

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 was HK\$388.4 million (six months ended 30 June 2015: HK\$330.1 million), an increase of HK\$58.3 million or 17.7% compared with the corresponding period in 2015.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a profit after taxation of HK\$343.8 million for the first half of 2016 (first half of 2015: HK\$238.3 million), an increase of HK\$105.5 million compared with the corresponding period last year. The increase in profit was primarily due to the reduction in the operating expenses as a result of the fall in international fuel prices and efficiency enhancement, as well as the year-on-year growth in ridership of 2.1%.
- The Group's China Mainland transport operations reported an after-tax loss of HK\$39.0 million for the first half of 2016 (first half of 2015: an after-tax profit of HK\$20.7 million). The loss was mainly because its associated company, Shenzhen Bus Group Company Limited ("SZBG"), in which the Group has a 35% interest, recorded a loss during the first half of 2016 as a result of keen competition from the Shenzhen underground railway and rising operating costs. SZBG is currently seeking additional subsidies from the Shenzhen Government to overcome its operational challenges.
- Earnings per share for the six months ended 30 June 2016 were HK\$0.96 per share (six months ended 30 June 2015: HK\$0.82 per share).
- An interim dividend of HK\$0.35 per share for the six months ended 30 June 2016 has been declared (six months ended 30 June 2015: HK\$0.30 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 - UNAUDITED**

	Note	Six months ended 30 June	
		2016	2015
		HK\$ million	HK\$ million
Revenue	2 & 3	3,892.1	3,807.5
Other net income	4	49.7	72.6
Staff costs	5	(1,938.2)	(1,871.8)
Depreciation and amortisation		(432.1)	(424.1)
Fuel and oil		(309.6)	(430.7)
Spare parts and stores		(119.7)	(119.7)
Toll charges		(213.0)	(203.5)
Other operating expenses		(413.8)	(454.8)
Profit from operations		515.4	375.5
Finance costs	6	(8.2)	(2.9)
Share of (losses)/profits of associates		(39.0)	20.7
Profit before taxation		468.2	393.3
Income tax	7	(81.2)	(64.3)
Profit for the period		387.0	329.0
Attributable to:			
Equity shareholders of the Company		388.4	330.1
Non-controlling interests		(1.4)	(1.1)
Profit for the period		387.0	329.0
Earnings per share – basic and diluted:	9	HK\$0.96	HK\$0.82

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016 - UNAUDITED**

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		HK\$ million	HK\$ million
Profit for the period		387.0	329.0
Other comprehensive income for the period (after tax):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		(10.1)	1.2
- available-for-sale debt securities: net movement in fair value reserve, net of nil tax:			
- changes in fair value recognised during the period		29.6	(0.1)
- reclassification adjustments for amounts transferred to profit or loss: other net income		-	0.1
Other comprehensive income for the period		19.5	1.2
Total comprehensive income for the period		406.5	330.2
Attributable to:			
Equity shareholders of the Company		407.9	331.3
Non-controlling interests		(1.4)	(1.1)
Total comprehensive income for the period		406.5	330.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016 - UNAUDITED

	Note	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Non-current assets			
Investment properties		116.3	106.8
Investment property under development		17.9	24.9
Interest in leasehold land		62.4	63.4
Other property, plant and equipment		6,451.7	5,938.3
		<u>6,648.3</u>	<u>6,133.4</u>
Intangible assets		132.4	132.3
Goodwill		84.1	84.1
Non-current prepayments		5.1	14.5
Interest in associates		586.1	634.4
Other financial assets		1,235.6	112.4
Employee benefit assets		529.3	577.3
Deferred tax assets		4.8	5.5
		<u>9,225.7</u>	<u>7,693.9</u>
Current assets			
Spare parts and stores		64.2	69.2
Accounts receivable	10	451.5	435.6
Other financial assets		96.5	67.2
Deposits and prepayments		30.3	85.1
Current tax recoverable		3.4	4.2
Pledged and restricted bank deposits		153.5	84.7
Cash and cash equivalents		1,559.0	2,629.8
		<u>2,358.4</u>	<u>3,375.8</u>
Current liabilities			
Bank loans		-	459.9
Accounts payable and accruals	11	1,830.6	1,402.2
Contingency provision – insurance		181.4	183.1
Current tax payable		17.5	9.7
		<u>2,029.5</u>	<u>2,054.9</u>
Net current assets		<u>328.9</u>	<u>1,320.9</u>
Total assets less current liabilities		<u>9,554.6</u>	<u>9,014.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016 – UNAUDITED (continued)

	Note	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Non-current liabilities			
Bank loans		1,026.7	589.0
Deferred tax liabilities		864.7	794.4
Contingency provision – insurance		241.0	251.3
Employee benefit liabilities		10.9	9.1
Provision for long service payments		8.1	9.4
		2,151.4	1,653.2
Net assets		7,403.2	7,361.6
Capital and reserves			
Share capital		403.6	403.6
Reserves		6,848.7	6,804.1
Total equity attributable to equity shareholders of the Company		7,252.3	7,207.7
Non-controlling interests		150.9	153.9
Total equity		7,403.2	7,361.6

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 2016 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 18 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

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

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue from external customers	3,507.7	3,416.0	191.3	198.1	193.1	193.4	3,892.1	3,807.5
Inter-segment revenue	79.9	73.0	-	-	35.8	35.8	115.7	108.8
Reportable segment revenue	3,587.6	3,489.0	191.3	198.1	228.9	229.2	4,007.8	3,916.3
Reportable segment profit/(loss)	364.3	267.2	(10.0)	(11.8)	12.1	39.3	366.4	294.7

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	
	2016 HK\$ million	2015 HK\$ million
Fare revenue from franchised public bus services	3,498.4	3,412.1
Revenue from non-franchised transport services	170.3	175.6
Media sales revenue	195.8	201.5
Gross rentals from investment properties	27.6	18.3
	<u>3,892.1</u>	<u>3,807.5</u>

4 Other net income

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Interest income on other financial assets not at fair value through profit or loss	28.9	34.3
Net movement in balance of passenger rewards	(13.9)	1.2
Claims received	19.4	16.8
Net miscellaneous business receipts	1.9	4.2
Net gain on disposal of other property, plant and equipment	5.8	6.0
Government subsidies	2.9	0.8
Net foreign exchange (loss)/gain	(5.7)	2.0
Sundry revenue	10.4	7.3
	<u>49.7</u>	<u>72.6</u>

5 Staff costs

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Defined benefit retirement plan expense	49.8	48.2
Contributions to defined contribution retirement plans	57.5	52.9
Movements in provision for long service payments	0.1	-
Salaries, wages and other benefits	1,830.8	1,770.7
	<u>1,938.2</u>	<u>1,871.8</u>

6 Finance costs

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Interest on bank loans not at fair value through profit or loss	<u>8.2</u>	<u>2.9</u>

7 Income tax

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	10.0	11.1
PRC withholding tax	<u>0.2</u>	<u>(0.3)</u>
	10.2	10.8
Deferred tax		
Origination and reversal of temporary differences	<u>71.0</u>	<u>53.5</u>
	<u>81.2</u>	<u>64.3</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 2016 (six months ended 30 June 2015: 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			
	2016		2015	
	<i>Per share</i> HK\$	HK\$ million	<i>Per share</i> HK\$	HK\$ million
Interim dividend declared after the interim period end	<u>0.35</u>	<u>143.2</u>	<u>0.30</u>	<u>121.1</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 during the interim period:*

	Six months ended 30 June			
	2016		2015	
	<i>Per share</i> HK\$	HK\$ million	<i>Per share</i> HK\$	HK\$ million
Final dividend in respect of the previous financial year, approved during the period	<u>0.90</u>	<u>363.3</u>	<u>0.75</u>	<u>302.7</u>

Subsequent to 30 June 2016, the final dividend with a scrip dividend alternative in respect of the year ended 31 December 2015 was paid on 8 July 2016, of which HK\$108.5 million was settled by the issue of 5,412,095 shares at an issue price of HK\$20.04 per share under the scrip dividend scheme. Final dividend in respect of the year ended 31 December 2014 was paid during the six months ended 30 June 2015.

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\$388.4 million (six months ended 30 June 2015: HK\$330.1 million) and 403.6 million (six months ended 30 June 2015: 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 2016 HK\$ million	At 31 December 2015 HK\$ million
Trade and other receivables	440.4	443.8
Interest receivable	26.4	5.2
Less: allowance for doubtful debts	<u>(15.3)</u>	<u>(13.4)</u>
	<u>451.5</u>	<u>435.6</u>

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 2016 HK\$ million	At 31 December 2015 HK\$ million
Current	152.2	174.3
1 to 3 months past due	26.6	27.5
More than 3 months past due	23.8	26.7
	202.6	228.5

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

As of 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 2016 HK\$ million	At 31 December 2015 HK\$ million
Due within 1 month or on demand	36.7	80.6
Due after 1 month but within 3 months	0.3	4.9
Due after more than 3 months	3.3	2.8
Trade payables	40.3	88.3
Balance of passenger rewards	90.1	76.2
Dividends payable	404.6	41.5
Other payables and accruals	1,295.6	1,196.2
	1,830.6	1,402.2

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 three months from the invoice date.

12 Non-adjusting event after the reporting period

Subsequent to the end of the reporting period, KT Real Estate Limited (“KTRE”), a wholly-owned subsidiary of the Company, and Turbo Result Limited (“TRL”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited, who are owners as tenants in common in equal shares of the industrial site situated at No. 98 How Ming Street, Kowloon, Hong Kong, accepted the offer from the Lands Department of Hong Kong for the grant of lease modification for the aforesaid site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million (the Group’s share of the land premium being HK\$2,152.5 million), 10% of which was paid by KTRE and TRL on 4 August 2016. The balance will be payable within 28 days from the receipt of formal documentation from the Lands Department or within 3 months from 4 August 2016, whichever is the earlier. The Group’s share of land premium paid and payable will form part of the Group’s cost of investment property under development. The development will be financed by the Group’s working capital and bank borrowings.

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 was HK\$388.4 million (six months ended 30 June 2015: HK\$330.1 million), representing an increase of HK\$58.3 million or 17.7% compared with the corresponding period in 2015. The increase in profit was mainly attributable to the continuous improvement in the financial performance of KMB as a result of a growth in ridership and a reduction in operating costs. Earnings per share for the six months ended 30 June 2016 were HK\$0.96 per share (six months ended 30 June 2015: HK\$0.82 per share), representing an increase of HK\$0.14 per share compared with the corresponding period in 2015.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK\$0.35 per share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$0.30 per share), totalling HK\$143.2 million (six months ended 30 June 2015: HK\$121.1 million), be paid to shareholders whose names are on the Register of Members at the close of business on 6 September 2016. The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid interim dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders in mid-September 2016.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The interim dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 18 October 2016.

The Register will be closed on 6 September 2016. In order 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 5 September 2016.

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\$343.8 million for the first half of 2016 (first half of 2015: HK\$238.3 million), representing an increase of HK\$105.5 million compared with the corresponding period in 2015.

- Fare revenue for the first half of 2016 was HK\$3,277.0 million, an increase of HK\$77.6 million or 2.4% compared with HK\$3,199.4 million for the corresponding period in 2015. The increase was primarily due to the year-on-year growth in ridership of 2.1% as a result of the enhancement of service levels and of the competitiveness of the bus network, as well as the improvement in bus service reliability. Advertising revenue for the first half of 2016 increased by HK\$7.6 million to HK\$83.2 million from HK\$75.6 million for the first half of 2015.
- Total operating expenses for the first half of 2016 amounted to HK\$2,988.3 million, a decrease of HK\$47.7 million compared with HK\$3,036.0 million for the corresponding period in 2015. During the period under review, staff costs and depreciation charges increased by HK\$55.0 million and HK\$26.1 million respectively as a result of the annual pay rise and the licensing of new buses for fleet replacement and service enhancement. However, these increases were fully offset by the reduction in fuel costs of HK\$110.4 million resulting from the decline in international fuel prices and the continued improvement in operating efficiency as a result of closely monitoring headcount to align with service provision and improving productivity through better resource allocation.
- As at 30 June 2016, KMB operated a total of 384 routes (31 December 2015: 377 routes) covering Kowloon, the New Territories and Hong Kong Island. 138 Octopus Bus-bus Interchange ("BBI") schemes covering 313 bus routes operated 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, but they also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.
- During the first half of 2016, a total of 263 Euro V super-low floor double-deck buses with the latest safety, environmental and design features were added to the fleet. As at 30 June 2016, KMB operated 3,806 buses (31 December 2015: 3,889 buses), comprising 3,638 double-deck and 168 single-deck buses. In addition, a total of 279 new Euro V double-deck buses, five supercapacitor single-deck buses and eight electric single-deck buses were awaiting licensing or delivery in the second half of 2016 and 2017.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2016 was HK\$20.5 million, representing a decrease of HK\$8.9 million compared with HK\$29.4 million for the first half of 2015.
- Fare revenue for the first half of 2016 increased by 4.1% to HK\$221.5 million compared with HK\$212.7 million for the corresponding period in 2015. This increase was mainly due to the increase in ridership of 1.4% over the corresponding period last year, in particular on the Airbus routes due to increased transport demand from international travellers and from employees working at the Airport.
- Total operating expenses for the period under review amounted to HK\$200.7 million, an increase of HK\$18.8 million compared with HK\$181.9 million for the corresponding period in 2015. The increase was mainly due to the rise in operating costs associated with the annual pay rise, the increase in the number of bus captains and new buses for service enhancement, and the hike in toll charges and other operating expenses due to

inflation. However, these increases were partly offset by the reduction in fuel costs resulting from lower international fuel prices.

- As at 30 June 2016, LWB had 18 BBI schemes covering 15 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 2016, LWB introduced 33 new Euro V super-low floor double-deck buses to its fleet to enhance the level of service on Airbus routes. As at 30 June 2016, LWB operated 23 routes with a fleet of 193 super-low floor double-deck buses. In addition, a total of 68 new Euro V double-deck buses and three electric single-deck buses were awaiting licensing or on order.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$29.7 million for the first half of 2016, representing an increase of HK\$6.9 million or 30.3% compared with HK\$22.8 million for the corresponding period in 2015. 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, premium, safe, reliable, and value-for-money transport services to a wide range of customers, including large housing estates, shopping malls, major employers, theme parks, travel agents and schools, as well as the general public through chartered hire services.
- The revenue of the SBH Group for the first half of 2016 decreased by 5.4% compared with the corresponding period in 2015. The decrease was mainly due to the sluggish demand for coach services as a result of the decline in the tourist market, as well as intensified competition in the sector. Total operating expenses for the period under review decreased as a result of stringent cost control measures and the reduction in fuel costs, which fully offset the negative impact of the decrease in revenue, leading to an increase in profit after taxation.
- As at 30 June 2016, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2015. During the first half of 2016, 15 new coaches were purchased for fleet replacement and service enhancement purposes.

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 Lok Ma Chau and Huanggang (皇崗) in Shenzhen.
- Due mainly to the decline in the number of mainland visitors in the first half of 2016, NHKB's total patronage for the first half of 2016 decreased by 10.9% to 2.12 million passenger-trips (an average monthly ridership of 352,500 passenger-trips) from 2.38

million passenger-trips (an average monthly ridership of 396,000 passenger trips) for the corresponding period last year. However, there was only a slight decrease in revenue due to the full-period effect of the increase in bus fares from HK\$9 per trip to HK\$10 per trip that took effect on 19 October 2015.

- As at 30 June 2016, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2015.

Property Holdings and Development

LCK Commercial Properties Limited (“LCKCP”)

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2016, about 99% of the lettable area of the shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring income for the Group.
- As at 30 June 2016, 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, amounted to HK\$84.0 million (31 December 2015: HK\$85.4 million).

LCK Real Estate Limited (“LCKRE”)

- LCKRE, a wholly-owned subsidiary of the Company, owns the 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet for office use and rental purposes. A portion of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out or set aside for leasing to shops and restaurants.
- As at 30 June 2016, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK\$28.8 million (31 December 2015: HK\$29.9 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 as tenants in common in equal shares of the industrial site situated at No. 98 How Ming Street, Kowloon, Hong Kong, which is delineated as Kwun Tong Inland Lot No. 240 (“Kwun Tong Site”). 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 the development meets the highest industry standards. The Group intends to hold the development for long-term investment purposes.
- As at 30 June 2016, 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\$17.9 million (31 December 2015: HK\$24.9 million).

TM Properties Investment Limited (“TMPI”)

- TMPI, a wholly-owned subsidiary of the Company, owns the industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, has been leased out to generate rental income for the Group since March 2011.
- As at 30 June 2016, 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\$4.2 million (31 December 2015: HK\$4.8 million).

Media Sales Business

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

- RoadShow, established by the Company as its media sales arm, has been separately listed on the Main Board of the Stock Exchange since 28 June 2001. The Company currently has a 73% interest in RoadShow. The RoadShow Group is principally engaged in the provision of media sales and design services and the production of advertisements for Multi-media On-board (“MMOB” or “Bus-TV”), transit vehicle exteriors (“Bus-Body”) and interiors (“In-Bus”), online portals, mobile apps, bus shelters and outdoor signs, as well as the provision of integrated marketing services covering these advertising platforms.
- For the six months ended 30 June 2016, RoadShow reported a loss attributable to equity shareholders of HK\$11.8 million (six months ended 30 June 2015: loss attributable to equity shareholders of HK\$13.0 million).
- Further information regarding the RoadShow Group is available in its 2016 interim results announcement and interim report.

China Mainland Transport Operations

As at 30 June 2016, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$586.1 million (31 December 2015: HK\$634.4 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 2016, the Group’s China Mainland Transport Operations Division reported an after-tax loss of HK\$39.0 million compared to an after-tax profit of HK\$20.7 million for the corresponding period in 2015.

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 on

the business opportunities in the booming but challenging car rental market, BBKT spun off 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). As at 30 June 2016, BBKT had a fleet of 3,773 taxis and recorded a profit in the first half of 2016.

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 1,154 vehicles available for hire as at 30 June 2016 and recorded a profit in the first half of 2016.

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

- SZBG, 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 SZBG, representing a stake of 35%. SZBG mainly provides public bus and taxi services in Shenzhen City. Due mainly to keen competition from the Shenzhen underground railway system and increasing operating costs from salary increments, SZBG recorded a loss in the first half of 2016. SZBG is currently seeking additional subsidies from the Shenzhen Government to overcome its operational challenges. At 30 June 2016, it had 1,402 taxis (including 848 electric taxis, which are operated by an associate) and 5,393 buses serving some 264 routes.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2016, the Group’s investment properties, investment property under development, interest in leasehold land and other property, plant and equipment property (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK\$6,648.3 million (31 December 2015: HK\$6,133.4 million), none of which was pledged or charged.

During the first half of 2016, the Group incurred capital expenditure of HK\$949.6 million (six months ended 30 June 2015: HK\$937.5 million), which was mainly used for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and financial resources

As at 30 June 2016, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK\$685.8 million (31 December 2015: HK\$1,665.6 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 2016</i>				
Hong Kong dollars		1,292.6	(1,026.7)	265.9
Renminbi	184.8	215.4	-	215.4
United States dollars	16.0	124.8	-	124.8
British Pounds Sterling	7.0	72.0	-	72.0
Other currencies		7.7	-	7.7
Total		<u>1,712.5</u>	<u>(1,026.7)</u>	<u>685.8</u>
<i>At 31 December 2015</i>				
Hong Kong dollars		2,384.4	(1,048.9)	1,335.5
Renminbi	156.2	184.3	-	184.3
United States dollars	15.9	123.6	-	123.6
British Pounds Sterling	1.2	13.8	-	13.8
Other currencies		8.4	-	8.4
Total		<u>2,714.5</u>	<u>(1,048.9)</u>	<u>1,665.6</u>

As at 30 June 2016, bank loans, all unsecured, amounted to HK\$1,026.7 million (31 December 2015: HK\$1,048.9 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Within 1 year or on demand	-	459.9
After 2 years but within 5 years	1,026.7	589.0
Total	<u>1,026.7</u>	<u>1,048.9</u>

As at 30 June 2016, the Group had undrawn banking facilities totalling HK\$1,195.0 million (31 December 2015: HK\$1,980.0 million), of which HK\$1,185.0 million (31 December 2015: HK\$1,970.0 million) was of a committed nature.

The finance costs incurred by the Group for the six months ended 30 June 2016 were HK\$8.2 million (six months ended 30 June 2015: HK\$2.9 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.56% per annum (six months ended 30 June 2015: 1.00% per annum).

As at 30 June 2016, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK\$1,712.5 million (31 December 2015: HK\$2,714.5 million).

FUNDING AND TREASURY POLICIES

In general, the Group's major operating companies arrange their own financing to meet their operational and specific needs. The Group's other subsidiaries are mainly financed from the capital base of their parent company. The Group reviews its funding policy from time to time 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 did not enter into any fuel oil swap contract during the period under review. On the other hand, the Group has entered into purchase contracts with two diesel suppliers for the supply of diesel for a term of three years commencing from 1 January 2016. A new price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these new contracts. Management will continue to closely monitor fuel price movements and constantly review its strategy on fuel price risk management in the light of prevailing market condition.

The Group is exposed to foreign currency risk primarily through purchases of new buses and motor vehicle components from overseas and investments in debt securities for yield enhancement purposes. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP) used for bus purchases and United States dollars (USD) for investments in debt securities. In respect of its exposure in GBP, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate.

The Group closely monitors market conditions and devises suitable strategies to manage 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 2016, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions.

CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2016 amounted to HK\$420.4 million (31 December 2015: HK\$936.3 million). These commitments were mainly in respect of the purchases of buses and other motor vehicles, which are to be financed by borrowings and from the Group's working capital.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2016, total remuneration amounted to HK\$1,938.2 million (first half of 2015: HK\$1,871.8 million), accounting for about 57% of the total operating costs of the Group. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. Employee compensation, including salaries and retirement and medical benefits, is determined based on the principles of performance, fairness, transparency and market competitiveness. As at 30 June 2016, the Group employed about 13,400 employees (31 December 2015: 13,400 employees).

OUTLOOK

Looking to the future, with the construction of large-scale infrastructure projects in Hong Kong such as the Hong Kong-Zhuhai-Macao Bridge and the third runway at the Airport in progress, and new towns such as Hung Shui Kiu and the Lantau being developed, the outlook is bright for both Hong Kong and the Group. We will therefore continue to seek to identify development opportunities in different spheres that contribute to the growth of our business.

In respect of our franchised bus operations, KMB is in talks with the Government regarding its ten-year franchise renewal. We are confident that we will obtain the approval that will enable us to continue to provide service excellence based on our rich experience and continuous innovation. KMB will continue to invest in bus fleet upgrade with the emphasis on safety, comfort and environmental protection. More bus stops will be equipped with display panels showing estimated time of arrival ("ETA") so that passengers can manage their journeys more efficiently. KMB will continue to tailor bus service arrangements within its network according to the daily habits and travelling needs of its passengers with the aim of providing them with a 24-hour personalised choice.

In the light of the impending opening of new railway projects and to cater for the resulting changes in the transport mode of passengers, KMB is in discussions with the Transport Department and the local community on service adjustment for affected bus routes and allocation of resources to routes with increased patronage. With their edge in terms of flexibility and point-to-point service, combined with the ETA facility, we believe that bus services will continue to play an important role in the public transport market.

As for LWB, the new bus fleet and new compartment design of Airbus routes have been well received, especially the comfortable and luxurious environment which mirrors the experience of flying, and the USB chargers and free Wi-Fi service. With the combined effort of the local community and the Government, the Airbus route network in the New Territories is being reorganised on the one-hour journey principle to provide Hong Kong residents and visitors with a more direct and manageable premium Airbus service.

Turning to our non-franchised bus operations, the SBH Group will leverage on the Group's extensive resources and continue to improve its service quality as well as explore viable business opportunities. To this end, we have already started providing the ETA service on some of the routes.

In terms of property holdings, we have come to an agreement with the Government on the premium for the modification of land use at the Kwun Tong Site, in which the Group has a 50% stake, from industrial to non-residential (excluding hotel, petrol filling station and residential care home). The site will be developed into office and retail properties as a long-term investment which is expected to generate steady and sustainable revenue for the Group.

The success of all our divisions depends on the professionalism and diligence of our team. We extend our gratitude to all Group members for their contribution, and will not cease in our efforts to improve staff benefits and enhance the work environment as we look forward to a bright future together.

ISSUE OF SHARES

On 8 July 2016, the Company issued 5,412,095 shares in lieu of the final dividend for the year ended 31 December 2015 at an issue price of HK\$20.04 per share under the scrip dividend scheme as set out in the circular of the Company dated 13 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 8 July 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules in the six months ended 30 June 2016, except that one of the Non-executive Directors of the Company was unable to attend the Annual General Meeting of the Company held on 26 May 2016 as provided for in code provision A.6.7 due to another engagement. In respect of including the amendments to the Corporate Governance Code that arose from the conclusions of Hong Kong Exchanges and Clearing Limited's consultation exercise on "Risk Management and Internal Control", the Company has developed and implemented an enterprise-wide risk management framework. Enterprise-wide risk assessment was performed, in which key risks were identified, prioritised and reported to the Audit and Risk Management Committee for discussion.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2016 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 and Risk Management 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 2016.

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 2016 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2016.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 18 August 2016

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* (Ms. Susanna WONG Sze Lai 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.*

**For identification purpose only*