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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 2015

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2015 was HK\$330.1 million (six months ended 30 June 2014: HK\$151.2 million), representing an increase of HK\$178.9 million or 118.3% compared with the corresponding period in 2014.
- The Kowloon Motor Bus Company (1933) Limited ("KMB"), the flagship company of the Group, recorded a profit after taxation of HK\$238.3 million for the first half of 2015 (first half of 2014: HK\$67.7 million), representing an increase of HK\$170.6 million compared with the corresponding period last year. The increase in profit was primarily due to the 3.9% fare increase which took effect on 6 July 2014 and the year-on-year reduction in fuel costs of HK\$253.3 million as a result of the decline in international fuel prices, which fully offset the financial impact of the annual pay rise and increases in other operating expenses due to inflation.
- Earnings per share for the six months ended 30 June 2015 were HK\$0.82 per share (six months ended 30 June 2014: HK\$0.37 per share), representing an increase of HK\$0.45 per share compared with the corresponding period in 2014.
- An interim dividend of HK\$0.30 per share for the six months ended 30 June 2015 has been declared (six months ended 30 June 2014: HK\$0.15 per share).

Consolidated statement of profit or loss - unaudited

	Note	Six months ended 30 June	
		2015 HK\$ million	2014 HK\$ million
Revenue	2 & 3	3,807.5	3,707.7
Other net income	4	72.6	49.4
Staff costs	5	(1,871.8)	(1,758.8)
Depreciation and amortisation		(424.1)	(382.5)
Fuel and oil		(430.7)	(707.1)
Spare parts and stores		(119.7)	(135.8)
Toll charges		(203.5)	(198.4)
Other operating expenses		(454.8)	(403.4)
Profit from operations		375.5	171.1
Finance costs	6	(2.9)	(2.7)
Share of profits of associates		20.7	19.3
Profit before taxation		393.3	187.7
Income tax	7	(64.3)	(31.4)
Profit for the period		329.0	156.3
Attributable to:			
Equity shareholders of the Company		330.1	151.2
Non-controlling interests		(1.1)	5.1
Profit for the period		329.0	156.3
 Earnings per share – basic and diluted:	 9	 HK\$ 0.82	 HK\$ 0.37

Consolidated statement of financial position - unaudited

	Note	At 30 June 2015 HK\$ million	At 31 December 2014 HK\$ million
Non-current assets			
Investment properties		109.2	108.9
Investment property under development		17.0	15.6
Interest in leasehold land		65.4	65.4
Property, plant and equipment		5,138.8	4,627.3
		5,330.4	4,817.2
Intangible assets		135.4	134.6
Goodwill		84.1	84.1
Non-current prepayments		7.5	7.3
Interest in associates		757.2	739.6
Other financial assets		114.0	183.3
Employee benefit assets		812.9	860.7
Deferred tax assets		7.3	4.7
		7,248.8	6,831.5
Current assets			
Spare parts and stores		62.4	62.3
Accounts receivable	10	508.5	518.6
Deposits and prepayments		59.0	27.9
Other financial assets		75.9	42.9
Current tax recoverable		12.0	15.6
Pledged and restricted bank deposits		85.1	68.2
Cash and cash equivalents		2,349.3	2,635.3
		3,152.2	3,370.8
Current liabilities			
Bank loans		639.7	-
Accounts payable and accruals	11	1,141.0	1,100.5
Contingency provision – insurance		155.9	155.8
Current tax payable		9.2	2.3
		1,945.8	1,258.6
Net current assets		1,206.4	2,112.2
Total assets less current liabilities		8,455.2	8,943.7

**Consolidated statement of financial position – unaudited
(continued)**

	Note	At 30 June 2015 HK\$ million	At 31 December 2014 HK\$ million
Non-current liabilities			
Bank loans		-	544.5
Deferred tax liabilities		775.3	719.2
Contingency provision – insurance		274.1	274.3
Employee benefit liabilities		6.6	6.2
Provision for long service payments		10.8	12.4
		<u>1,066.8</u>	<u>1,556.6</u>
Net assets		<u>7,388.4</u>	<u>7,387.1</u>
Capital and reserves			
Share capital		403.6	403.6
Reserves		<u>6,822.2</u>	<u>6,793.6</u>
Total equity attributable to equity shareholders of the Company		7,225.8	7,197.2
Non-controlling interests		<u>162.6</u>	<u>189.9</u>
Total equity		<u>7,388.4</u>	<u>7,387.1</u>

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 2015 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 19 August 2015.

The accounting policies adopted in the preparation of the interim financial report are consistent with those set out in the Group's 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

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

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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		Media sales business		All other segments (note)		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue from external customers	3,416.0	3,307.9	198.1	219.7	193.4	180.1	3,807.5	3,707.7
Inter-segment revenue	73.0	56.4	-	-	35.8	23.7	108.8	80.1
Reportable segment revenue	3,489.0	3,364.3	198.1	219.7	229.2	203.8	3,916.3	3,787.8
Reportable segment profit/(loss)	267.2	84.1	(11.8)	12.5	39.3	46.9	294.7	143.5

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 Revenue

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

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Fare revenue from franchised public bus services	3,412.1	3,304.5
Revenue from non-franchised transport services	175.6	165.2
Media sales revenue	201.5	222.3
Gross rentals from investment properties	18.3	15.7
	<u>3,807.5</u>	<u>3,707.7</u>

4 Other net income

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Interest income on other financial assets not at fair value through profit or loss	34.3	35.7
Dividend income from unlisted equity securities	-	4.3
Claims received	16.8	18.0
Net miscellaneous business receipts	4.2	4.8
Net gain on disposal of property, plant and equipment	6.8	4.3
Net foreign exchange gain/(loss)	2.0	(36.6)
Sundry revenue	8.5	18.9
	<u>72.6</u>	<u>49.4</u>

5 Staff costs

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Defined benefit retirement plan expense	48.2	45.8
Contributions to defined contribution retirement plans	52.9	46.3
Movements in provision for long service payments	-	0.3
Salaries, wages and other benefits	1,770.7	1,666.4
	<u>1,871.8</u>	<u>1,758.8</u>

6 Finance costs

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Interest on bank loans not at fair value through profit or loss	<u>2.9</u>	<u>2.7</u>

7 Income tax

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	11.1	11.5
PRC withholding tax	<u>(0.3)</u>	1.6
	10.8	13.1
Deferred tax		
Origination and reversal of temporary differences	<u>53.5</u>	18.3
	<u>64.3</u>	<u>31.4</u>

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 2015 (six months ended 30 June 2014: 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 payable to equity shareholders of the Company attributable to the interim period:*

	Six months ended 30 June			
	2015		2014	
	<i>Per share</i> HK\$	HK\$ million	<i>Per share</i> HK\$	HK\$ million
Interim dividend declared after the interim period end	<u>0.30</u>	<u>121.1</u>	<u>0.15</u>	<u>60.5</u>

The interim dividend declared after the end of the reporting period has not been recognised as liability at the end of the reporting period.

8 Dividends (continued)

- (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			
	2015		2014	
	<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	0.75	302.7	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\$330.1 million (six months ended 30 June 2014: HK\$151.2 million) and 403.6 million (six months ended 30 June 2014: 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 2015 HK\$ million	At 31 December 2014 HK\$ million
Trade and other receivables	511.7	507.2
Interest receivable	8.0	11.8
Less: allowance for doubtful debts	(11.2)	(0.4)
	508.5	518.6

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

10 Accounts receivable (continued)

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 end of the reporting period:

	At 30 June 2015 HK\$ million	At 31 December 2014 HK\$ million
Current	189.8	178.3
1 to 3 months past due	40.5	41.1
More than 3 months past due	28.0	23.2
	258.3	242.6

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 end of the reporting period, 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 2015 HK\$ million	At 31 December 2014 HK\$ million
Due within 1 month or on demand	139.8	154.2
Due after 1 month but within 3 months	0.9	0.9
Due after more than 3 months	2.4	1.7
Trade payables	143.1	156.8
Balance of passenger rewards	8.1	9.3
Other payables and accruals	989.8	934.4
	1,141.0	1,100.5

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 2015 was HK\$330.1 million (six months ended 30 June 2014: HK\$151.2 million), representing an increase of HK\$178.9 million or 118.3% compared with the corresponding period in 2014. The increase in profit was mainly attributable to the improvement in the financial performance of KMB as a result of the 3.9% fare increase which took effect on 6 July 2014 and the decrease in international fuel prices. Earnings per share for the six months ended 30 June 2015 were HK\$0.82 per share (six months ended 30 June 2014: HK\$0.37 per share), representing an increase of HK\$0.45 per share compared with the corresponding period in 2014.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.30 per share (six months ended 30 June 2014: HK\$0.15 per share), totalling HK\$121.1 million for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$60.5 million). The interim dividend will be paid on 15 October 2015 to the equity shareholders of the Company whose names are on the Register of Members at the close of business on 7 October 2015. The Register will be closed from 5 October 2015 to 7 October 2015, 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 2 October 2015.

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\$238.3 million for the first half of 2015 (first half of 2014: HK\$67.7 million), representing an increase of HK\$170.6 million compared with the corresponding period in 2014.
- Fare revenue for the first half of 2015 increased by HK\$96.4 million or 3.1% to HK\$3,199.4 million as compared with HK\$3,103.0 million for the corresponding period in 2014. The increase was primarily due to the fare increase of 3.9% which took effect on 6 July 2014. Advertising revenue for the first half of 2015 increased by HK\$16.9 million from HK\$58.7 million for the first half of 2014 to HK\$75.6 million. Total operating expenses for the period under review were HK\$3,036.0 million, a decrease of HK\$95.8 million compared with HK\$3,131.8 million for the corresponding period in 2014. The decrease was mainly due to the year-on-year reduction in fuel costs of HK\$253.3 million as a result of the decline in international fuel prices, which fully offset the financial impact of the annual pay rise and increases in other operating expenses due to inflation.

- The average daily ridership for the first half of 2015 was 2.62 million passenger-trips, a slight decrease of 0.2% compared with the corresponding period last year. The decrease was mainly due to the residual impact of incidents leading to road blockages in the last quarter of 2014, which affected the ridership in the first two months of this year. Discounting this impact, KMB recorded a general growth in overall passenger ridership in the period under review.
- As at 30 June 2015, KMB operated a total of 395 routes (31 December 2014: 394 routes) covering Kowloon, the New Territories and Hong Kong Island. In addition, there were 129 Octopus Bus-bus Interchange ("BBI") schemes covering 283 bus routes, operating both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes not only provide fare discounts to passengers on the second leg of journeys and broaden KMB's network coverage without the need to operate extra buses, they also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.
- During the first half of 2015, substantial investments were made in new buses featuring the latest safety, wheelchair-accessible and environment-friendly design features, as 236 Euro V super-low floor double-deck buses were added to the KMB fleet. As at 30 June 2015, KMB operated a total of 3,826 buses (31 December 2014: 3,855 buses), comprising 3,655 double-deck and 171 single-deck buses, and had 699 new Euro V double-deck buses 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 2015 was HK\$29.4 million, representing an increase of HK\$13.0 million compared with HK\$16.4 million for the first half of 2014.
- Fare revenue for the first half of 2015 increased by 5.6% to HK\$212.7 million as compared with HK\$201.5 million for the corresponding period in 2014. This increase was mainly due to the growth in the average daily ridership of 6.0% over the corresponding period last year resulting from increased transport demand from international travellers and from construction workers involved in the various infrastructural and residential projects at the Airport and Tung Chung, but was partly offset by the implementation of a 3-month same-day return fare concession scheme which took effect on 31 January 2015. Total operating expenses for the period under review amounted to HK\$181.9 million, a decrease of HK\$1.4 million compared with HK\$183.3 million for the corresponding period in 2014. The decrease was mainly due to the reduction in fuel costs resulting from lower international fuel prices but was largely offset by the increase in operating costs associated with the purchase of new buses and service enhancements, the annual pay rise, and the increase in other operating expenses due to inflation.
- As at 30 June 2015, LWB had 17 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 2015, LWB introduced 20 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 2015, LWB operated 19 routes with a fleet of 184 super-low floor double-deck buses.

- As at 30 June 2015, LWB had 66 new Euro V double-deck buses awaiting licensing or on order.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$22.8 million for the first half of 2015, representing an increase of 31.0% compared with HK\$17.4 million for the corresponding period in 2014. 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 premium and value-for-money transport services to specific market groups, including large housing estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.
- Turnover of the SBH Group for the first half of 2015 increased by 5.4% compared with the corresponding period in 2014. The increase was mainly attributed to the business growth in respect of new and existing customers seeking premium services. Total operating expenses for the period under review increased mainly due to the increase in salaries and other operating expenses due to general inflation but was partially offset by the reduction in fuel costs as a result of the fall in international fuel prices.
- As at 30 June 2015, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2014. During the first half of 2015, 38 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 leisure travellers between Lau Ma Chau and Huanggang (皇崗) in Shenzhen. Although the competition from rail and public minibuss services has intensified since the opening of the Lok Ma Chau Spur Line, the Lok Ma Chau Public Transport Interchange and the Hong Kong-Shenzhen Western Corridor, NHKB's total patronage for the first half of 2015 increased by 4.3% from 2.28 million passenger-trips (an average monthly ridership of 380,000 passenger trips) for the corresponding period last year to 2.38 million passenger-trips (an average monthly ridership of 396,000 passenger-trips), due mainly to the increase in travellers between Hong Kong and China Mainland. As at 30 June 2015, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2014.

Property Holdings and Development

LCK Commercial Properties Limited (“LCKCP”)

- LCKCP, a wholly-owned subsidiary of the Company, is the owner of Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. Opened in March 2009, the shopping mall provides Manhattan Hill residents and other shoppers with upmarket retail facilities. As at 30 June 2015, the lettable area of the 50,000 square feet shopping mall was fully leased out to a mix of shops and restaurants, generating recurring income for the Group.
- As at 30 June 2015, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation and impairment losses, amounted to HK\$87.5 million (31 December 2014: HK\$89.7 million).

LCK Real Estate Limited (“LCKRE”)

- LCKRE, a wholly-owned subsidiary of the Company, is the owner of the Group’s 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon. The building, with a total gross floor area of about 156,700 square feet, is held by the Group for its own use and rental purposes. As at 30 June 2015, about 63.2% of the total gross floor area was used by the Group as headquarters. The remaining total gross floor area was set aside for the provision of shops, restaurants and car parking spaces for rental purposes, generating steady rental income for the Group.
- As at 30 June 2015, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK\$29.9 million (31 December 2014: HK\$30.6 million).

KT Real Estate Limited (“KTRE”)

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited (“TRL”), a wholly-owned 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”) as tenants in common in equal shares. 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 2015, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position), which was stated at cost, amounted to HK\$17.0 million (31 December 2014: HK\$15.6 million).

TM Properties Investment Limited (“TMPI”)

- TMPI, a wholly-owned subsidiary of the Company, is the owner of the industrial property located at 1 Kin Fung Circuit, Tuen Mun. Since March 2011, the entire lettable area of this 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, has been leased out to generate recurring rental income for the Group.
- As at 30 June 2015, the carrying value of the industrial property (classified under investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK\$5.4 million (31 December 2014: HK\$6.1 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 design services and production of advertisements for Multi-media On-board (“MMOB” or “Bus-TV”), transit vehicle exteriors (“Bus-Body”) and interiors (“In-Bus”), online portal, mobile apps, shelters and outdoor signages advertising business. RoadShow is also engaged in the provision of integrated marketing services covering these advertising platforms.
- For the six months ended 30 June 2015, RoadShow reported a loss attributable to equity shareholders of HK\$13.0 million (six months ended 30 June 2014: profit attributable to equity shareholders of HK\$10.1 million).
- Further information regarding the RoadShow Group is available in its 2015 interim results announcement and interim report.

China Mainland Transport Operations

As at 30 June 2015, the Group’s total interest in the businesses under the China Mainland Transport Operations Division amounted to HK\$757.2 million (31 December 2014: HK\$739.6 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 2015, the Group’s China Mainland Transport Operations Division reported an after-tax profit of HK\$20.7 million, representing an increase of 7.3% compared with HK\$19.3 million for the corresponding period in 2014.

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 provide greater focus in the exploration of business opportunities in the booming but competitive car rental market, the car rental business of BBKT has been transferred 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). BBKT had a fleet of about 3,700 taxis as at 30 June 2015 and recorded a profit in the first half of 2015.

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 had 1,189 vehicles available for hire as at 30 June 2015 and recorded a profit in the first half of 2015.

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 and taxi services in Shenzhen City. At 30 June 2015, it had 1,380 taxis (including 850 electric taxis which are operated by an associate) and 5,294 buses serving some 270 routes. SBG made steady progress and recorded a profit in the first half of 2015.

FINANCIAL POSITION

Property, plant and equipment, investment properties and interest in leasehold land and capital expenditure

The Group's property, plant and equipment mainly comprise buildings, buses and other motor vehicles, buses under construction and tools and other equipment. As at 30 June 2015, none of the Group's property, plant and equipment, investment properties and interest in leasehold land was pledged or charged. During the first half of 2015, the Group incurred capital expenditure of HK\$937.5 million (six months ended 30 June 2014: HK\$334.4 million), which was mainly used for the purchase of new buses for the Group's franchised public bus operations.

FUNDING AND FINANCING

Liquidity and financial resources

The Group closely monitors its liquidity requirement and financial resources to ensure that cash inflows from operating activities together with the Group's reserves of cash and liquid assets and undrawn committed banking facilities are sufficient to meet the requirements for daily operational needs, loan repayments, capital expenditure as well as potential business expansion and development. The Group's operations are mainly financed by shareholders' funds and bank loans.

As at 30 June 2015, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$1,794.7 million (31 December 2014: HK\$2,159.0 million). The details of the Group's net cash by currency are set out below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK\$ million	Bank loans HK\$ million	Net cash HK\$ million
<i>At 30 June 2015</i>				
Hong Kong dollars		1,049.1	(639.7)	409.4
Renminbi	992.4	1,239.3	-	1,239.3
United States dollars	15.8	123.1	-	123.1
British Pounds Sterling	1.0	12.0	-	12.0
Other currencies		10.9	-	10.9
Total		2,434.4	(639.7)	1,794.7
<i>At 31 December 2014</i>				
Hong Kong dollars		1,233.0	(544.5)	688.5
Renminbi	1,020.0	1,271.6	-	1,271.6
United States dollars	19.3	150.4	-	150.4
British Pounds Sterling	3.1	37.8	-	37.8
Other currencies		10.7	-	10.7
Total		2,703.5	(544.5)	2,159.0

As at 30 June 2015, bank loans, all unsecured, amounted to HK\$639.7 million (31 December 2014: HK\$544.5 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2015 HK\$ million	At 31 December 2014 HK\$ million
Within 1 year or on demand	639.7	-
After 1 year but within 2 years	-	544.5
Total	639.7	544.5

As at 30 June 2015, the Group had undrawn banking facilities totalling HK\$1,400.0 million (31 December 2014: HK\$295.0 million), of which HK\$1,390.0 million (31 December 2014: HK\$285.0 million) was of a committed nature.

The finance costs incurred by the Group for the six months ended 30 June 2015 were HK\$2.9 million (six months ended 30 June 2014: HK\$2.7 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.00% per annum, same as the corresponding period in 2014.

As at 30 June 2015, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK\$2,434.4 million (31 December 2014: HK\$2,703.5 million).

FUNDING AND TREASURY POLICIES

In general, the Group's major operating companies arrange their own financing to meet their operational and investment needs. The Group's other subsidiaries are mainly financed 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.

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. Therefore the Group had not entered into any fuel oil swap contract 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 collaborating with bus manufacturers to produce new generation buses with reduced weight, introducing battery-powered electric buses and 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.

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, which are denominated in British Pounds Sterling (GBP), as well as through placement of foreign currency deposits for yield enhancement purposes. The currencies giving rise to the risk are primarily GBP and Renminbi. For exposure in GBP, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate. As to the Renminbi deposits, they are mainly placed for yield enhancement purposes due to the favourable interest yield differentials between the Renminbi and the Hong Kong dollars. The Group fully recognises that there is currency risk involved, and in light of the recent reform of the Renminbi exchange rate mechanism to better reflect the market development, the Group will closely monitor and actively manage the currency risk involved.

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 2015, 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 regularly reviews its strategy on interest rate risk management in light of the prevailing market conditions.

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 demand for daily operational needs, debt repayments, dividend payments, capital expenditure and new investments, as well as potential business expansion and development. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary. Under normal circumstances and barring an 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 rebound sharply to a high level and KMB is not able to adjust its fares in a timely manner to counter rising operating costs, this will place financial pressure on KMB's daily operations.

CAPITAL COMMITMENTS

As at 30 June 2015, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK\$3,588.9 million (31 December 2014: HK\$3,572.2 million). These commitments were mainly in respect of the development of the Kwun Tong Site and the purchase of buses and other property, plant and equipment, 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 more than 53% of the total operating costs of the Group for the period under review. The Group closely monitors and aligns its headcount and staff remuneration against productivity and market trends. As at 30 June 2015, the Group employed 13,525 employees (31 December 2014: 13,449 employees). During the period under review, the Group's total remuneration amounted to HK\$1,871.8 million (first half of 2014: HK\$1,758.8 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

Despite the positive financial performance of KMB in the first half of 2015, the sustainability of such profitability in the longer term depends to a considerable extent on international fuel price movements going forward. KMB still faces a number of important challenges in the years ahead. These include escalating operating costs due to inflation, for example the pay rise of 4.6% recently granted to staff, and the likely required increase in the number of frontline staff for continued service enhancement. The recent extension of the coverage of the Public Transport Fare Concession Scheme for Senior Citizens and Eligible Persons with Disabilities to green Public Light Buses and the opening of the West Island Line in late 2014

have also had a significant negative impact on KMB's ridership. It is expected that the expansion of the rail network in the next five years, in particular, the imminent opening of the South Island Line and the extension of the Kwun Tong Line to Whampoa in 2016, will have negative impact on KMB's patronage in the areas concerned.

Our response to these challenges is to seek to enhance our bus services and route network. To this end, KMB continuously makes substantial investment in new environment-friendly buses. At the end of June 2015, KMB had on order a total of 699 Euro V super-low floor double-deck buses amounting to approximately HK\$1.9 billion awaiting licensing or delivery in the second half of 2015 and 2016. Besides purchasing new buses and improving our bus-bus interchange facilities, KMB continually innovates to improve our customer service. For instance, KMB has provided Estimated Time of Arrival ("ETA") information through the smartphone app and the KMB website since December 2014 in phases. As at 30 June 2015, the ETA service covers 246 KMB routes, and is expected to cover almost all KMB routes by the end of 2015. KMB would then become the first bus company in Hong Kong to provide the ETA service across the entire fleet.

KMB will continue to seek to align its bus network with the ongoing developments in the external environment, in particular, new roads and railways, and population shifts. With the support of the HKSAR Government, large-scale route reorganisation exercises have been successfully implemented in 2014 and 2015. In particular, with the opening of the Tsing Sha Highway Bus Interchange in early 2015, we expect that passengers will gradually shift from trunk roads using the Lion Rock Tunnel and the Shing Mun Tunnels, which will help relieve traffic congestion at peak periods. While we continue to spare no effort in pursuing route development in the existing network, we also aim to provide bus services to new development areas such as Shui Chuen O, Kai Tak, Anderson Road Development Area and Hung Shui Kiu. Our focus will continue to be on exploration of areas with high passenger demand for the introduction of new services, enhancement of service on routes where there is visible ridership growth, development of BBI schemes at existing BBI hubs, and monitoring of new population intakes within our catchment area.

LWB's potential for business growth is positive given the increase in commercial activities at the Airport, the growth of tourism, the gradual intake of population in Tung Chung and the construction of infrastructure projects in North Lantau. LWB will continue to enhance the attractiveness of the service provided by the comprehensive Airbus network to cater for passengers' aspirations for fast and direct premium services to the Airport. In order to strengthen customer service and to maintain and attract a wider customer base within its service areas, LWB has made substantial investment in its bus fleet. At the end of June 2015, LWB had on order a total of 66 Euro V super-low floor double-deck buses which will be licensed or delivered in the second half of 2015 and 2016. With the opening of the Hong Kong – Zhuhai – Macao Bridge and the Tuen Mun – Chek Lap Kok Link in the next few years, LWB is well positioned to take advantage of opportunities that may arise.

Non-franchised Businesses

The Group's non-franchised transport businesses recorded healthy growth in the first half of 2015. We will continue to enhance the quality of our coach service by buying the latest environment-friendly buses available on the market and to explore further business growth opportunities.

The Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses.

Once completed, it will be held by the Group for long-term investment purposes. While it will take some time to finalise matters relating to the modification of the lease, we will look for opportunities to use the site to generate additional income for the Group. The Group's Manhattan Mid-town shopping mall 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 recurring rental income for the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2015, 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 2015, 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 21 May 2015 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 2015 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 2015.

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 2015 interim report will be available at the Company's website and despatched to shareholders of the Company in early September 2015.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 19 August 2015

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. Edmond HO Tat Man
Mr. John Anthony MILLER, *SBS, OBE*
Mr. Allen FUNG Yuk Lun

Executive Directors:

Mr. Roger LEE Chak Cheong (Managing Director)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. Evan AU YANG Chi Chun

**For identification purpose only*