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## **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 2014**

#### **FINANCIAL HIGHLIGHTS**

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 was HK\$151.2 million (six months ended 30 June 2013: HK\$195.4 million), representing a decrease of HK\$44.2 million or 22.6% compared with the corresponding period in 2013. The decrease in profit was mainly attributable to the fact that during the first half of 2013, Lai Chi Kok Properties Investment Limited ("LCKPI"), a wholly-owned subsidiary of the Group, had made a one-off write-back of pre-tax development costs of HK\$108.2 million upon reaching a final agreement with its contractors and sub-contractors on the contract settlement sums of the Manhattan Hill development project. When excluding such a one-off write-back, the Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 increased by HK\$46.1 million or 43.9% compared with the corresponding period of 2013.
- The Kowloon Motor Bus Company (1933) Limited ("KMB"), the flagship company of the Group, recorded a profit after taxation of HK\$67.7 million for the first half of 2014 (first half of 2013: a loss after taxation of HK\$19.5 million), representing a favourable variance of HK\$87.2 million compared with the corresponding period last year. Such favourable variance was mainly due to the full period effect of the 4.9% fare increase which took effect on 17 March 2013, but was partly offset by the annual pay rise and increases in other operating expenses due to inflation. In addition, the decrease in fuel costs resulting from enhancement of bus operating efficiency and a slightly lower average fuel price during the period under review also contributed to the improved results in the first half of 2014.

- Earnings per share for the six months ended 30 June 2014 were HK\$0.37 per share (six months ended 30 June 2013: HK\$0.48 per share), representing a decrease of HK\$0.11 per share or 22.6% compared with the corresponding period of 2013. When excluding LCKPI's one-off write-back of pre-tax development costs of HK\$108.2 million in the first half of 2013, earnings per share for the period under review increased by 43.9% compared with the corresponding period last year.
- An interim dividend of HK\$0.15 per share for the six months ended 30 June 2014 has been declared (six months ended 30 June 2013: HK\$0.15 per share).

## Consolidated income statement

	Note	<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
		<b>HK\$ million</b>	HK\$ million
		<b>(Unaudited)</b>	(Unaudited)
<b>Turnover</b>	2 & 3	<b>3,707.7</b>	3,612.5
Other net income	4	<b>49.4</b>	191.0
Cost of properties sold		-	(0.4)
Staff costs	5	<b>(1,758.8)</b>	(1,735.1)
Depreciation and amortisation		<b>(382.5)</b>	(371.7)
Fuel and oil		<b>(707.1)</b>	(752.3)
Spare parts and stores		<b>(135.8)</b>	(136.1)
Toll charges		<b>(198.4)</b>	(196.9)
Other operating expenses		<b>(403.4)</b>	(385.5)
<b>Profit from operations</b>		<b>171.1</b>	225.5
Finance costs	6	<b>(2.7)</b>	(4.2)
Share of profits of associates		<b>19.3</b>	15.8
<b>Profit before taxation</b>		<b>187.7</b>	237.1
Income tax	7	<b>(31.4)</b>	(32.0)
<b>Profit for the period</b>		<b>156.3</b>	205.1
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>151.2</b>	195.4
Non-controlling interests		<b>5.1</b>	9.7
<b>Profit for the period</b>		<b>156.3</b>	205.1
<b>Profit for the period attributable to equity shareholders of the Company:</b>			
Arising from Manhattan Hill properties		<b>0.2</b>	91.6
Arising from the Group's other operations		<b>151.0</b>	103.8
		<b>151.2</b>	195.4
<b>Earnings per share – basic and diluted:</b>			
Arising from Manhattan Hill properties	9	<b>HK\$ -</b>	HK\$ 0.22
Arising from the Group's other operations		<b>HK\$ 0.37</b>	HK\$ 0.26
		<b>HK\$ 0.37</b>	HK\$ 0.48

## Consolidated balance sheet

	Note	At 30 June 2014 HK\$ million (Unaudited)	At 31 December 2013 HK\$ million (Audited)
<b>Non-current assets</b>			
Fixed assets			
- Investment properties		111.6	115.3
- Investment property under development		15.1	14.9
- Interest in leasehold land		66.4	67.4
- Other property, plant and equipment		4,245.5	4,289.2
		4,438.6	4,486.8
Intangible assets		132.1	132.1
Goodwill		84.1	84.1
Non-current prepayments		13.8	12.5
Interest in associates		724.6	723.9
Other financial assets		193.5	229.4
Employee benefit assets		971.8	1,017.6
Deferred tax assets		4.2	4.8
		6,562.7	6,691.2
<b>Current assets</b>			
Spare parts and stores		69.2	60.3
Accounts receivable	10	438.9	449.6
Deposits and prepayments		79.0	21.3
Other financial assets		198.7	367.9
Current tax recoverable		16.1	17.6
Pledged and restricted bank deposits		71.6	65.7
Cash and cash equivalents		2,364.8	2,563.1
		3,238.3	3,545.5
<b>Current liabilities</b>			
Bank loans and overdrafts		-	200.0
Accounts payable and accruals	11	933.7	1,185.7
Contingency provision – insurance		156.0	141.0
Current tax payable		19.4	9.8
		1,109.1	1,536.5
<b>Net current assets</b>		<b>2,129.2</b>	<b>2,009.0</b>
<b>Total assets less current liabilities</b>		<b>8,691.9</b>	<b>8,700.2</b>

## Consolidated balance sheet (continued)

	Note	<b>At 30 June 2014 HK\$ million (Unaudited)</b>	At 31 December 2013 HK\$ million (Audited)
<b>Non-current liabilities</b>			
Bank loans		469.3	399.1
Deferred tax liabilities		700.7	683.0
Contingency provision – insurance		275.2	297.6
Provision for long service payments		17.1	19.8
		<b>1,462.3</b>	<b>1,399.5</b>
<b>Net assets</b>		<b>7,229.6</b>	<b>7,300.7</b>
<b>Capital and reserves</b>			
Share capital		403.6	403.6
Reserves		6,654.9	6,704.5
<b>Total equity attributable to equity shareholders of the Company</b>		<b>7,058.5</b>	7,108.1
<b>Non-controlling interests</b>		<b>171.1</b>	192.6
<b>Total equity</b>		<b>7,229.6</b>	<b>7,300.7</b>

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 2014 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"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21 August 2014.

The accounting policies adopted in the preparation of the interim financial report are consistent with those set out in the Group's 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new interpretation that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments do not have an impact on the Group's interim financial report.

## 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	
	2014 HK\$ million (Unaudited)	2013 HK\$ million (Unaudited)	2014 HK\$ million (Unaudited)	2013 HK\$ million (Unaudited)	2014 HK\$ million (Unaudited)	2013 HK\$ million (Unaudited)	2014 HK\$ million (Unaudited)	2013 HK\$ million (Unaudited)	2014 HK\$ million (Unaudited)	2013 HK\$ million (Unaudited)
Revenue from external customers	<b>3,307.9</b>	3,235.8	<b>219.7</b>	202.7	<b>0.5</b>	1.9	<b>179.6</b>	172.1	<b>3,707.7</b>	3,612.5
Inter-segment revenue	<b>56.4</b>	53.9	-	-	-	-	<b>23.7</b>	18.1	<b>80.1</b>	72.0
Reportable segment revenue	<b>3,364.3</b>	3,289.7	<b>219.7</b>	202.7	<b>0.5</b>	1.9	<b>203.3</b>	190.2	<b>3,787.8</b>	3,684.5
Reportable segment profit/(loss)	<b>84.1</b>	(0.2)	<b>12.5</b>	31.5	<b>0.2</b>	91.6	<b>46.7</b>	42.2	<b>143.5</b>	165.1

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 services, 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	
	2014	2013
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	3,304.5	3,233.4
Revenue from non-franchised transport services	165.2	158.2
Media sales revenue	222.3	204.7
Revenue from sales of properties	-	1.6
Gross rentals from investment properties	15.7	14.6
	<u>3,707.7</u>	<u>3,612.5</u>

### 4 Other net income

	Six months ended 30 June	
	2014	2013
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
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	35.7	31.9
Dividend income from unlisted equity securities	4.3	7.4
Claims received	18.0	15.8
Net miscellaneous business receipts	4.8	4.0
Net gain on disposal of fixed assets	4.3	3.4
Net foreign exchange (loss)/gain	(36.6)	13.1
Sundry revenue	18.9	7.2
	<u>49.4</u>	<u>191.0</u>

Note: During the first half of 2013, Lai Chi Kok Properties Investment Limited, an indirectly wholly-owned subsidiary of the Company, 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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Defined benefit retirement plan expense	45.8	67.9
Contributions to defined contribution retirement plans	46.3	43.7
Movements in provision for long service payments	0.3	(0.2)
Salaries, wages and other benefits	<b>1,666.4</b>	<b>1,623.7</b>
	<b>1,758.8</b>	<b>1,735.1</b>

## 6 Finance costs

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans and overdrafts not at fair value through profit or loss	<b>2.7</b>	<b>4.2</b>

## 7 Income tax

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	11.5	32.3
<b>Current tax – Income Tax in the People’s Republic of China (“PRC”)</b>		
Provision for the period	-	0.2
<b>PRC withholding tax</b>	<b>1.6</b>	-
	<b>13.1</b>	<b>32.5</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>18.3</b>	<b>(0.5)</b>
	<b>31.4</b>	<b>32.0</b>

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 2014 (six months ended 30 June 2013: 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:*

	<i>Six months ended 30 June</i>			
	2014 (Unaudited)		2013 (Unaudited)	
	<i>Per share</i> HK\$	HK\$ million	<i>Per share</i> HK\$	HK\$ million
Interim dividend declared after the interim period end	<b>0.15</b>	<b>60.5</b>	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:*

	<i>Six months ended 30 June</i>			
	2014 (Unaudited)		2013 (Unaudited)	
	<i>Per share</i> HK\$	HK\$ million	<i>Per share</i> HK\$	HK\$'million
Final dividend in respect of the previous financial year, approved and paid during the period	<b>0.45</b>	<b>181.6</b>	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\$151.2 million (six months ended 30 June 2013: HK\$195.4 million) and 403.6 million shares (six months ended 30 June 2013: 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\$0.2 million (six months ended 30 June 2013: HK\$91.6 million) and HK\$151.0 million (six months ended 30 June 2013: \$103.8 million) and 403.6 million shares (six months ended 30 June 2013: 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**

	<b>At 30 June 2014 HK\$ million (Unaudited)</b>	At 31 December 2013 HK\$ million (Audited)
Trade and other receivables	<b>423.6</b>	431.7
Interest receivable	<b>15.4</b>	18.0
Less: allowance for doubtful debts	<b>(0.1)</b>	(0.1)
	<b>438.9</b>	449.6

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

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

	<b>At 30 June 2014 HK\$ million (Unaudited)</b>	At 31 December 2013 HK\$ million (Audited)
Current	<b>193.7</b>	220.3
1 to 3 months past due	<b>30.0</b>	38.0
More than 3 months past due	<b>25.3</b>	20.9
	<b>249.0</b>	279.2

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:

	<b>At 30 June 2014 HK\$ million (Unaudited)</b>	At 31 December 2013 HK\$ million (Audited)
Due within 1 month or on demand	<b>169.0</b>	197.1
Due after 1 month but within 3 months	<b>0.8</b>	12.7
Due after more than 3 months	<b>1.6</b>	1.5
	<hr/>	<hr/>
Trade payables	<b>171.4</b>	211.3
Other payables and accruals	<b>762.3</b>	974.4
	<hr/>	<hr/>
	<b>933.7</b>	1,185.7
	<hr/> <hr/>	<hr/> <hr/>

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 2014 was HK\$151.2 million (six months ended 30 June 2013: HK\$195.4 million), representing a decrease of HK\$44.2 million or 22.6% compared with the corresponding period in 2013. The decrease in profit was mainly attributable to the fact that during the first half of 2013, Lai Chi Kok Properties Investment Limited ("LCKPI"), a wholly-owned subsidiary of the Group, had made a one-off write-back of pre-tax development costs of HK\$108.2 million upon reaching a final agreement with its contractors and sub-contractors on the contract settlement sums of the Manhattan Hill development project. When excluding such a one-off write-back, the Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 increased by HK\$46.1 million or 43.9% compared with the corresponding period of 2013. Furthermore, during the period under review, a net exchange loss of HK\$36.6 million was recorded whereas a net exchange gain of HK\$13.1 million was recognised in the corresponding period of 2013 due mainly to the fluctuation of the exchange rates of Renminbi relative to the Hong Kong dollars.

Earnings per share for the six months ended 30 June 2014 were HK\$0.37 per share (six months ended 30 June 2013: HK\$0.48 per share), representing a decrease of HK\$0.11 per share compared with the corresponding period of 2013. When excluding LCKPI's one-off write-back of pre-tax development costs of HK\$108.2 million in the first half of 2013, earnings per share for the period under review increased by 43.9% compared with the corresponding period last year.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.15 per share (six months ended 30 June 2013: HK\$0.15 per share), totalling HK\$60.5 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$60.5 million). The interim dividend will be paid on 16 October 2014 to the equity shareholders of the Company whose names are on the Register of Members at the close of business on 3 October 2014. The Register will be closed from 1 October 2014 to 3 October 2014, 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 30 September 2014.

## **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 profit after taxation of HK\$67.7 million for the first half of 2014 (first half of 2013: a loss after taxation of HK\$19.5 million), representing a favourable variance of HK\$87.2 million compared with the corresponding period in 2013.

- Fare revenue for the first half of 2014 increased by HK\$59.4 million or 2.0% to HK\$3,103.0 million as compared with HK\$3,043.6 million for the corresponding period in 2013. The increase was due to the full period effect of the fare increase of 4.9% which took effect on 17 March 2013. Advertising revenue for the first half of 2014 was HK\$58.7 million, an increase of 4.8% compared with HK\$56.0 million for the first half of 2013. Total operating expenses for the first half of 2014 decreased by HK\$34.8 million or 1.1% to HK\$3,131.8 million, compared with HK\$3,166.6 million for the corresponding period in 2013. The decrease was mainly due to the reduction in fuel costs resulting from enhancement of bus operating efficiency and a slightly lower average fuel price during the period under review, but was partly offset by the annual pay rise and increases in other operating expenses due to inflation.
- The average daily ridership for the first half of 2014 was 2.63 million passenger-trips, an increase of 1.5% 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 well as a general growth in overall passenger ridership.
- As at 30 June 2014, KMB operated a total of 389 routes (31 December 2013: 392 routes). In addition, there were 113 Octopus Bus-bus Interchange ("BBI") schemes covering 275 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 without having to operate extra buses. They also help relieve traffic congestion on busy corridors and contribute towards an improved environment by enhancing bus utilisation.
- During the first half of 2014, substantial investments were made in new buses featuring the latest safety, wheelchair-friendly and environmental design features; 120 Euro V super-low floor double-deck buses were added to the KMB fleet. As at 30 June 2014, KMB operated a total of 3,836 buses (31 December 2013: 3,845 buses), comprising 3,662 double-deck and 174 single-deck buses, and had 288 new Euro V double-deck buses, one new Euro V and eight supercapacitor 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 2014 amounted to HK\$16.4 million, representing a decrease of HK\$2.9 million compared with HK\$19.3 million for the first half of 2013.
- Fare revenue for the first half of 2014 increased by 6.2% to HK\$201.5 million as compared with HK\$189.8 million for the corresponding period in 2013. This increase was mainly due to the growth in the average daily ridership by 6.0% over the corresponding period of last year as a result of the increased transport demand from international travellers and from construction workers involved in the expansion programme of Hong Kong Disneyland and in the various infrastructural projects at the Airport. Total operating expenses for the period under review amounted to HK\$183.3 million, an increase of HK\$14.3 million compared with HK\$169.0 million for the corresponding period of 2013. The increase was mainly due to the increase in staff costs as a result of the annual pay rise, and the increase in insurance and other operating expenses due to general inflation.

- As at 30 June 2014, LWB operated 16 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 2014, LWB introduced 25 new Euro V super-low floor double-deck buses to its fleet to enhance the level of service on routes with increased demand. As at 30 June 2014, LWB operated 19 routes with a fleet of 172 super-low floor double-deck buses.
- As at 30 June 2014, LWB had on order 15 new Euro V double-deck buses, which are expected to be delivered by the end of 2014 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\$17.4 million for the first half of 2014, representing an increase of 12.3% compared with HK\$15.5 million for the corresponding period of 2013. 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 customised high quality transport services for large residential estates, shopping malls, major employers, theme parks, travel agents and schools, as well as providing chartered hire services for the general public.
- Turnover of the SBH Group for the first half of 2014 increased by 4.4% compared with the corresponding period in 2013. The increase was due mainly to business growth and the general increase in contract prices upon coach service contract renewal. Total operating expenses for the period under review also increased as a result of the increase in salaries and other operating expenses resulting from general inflation.
- As at 30 June 2014, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2013. During the first half of 2014, eight new coaches were purchased for service enhancement and fleet replacement.

#### *New Hong Kong Bus Company Limited ("NHKB")*

- NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and holiday travellers between Lau Ma Chau and Huanggang (皇崗) in Shenzhen. With the increasing number of cross-boundary transport options available for passengers following the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in 2007, competition from railway and public minibuses services has been severe. NHKB's total patronage for the first half of 2014 was 2.28 million passenger-trips (an average monthly ridership of 0.380 million passenger-trips), a decrease of 1.2% as compared with 2.31 million passenger trips (an average monthly ridership of 0.385 million passenger-trips) for the corresponding period in 2013. As at 30 June 2014, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2013.

## Property Holdings and Development

### *Lai Chi Kok Properties Investment Limited (“LCKPI”)*

- LCKPI, a wholly-owned subsidiary of the Company, is the developer of Manhattan Hill, the luxury residential complex situated at Lai Chi Kok, Kowloon. The development’s last residential unit 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. During the first half of 2013, LCKPI reached a final agreement with its contractors and sub-contractors on the contract settlement sums, resulting in pre-tax development costs amounting to HK\$108.2 million being written back to the income statement. As a result of this write-back and the aforesaid sale of one car parking space, LCKPI recorded a profit after taxation of HK\$91.6 million for the six months ended 30 June 2013. No further such income was recognised in the first half of 2014.

### *LCK Commercial Properties Limited (“LCKCP”)*

- LCKCP, a wholly-owned subsidiary of the Company, is the owner of upmarket Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2014, about 94% of the entire lettable area of the shopping mall was leased out, generating a recurring income stream for the Group.
- As at 30 June 2014, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet) amounted to HK\$91.9 million (31 December 2013: HK\$94.4 million).

### *LCK Real Estate Limited (“LCKRE”)*

- LCKRE, a wholly-owned subsidiary of the Company, is the owner of the Group’s headquarters building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon. The 17-storey commercial office building, with a total gross floor area of about 156,700 square feet, is held by the Group mainly for its own use and partially for rental purposes. As at 30 June 2014, about 73% of the entire lettable area of the 25,644 square feet set aside for the provision of shops and restaurants was leased out, generating steady rental income for the Group.
- As at 30 June 2014, the building was stated on the consolidated balance sheet at cost less accumulated depreciation in the amount of HK\$31.0 million (31 December 2013: HK\$31.9 million).

### *KT Real Estate Limited (“KTRE”)*

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), are owners of 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 by KTRE and TRL 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 industry 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 2014, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK\$15.1 million (31 December 2013: HK\$14.9 million).

#### *TM Properties Investment Limited (“TMPI”)*

- TMPI, a wholly-owned subsidiary of the Company, owns the industrial property, consisting of a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, located at 1 Kin Fung Circuit, Tuen Mun. Since March 2011, the entire lettable area of the property has been leased out to generate recurring rental income for the Group.
- As at 30 June 2014, the carrying value of the industrial property (classified under investment property on the consolidated balance sheet) amounted to HK\$6.8 million (31 December 2013: HK\$7.4 million).

### **Media Sales Business**

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

- RoadShow was established by the Company as its media sales arm. The Company currently has a 73% interest in RoadShow, which has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001. The RoadShow Group is principally engaged in the provision of media sales and management and administrative services for the advertising businesses of Multi-media On-board (“MMOB” or “Bus-TV”), transit vehicle exteriors (“Bus-Body”) and interiors (“In-Bus”), online portal and mobile apps, and bus shelters and billboards. RoadShow is also engaged in the provision of integrated media and marketing services covering these advertising platforms.
- For the six months ended 30 June 2014, RoadShow reported a profit attributable to equity shareholders of HK\$10.1 million (six months ended 30 June 2013: HK\$29.9 million).
- Further information regarding the RoadShow Group is available in its 2014 interim results announcement and interim report.

### **China Mainland Transport Operations**

As at 30 June 2014, the Group’s total interest in the businesses under the China Mainland Transport Operations Division amounted to HK\$724.6 million (31 December 2013: HK\$724.0 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. For the first half of 2014, the Group’s China Mainland Transport Operations Division reported an after-tax profit of HK\$19.3 million, representing an increase of 22.2% compared with HK\$15.8 million for the corresponding period of 2013.

*Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) (“BBKT”)*

- BBKT, a Sino-foreign joint stock company, was established in Beijing 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%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To better position itself as one of the leading operators in Beijing in the booming but competitive car rental market, BBKT transferred its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), in April 2013 and focused on the operation of taxi hire services as its core business. BBKT made steady progress and recorded a profit in the first half of 2014. As at 30 June 2014, BBKT had a fleet of 3,719 taxis.

*Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司) (“BBF”)*

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF recorded a profit in the first half of 2014. As at 30 June 2014, BBF had 1,129 charter vehicles.

*Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SBG”)*

- SBG, which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Company 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, minibuss and taxi services in Shenzhen City. At 30 June 2014, it had 1,380 taxis (including 850 electric taxis being operated by an associate) and 5,503 buses serving some 270 routes. SBG made steady progress and recorded a profit in the first half of 2014.

## **FINANCIAL LIQUIDITY AND RESOURCES**

The Group closely monitors its liquidity requirement and financial resources with the aim of ensuring that the Group has sufficient reserves of cash and liquid assets, as well as adequate undrawn committed banking facilities to meet the demands of 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 2014, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$1,967.1 million (31 December 2013: HK\$2,029.7 million). The details of the Group’s net cash by currency as at 30 June 2014 are set out below:

<b>Currency</b>	<b>Cash and deposits at bank in foreign currency million</b>	<b>Cash and deposits at bank HK\$ million</b>	<b>Bank loans and overdrafts HK\$ million</b>	<b>Net cash HK\$ million</b>
<i>At 30 June 2014</i>				
Hong Kong dollars		1,019.2	(469.3)	549.9
Renminbi	1,013.1	1,264.9	-	1,264.9
United States dollars	15.9	124.1	-	124.1
British Pounds Sterling	1.2	15.7	-	15.7
Swedish krona	5.6	6.5	-	6.5
Other currencies		6.0	-	6.0
<b>Total</b>		<b>2,436.4</b>	<b>(469.3)</b>	<b>1,967.1</b>
<i>At 31 December 2013</i>				
Hong Kong dollars		1,485.3	(599.1)	886.2
Renminbi	784.6	1,003.9	-	1,003.9
United States dollars	17.9	139.6	-	139.6
<b>Total</b>		<b>2,628.8</b>	<b>(599.1)</b>	<b>2,029.7</b>

### **Bank loans and overdrafts**

As at 30 June 2014, bank loans and overdrafts, all unsecured, amounted to HK\$469.3 million (31 December 2013: HK\$599.1 million). The maturity profile of the bank loans and overdrafts of the Group as at 30 June 2014 and 31 December 2013 is set out below:

	<b>At 30 June 2014 HK\$ million</b>	<b>At 31 December 2013 HK\$ million</b>
Within 1 year or on demand	-	200.0
After 1 year but within 2 years	<b>469.3</b>	-
After 2 years but within 5 years	-	399.1
	<b>469.3</b>	<b>399.1</b>
<b>Total</b>	<b>469.3</b>	<b>599.1</b>

### **Banking facilities**

As at 30 June 2014, the Group had undrawn banking facilities totalling HK\$370.0 million (31 December 2013: HK\$610.0 million), of which HK\$330.0 million (31 December 2013: 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 2014 were HK\$2.7 million (six months ended 30 June 2013: HK\$4.2 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.00% per annum compared with 1.08% per annum for the corresponding period in 2013.

## **Cash and deposits at bank**

As at 30 June 2014, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK\$2,436.4 million (31 December 2013: HK\$2,628.8 million).

## **FUNDING AND TREASURY POLICIES**

In general, the Group's major operating companies are responsible for their individual cash management including the short term investment of cash surpluses for yield enhancement and the raising of loans to cover expected cash demands to meet their operational and investment needs. In respect of the other subsidiaries, the sources of finance are mainly from the capital base of their parent company. The management regularly reviews the Group's funding policy to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through proper planning and close monitoring of the level of debts, and by maintaining adequate committed stand-by banking facilities, management ensures that the Group's routine treasury operation is able to effectively meet its normal funding and ad hoc investment requirements.

### **Fuel price risk management**

The impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated the pros and cons of entering into fuel price hedging arrangements and concluded 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 term. As a result, the Group did not enter into any fuel oil hedging contracts during the period under review. To mitigate the impact of fuel price fluctuations, the Group's two major subsidiaries, KMB and LWB, have identified ways to conserve fuel consumption, such as conducting eco-driving training for our bus captains. Furthermore, we have also worked with the HKSAR Government on other measures, including but not limited to the reorganisation of bus services on an area approach basis. Management will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management.

### **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, and from the placement of Renminbi deposits for yield enhancement purposes. For exposure in British Pounds Sterling, the Group's treasury team closely monitors the prevailing foreign exchange market conditions and measures foreign currency risk by employing sensitivity analyses, taking into account current and anticipated exposures. Forward foreign exchange contracts will be entered into in a strategic manner when

appropriate. As to the Renminbi deposits, the favourable interest yield differentials between Renminbi and Hong Kong dollars would serve as a buffer against adverse foreign currency fluctuations to a certain extent.

### **Interest rate risk management**

The Group manages its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps are used when appropriate. As at 30 June 2014, 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 rate environment in the period under review. The Group will regularly review its strategy on interest rate risk management and devise appropriate strategies to cope with its interest rate risk exposure.

### **Cash flow and liquidity risk management**

The Group has not been exposed to significant cash flow and liquidity risks as it has maintained an adequate level of cash reserves. 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 there are sufficient cash balances and undrawn committed banking facilities to meet the demands for daily operational needs, debt repayments, dividend payments, capital expenditure and new investments. The Group will continue to review its strategy to ensure that cost-efficient funding is available to cope with the unique operating environment of each of its subsidiaries. Under normal circumstances and barring any unforeseen 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, will also be low as its revenue is essentially received on a cash basis. However, if fuel prices continuously remain at a high level and KMB is not able to fully implement its route reorganisation programme in a timely manner or obtain sufficient fare increase magnitude from the HKSAR Government to counter rising operating costs, this will pose financial pressure on KMB's daily operations.

## **CAPITAL EXPENDITURE AND COMMITMENTS**

The Group's fixed assets mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and other equipment, investment properties, and interest in leasehold land. As at 30 June 2014, none of the Group's fixed assets was pledged or charged. During the first half of 2014, the Group incurred capital expenditure of HK\$334.4 million (six months ended 30 June 2013: HK\$616.0 million), which was mainly deployed for the purchase of new buses for the Group's franchised public bus operations.

As at 30 June 2014, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK\$3,332.1 million (31 December 2013: HK\$2,234.2 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 borrowing and the working capital of the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

Transport operations are labour intensive and staff costs accounted for over 49.0% of the total operating costs of the Group in the first half of 2014. The Group closely monitors its headcount and staff remuneration against productivity and market trends. As at 30 June 2014, the Group had 13,247 employees (31 December 2013: 13,260 employees). For the first half of 2014, total remuneration of the employees of the Group amounted to HK\$1,758.8 million (first half of 2013: HK\$1,735.1 million). Employee compensation, including salaries, retirement and medical benefits, is determined based on the principles of performance, fairness, transparency and market competitiveness.

## **OUTLOOK**

### **Franchised Public Bus Operations**

Faced with financial losses in both 2012 and 2013, KMB submitted an application to the HKSAR Government on 29 November 2013 for a fare increase of 4.3%, which was in line with the prevailing rate of inflation. Subsequently the HKSAR Government granted KMB an average fare increase of 3.9% to take effect from 6 July 2014, and this should increase KMB's fare revenue in the second half of 2014. However, KMB has offered a pay rise of 4.2% to its frontline and maintenance staff effective 1 June 2014 and to its office staff effective 1 September 2014. KMB also plans to use the increased revenue to improve manpower arrangements, invest in its bus fleet upgrade and further enhance the quality of its services. To this end, KMB's investment in new environment-friendly Euro V buses to be delivered next year is expected to be more than HK\$1 billion. The launch of hybrid and supercapacitor buses for trial services on designated routes has been scheduled to commence from late 2014 through 2015 with a view to promoting "zero-emission" technologies. Other improvement measures include enhancing bus-bus interchange facilities, continuing to hire more bus captains and other frontline staff, and strengthening the application of information technology.

We are confident that if KMB is allowed to continue its efforts to redesign its existing network in close partnership with the Transport Department and local stakeholders, we can deliver a better service through efficient deployment of the bus fleet. Moreover, KMB will continue to increase the relevance of its bus network having regard to ongoing developments in the external environment, in particular, new roads and railways, and population shifts. In this way, it is hoped that an efficient bus network can help to relieve the overcrowding on the railways, and bring about a win-win situation for all. With the support of the HKSAR Government, we are pleased that KMB's North District route reorganisation plan was successfully implemented in the last quarter of 2013. Meanwhile, KMB is liaising closely with the Transport Department and local communities to roll-out its route reorganisation plans in various districts with a view to progressively implementing more 'add-value' route initiatives during the second half of 2014.

Despite nascent signs of financial recovery, the operating conditions remain tough especially with the recent volatility in international fuel prices which may potentially have a significant impact on KMB's performance going forward. The route reorganisation must therefore be implemented with the concerted effort of all stakeholders so as to enable better use of limited resources and ensure a sustainable and financially viable bus network with improved connectivity, which helps to ease traffic congestion and improve environmental management by reducing roadside emissions.

The growth of passenger demand arising from the increase in tourism and leisure activities, the ongoing intake of population in Tung Chung and the construction of infrastructural projects in North Lantau help maintain a positive outlook for the future potential of LWB. While striving to improve network coverage and service standards, we will also plan to enhance our services by leveraging opportunities that arise upon the opening of the Hong Kong – Zhuhai – Macao Bridge and the Tuen Mun – Chek Lap Kok Link.

### **Non-franchised Businesses**

The Group's non-franchised transport businesses recorded healthy growth in the first half of 2014 in spite of the challenges posed by high fuel prices and inflationary pressure. We will continue to enhance the quality of our coach service by buying the latest environment-friendly buses available on the market and explore further business expansion opportunities.

The development of the Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon is ongoing. This project, 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 generate rental income for the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the six months ended 30 June 2014, 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 2014, except that one of the Non-executive Directors of the Company, Mr. Raymond Kwok Ping Luen, was unable to attend the Annual General Meeting of the Company held on 22 May 2014 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 2014 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 2014.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.tih.hk](http://www.tih.hk) and the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2014 interim report will be available at the Company's website and despatched to shareholders of the Company in early September 2014.

By Order of the Board

**Norman LEUNG Nai Pang**  
Chairman

Hong Kong, 21 August 2014

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. 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*  
Mr. Allen FUNG Yuk Lun  
Mr. Roger LEE Chak Cheong

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*