properties (net of allowance for doubtful debts) with the following ageing analysis, based on the due date, as of the balance sheet date:

	At 30 June 2013 HK$ million (Unaudited)	At 31 December 2012 HK$ million (Audited)
Current	**197.6**	189.4
1 to 3 months past due	**37.2**	57.3
More than 3 months past due	**17.0**	9.9
	251.8	256.6

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

11 Accounts payable and accruals

At the balance sheet date, the ageing analysis of trade payables (which are included in accounts payable and accruals), based on the due date, is as follows:

	At 30 June 2013 HK$ million (Unaudited)	At 31 December 2012 HK$ million (Audited)
Due within 1 month or on demand	**288.3**	200.2
Due after 1 month but within 3 months	**0.6**	33.9
Due after more than 3 months	**1.8**	1.8
Trade payables	**290.7**	235.9
Balance of passenger rewards	**6.2**	6.5
Other payables and accruals	**780.8**	874.5
	1,077.7	1,116.9

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

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 month or on demand as disclosed above are within 3 months from the invoice date.

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 was HK$195.4 million (six months ended 30 June 2012: HK$114.5 million, which has been restated due to the change in accounting policy with respect to defined benefit plans as a result of the adoption of the revised Hong Kong Accounting Standard 19, Employee benefits (the "Revised HKAS 19"), which has become effective for accounting period commencing on 1 January 2013), representing an increase of HK$80.9 million or 70.7% compared with the corresponding period in 2012. Earnings per share for the period under review increased correspondingly to HK$0.48 from HK$0.28 (restated) for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.15 per share (six months ended 30 June 2012: HK$0.15 per share), totalling HK$60.5 million for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$60.5 million). The interim dividend will be paid on 17 October 2013 to the equity shareholders of the Company whose names are on the Register of Members at the close of business on 9 October 2013. The Register will be closed from 4 October 2013 to 9 October 2013, 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 branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 3 October 2013.

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")

- KMB recorded a loss after taxation of HK$19.5 million for the first half of 2013 (first half of 2012: loss after taxation of HK$82.4 million, which has been restated as a result of the adoption of the Revised HKAS 19), representing a favourable variance of HK$62.9 million compared with the corresponding period of 2012.

- Fare revenue for the first half of 2013 increased by HK$126.1 million or 4.3% to HK$3,043.6 million as compared with HK$2,917.5 million for the corresponding period in 2012. Such increase was due to growth in ridership and the fare increase of 4.9% which took effect on 17 March 2013. Advertising revenue for the first half of 2013 was HK$56.0 million, an increase of 2.2% compared with HK$54.8 million for the first half of 2012. Total operating expenses for the first half of 2013 increased by HK$59.4 million or 1.9% to HK$3,166.6 million, compared with HK$3,107.2 million (restated) for the corresponding period of 2012. Despite the aforesaid increases in fare and advertising revenue, the total revenue was still insufficient to fully cover the operating expenses incurred during the first half of 2013.

- The average daily ridership for the first half of 2013 was 2.59 million passenger trips, an increase of 2.0% compared with the corresponding period last year. The increase was mainly due to the increase in patronage by elderly passengers as a result of the rolling out of the HKSAR Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities with effect from 5 August 2012.

- As at 30 June 2013, KMB operated a total of 392 routes (31 December 2012: 394 routes). In addition, there were 84 Octopus Bus-bus Interchange ("BBI") schemes covering 269 bus routes, operating both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes provide fare discounts to passengers on the second leg of journeys while broadening KMB's network coverage. They also help relieve traffic congestion on busy corridors and contribute towards an improved environment by improving bus utilisation and saving resources.

- During the first half of 2013, substantial investments were made in new buses featuring the latest safety, barrier-free wheelchair user-friendly, and environmental design features. 48 Euro V air-conditioned super-low floor double-deck buses were added to the KMB fleet. As at 30 June 2013, KMB operated a total of 3,780 buses (31 December 2012: 3,820 buses), comprising 3,613 double-deck and 167 single-deck air-conditioned buses. In addition, KMB had 372 new Euro V air-conditioned double-deck buses and 11 new Euro V air-conditioned single-deck buses awaiting licensing or on order.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2013 amounted to HK$19.3 million, representing an increase of HK$5.2 million compared with that for the first half of 2012 of HK$14.1 million, which has been restated due to the adoption of the Revised HKAS 19.

- Fare revenue for the first half of 2013 increased by 4.1% to HK$189.8 million as compared with HK$182.3 million for the corresponding period in 2012. This increase was mainly due to an increase in the average daily ridership of 4.5% over the corresponding period in 2012 as a result of increasing transport demand from international travellers and from construction workers involved in various infrastructural projects at the Airport and in the expanding Hong Kong Disneyland. Total operating expenses for the period under review amounted to HK$169.0 million, an increase of HK$2.0 million compared with HK$167.0 million (restated) for the corresponding period of 2012.

- As at 30 June 2013, LWB operated 15 BBI schemes covering 12 bus routes, operating both within LWB's bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- In the first half of 2013, LWB introduced three new Euro V air-conditioned super-low floor double-deck buses to its fleet to enhance the level of service on routes with increased demand. As at 30 June 2013, LWB operated 19 routes with a fleet of 168 air-conditioned super-low floor double-deck buses.

- As at 30 June 2013, LWB had on order three new Euro V air-conditioned double-deck buses, which are expected to be delivered by the end of 2013 to further enhance its service level.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$15.5 million for the first half of 2013, representing an increase of 9.9% compared with HK$14.1 million for the corresponding period of 2012. 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 leading non-franchised bus operator in Hong Kong, providing tailor-made transport services to a variety of customers, serving large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as the general public through chartered hire services.

- Turnover of the SBH Group for the first half of 2013 increased by 12.6% compared with the corresponding period in 2012. The increase was due mainly to business growth and turnover generated by two cross-boundary non-franchised bus operators which were added to the SBH Group in the second half year of 2012. Total operating expenses for the period under review also increased as a result of the increases in salaries and other operating expenses resulting from general inflation.

- As at 30 June 2013, the SBH Group had a fleet of 386 (31 December 2012: 386) licensed buses. During the first half of 2013, 15 new coaches were purchased for service enhancement and fleet replacement.

New Hong Kong Bus Company Limited ("NHKB")

- In conjunction with its Shenzhen counterpart, NHKB operated a total of 15 air-conditioned super-low floor single-deck buses on its 24-hour cross-boundary shuttle bus service, commonly known as the "Huang Bus" service, which takes business and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen (深圳). With the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange, and the increasing number of cross-boundary transport options available for passengers, NHKB faced keen competition from railway and public minibus services. As a result, NHKB's average monthly ridership fell by 2.6% from 0.39 million passenger trips for the first half of 2012 to 0.38 million passenger trips for the first half of 2013.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited ("LCKPI")

- LCKPI, a wholly-owned subsidiary of the Group, is the developer of Manhattan Hill, a luxury residential complex located in Lai Chi Kok, Kowloon. The last residential unit of Manhattan Hill and 13 car parking spaces were sold in 2012, leaving only one car parking space which was sold in the first half of 2013, generating an after-tax profit of HK$1.3 million (first half of 2012: HK$71.2 million). On completion of the development project, LCKPI reached a final agreement with its contractors and sub-contractors on the contract settlement sums. Based on the quantity surveyors' certified final accounts of the work done, pre-tax development costs amounting to HK$108.2 million were written back to the income statement during the period under review on a one off basis. As a result of this write-back and the aforesaid sale of one car parking space, the profit after taxation of LCKPI for the six months ended 30 June 2013 amounted to HK$91.6 million, representing an increase of HK$20.4 million compared with that of HK$71.2 million for the first half of 2012.

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with a mix of high quality retail facilities including a variety of shops and restaurants. As at 30 June 2013, about 95% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

- As at 30 June 2013, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet) amounted to HK$98.3 million (31 December 2012: HK$100.8 million).

LCK Real Estate Limited ("LCKRE")

- LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes.

- As at 30 June 2013, the building was stated on the consolidated balance sheet at cost less accumulated depreciation in the amount of HK$32.6 million (31 December 2012: HK$33.2 million).

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited, a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common. Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a wholly-owned subsidiary of SHKP, has been appointed as project manager for the management, supervision and control of the development of the Kwun Tong Site to ensure that the whole development meets the highest standards. SHKRE is currently handling matters relating to the modification of the lease and the submission of the building plan. The Group intends to hold the development for long-term investment purposes.

- As at 30 June 2013, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK$13.9 million (31 December 2012: HK$13.4 million).

TM Properties Investment Limited ("TMPI")

- TMPI, a wholly-owned subsidiary of the Company, is the owner of an industrial property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, at 1 Kin Fung Circuit, Tuen Mun. The property has been leased out to generate recurring rental income for the Group since March 2011.

- As at 30 June 2013, the carrying value of the industrial property (classified under investment property on the consolidated balance sheet) amounted to HK$8.0 million (31 December 2012: HK$8.6 million).

Media Sales Business

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

- RoadShow, established by the Group as its media sales arm, has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001. At present, the Group owns a 73% interest in RoadShow. The RoadShow Group offers advertisers a unique integrated media platform, spanning Multi-media On-board, bus interior, bus exterior, outdoor billboards as well as a newly launched web portal.

- For the six months ended 30 June 2013, RoadShow reported a profit attributable to equity shareholders of HK$29.9 million (six months ended 30 June 2012: HK$26.0 million).

- Further information regarding the RoadShow Group is available in its 2013 interim results announcement and interim report.

Mainland Transport Operations

As at 30 June 2013, the Group's total interest in the businesses under the Mainland Transport Operations Division amounted to HK$703.1 million (31 December 2012: HK$671.5 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. In the first half of 2013, the Group's Mainland Transport Operations Division reported a profit after taxation of HK$15.8 million, representing an increase of 2.6% compared with HK$15.4 million for the corresponding period in 2012.

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 (北京) in 2003. The Group has invested RMB80.0 million (equivalent to HK$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Up to April 2013, BBKT operated both taxi hire and car rental businesses as one of the market leaders in Beijing providing high quality transport services to its customers. The car rental business of BBKT was then transferred to a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司) ("BBF"), with the aim of providing greater focus in the exploration of business opportunities in the booming but challenging car rental market in Beijing. BBF has the same shareholding structure as BBKT. As at 30 June 2013, BBKT and BBF had 3,610 taxis and 1,114 charter vehicles respectively. Both businesses made steady progress and recorded profits in the first half of 2013.

Shenzhen (深圳)

- Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Group and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SBG, representing a stake of 35%. SBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), with approximately 5,836 vehicles serving some 270 routes. SBG made steady progress and recorded a profit in the first half of 2013.

FINANCIAL LIQUIDITY AND RESOURCES

Under the principle of prudent financial management, the Group closely monitors its liquidity and financial resources by preparing and reviewing a rolling 12-month cash flow projection on a monthly basis to ensure 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. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts.

Net cash

As at 30 June 2013, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$2,114.4 million (31 December 2012: HK$2,298.0 million). The details of the Group's net cash by currency as at 30 June 2013 are set out below:

Currency	**Cash and deposits at bank in foreign currency million**	**Cash and deposits at bank HK$ million**	**Bank loans and overdrafts HK$ million**	**Net cash HK$ million**
At 30 June 2013:-				
Hong Kong dollars		**1,585.9**	**(598.8)**	**987.1**
Renminbi	**786.9**	**993.3**	**-**	**993.3**
United States dollars	**17.2**	**134.0**	**-**	**134.0**
Total		**2,713.2**	**(598.8)**	**2,114.4**
At 31 December 2012:-				
Hong Kong dollars		2,527.8	(798.6)	1,729.2
Renminbi	290.1	359.3	-	359.3
United States dollars	26.8	208.8	-	208.8
British Pounds Sterling	0.1	0.7	-	0.7
Total		3,096.6	(798.6)	2,298.0

Bank loans and overdrafts

As at 30 June 2013, bank loans and overdrafts, all unsecured, amounted to HK$598.8 million (31 December 2012: HK$798.6 million). The maturity profile of the bank loans and overdrafts of the Group as at 30 June 2013 and 31 December 2012 is set out below:

	At 30 June 2013 HK$ million	At 31 December 2012 HK$ million
Within 1 year or on demand	**200.0**	200.1
After 1 year but within 2 years	**-**	200.0
After 2 years but within 5 years	**398.8**	398.5
	398.8	598.5
Total	**598.8**	798.6

Banking facilities

As at 30 June 2013, the Group had undrawn banking facilities totalling HK$610.0 million (31 December 2012: HK$609.9 million), of which HK$600.0 million (31 December 2012: HK$600.0 million) was of a committed nature.

Finance costs

The finance costs incurred by the Group for the six months ended 30 June 2013 were HK$4.2 million (six months ended 30 June 2012: HK$4.8 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.08% per annum compared with 1.12% per annum for the corresponding period in 2012.

Cash and deposits at bank

As at 30 June 2013, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$2,713.2 million (31 December 2012: HK$3,096.6 million).

FUNDING AND TREASURY POLICIES

In general, the Group's major operating companies arrange their own financing to meet their individual operational and investment needs. The other subsidiaries are mainly financed by their parent company from its capital base. The Group's funding strategy is regularly reviewed by management to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through maintaining adequate stand-by banking facilities and proper planning and close monitoring of the level of debts, management ensures that the Group's routine treasury operation is able to effectively meet its normal funding and ad hoc investment requirements.

Interest rate risk management

The Group manages its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. As at 30 June 2013, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. This strategy enabled the Group to take full advantage of the continuous low interest rates environment in the period under review. The Group will review its strategy on interest rate risk management on a regular basis in the light of prevailing market conditions and devise appropriate strategies to cope with its interest rate risk exposure.

Currency risk management

The Group's foreign currency exposure mainly arises from the payments for the purchases of new buses and overseas motor vehicle components, which are denominated in British Pounds Sterling. Although the amounts of foreign currency assets and liabilities of the Group are relatively low compared to its total asset base and therefore will not pose a significant foreign exchange risk to the Group, the Group's treasury team will continue to closely monitor the prevailing foreign exchange market conditions and enter into forward foreign exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. As at 30 June 2013, the Group had no forward exchange contracts outstanding.

Cash flow and liquidity risk management

The Group has not been exposed to significant cash flow and liquidity risks since it has maintained an adequate level of cash reserves on hand. Under normal circumstances and barring a drastic upsurge in fuel oil prices for a prolonged period of time, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, would be low as its revenue is essentially received on a cash basis. Through proper planning and close monitoring of the level of debt, the Group is able to effectively meet its funding and investment requirements.

Fuel price risk management

Fuel price movements can have a significant impact on the results of the Group's core franchised public bus businesses. The Group has carefully considered the pros and cons of entering into fuel price hedging arrangements and has come to the conclusion that fuel price hedging would be equally as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long run. As a result, the Group has not entered into any fuel oil hedging contracts during the period under review. To mitigate the impact of high fuel prices, the Group's two major subsidiaries, KMB and LWB, have rigorously explore ways to conserve fuel consumption, such as working with bus manufacturers to reduce the weight of new generation buses and conducting eco-driving training for our bus captains. In addition, we also rigorously explore other efficiency enhancement measures, including but not limited to the reorganisation of bus services on a district-wide basis, with the HKSAR Government and the District Councils. The Group will continue to closely monitor fuel price movements and constantly review its strategy on fuel price risk management and find ways to counter the adverse impact of high fuel prices. However, if these measures are not effective to restore the financial viability of the Group's franchised public bus operations, it is inevitable that the Group will have to seek a fare increase in order to maintain the provision of sustainable quality services.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's fixed assets mainly comprised buildings, buses and other motor vehicles, buses under construction, tools and others, investment properties, and interest in leasehold land. As at 30 June 2013, none of the Group's fixed assets was pledged or charged. In the first half of 2013, the Group incurred capital expenditure of HK$616.0 million (six months ended 30 June 2012: HK$167.4 million), which was mainly used for the purchase of new buses for the Group's franchised public bus operations.

As at 30 June 2013, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK$2,719.2 million (31 December 2012: HK$3,063.8 million). These commitments were mainly in respect of the development of the Kwun Tong Site and the purchase of buses and other fixed assets, which are to be financed by borrowings and the working capital of the Group.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for over 48.5% of the total operating costs of the Group in the first half of 2013. As at 30 June 2013, the Group had 13,349 employees. For the six months ended 30 June 2013, total remuneration of the employees of the Group amounted to HK$1,735.1 million (six months ended 30 June 2012 (restated): HK$1,648.7 million). Employee compensation, including salaries, retirement schemes and medical benefits, is determined by reference to the market, individual performance and contribution. The Group closely monitors and aligns its headcount and staff remuneration against productivity and market trends.

OUTLOOK

Franchised Public Bus Operations

In view of the losses incurred by KMB due to factors beyond its control and for the purpose of restoring its financial viability for the provision of sustainable quality services, on 29 November 2012, KMB submitted to the Transport Department an application for a fare increase of 8.5%. We are disappointed that the HKSAR Government approved an average fare increase of only 4.9% with effect from 17 March 2013 which is insufficient in light of the challenges faced by KMB, such as intense competition from the expanding rail network, persistently high fuel prices, significant increases in wages and other operating expenses due to inflationary pressure, as well as rising customer expectations of higher service level and quality.

The new railway lines launched since 2002 have had a significant adverse impact on KMB's business. Although KMB's ridership has decreased by 16% over the past decade, we have not been allowed to rationalise our network and reduce our fleet size proportionately. On the other hand, the problem of road traffic congestion has significantly worsened, leading to increases in journey times on busy urban corridors. This has reduced the competitiveness of bus services and increased our operating costs as a result of increased fuel consumption and manpower allocation.

We believe that if KMB is allowed to re-design the existing network and remove or reshuffle overlapping or duplicated bus routes, we can deliver a better service using slightly fewer buses. In this connection, we have stepped up collaboration with the HKSAR Government and the District Councils with the aim of reorganising the bus network by adopting an "area approach" on a district by district basis. By considering the dynamics of travelling patterns over a wider area, rather than focusing on individual bus routes, and by taking into account opportunities offered by the new highway infrastructure, we believe that our routes can be optimised to better serve the travelling public. With the support of the HKSAR Government, we are pleased that KMB's North District route reorganisation plan was endorsed by North District Council in July 2013, albeit more than six months after KMB first put forward its plan to the HKSAR Government. Given the tough operating conditions currently faced by KMB, especially with the recent volatility in international fuel prices which may have a significant impact on KMB's performance in the second half of 2013, route reorganisation must be implemented at a much faster pace to enable us to make better use of our limited resources to meet our customers' needs and expectations, and to restore our financial viability.

Non-franchised Businesses

The Group's non-franchised transport businesses recorded healthy growth in the first half of 2013 although high fuel prices posed significant challenges to their operations. We will continue to enhance our coach service quality and to explore business opportunities that can increase our income.

The development of the Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon is ongoing. The site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses, and upon completion, it will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall with a total area of 50,000 square feet and the shops in our headquarters building in Lai Chi Kok, together with the industrial property at 1 Kin Fung Circuit, Tuen Mun, will continue to provide steady rental revenue for the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013, except that two of the Non-executive Directors of the Company, Mr. Raymond Kwok Ping-luen and Dr. Walter Kwok Ping-sheung, were unable to attend the Annual General Meeting of the Company held on 23 May 2013 as provided for in code provision A.6.7 due to other engagements.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2013 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants, by the Company's external auditors, KPMG, whose review report is included in the interim report to be sent to shareholders.

The Audit Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2013.

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.hkexnews.hk. The 2013 interim report will be available at the Company's website and despatched to shareholders of the Company in early September 2013.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 15 August 2013

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:
Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Mr. Gordon SIU Kwing-chue, *GBS, CBE, JP*
Professor LIU Pak-wai, *SBS, JP*

Non-executive Directors:
Mr. Raymond KWOK Ping-luen, *JP* (Mr. Roger LEE Chak Cheong as his alternate)
Dr. Walter KWOK Ping-sheung, *JP* (Mr. Godwin SO Wai Kei as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)
Mr. William LOUEY Lai Kuen
Ms. Winnie NG
Mr. John Anthony MILLER, *SBS, OBE*

Executive Directors:
Mr. Edmond HO Tat Man (Managing Director)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. Evan AU YANG Chi Chun

**For identification purposes only*