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 2017

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK$378.2 million (six months ended 30 June 2016: HK$388.4 million), a decrease of HK$10.2 million or 2.6% compared with the corresponding period in 2016.

- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a profit after taxation of HK$316.6 million for the first half of 2017 (first half of 2016: HK$343.8 million), a decrease of HK$27.2 million compared with the corresponding period last year. The decrease in profit was mainly due to an increase in operating costs, in particular fuel and oil costs have increased by HK$67.2 million, largely as a result of a rise in international fuel prices. During the period under review, KMB continued to register a growth in ridership of 2.3%, and the increase in fare revenue helped to partly offset the rise in operating costs.

- Earnings per share for the six months ended 30 June 2017 were HK$0.92 per share (six months ended 30 June 2016: HK$0.96 per share).

- An interim dividend of HK$0.35 per share for the six months ended 30 June 2017 has been declared (six months ended 30 June 2016: HK$0.35 per share).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 - UNAUDITED

	Note	**Six months ended 30 June** **2017** **HK$ million**	2016 HK$ million
Revenue	2 & 3	**3,984.2**	3,892.1
Other income	4	**107.1**	49.7
Staff costs	5	**(1,962.2)**	(1,938.2)
Depreciation and amortisation		**(439.6)**	(432.1)
Fuel and oil		**(389.2)**	(309.6)
Spare parts and stores		**(119.3)**	(119.7)
Toll charges		**(228.3)**	(213.0)
Other operating expenses		**(452.8)**	(413.8)
Profit from operations		**499.9**	515.4
Finance costs	6	**(14.3)**	(8.2)
Share of losses of associates		**(36.9)**	(39.0)
Profit before taxation		**448.7**	468.2
Income tax	7	**(77.0)**	(81.2)
Profit for the period		**371.7**	387.0
Attributable to:			
Equity shareholders of the Company		**378.2**	388.4
Non-controlling interests		**(6.5)**	(1.4)
Profit for the period		**371.7**	387.0
Earnings per share – basic and diluted:	9	**HK$ 0.92**	HK$ 0.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017 - UNAUDITED

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Profit for the period	**371.7**	387.0
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
- exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	**23.0**	(10.1)
- available-for-sale debt securities: net movement in fair value reserve, net of nil tax:		
- changes in fair value recognised during the period	**8.5**	29.6
Other comprehensive income for the period	**31.5**	19.5
Total comprehensive income for the period	**403.2**	406.5
Attributable to:		
Equity shareholders of the Company	**409.7**	407.9
Non-controlling interests	**(6.5)**	(1.4)
Total comprehensive income for the period	**403.2**	406.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017 - UNAUDITED

	Note	**At 30 June 2017 HK$ million**	At 31 December 2016 HK$ million
Non-current assets			
Investment properties		**111.2**	113.8
Investment property under development		**2,196.5**	2,186.2
Interest in leasehold land		**60.4**	61.4
Other property, plant and equipment		**6,477.6**	6,513.7
		8,845.7	8,875.1
Intangible assets		**132.1**	132.1
Goodwill		**84.1**	84.1
Non-current prepayments		**1.3**	1.4
Interest in associates		**586.0**	601.6
Other financial assets		**1,517.5**	1,207.2
Employee benefit assets		**586.2**	626.2
Deferred tax assets		**9.7**	11.0
		11,762.6	11,538.7
Current assets			
Spare parts and stores		**42.2**	56.4
Accounts receivable	10	**479.3**	516.8
Other financial assets		**-**	94.9
Deposits and prepayments		**74.4**	25.6
Current tax recoverable		**0.6**	4.1
Pledged and restricted bank deposits		**136.3**	131.7
Cash and cash equivalents		**615.4**	944.3
		1,348.2	1,773.8
Current liabilities			
Accounts payable and accruals	11	**1,072.4**	1,209.0
Contingency provision – insurance		**193.7**	183.2
Current tax payable		**58.0**	4.9
		1,324.1	1,397.1
Net current assets		**24.1**	376.7
Total assets less current liabilities		**11,786.7**	11,915.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017 – UNAUDITED (continued)

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
Non-current liabilities		
Bank loans	**2,330.2**	2,724.4
Deferred tax liabilities	**968.2**	951.2
Contingency provision – insurance	**265.9**	253.0
Employee benefit liabilities	**10.6**	8.9
Provision for long service payments	**3.6**	6.4
	3,578.5	3,943.9
Net assets	**8,208.2**	7,971.5
Capital and reserves		
Share capital	**419.6**	411.7
Reserves	**7,649.4**	7,414.1
Total equity attributable to equity shareholders of the Company	**8,069.0**	7,825.8
Non-controlling interests	**139.2**	145.7
Total equity	**8,208.2**	7,971.5

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 2017 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 17 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 Six months ended 30 June		Media sales business Six months ended 30 June		Property holdings and development Six months ended 30 June		All other segments (note) Six months ended 30 June		Total Six months ended 30 June	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue from external customers	**3,609.1**	3,507.7	**163.4**	191.3	**37.7**	26.8	**174.0**	166.3	**3,984.2**	3,892.1
Inter-segment revenue	**83.6**	79.9	**-**	-	**3.9**	4.9	**4.9**	30.9	**92.4**	115.7
Reportable segment revenue	**3,692.7**	3,587.6	**163.4**	191.3	**41.6**	31.7	**178.9**	197.2	**4,076.6**	4,007.8
Reportable segment profit/(loss)	**334.7**	364.3	**(11.9)**	(10.0)	**29.0**	21.0	**(10.9)**	(8.9)	**340.9**	366.4
As at 30 June/31 December										
Reportable segment assets	**7,419.0**	7,680.5	**578.2**	617.6	**2,325.8**	2,319.3	**1,070.0**	1,300.8	**11,393.0**	11,918.2
Reportable segment liabilities	**3,098.7**	3,552.5	**88.8**	116.8	**1,531.8**	1,528.5	**127.5**	128.0	**4,846.8**	5,325.8

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 and interest in associates.

For the six months ended 30 June 2016, property holdings and development did not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments* to qualify as a reportable segment, and was included in “all other segments”. As a result of the additions of investment property under development subsequent to the six months ended 30 June 2016, property holdings and development qualifies as a reportable segment in the six months ended 30 June 2017. Comparatives have been restated to disclose the segment separately from “all other segments” as a reportable segment in the six months ended 30 June 2016.

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	
	2017	2016
	HK$ million	HK$ million
Fare revenue from franchised public bus services	**3,602.7**	3,498.4
Revenue from non-franchised transport services	**175.0**	170.3
Media sales revenue	**168.7**	195.8
Gross rentals from investment properties	**37.8**	27.6
	3,984.2	3,892.1

4 Other income

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Interest income on other financial assets not at fair value through profit or loss	**33.4**	28.9
Net movement in balance of passenger rewards	**-**	(13.9)
Claims received	**19.8**	19.4
Net miscellaneous business receipts	**3.6**	1.9
Net gain on disposal of other property, plant and equipment	**3.6**	5.8
Government subsidies	**0.2**	2.9
Net foreign exchange gain/(loss)	**13.7**	(5.7)
Sundry revenue	**32.8**	10.4
	107.1	49.7

5 Staff costs

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Defined benefit retirement plan expense	**41.7**	49.8
Contributions to defined contribution retirement plan	**61.3**	57.5
Movements in provision for long service payments	**0.1**	0.1
Equity-settled share-based payment expenses	**2.4**	-
Salaries, wages and other benefits	**1,856.7**	1,830.8
	1,962.2	1,938.2

6 Finance costs

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Interest on bank loans not at fair value through profit or loss	**14.3**	8.2

7 Income tax

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	**57.5**	10.0
PRC withholding tax	**1.2**	0.2
	58.7	10.2
Deferred tax		
Origination and reversal of temporary differences	**18.3**	71.0
	77.0	81.2

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 2017 (six months ended 30 June 2016: 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			
	2017		2016	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Interim dividend declared after the interim period end	**0.35**	**146.9**	0.35	143.2

The interim dividend in respect of the six months period ended 30 June 2017 has not been recognised as liability at the end of the reporting period.

The interim dividend with a scrip dividend alternative in respect of the six months period ended 30 June 2016 was paid on 18 October 2016, of which HK$62.4 million was settled by the issuance of 2,628,991 shares at an issue price of HK$23.73 per share under the scrip dividend scheme.

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

	Six months ended 30 June			
	2017		2016	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Final dividend in respect of the previous financial year, approved during the period	**0.90**	**370.5**	0.90	363.3

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2016 was paid on 30 June 2017, of which HK$201.6 million was settled by the issue of 7,922,188 shares at an issue price of HK$25.45 per share under the scrip dividend scheme.

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.

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$378.2 million (Six months ended 30 June 2016: HK$388.4 million) and the weighted average number of shares in issue during the period, calculated as follows:

	Six months ended 30 June	
	2017	2016
Issued shares at 1 January	**411,680,499**	403,639,413
Effect of shares issued in respect of scrip dividend	**43,769**	-
Weighted average number of shares at 30 June	**411,724,268**	403,639,413

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2017 is the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

There were no dilutive potential ordinary shares for the six months ended 30 June 2016 and diluted earnings per share are the same as basic earnings per share.

10 Accounts receivable

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
Trade and other receivables	**462.4**	498.6
Interest receivable	**26.7**	26.1
Less: allowance for doubtful debts	**(9.8)**	(7.9)
	479.3	516.8

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 2017 HK$ million	At 31 December 2016 HK$ million
Current	**124.3**	144.6
1 to 3 months past due	**14.3**	17.6
More than 3 months past due	**19.0**	21.4
	157.6	183.6

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

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 2017 HK$ million	At 31 December 2016 HK$ million
Due within 1 month or on demand	**109.1**	140.4
Due after 1 month but within 3 months	**1.1**	1.9
Due after more than 3 months	**3.6**	4.0
Trade payables	**113.8**	146.3
Balance of passenger rewards	**31.2**	109.1
Dividends payable	**35.3**	14.0
Other payables and accruals	**892.1**	939.6
	1,072.4	1,209.0

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.

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK$378.2 million (six months ended 30 June 2016: HK$388.4 million), representing a decrease of HK$10.2 million or 2.6% compared with the corresponding period in 2016. The decrease in profit was mainly attributable to the increase in operating costs mainly associated with the rise in international fuel prices, the annual pay rise, and the increase in toll charges. However, this was partly offset by the increase in fare revenue resulting from the continued growth in ridership of our franchised public bus businesses operated by The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB"). Earnings per share for the six months ended 30 June 2017 were HK$0.92 per share (six months ended 30 June 2016: HK$0.96 per share), representing a decrease of HK$0.04 per share compared with the corresponding period in 2016.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.35 per share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.35 per share), totalling HK$146.9 million (six months ended 30 June 2016: HK$143.2 million), be paid to shareholders whose names are on the Register of Members at the close of business on 5 September 2017. 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 and 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 2017.

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 17 October 2017.

The Register will be closed on 5 September 2017. 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 4 September 2017.

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$316.6 million for the first half of 2017 (first half of 2016: HK$343.8 million), representing a decrease of HK$27.2 million compared with the corresponding period in 2016.

- Fare revenue for the first half of 2017 was HK$3,349.7 million, an increase of HK$72.7 million or 2.2% compared with HK$3,277.0 million for the corresponding period in 2016. The increase was mainly due to the continued growth in ridership of 2.3%. Advertising revenue for the first half of 2017 increased by HK$4.1 million to HK$87.3 million from HK$83.2 million for the first half of 2016.

- Total operating expenses for the first half of 2017 amounted to HK$3,114.5 million, an increase of HK$126.2 million or 4.2% compared with HK$2,988.3 million for the corresponding period in 2016. During the period under review, fuel and oil costs increased by HK$67.2 million as a result of the rise in international fuel prices. Staff costs and toll charges also increased due to the annual pay rise and general inflation. This increase in operating costs was partly offset by the increase in fare revenue as a result of continued passenger growth.

- As at 30 June 2017, KMB operated a total of 396 routes (31 December 2016: 384 routes) covering Kowloon, the New Territories and Hong Kong Island. 144 Octopus Bus-bus Interchange ("BBI") schemes covering 392 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 2017, a total of 154 Euro V and one Euro VI super-low floor double-deck buses, and one supercapacitor and eight electric super-low floor single-deck buses, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2017, KMB operated 3,938 buses (31 December 2016: 3,920 buses), comprising 3,779 double-deck and 159 single-deck buses. In addition, a total of 333 new Euro V double-deck buses, four supercapacitor single-deck buses and two electric single-deck buses were awaiting licensing or delivery in the second half of 2017 and 2018.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2017 was HK$18.1 million, representing a decrease of HK$2.4 million compared with HK$20.5 million for the first half of 2016.

- Fare revenue for the first half of 2017 increased by HK$31.5 million or 14.2% to HK$253.0 million compared with HK$221.5 million for the corresponding period in

2016. The increase was mainly due to a growth in ridership of 5.8% and an increase in the average fare by 7.4% as a result of the enhancement in A-route services that was implemented in the second half of 2016.

- Total operating expenses for the period under review amounted to HK$233.8 million, an increase of HK$33.1 million or 16.5% compared with HK$200.7 million for the corresponding period in 2016. The increase was mainly due to the rise in operating costs associated with the enhancement in A-route services implemented in the second half of 2016. In addition, fuel and oil costs increased as a result of the rise in international fuel prices and fuel consumption also increased as a result of the increase in kilometres travelled due to service enhancement.

- As at 30 June 2017, LWB had 23 BBI schemes covering 20 regular 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 2017, LWB introduced two new super-low floor single-deck electric buses to its fleet to test the operating efficiency of the zero-emission buses on a trial basis under Government subsidy. As at 30 June 2017, LWB operated 29 regular routes with a fleet of 242 super-low floor double-deck buses and two super-low floor single-deck electric buses. In addition, a total of 34 new Euro V double-deck buses and two 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$27.6 million for the first half of 2017, representing a decrease of HK$2.1 million compared with HK$29.7 million for the corresponding period in 2016. 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 residential estates, shopping malls, major employers, 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 2017 increased by HK$7.0 million or 4.9% to HK$152.2 million compared with the corresponding period in 2016 mainly due to business growth. Total operating expenses for the period under review increased as a result of the rise in operating costs associated with the increase in toll charges, fuel costs and depreciation.

- As at 30 June 2017, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2016. During the first half of 2017, 21 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.

- The revenue of NHKB for the first half of 2017 increased by 3.0% compared with the corresponding period in 2016. NHKB's total patronage for the first half of 2017 increased by 3.3% to 2.18 million passenger-trips (an average monthly ridership of 364,200 passenger-trips) from 2.12 million passenger-trips (an average monthly ridership of 352,500 passenger trips) for the corresponding period last year.

- As at 30 June 2017, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2016.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$29.0 million for the first half of 2017, representing an increase of HK$8.0 million or 38.1% compared with HK$21.0 million for the corresponding period in 2016. Revenue increased by HK$10.9 million or 40.7% from HK$26.8 million for the first half of 2016 to HK$37.7 million for the first half of 2017. A review of the Group's investment properties is set out as follows:

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 2017, 100% 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 2017, 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$81.8 million (31 December 2016: HK$82.9 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 to shops, offices and restaurants.

- As at 30 June 2017, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$30.3 million (31 December 2016: HK$31.3 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").

- On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes. Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a wholly-owned subsidiary of SHKP, has been appointed by KTRE and TRL as project manager to oversee the development of the Kwun Tong Site. The Group intends to hold the development for long-term investment purposes and the Kwun Tong Site will be redeveloped into an office and retail complex.

- On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong 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. 50% of such land premium, which amounted to HK$2,152.5 million, was borne by KTRE.

- As at 30 June 2017, 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$2,196.5 million (31 December 2016: HK$2,186.2 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 2017, 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$2.9 million (31 December 2016: HK$3.5 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 transit vehicle exteriors ("Bus-Body") and interiors ("In-Bus"), bus shelters, Multi-media On-board ("MMOB" or "Bus-TV"), online portals, mobile apps, and outdoor signs, as well as the provision of integrated marketing services covering these advertising platforms.

- For the six months ended 30 June 2017, RoadShow reported a loss attributable to equity shareholders of HK$11.0 million (six months ended 30 June 2016: loss of HK$11.8 million).

- Further information regarding the RoadShow Group is available in its 2017 interim results announcement and 2017 interim report.

China Mainland Transport Operations

As at 30 June 2017, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$586.0 million (31 December 2016: HK$601.6 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 2017, the Group's China Mainland Transport Operations Division reported an after-tax loss of HK$36.9 million compared to an after-tax loss of HK$39.0 million for the corresponding period in 2016.

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 2017, BBKT had a fleet of 3,754 taxis and recorded a loss in the first half of 2017.

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 1,113 vehicles available for hire as at 30 June 2017 and recorded a profit in the first half of 2017.

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 rising operating costs, SZBG recorded a loss in the first half of 2017. SZBG will seek additional subsidies from the Shenzhen Government to overcome its operational challenges. As at 30 June 2017, it had 3,327 taxis (including 845 electric taxis, which are operated by an associate) and 5,693 buses serving some 343 routes.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2017, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK$8,845.7 million (31 December 2016: HK$8,875.1 million), none of which was pledged or charged.

During the first half of 2017, the Group incurred capital expenditure of HK$412.2 million (six months ended 30 June 2016: HK$949.6 million), which was mainly used for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and financial resources

As at 30 June 2017, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,578.5 million (31 December 2016: HK$1,648.4 million). The details of the Group's net cash/net borrowings position 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 / (Net borrowings) HK$ million**
At 30 June 2017				
Hong Kong dollars		**425.7**	**(2,330.2)**	**(1,904.5)**
Renminbi	**159.4**	**183.2**	-	**183.2**
United States dollars	**16.2**	**126.3**	-	**126.3**
British Pounds Sterling	**0.9**	**9.5**	-	**9.5**
Other currencies		**7.0**	-	**7.0**
Total		**751.7**	**(2,330.2)**	**(1,578.5)**

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans HK$ million	Net cash / (Net borrowings) HK$ million
At 31 December 2016				
Hong Kong dollars		739.4	(2,724.4)	(1,985.0)
Renminbi	157.1	174.7	-	174.7
United States dollars	16.1	125.1	-	125.1
British Pounds Sterling	2.8	26.4	-	26.4
Other currencies		10.4	-	10.4
Total		1,076.0	(2,724.4)	(1,648.4)

As at 30 June 2017, bank loans, all unsecured, amounted to HK$2,330.2 million (31 December 2016: HK$2,724.4 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
After 2 years but within 5 years	**2,330.2**	2,724.4

As at 30 June 2017, the Group had undrawn banking facilities totalling HK$1,481.0 million (31 December 2016: HK$1,490.0 million), of which HK$1,480.0 million (31 December 2016: HK$1,480.0 million) was of a committed nature.

The finance costs incurred by the Group for the six months ended 30 June 2017 were HK$14.3 million, an increase of HK$6.1 million compared with HK$8.2 million for the six months ended 30 June 2016. The increase was mainly due to the increase in average interest rate in respect of the Group's borrowings from 1.56% per annum for the six months ended 30 June 2016 to 1.73% per annum for the six months ended 30 June 2017.

As at 30 June 2017, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$751.7 million (31 December 2016: HK$1,076.0 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 conditions.

The Group is exposed to foreign currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a foreign currency. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP), United States dollars (USD) and Renminbi (RMB). In respect of its exposure in GBP used for bus purchases, 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 2017, 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 2017 amounted to HK$756.9 million (31 December 2016: HK$479.1 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 2017, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$1,856.7 million (first half of 2016: HK$1,830.8 million), accounting for about 52% 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 2017, the Group employed over 13,200 employees (31 December 2016: over 13,300 employees).

OUTLOOK

Franchised Public Bus Operations

KMB was granted a new ten-year franchise by the Government, effective from July 2017. KMB will continue to provide service excellence based on its extensive experience, while remaining committed to continuous innovation as it launches various service enhancement programmes and innovative interchange concession schemes with the aim of meeting passenger needs. Such schemes include a long-haul route fare concession scheme for full-time students and special interchange fare concessions schemes in partnership with Hong Kong Tramways Limited and AMS Public Transport Holdings Limited respectively.

2017 saw the launch of KMB's newly-designed red and silver buses, equipped with updated passenger facilities and technological innovations. With its commitment to providing quality services to its passengers, KMB will continue to invest in bus fleet upgrade, while also conducting trials on a system that will inform passengers on the lower deck of seat availability on the upper deck to help reduce unnecessary passenger movement between the two decks. To enhance customers' travelling experience, KMB will also continue to optimise existing bus shelter space, including the installation of display panels showing the estimated time of arrival ("ETA").

As for LWB, major construction projects such as the Tung Chung New Town Extension, the Hong Kong-Zhuhai-Macao Bridge, the third runway at the Airport and the development of the Airport North Commercial District are set to open up possibilities for business development. LWB will continue to advance the services of its Airbus routes from time to time to align with passenger expectations and local developments.

Notwithstanding the generally optimistic outlook, franchised bus operations are being confronted by various challenges, spearheaded by new rail lines coming into service and an aging population. In addition, the stability of bus services has been significantly affected in recent years by growing levels of car ownership and worsening traffic congestion.

The release of the Government's Public Transport Strategy Study, with its commitment to opening up transport service vistas, encourages us to identify opportunities in different spheres that will contribute to the growth of our business. With the new town developments in Lantau and Hung Shui Kiu, the outlook is bright for both Hong Kong and the Group. With their edge in terms of flexibility and point-to-point service, combined with the customer-friendly ETA facility, we believe that bus services will continue to play an important role in the public transport market.

Non-franchised Businesses

The SBH Group continues to leverage the Group's extensive resources as it improves its service quality and explores viable business opportunities, with the ETA service already provided on some of its routes.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel, petrol filling station and residential care home for the elderly) uses after an offer from the Lands Department for the grant of lease modification from industrial to non-residential use was accepted. The site will be developed into an office and retail complex, and is expected to generate additional rental income for the Group in the years ahead.

The success of all our divisions depends on the professionalism and diligence of our staff. We extend our gratitude to all Group members for their contribution, as we forge ever closer ties with all our employees while seeking to improve staff benefits and enhance the work environment.

ISSUE OF SHARES

On 30 June 2017, the Company issued 7,922,188 shares in lieu of the final dividend for the year ended 31 December 2016 at an issue price of HK$25.45 per share under the scrip dividend scheme as set out in the circular of the Company dated 5 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 30 June 2017, 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 2017, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2017 as provided for in code provision A.6.7 due to other engagement.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2017 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, risk management and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2017.

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 2017 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2017.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 17 August 2017

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*
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. Charles LUI Chung Yuen, *M.H.*
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)
Ms. Winnie NG, *JP*
Mr. Edmond HO Tat Man
Mr. Allen FUNG Yuk Lun

Executive Director:
Mr. Roger LEE Chak Cheong (Managing Director)

**For identification purpose only*