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 2019

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was HK$302.0 million (six months ended 30 June 2018: HK$308.1 million), a decrease of HK$6.1 million or 2.0% compared with the corresponding period in 2018.

- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a profit after taxation of HK$167.7 million for the first half of 2019 (first half of 2018: HK$192.5 million), a decrease of HK$24.8 million compared with the corresponding period last year. Fare revenue for the period under review increased by HK$96.5 million or 2.9% as a result of patronage growth, while total operating expenses increased by HK$149.9 million or 4.6% primarily attributable to the continuous improvement in staff remuneration and benefits as well as investment in new buses with enhanced saftey features.

- Earnings per share for the six months ended 30 June 2019 were HK$0.69 per share (six months ended 30 June 2018: HK$0.73 per share).

- An interim dividend of HK$0.30 per share for the six months ended 30 June 2019 has been declared (six months ended 30 June 2018: HK$0.30 per share).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 - UNAUDITED

	Note	Six months ended 30 June **2019** **HK$ million**	 2018 HK$ million
Revenue	2 & 3	**4,073.5**	3,932.6
Other income	4	**105.3**	87.1
Staff costs	5	**(2,182.9)**	(2,012.7)
Depreciation and amortisation		**(473.0)**	(445.5)
Fuel and oil		**(453.9)**	(483.9)
Spare parts and stores		**(106.8)**	(120.2)
Toll charges		**(175.9)**	(228.8)
Other operating expenses		**(419.1)**	(363.2)
Profit from operations		**367.2**	365.4
Finance costs	6	**(14.6)**	(9.4)
Share of profit of associates		**1.7**	5.2
Profit before taxation		**354.3**	361.2
Income tax	7	**(52.3)**	(53.1)
Profit for the period		**302.0**	308.1
Earnings per share – basic and diluted	9	**HK$ 0.69**	HK$ 0.73

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019 - UNAUDITED

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit for the period	**302.0**	308.1
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
- Equity investment at fair value through other comprehensive income - net movement in fair value reserve (non-recycling), net of nil tax	**9.9**	6.5
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	**(1.2)**	(8.9)
- Cash flow hedge: net movement in hedging reserve, net of tax credit of HK$45,000 (2018: HK$Nil)	**(0.2)**	-
- Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	**37.3**	(35.0)
- Share of other comprehensive income of an associate, net of nil tax	**11.7**	-
Other comprehensive income for the period	**57.5**	(37.4)
Total comprehensive income for the period	**359.5**	270.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019 - UNAUDITED

	Note	**At 30 June 2019 HK$ million**	At 31 December 2018 HK$ million
Non-current assets			
Investment properties		**108.0**	108.7
Investment property under development		**2,373.2**	2,301.1
Interest in leasehold land		**56.3**	57.3
Other property, plant and equipment		**7,354.1**	7,373.4
		9,891.6	9,840.5
Intangible assets		**360.6**	360.6
Goodwill		**84.1**	84.1
Interest in associates		**596.9**	610.9
Other financial assets		**1,182.4**	1,708.9
Employee benefit assets		**887.7**	913.2
Deferred tax assets		**0.7**	0.7
		13,004.0	13,518.9
Current assets			
Spare parts and stores		**78.8**	82.5
Accounts receivable	10	**525.8**	371.1
Other financial assets		**793.7**	231.2
Deposits and prepayments		**76.3**	15.0
Current tax recoverable		**3.5**	10.3
Pledged and restricted bank deposits		**35.4**	6.8
Bank deposits and cash		**1,229.0**	1,174.2
		2,742.5	1,891.1
Current liabilities			
Accounts payable and accruals	11	**1,081.9**	1,033.8
Contingency provision – insurance		**139.8**	145.0
Lease liabilities		**3.9**	-
Current tax payable		**20.3**	1.0
		1,245.9	1,179.8
Net current assets		**1,496.6**	711.3
Total assets less current liabilities		**14,500.6**	14,230.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019 – UNAUDITED
(continued)

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Non-current liabilities		
Bank loans	**2,703.3**	2,625.0
Lease liabilities	**3.8**	-
Deferred tax liabilities	**1,178.0**	1,161.6
Contingency provision – insurance	**236.4**	241.4
Employee benefit liabilities	**3.9**	2.6
Provision for long service payments	**1.6**	4.0
	4,127.0	4,034.6
Net assets	**10,373.6**	10,195.6
Capital and reserves		
Share capital	**443.7**	434.6
Reserves	**9,929.9**	9,761.0
Total equity	**10,373.6**	10,195.6

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 2019 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 15 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements.

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("HKFRS"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of these developments have 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 initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there are no adjustments to the opening balance of equity at 1 January 2019 with no restatement of comparative information.

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		Property holdings and development Six months ended 30 June		All other segments (note) Six months ended 30 June		Total Six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Revenue from external customers	**3,880.0**	3,723.1	**31.0**	34.3	**162.5**	175.2	**4,073.5**	3,932.6
Inter-segment revenue	**0.2**	0.3	**2.8**	2.6	**4.4**	5.9	**7.4**	8.8
Reportable segment revenue	**3,880.2**	3,723.4	**33.8**	36.9	**166.9**	181.1	**4,080.9**	3,941.4
Reportable segment profit	**208.8**	209.0	**27.6**	27.1	**28.0**	29.9	**264.4**	266.0
As at 30 June/31 December								
Reportable segment assets	**8,797.0**	8,588.0	**2,494.0**	2,421.7	**1,781.3**	1,806.7	**13,072.3**	12,816.4
Reportable segment liabilities	**3,669.3**	3,541.1	**1,541.1**	1,538.6	**111.7**	103.5	**5,322.1**	5,183.2

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.

3 Revenue

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

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Fare revenue from franchised public bus services	**3,771.6**	3,625.1
Revenue from non-franchised transport services	**164.0**	177.2
Licence fee income	**92.7**	86.5
Media sales revenue	**14.2**	9.5
Gross rentals from investment properties	**31.0**	34.3
	4,073.5	3,932.6

4 Other income

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Interest income	**43.3**	38.6
Claims received	**22.2**	17.6
Net miscellaneous business receipts	**5.4**	5.4
Net gain on disposal of other property, plant and equipment	**1.1**	6.5
Net foreign exchange (loss)/gain	**(4.1)**	7.2
Sundry income	**37.4**	11.8
	105.3	87.1

5 Staff costs

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Defined benefit retirement plan expense	**26.8**	33.8
Contributions to defined contribution retirement plans	**76.7**	66.3
Movements in provision for long service payments	**0.5**	0.1
Equity-settled share-based payment expenses	**0.3**	0.9
Salaries, wages and other benefits	**2,078.6**	1,911.6
	2,182.9	2,012.7

6 Finance costs

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Interest expenses	**34.1**	22.9
Interest on lease liabilities	**0.1**	-
Total interest expenses on financial liabilities not at fair value through profit or loss	**34.2**	22.9
Less: interest expense capitalised into investment property under development	**(19.6)**	(13.5)
	14.6	9.4

7 Income tax

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	**35.1**	12.3
The People's Republic of China ("PRC") withholding tax	**0.9**	0.2
	36.0	12.5
Deferred tax		
Origination and reversal of temporary differences	**16.3**	40.6
	52.3	53.1

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated using the same basis in 2018.

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			
	2019		2018	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Interim dividend declared after the interim period end	**0.30**	**133.1**	0.30	129.5

The interim dividend in respect of the six months ended 30 June 2019 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 ended 30 June 2018 was paid on 16 October 2018, of which HK$62.9 million was settled by the issuance of 2,969,828 shares at an issue price of HK$21.14 per share under the scrip dividend scheme.

(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			
	2019		2018	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.90**	**391.5**	0.90	380.2

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2018 was paid on 27 June 2019, of which HK$199.6 million was settled by the issuance of 8,764,283 shares at an issue price of HK$22.79 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2017 was paid on 29 June 2018, of which HK$210.4 million was settled by the issuance of 9,171,689 shares at an issue price of HK$22.95 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$302.0 million (six months ended 30 June 2018: HK$308.1 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2019	2018
Issued ordinary shares at 1 January	**434,597,327**	422,455,810
Effect of shares issued in respect of scrip dividend	**193,686**	101,345
Effect of share options exercised	**150,559**	-
Weighted average number of ordinary shares at 30 June	**434,941,572**	422,557,155

(b) Diluted earnings per share

The diluted earnings per share for both the six months ended 30 June 2019 and 2018 are the same as basic earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

10 Accounts receivable

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Trade and other receivables	**484.9**	338.9
Interest receivable	**41.3**	32.6
Less: loss allowance	**(0.4)**	(0.4)
	525.8	371.1

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

Included in accounts receivable are trade receivables (net of loss allowance) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Current	**50.0**	49.6
Less than 1 month past due	**46.5**	46.0
1 to 3 months past due	**6.5**	8.0
More than 3 months past due	**3.2**	6.6
	106.2	110.2

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are current 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 2019 HK$ million	At 31 December 2018 HK$ million
Due within 1 month or on demand	**123.6**	154.1
Due after 1 month but within 3 months	**0.6**	3.1
Due after more than 3 months	**2.7**	2.7
Trade payables	**126.9**	159.9
Balance of passenger rewards	**6.1**	6.1
Balance of toll exemption fund	**84.2**	-
Other payables and accruals	**864.7**	867.8
	1,081.9	1,033.8

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 one 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 2019 was HK$302.0 million (six months ended 30 June 2018: HK$308.1 million), representing a decrease of HK$6.1 million or 2.0% compared with the corresponding period in 2018. The decrease in profit was mainly due to the increase in staff costs as a result of the annual pay rise and the improvement in benefit packages. 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 2019 were HK$0.69 per share (six months ended 30 June 2018: HK$0.73 per share), representing a decrease of HK$0.04 per share compared with the corresponding period in 2018.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.30 per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$0.30 per share), totalling HK$133.1 million (six months ended 30 June 2018: HK$129.5 million), be paid to shareholders whose names are on the Register of Members at the close of business on 3 September 2019. 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 2019.

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 15 October 2019.

The Register will be closed on 3 September 2019. 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 2 September 2019.

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$167.7 million for the first half of 2019 (first half of 2018: HK$192.5 million), representing a decrease of HK$24.8 million or 12.9% compared with the corresponding period in 2018.

- Fare revenue for the first half of 2019 was HK$3,454.0 million, an increase of HK$96.5 million or 2.9% compared with HK$3,357.5 million for the corresponding period in 2018. The increase was mainly attributable to patronage growth resulting from the enhancement of services on existing routes as well as the introduction of new services. Other non-fare revenue for the first half of 2019 increased by HK$21.2 million to HK$118.8 million from HK$97.6 million for the first half of 2018.

- Total operating expenses for the first half of 2019 amounted to HK$3,412.9 million, an increase of HK$149.9 million or 4.6% compared with HK$3,263.0 million for the corresponding period in 2018. The increase was mainly due to the increase in staff costs of HK$163.7 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK$18.9 million resulting from continued investment in new buses with enhanced safety features.

- The Government has announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the “Toll Exemption Fund” which fund will be used to lower the magnitude of future fare increases. As at 30 June 2019, the balance of KMB’s Toll Exemption Fund amounted to HK$73.5 million.

- As at 30 June 2019, KMB operated a total of 420 routes (31 December 2018: 409 routes) covering Kowloon, the New Territories and Hong Kong Island. 154 Octopus Bus-bus Interchange ("BBI") schemes covering 420 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 2019, a total of 59 Euro VI and one Euro V super-low floor double-deck buses, and one supercapacitor super-low floor single-deck bus, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2019, KMB operated 4,085 buses (31 December 2018: 4,112 buses), comprising 3,937 double-deck and 148 single-deck buses. In addition, a total of 271 Euro VI double-deck buses were awaiting licensing or delivery in the second half of 2019.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2019 was HK$41.1 million, representing an increase of HK$24.6 million or 149.1% compared with HK$16.5 million for the first half of 2018.

- Fare revenue for the first half of 2019 increased by HK$50.0 million or 18.7% to HK$317.6 million compared with HK$267.6 million for the corresponding period in 2018. The increase was mainly due to a growth in ridership of 13.9% as a result of the continuous increase in transport demand within the A-route network as well as the additional inflow of visitors following the opening of the Hong Kong-Zhuhai-Macao Bridge in late 2018.

- Total operating expenses for the first half of 2019 amounted to HK$274.4 million, an increase of HK$23.5 million or 9.4% compared with HK$250.9 million for the corresponding period in 2018. The increase was primarily due to the rise in staff costs of HK$17.5 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK$4.2 million resulting from continued investment in new buses with enhanced safety features.

- The Government has announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the “Toll Exemption Fund” which fund will be used to lower the magnitude of future fare increases. As at 30 June 2019, the balance of LWB’s Toll Exemption Fund amounted to HK$10.7 million.

- As at 30 June 2019, LWB had 27 BBI schemes covering 27 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 2019, LWB introduced 17 new Euro V super-low floor double-deck buses to its fleet. As at 30 June 2019, LWB operated 34 regular routes with a fleet of 279 buses (31 December 2018: 262 buses), comprising 275 super-low floor double-deck buses and four super-low floor single-deck electric buses. In addition, a total of ten new Euro VI double-deck buses were awaiting licensing.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$24.2 million for the first half of 2019, representing a decrease of HK$2.6 million or 9.7% compared with HK$26.8 million for the corresponding period in 2018. 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 2019 decreased by 8.8% compared with the corresponding period in 2018. The decrease was mainly attributable to the decline in the local business. Meanwhile, the cross-boundary services had business growth during the period. Total operating expenses for the period under review decreased by 9.1% compared with the first half of 2018, which was in line with the decline in the local business.

- As at 30 June 2019, the SBH Group had a fleet of 390 licensed buses (31 December 2018: 390 buses). During the first half of 2019, ten 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 2019 decreased by 6.4% compared with the corresponding period in 2018. The decrease was mainly due to the decrease in patronage by 7.2% from 2.36 million passenger-trips in the first half of 2018 to 2.19 million passenger-trips in the first half of 2019. The decrease in demand was attributable to an increase in choices for cross-boundary services.

- As at 30 June 2019, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2018.

Property Holdings and Development

The Group’s Property Holdings and Development Division reported a profit after taxation of HK$27.6 million for the first half of 2019, representing an increase of HK$0.5 million or 1.8% compared with HK$27.1 million for the corresponding period in 2018. 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 2019, the entire 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 2019, 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$77.4 million (31 December 2018: HK$78.3 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 2019, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$31.2 million (31 December 2018: HK$31.0 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.

- As at 30 June 2019, 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$1.9 million (31 December 2018: HK$2.0 million).

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), own Kwun Tong Inland Lot No. 240 (the "Kwun Tong Site") at 98 How Ming Street, Kowloon, Hong Kong, as tenants in common in equal shares.

- Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. In August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification 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.

- In December 2018, KTRE, TRL and Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP (the "Contractor"), entered into a building contract (the "Building Contract") under which KTRE and TRL have engaged the Contractor to carry out and complete the construction works for the Kwun Tong Site at a contract sum of HK$4,436.1 million (to be borne by KTRE and TRL in equal shares), subject to adjustments in accordance with the Building Contract, which was approved by independent shareholders in February 2019.

- The demolition work of the Kwun Tong Site was completed in 2018. Foundation laying work commenced in April 2018 and will be completed by August 2019. The superstructure construction works are expected to commence upon the completion of the foundation work and are expected to be completed by the end of 2022.

- As at 30 June 2019, 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$2,373.2 million (31 December 2018: HK$2,301.1 million).

China Mainland Transport Operations

As at 30 June 2019, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$596.9 million (31 December 2018: HK$610.9 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 2019, the Group's China Mainland Transport Operations Division reported a profit after taxation of HK$2.3 million compared to a profit after taxation of HK$4.5 million for the corresponding period in 2018.

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. As at 30 June 2019, it had 5,087 taxis (including 4,580 electric taxis, which are operated by an associate) and 6,028 buses serving some 336 routes.

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 2019, BBKT had a fleet of 3,859 taxis.

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

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF had 1,091 vehicles available for hire as at 30 June 2019.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2019, 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$9,891.6 million (31 December 2018: HK$9,840.5 million), none of which was pledged or charged.

During the first half of 2019, the Group incurred capital expenditure of HK$514.9 million (six months ended 30 June 2018: HK$751.9 million), which was mainly used for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and financial resources

As at 30 June 2019, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,438.9 million (31 December 2018: HK$1,444.0 million). The details of the Group's net cash/net borrowing 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 borrowing) HK$ million
At 30 June 2019				
Hong Kong dollars		**976.5**	**(2,703.3)**	**(1,726.8)**
Renminbi	**2.3**	**2.6**	-	**2.6**
United States dollars	**25.3**	**197.6**	-	**197.6**
British Pounds Sterling	**8.6**	**84.8**	-	**84.8**
Other currencies		**2.9**	-	**2.9**
Total		**1,264.4**	**(2,703.3)**	**(1,438.9)**
At 31 December 2018				
Hong Kong dollars		905.6	(2,625.0)	(1,719.4)
Renminbi	1.8	2.0	-	2.0
United States dollars	25.4	198.7	-	198.7
British Pounds Sterling	7.3	73.1	-	73.1
Other currencies		1.6	-	1.6
Total		1,181.0	(2,625.0)	(1,444.0)

As at 30 June 2019, bank loans, all unsecured, amounted to HK$2,703.3 million (31 December 2018: HK$2,625.0 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
After 1 year but within 2 years	**397.3**	-
After 2 years but within 5 years	**2,306.0**	2,625.0
	2,703.3	2,625.0

As at 30 June 2019, the Group had undrawn committed banking facilities totalling HK$2,280.0 million (31 December 2018: HK$2,455.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2019 were HK$14.6 million, an increase of HK$5.2 million compared with HK$9.4 million for the six months ended 30 June 2018. The increase was mainly due to the increase in average bank borrowings and increase in average interest rate in respect of the Group's borrowings from 1.83% per annum for the six months ended 30 June 2018 to 2.44% per annum for the six months ended 30 June 2019.

As at 30 June 2019, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and British Pounds Sterling) amounted to HK$1,264.4 million (31 December 2018: HK$1,181.0 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. Alternatively, the Group has entered into contracts with diesel suppliers for the supply of diesel. A 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 contracts. Management will continue to closely monitor the 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) and United States dollars (USD). In respect of the 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 will be used when appropriate. As at 30 June 2019, 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 2019 amounted to HK$2,938.8 million (31 December 2018: HK$677.9 million). These commitments were mainly in respect of the development of the Kwun Tong site and the purchases of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2019, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$2,078.6 million (first half of 2018: HK$1,911.6 million), accounting for about 55% 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 2019, the Group employed over 13,000 staff (31 December 2018: over 12,500 staff).

OUTLOOK

Franchised Public Bus Operations

Since KMB launched the "KMB Monthly Pass", the product has been well received by passengers. The Company broadened the sale network by introducing the in-app purchase feature in App1933, where over four million users can purchase the Monthly Pass. The number of KMB Monthly Pass self-service kiosks will also increase to 113.

With major cross-border infrastructure projects having commenced operations, the Company's business growth momentum has been strengthened. The Guangzhou- Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge have come into service. KMB and LWB have been taking the opportunity to introduce new bus routes and enhance their services to increase the flow of passengers from the Greater Bay Area. KMB has won the tender for a new bus service plying between the Liantang/Heung Yuen Wai Boundary Control Point and Yuen Long and Tuen Mun for the soon to be opened

Liantang/Heung Yuen Wai Boundary Control Point. KMB has also been granted the franchise for the new bus service between Yau Tong and Tsuen Wan West, among others. During festive periods and for mega events, KMB and LWB introduce special bus routes to meet passenger demand. KMB and LWB continue to expand their passenger base and enhance their networks with the aim of being the preferred choice of passengers.

In 2019, KMB extended the interchange discount schemes with Hong Kong Tramways and AMS Public Transport Holdings Limited to strengthen the network. We have also launched a Fare Saver Scheme with ten major tertiary education institutions, providing a fare rebate when passengers tap their Octopus card at designated fare saver kiosks on campus. The Group is studying other concession schemes under which passengers can enjoy best-value bus services.

The Group has always been committed to improving the safety of its bus services. All buses newly ordered come equipped with seat belts. Newly purchased Euro VI double-deck buses are equipped with an Electronic Stability Programme. We will strengthen black box data processing and optimise the driving feedback device. We are committed to improving recruitment procedures, performance management, the work environment and the training of bus captains so as to provide safe and efficient services.

As the market leaders in the local franchised bus industry, KMB and LWB connect almost all corners of the city. KMB contributes to charitable causes by leveraging its resources to support community development, education and other sectors and make the city a better place. Under the Donation of Used and Retired Bus Programme, KMB donated nine buses in the first seven months in 2019, bringing the total of schools benefiting from the Programme since its launch in 2016 to 23. This has enabled the schools to use the retired buses for teaching purposes, while achieving the purpose of recycling resources.

Looking ahead, the Group will continue to invest resources in enhancing staff remuneration packages and talent development as well as in upgrading driving safety, and a number of advanced safety features will be introduced to the fleet. These initiatives will increase the commitment to human resources. Due to fluctuated international fuel prices and the rise in toll, overall operating costs have correspondingly increased. It is against this background that we have made an application for a fare adjustment to the Government. The Company hopes that the approval process will be completed soon. We also appreciate it that the Government has waived the tolls charged on franchised buses for using government tunnels and roads. This measure aims to alleviate fare increase pressure by transferring the exemption from a designated fund to the bus operator if a fare rise application were put forward and approved.

Moreover, the continuous expansions of the rail network, in particular, the soon to be opened section of the Shatin to Central Link, together with an aging population, have had a significant impact on our ridership. Amid the unstable international economy, uncertainty has been brought to Hong Kong as well as to the Company's operations. Although the operating environment of the franchised bus business is challenging, the Group seeks to improve ridership and achieve better use of resources through further bus route reorganisation and an expansion of its service network. The Group will take every opportunity to explore means to increase fare revenue, as well as non-fare box income, so that it can continue to improve its service quality and sustain its financial health.

Non-franchised Operations

The SBH Group continued its fleet upgrade programme through the introduction of more Euro VI buses and the wider application of technology to cater for the potential growth in demand for customers, including chartered hire services and cross-boundary shuttle bus services.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into a large-scale commercial and retail complex. Demolition works have been completed and the development is expected to bring stable and sustainable income to the Group upon completion.

Our continued success depends on everyone in the Group working together as a team to serve our customers. We extend our gratitude to all Group members for their contributions, as we forge ever closer ties with all our employees while seeking to improve staff benefits and enhance the work environment. We would also like to express our sincere thanks to the passengers who patronise our services.

ISSUE OF SHARES

On 27 June 2019, the Company issued 8,764,283 shares in lieu of the final dividend for the year ended 31 December 2018 at an issue price of HK$22.79 per share under the scrip dividend scheme as set out in the circular of the Company dated 30 May 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 27 June 2019, 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 2019, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 16 May 2019 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 2019 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 2019.

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 2019 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2019.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 15 August 2019

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*
Mr. TSANG Wai Hung, *GBS, PDSM, 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, *JP* 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. Allen FUNG Yuk Lun
Dr. CHEUNG Wing Yui, *BBS*
Mr. LEE Luen Fai, *JP*
Mr. LUNG Po Kwan

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

**For identification purpose only*