载通國際
Transport International

Transport International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 062)

Announcement of Interim Results
For the Six Months ended 30 June 2008

FINANCIAL HIGHLIGHTS

- The Group's turnover for the six months ended 30 June 2008 was HK$3,878.4 million, a decrease of 49.7% or HK$3,837.7 million compared to HK$7,716.1 million for the corresponding period of 2007. The decrease was primarily due to the decrease in the revenue from the sales of Manhattan Hill properties by HK$3,860.8 million, while the revenue from the Group's transport operations and other businesses increased by HK$23.1 million.

- Profit attributable to equity shareholders of the Company arising from the Group's transport operations and other recurrent businesses amounted to HK$27.8 million, a decrease of 84.2% compared to the corresponding period of 2007.

- Profit attributable to equity shareholders of the Company arising from sales of Manhattan Hill properties amounted to HK$422.7 million (2007: HK$2,961.9 million).

- The Group's total profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 was HK$450.5 million (2007: HK$3,137.5 million).

- In the first half of 2008, the Group's flagship franchised public bus company, KMB, recorded a loss of HK$162.8 million when the following non-cash items were excluded: (i) a deemed income of HK$88.6 million determined by independent actuaries in respect of two defined benefit staff retirement schemes operated by KMB in accordance with Hong Kong Accounting Standard 19 "Employee Benefits"; and (ii) a deferred tax credit of HK$38.6 million due to the reduction in the Hong Kong Profits Tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09. After taking into account the above non-cash items, the loss after taxation of KMB for the first half of 2008 was HK$50.2 million. The loss was due to high fuel costs and increases in wages, tunnel toll charges and other operating costs due to inflationary pressure.

- Earnings per share were HK$1.12 (2007: HK$7.77).

- Interim dividend of HK$0.30 per share.

- At 30 June 2008, the Group had net cash (i.e. cash and deposits at banks less total borrowings) of HK$1,375.2 million (31 December 2007: HK$1,541.8 million).

Consolidated income statement
for the six months ended 30 June 2008

	Note	*Six months ended 30 June* *2008* HK$ million (Unaudited)	*2007* HK$ million (Unaudited)
Turnover	3, 10	**3,878.4**	7,716.1
Other net income	4	**106.4**	82.5
Cost of properties sold		**(124.3)**	(1,104.8)
Staff costs	5	**(1,421.2)**	(1,465.5)
Depreciation and amortisation		**(458.5)**	(446.8)
Fuel and oil		**(887.5)**	(532.3)
Toll charges		**(174.8)**	(162.5)
Spare parts and stores		**(121.5)**	(121.4)
Selling and marketing expenses for property sales		**(21.0)**	(293.4)
Other operating expenses		**(325.0)**	(328.2)
Profit from operations		**451.0**	3,343.7
Finance costs	6	**(18.9)**	(71.0)
Share of profits less losses of associates		**20.7**	7.4
Share of losses of jointly controlled entities		**(1.8)**	(1.0)
Profit before taxation		**451.0**	3,279.1
Income tax credit/(expense)	7	**7.8**	(133.6)
Profit for the period		**458.8**	3,145.5

Consolidated income statement
for the six months ended 30 June 2008
(continued)

	Note	*Six months ended 30 June* **2008** **HK$ million** **(Unaudited)**	*2007* HK$ million (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		**450.5**	3,137.5
Minority interests		**8.3**	8.0
Profit for the period		**458.8**	3,145.5
Profit for the period attributable to equity shareholders of the Company:			
Arising from sales of Manhattan Hill properties		**422.7**	2,961.9
Arising from the Group's other operations		**27.8**	175.6
		450.5	3,137.5
Dividends attributable to the interim period:	8		
Ordinary		**121.1**	181.6
Special		**-**	605.5
		121.1	787.1
Earnings per share (HK$):	9		
Arising from sales of Manhattan Hill properties		**HK$ 1.05**	HK$ 7.34
Arising from the Group's other operations		**HK$ 0.07**	HK$ 0.43
		HK$ 1.12	HK$ 7.77
Dividends per share (HK$):	8		
Ordinary		**HK$ 0.30**	HK$ 0.45
Special		**-**	HK$ 1.50
		HK$ 0.30	HK$ 1.95

Consolidated balance sheet at 30 June 2008

	Note	***At 30 June 2008*** **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Non-current assets			
Fixed assets			
- Investment property under development		**85.3**	82.5
- Other property, plant and equipment		**4,520.4**	4,816.7
- Interest in leasehold land held for own use under operating leases		**81.1**	82.1
		4,686.8	4,981.3
Passenger service licences		**14.6**	13.9
Goodwill		**62.9**	51.6
Media assets		**1.0**	1.1
Non-current prepayments		**33.5**	38.3
Interest in associates		**984.4**	911.9
Interest in jointly controlled entities		**19.8**	23.0
Other financial assets		**141.3**	138.1
Employee benefit assets		**691.4**	602.2
Deferred tax assets		**11.0**	11.9
		6,646.7	6,773.3
Current assets			
Completed property held for sale		**94.6**	206.3
Spare parts and stores		**77.6**	76.8
Accounts receivable	11	**894.0**	1,707.6
Deposits and prepayments		**67.9**	30.5
Current taxation recoverable		**2.6**	5.9
Pledged bank deposit		**-**	38.0
Cash and cash equivalents		**2,896.9**	3,095.4
		4,033.6	5,160.5
Current liabilities			
Bank loans and overdrafts		**782.0**	436.9
Accounts payable and accruals	12	**1,129.3**	1,281.7
Third party claims payable		**143.1**	143.8
Current taxation payable		**148.8**	74.3
		2,203.2	1,936.7
Net current assets		**1,830.4**	3,223.8
Total assets less current liabilities		**8,477.1**	9,997.1

Consolidated balance sheet at 30 June 2008

(continued)

	Note	***At 30 June 2008*** **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Non-current liabilities			
Bank loans		**739.7**	1,154.7
Contingency provision - insurance		**295.2**	295.2
Deferred tax liabilities		**564.3**	701.5
Provision for long service payments		**39.8**	47.2
		1,639.0	2,198.6
Net assets		**6,838.1**	7,798.5
Capital and reserves			
Share capital		**403.6**	403.6
Reserves		**6,200.0**	7,145.3
Total equity attributable to equity shareholders of the Company		**6,603.6**	7,548.9
Minority interests		**234.5**	249.6
Total equity		**6,838.1**	7,798.5

Notes:

1. Independent review

The interim results for the six months ended 30 June 2008 are unaudited, but have been reviewed by the independent auditor, KPMG, 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 ("HKICPA"), whose unmodified review report is included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Audit Committee of the Company.

2. Basis of preparation

This 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") and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the HKICPA. The accounting policies adopted in the preparation of this interim financial report are consistent with those set out in the Group's 2007 annual financial statements.

3. Turnover

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

	Six months ended 30 June	
	2008	*2007*
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	**2,985.1**	2,986.6
Revenue from non-franchised transport services	**203.0**	183.0
Revenue from sales of properties	**597.5**	4,458.3
Media sales revenue	**92.8**	88.2
	3,878.4	7,716.1

4. Other net income

	Six months ended 30 June	
	2008	*2007*
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Interest income on financial assets not at fair value through profit or loss	**72.2**	56.1
Claims received	**14.9**	10.3
Net exchange gain	**7.0**	3.7
Net (loss)/gain on disposal of fixed assets	**(2.5)**	3.2
Dividend income from unlisted securities	**4.9**	-
Net miscellaneous business receipts	**3.9**	2.7
Sundry revenue	**6.0**	6.5
	106.4	82.5

5. Staff costs

	Six months ended 30 June	
	2008	*2007*
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Contributions to defined contribution retirement plans	**28.5**	26.3
Net income recognised in respect of defined benefit retirement plans	**(89.2)**	(41.7)
Movements in provision for long service payments	**(4.3)**	3.9
Net income recognised in respect of retirement benefits	**(65.0)**	(11.5)
Salaries, wages and other benefits	**1,486.2**	1,477.0
	1,421.2	1,465.5

6. Finance costs

	Six months ended 30 June	
	2008	*2007*
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**18.9**	71.0

7. Income tax

	Six months ended 30 June	
	2008	*2007*
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax for the period	**127.3**	156.2
Provision for the People's Republic of China ("PRC") income tax for the period	**1.2**	0.3
	128.5	156.5
Deferred tax		
Origination and reversal of temporary differences	**(97.3)**	(22.9)
Effect of decrease in Hong Kong Profits Tax rate from 17.5% to 16.5%	**(39.0)**	-
	(136.3)	(22.9)
Income tax (credit)/expense	**(7.8)**	133.6

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

8. Dividends

Dividends attributable to the interim period:

	Six months ended 30 June			
	2008		*2007*	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Dividends declared after the interim period end:				
Ordinary interim dividend	**0.30**	**121.1**	0.45	181.6
Special interim dividend	-	-	1.50	605.5
	0.30	**121.1**	1.95	787.1

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$450.5 million (six months ended 30 June 2007: HK$3,137.5 million) and 403.6 million shares in issue during the periods presented. The calculation of basic earnings per share arising from sales of Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK$422.7 million (six months ended 30 June 2007: HK$2,961.9 million) and HK$27.8 million (six months ended 30 June 2007: HK$175.6 million) respectively and 403.6 million shares in issue during the periods presented.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2008 and 2007 are not presented as there are no dilutive potential ordinary shares during the periods.

10. **Segment reporting**

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents fare revenue from transport operations, revenue from sales of properties and media sales revenue.

	Transport operations Six months ended 30 June		***Media sales business Six months ended 30 June***		***Property holdings and development Six months ended 30 June***		***Inter-segment elimination Six months ended 30 June***		***Consolidated Six months ended 30 June***	
	2008	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*	***2008***	*2007*
	HK$ million (Unaudited)	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)	**HK$ million (Unaudited)**	HK$ million (Unaudited)
Revenue from external customers	**3,188.1**	3,169.6	**92.8**	88.2	**597.5**	4,458.3	**-**	-	**3,878.4**	7,716.1
Inter-segment revenue	**-**	-	**20.2**	11.6	**-**	-	**(20.2)**	(11.6)	**-**	-
Other revenue from external customers	**22.7**	17.4	**0.8**	1.5	**-**	-	**-**	-	**23.5**	18.9
Total	**3,210.8**	3,187.0	**113.8**	101.3	**597.5**	4,458.3	**(20.2)**	(11.6)	**3,901.9**	7,735.0
Segment profit/(loss) (Note)	**(105.4)**	206.8	**48.4**	32.2	**468.9**	3,056.1	**-**	-	**411.9**	3,295.1
Unallocated net operating income									**39.1**	48.6
Profit from operations									**451.0**	3,343.7

Note:

The segment loss of transport operations for the six months ended 30 June 2008 shown above includes loss attributable to KMB's transport operations of HK$150.9 million (2007: profit of HK$135.5 million) and profit attributable to other transport operations subsidiaries of HK$45.5 million (2007: HK$71.3 million).

11. Accounts receivable

	At 30 June 2008 **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Instalments receivable from sales of properties	**655.3**	1,433.8
Trade and other receivables	**231.3**	262.1
Interest receivable	**7.4**	11.7
	894.0	1,707.6

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

Included in accounts receivable are trade receivables and instalments receivable from sales of properties (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Current	**728.5**	1,644.6
1 to 3 months past due	**16.1**	12.3
More than 3 months past due	**12.1**	6.5
	756.7	1,663.4

Trade receivables are normally due within 30 to 90 days from the date of billing. Consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. For instalments receivable from sales of properties, the properties sold serve as the collateral.

12. Accounts payable and accruals

	At 30 June 2008 **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Trade payables	**52.0**	201.0
Other payables and accruals	**1,077.3**	1,080.7
	1,129.3	1,281.7

12. Accounts payable and accruals *(continued)*

All of the accounts payable and accruals are expected to be settled within one year.

Included in accounts payable and accruals are trade payables with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 **HK$ million (Unaudited)**	*At 31 December 2007* HK$ million (Audited)
Due within 1 month or on demand	**43.3**	116.0
Due after 1 month but within 3 months	**7.0**	85.0
Due after more than 3 months	**1.7**	-
	52.0	201.0

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 was HK$450.5 million (2007: HK$3,137.5 million). The profit included the non-recurrent after-tax profit of HK$422.7 million (2007: HK$2,961.9 million) arising from the sales of 26 residential units of Manhattan Hill during the first half of 2008 (2007: 796 residential units) by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary within the Group's Property Holdings and Development Division. If such non-recurrent profit from property sales was excluded, the profit attributable to equity shareholders of the Company for the first half of 2008 would have been HK$27.8 million, representing a decrease of 84.2% compared to HK$175.6 million for the corresponding period of 2007. Earnings per share for the period under review were HK$1.12 (2007: HK$7.77).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.30 per share (2007: an interim dividend of HK$0.45 per share and a special interim dividend of HK$1.50 per share), amounting to HK$121.1 million (2007: HK$787.1 million) for the six months ended 30 June 2008. The interim dividend will be paid on 16 October 2008 to the shareholders of the Company whose names are on the Register of Members at the close of business on 8 October 2008. The Register will be closed from 6 October 2008 to 8 October 2008, both dates inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 October 2008.

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")

- For the six months ended 30 June 2008, KMB recorded a loss of HK$162.8 million (2007: profit of HK$98.6 million) when the following non-cash items were excluded:

  (i) a deemed income of HK$88.6 million (2007: HK$41.5 million) determined by independent actuaries in respect of the two defined benefit staff retirement schemes operated by KMB, and recognised in KMB's income statement in accordance with the requirement of Hong Kong Accounting Standard 19 "Employee Benefits"; and

  (ii) a deferred tax credit of HK$38.6 million (2007: Nil) arising from the adjustment to the opening deferred tax balance due to the reduction in the Hong Kong Profits Tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09.

After taking into account the above non-cash items, the loss after taxation of KMB for the first half of 2008 was HK$50.2 million (2007: profit after taxation of HK$132.8 million).

- The deterioration in KMB's financial performance was due to the drastic upsurge of the international fuel oil prices during the first six months of 2008. As shown in Table 1 below, the average price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the prices of ultra low sulphur diesel used by our franchised buses are based, increased by 79.0% for the first half of 2008. The rise in the Gasoil prices resulted in our fuel costs for the first half of 2008 surging to HK$781.3 million, a significant increase of HK$316.2 million or 68.0% as compared with HK$465.1 million for the corresponding period of 2007. Fuel costs accounted for 26.0% of KMB's total operating costs for the first half of 2008, compared to 17.1% for the corresponding period last year.

Table 1. Average Price of Gasoil

Month	2008	2007	% Increase
	US$/barrel	US$/barrel	
January	106	66	+61%
February	111	71	+56%
March	126	74	+70%
April	138	80	+73%
May	159	81	+96%
June	167	82	+104%
Average (Jan – Jun)	136	76	+79%

- Fare revenue and ridership for the first half of 2008 amounted to HK$2,832.8 million (2007: HK$2,840.6 million) and 490.0 million passenger trips (2007: 497.1 million passenger trips) respectively. These represent decreases of 0.27% and 1.43% respectively compared with the first half of last year. The decreases were mainly due to the intensified competition for patronage following the formal merger of the two local rail networks together with the offer of rail fare discounts starting from December 2007. Advertising revenue for the first half of 2008 was HK$43.2 million (2007: HK$32.5 million), an increase of 32.9% compared to that of the corresponding period last year.

- In order to maintain the financial viability and the existing service levels of its bus operations, KMB submitted an application to the Transport Department of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") on 7 September 2007 for a fare increase of 9%, the first fare increase application made by KMB since 1 December 1997. On 20 May 2008, the HKSAR Government announced its decision to grant KMB a fare increase of 4.5% with effect from 8 June 2008. As the average price of Gasoil subsequently increased to about US$167 per barrel in June 2008, which was 96% higher than the Gasoil price of US$85 per barrel at the time KMB submitted its fare increase application in September 2007, such fare increase of 4.5% is grossly insufficient to offset the huge increase in KMB's fuel costs.

- At 30 June 2008, KMB operated a total of 401 routes compared with 402 at 31 December 2007. In addition, there were 69 Octopus Bus-bus Interchange ("BBI") schemes covering 259 bus routes, operating both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes benefit our passengers by giving them significant fare discounts. They also improve network coverage, save additional resources that would otherwise be required for serving a larger transportation network, and relieve traffic congestion as well as air pollution along busy transport corridors.

- 21 new air-conditioned double-deck buses were licensed during the first six months of 2008. At 30 June 2008, KMB had a fleet of 4,018 (end of 2007: 4,047) licensed buses, comprising 3,878 double-deck and 140 single-deck buses, of which 3,813 buses (95%) were air-conditioned. In addition, nine new air-conditioned double-deck and 30 new air-conditioned single-deck buses will be delivered during the second half of 2008 and early 2009.

Long Win Bus Company Limited ("LWB")

- LWB recorded a loss after taxation of HK$2.7 million for the six months ended 30 June 2008, representing an unfavourable change of HK$12.0 million compared with a profit after taxation of HK$9.3 million for the corresponding period last year. The loss was due to the upsurge in the Gasoil prices in the first half of 2008.

- Fare revenue for the first six months of 2008 amounted to HK$152.2 million, representing an increase of 4.2% compared with HK$146.0 million for the corresponding period of 2007. During the period under review, LWB recorded a total ridership of 14.0 million passenger trips, an increase of 4.5% compared with 13.4 million passenger trips for the corresponding period last year. The increase in ridership was mainly due to the continued growth of population in Tung Chung New Town and the increase in travel demand to and from the Hong Kong International Airport.

- Total operating expenses for the period under review amounted to HK$157.2 million, representing an increase of HK$23.1 million or 17.2% compared with HK$134.1 million for the same period of 2007. In addition to the substantial increase in fuel costs by HK$18.6 million, other major operating expenses including staff costs, tunnel tolls and depreciation charges for the first half of 2008 have also increased in line with the service enhancement to cope with the growing transport demand.

- On 7 September 2007, LWB submitted a fare increase application to the Transport Department of the HKSAR Government for a fare increase of 5.9%. However, the HKSAR Government only gave approval for a fare increase of 4.5% with effect from 8 June 2008. As previously mentioned, such fare increase magnitude of 4.5% is grossly insufficient to offset the huge increase in LWB's fuel costs as the average Gasoil price of US$167 per barrel in June 2008 was 96% higher than the price of US$85 per barrel at the time LWB submitted its fare increase application in September 2007.

- At 30 June 2008, there were six BBI schemes covering 12 bus routes operating both within LWB's bus network and on joint inter-modal schemes with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- During the period under review, two new air-conditioned double-deck buses were added to the fleet. At 30 June 2008, LWB had a licensed fleet of 157 buses, consisting of 154 air-conditioned double-deck buses and three air-conditioned single-deck buses serving a total of 18 routes. The number of routes remained the same as at the end of 2007.

- LWB placed an order for seven new air-conditioned double-deck buses in the first half of 2008. These new buses are scheduled for delivery in the second half of 2008 to cater for service improvement.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$9.8 million for the first half of 2008 (2007: HK$16.1 million), representing a decrease of 39.1% compared with the corresponding period of 2007. Turnover increased by 11.0% to HK$203.0 million compared with HK$182.9 million for the first half of 2007. 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 one of the leading non-franchised bus operators in Hong Kong. It provides tailor-made high quality transport services to a variety of customers. Its fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services. To cater for its expansion, 13 new coaches were purchased during the period under review bringing the total number of buses to 366 at 30 June 2008.

- Turnover of the SBH Group for the first half of 2008 increased by 15.4% compared with that for the corresponding period of 2007. The increase was due mainly to the additional revenue generated from the expanded bus fleet and increase in hire charges.

Park Island Transport Company Limited ("PITC")

- PITC provides quality shuttle bus and ferry services for the residents of and visitors to Park Island, a prestigious residential development on Ma Wan Island. As a result of the additional population intake and the increase in the number of visitors to Ma Wan Island due to the opening of Phase 1 of Ma Wan Park, the total patronage for the first half of 2008 increased by 30% to 4.5 million passenger trips.

- At the end of June 2008, PITC operated two ferry routes and four bus routes serving Ma Wan Island with a fleet of 27 air-conditioned single-deck buses and seven high-speed catamarans.

New Hong Kong Bus Company Limited ("NHKB")

- NHKB jointly operates a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the Huang Bus service) serving regular commuters and holiday travellers between Lok Ma Chau and Huanggang (皇崗) with its Shenzhen (深圳) counterpart. NHKB's average monthly ridership for the first half of 2008 was 1.21 million passenger trips, a decrease of 28% compared with 1.69 million passenger trips for the corresponding period of 2007. The significant decrease in patronage was due mainly to the increased competition for patronage after the opening of the Lok Ma Chau Spur Line in August 2007.

- It is expected that the introduction of further liberalisation measures under the Closer Economic Partnership Arrangement (CEPA) and the increase in the number of Mainland visitors will generate additional passengers for NHKB to partially offset the loss of patronage to the new railway. At the end of June 2008, NHKB operated a total of 15 buses, same as at the end of 2007.

Property Holdings and Development

- Lai Chi Kok Properties Investment Limited ("LCKPI") is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale residential and commercial complex located at 1 Po Lun Street, Lai Chi Kok, Kowloon. Manhattan Hill comprises 1,115 luxurious residential units with a total gross floor area of more than one million square feet and a two-level retail podium of about 50,000 square feet. In December 2007, the retail podium of Manhattan Hill, which will be developed into a shopping mall for rental purpose, was transferred to another wholly-owned subsidiary of the Group, LCK Commercial Properties Limited.

- Up to the end of 2007, 1,080 residential units with a total saleable gross floor area ("saleable GFA") of about 1,119,000 square feet (representing approximately 94.0% of total saleable GFA) were sold. In the first six months of 2008, a further 26 residential units with a total saleable GFA of about 53,000 square feet (representing approximately 4.4% of the total saleable GFA) were sold, generating total sales of HK$597.5 million (2007: HK$4,458.3 million) with a profit contribution of HK$422.7 million (2007: HK$2,961.9 million).

- At 30 June 2008, completed property held for sale (classified under current assets in the consolidated balance sheet) and investment property under development in respect of the commercial portion of Manhattan Hill (classified under fixed assets in the consolidated balance sheet) amounted to HK$94.6 million (31 December 2007: HK$206.3 million) and HK$85.3 million (31 December 2007: HK$82.5 million) respectively. The development of Manhattan Hill was financed by the Group's working capital and unsecured bank loans which had been fully repaid by the end of 2007.

Media Sales Business

RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group")

- The RoadShow Group is a leading media sales group in the Greater China region. It capitalises on a vibrant advertising market that consists of passengers who use public transit vehicles and pedestrians traversing transit vehicle routes, selling and marketing business advertising on its proprietary Multi-media On-board ("MMOB") system in Hong Kong and offering value added media sales, products and services at competitive prices. It also runs a television programme syndication and media sales network in China Mainland covering more than 200 cities. Currently, the Group has a 73% interest in the RoadShow Group.

- For the six months ended 30 June 2008, the RoadShow Group reported a profit attributable to equity shareholders of HK$18.0 million (2007: HK$16.1 million), representing an increase of 11.8% compared with the corresponding period of 2007. The increase was mainly attributed to the increase in the RoadShow Group's turnover and share of profit of an associate by HK$2.6 million and HK$0.8 million respectively.

- Further information relating to the RoadShow Group is available in its 2008 interim report.

Mainland Transport Operations

As at 30 June 2008, the Group's total interest in associates and jointly controlled entity within the Mainland Transport Operations Division amounted to HK$757.6 million (31 December 2007: HK$702.2 million). Such investments are mainly related to the operation of passenger public transport services in Dalian, Shenzhen and Wuxi, and taxi and car rental services in Beijing. During the period under review, the Group's Mainland Transport Operations Division reported a profit after taxation of HK$13.5 million, representing an increase of 513.6% compared with HK$2.2 million for the corresponding period of 2007. The increase was due mainly to the increase in government subsidies for public bus operations which alleviated the financial burden of our associates resulting from the rise in fuel costs and other operating expenses in the period under review.

Dalian (大連)

The co-operative joint venture ("CJV") in Dalian, Liaoning Province (遼寧省大連市) was established in July 1997 between a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company (大連市第一公共汽車公司). This CJV currently operates three routes in Dalian City with a fleet of 84 single-deck buses.

Beijing (北京)

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT"), a Sino-foreign joint stock company, was established in Beijing (北京) in March 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%. BBKT principally engages in taxi hire and car rental businesses in Beijing City with a fleet of over 4,300 vehicles. BBKT achieved satisfactory performance during the first half of 2008.

Wuxi (無錫)

Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) ("WKPT") is a Sino-foreign joint stock company established in Wuxi City, Jiangsu Province (江蘇省無錫市) in February 2004. The Group's investment in WKPT amounted to RMB135.4 million (equivalent to HK$127.2 million at the investment date), representing a 45% equity interest. WKPT currently operates over 1,900 public buses on some 130 routes. During the first half of 2008, WKPT recorded a ridership of 143.5 million passenger trips (2007: 140.9 million passenger trips).

Shenzhen (深圳)

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which commenced operation in January 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Group and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SBG, representing a 35% equity interest. SBG principally operates public bus and taxi hire services in Shenzhen City, Guangdong Province (廣東省深圳市), with over 4,200 vehicles serving some 170 routes. SBG recorded a ridership of 372.2 million passenger trips for the first half of 2008 (2007: 364.9 million passenger trips).

FINANCIAL LIQUIDITY AND RESOURCES

Under the principle of prudent financial management, the Group closely monitored its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflow from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditures, as well as potential business expansion and development. The Group's operations were mainly financed by shareholders' funds, bank loans and overdrafts.

Net cash

- At 30 June 2008, the Group's net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK$1,375.2 million (31 December 2007: HK$1,541.8 million). An analysis of the Group's net cash by currency at 30 June 2008 is shown below:

	At 30 June 2008		*At 31 December 2007*	
Currency	**Net cash in foreign currency million**	**Net cash HK$ million (Unaudited)**	Net cash in foreign currency million	Net cash HK$ million (Audited)
Hong Kong Dollar		**857.7**		978.2
United States Dollar	**46.9**	**365.9**	54.0	421.3
British Pound Sterling	**1.7**	**26.2**	1.6	25.5
Renminbi	**110.9**	**125.4**	109.1	116.8
Total		**1,375.2**		1,541.8

Bank loans and overdrafts

- Bank loans and overdrafts at 30 June 2008, which were unsecured, amounted to HK$1,521.7 million (31 December 2007: HK$1,591.6 million, of which a bank loan of HK$38.0 million was secured by a pledged bank deposit of HK$38.0 million). The maturity profile of the bank loans and overdrafts of the Group is shown below:

	At 30 June 2008 **HK$ million (Unaudited)**	*At 31December 2007* HK$ million (Audited)
Within 1 year or on demand	**782.0**	436.9
After 1 year but within 2 years	**250.0**	550.0
After 2 years but within 5 years	**489.7**	604.7
	739.7	1,154.7
Total	**1,521.7**	1,591.6

Banking facilities

At 30 June 2008, the Group had unutilised banking facilities totalling HK$745 million (31 December 2007: HK$692.0 million).

Finance costs

The finance costs for the six months ended 30 June 2008 amounted to HK$18.9 million (2007: HK$71.0 million). The average interest rate in respect of the Group's borrowings for the period under review was 2.39% per annum, a decrease of 195 basis points compared with 4.34% per annum for the corresponding period of 2007.

Cash and deposits at bank

At 30 June 2008, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pound Sterling and Renminbi) amounted to HK$2,896.9 million (31 December 2007: HK$3,133.4 million).

FUNDING AND TREASURY POLICIES

Major operating companies of the Group arrange for their own financing to meet their operational and investment requirements. The Group's other subsidiaries are mainly financed by the holding company from its capital base. The Group reviews its funding strategy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. Stand-by banking facilities have been maintained to facilitate routine treasury operations.

Interest rate risk management

It is the Group's policy to manage its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. At 30 June 2008, the Group's borrowings were denominated in Hong Kong Dollars and on a floating interest rate basis. This enabled the Group to take advantage of the lower floating interest rates compared to fixed rate financing during the period. The Group constantly reviews its strategy on interest rate risk management in the light of prevailing market conditions and devises suitable strategies to cope with risk exposure.

Currency risk management

The Group's foreign currency exposure mainly arises from payments for new buses and overseas motor vehicle components, which are denominated in British Pound Sterling. To minimise the foreign exchange risk particularly at times when the currency market is volatile, it is the Group's policy to closely monitor foreign exchange movements and strategically enter into forward exchange contracts to hedge its foreign currency requirement when opportunities arise, notwithstanding that foreign currency exposure does not pose a significant risk to the Group as the levels of foreign currency assets and liabilities are relatively low compared to its total asset base.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, interest in leasehold land held for own use under operating leases, investment property under development, buses and other motor vehicles, vessels, buses under construction and tools. None of the Group's fixed assets was pledged or charged as at 30 June 2008. During the six months ended 30 June 2008, capital expenditure incurred by the Group amounted to HK$168.5 million (2007: HK$262.3 million). The capital expenditure was mainly incurred for the purchase of new buses.

Capital commitments outstanding and not provided for in the interim financial report of the Group as at 30 June 2008 amounted to HK$393.0 million (31 December 2007: HK$361.9 million). The commitments are mainly in respect of the purchase of buses and other fixed assets and the development of Manhattan Hill retail podium. The commitments are to be financed by borrowings and working capital of the Group.

CONTINGENT LIABILITIES

At 30 June 2008, the Company had undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK$540.0 million (31 December 2007: HK$540.0 million). The maximum liability of the Company at 30 June 2008 under the guarantees issued was the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK$395.0 million (31 December 2007: HK$410.0 million).

EMPLOYEES AND REMUNERATION POLICIES

As the provision of transport services is labour intensive, staff costs account for a substantial portion of the total operating costs of the Group. The Group has constantly closely monitored and aligned the number and remuneration of the employees against productivity and market trends. At 30 June 2008, the Group had 13,314 employees (2007: 13,338 employees) with total remuneration for the six months ended 30 June 2008 amounted to approximately HK$1,421.2 million (2007: HK$1,465.5 million).

OUTLOOK

In the first half of 2008, the financial performance of the Group's franchised public bus business operated under KMB and LWB were adversely affected by soaring international fuel oil prices. Their total fuel cost surged to a record high of HK$822.9 million, a significant increase of HK$334.8 million or 68.6% compared with HK$488.1 million for the first half of 2007. Although the price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the price of ultra low sulphur diesel used by our franchised public bus is based, has relented from its historical high of US$180.5 per barrel in early July 2008, the current level of Gasoil price (as at 17 September 2008) of US$113.1 per barrel is still 32.9% higher than the average Gasoil price of US$85.1 per barrel for the whole year of 2007. Together with the increases in wages, tunnel toll charges and other operating costs due to inflationary pressure, we expect that the operating environment of KMB and LWB will continue to be extremely difficult in the second half of 2008.

To address the current problem faced by KMB and LWB, which is largely driven by high oil prices on the international market, we will further rationalise our bus network and resources to control operating costs as far as practicable. In addition, we will continue to discuss with the HKSAR Government to find ways to restore our financial viability. The recently implemented fare increase of 4.5% by KMB and LWB with effect from 8 June 2008 is grossly insufficient to offset the huge increase in fuel costs due to high oil prices, not to mention the inflationary pressure on other operating expenses. Whilst every effort has been made to reduce our operating costs, there is always a limit to the amount of cost saving that can be achieved without seriously jeopardising the quality of our bus services. If Gasoil prices remain at this high level, it is inevitable that our fares will have to be adjusted again unless the HKSAR Government will provide assistance to help relieve the financial burden of the franchised public bus industry.

The performance of our non-franchised transport operations in Hong Kong and joint venture transportation projects on the Mainland have also been suppressed by high oil prices and escalating costs. Management will continue to improve the service quality and efficiency of our non-franchised transport operations, and by working closely with our joint venture partners to increase income and step up cost control measures wherever possible. In line with the Group's business diversification strategy, we will explore new business opportunities both in Hong Kong and on the Mainland.

While the sales of the luxury residential flats at Manhattan Hill are nearly coming to a close, with only six residential units remaining available for sale, the renovation work of the retail podium is underway and scheduled to be completed by the end of 2008. We expect that this two-level retail podium with a total area of around 50,000 square feet will bring in additional income stream to the Group in the near future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the six months ended 30 June 2008 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2008. The review of the unaudited interim financial report was conducted with the Group's external auditors, KPMG.

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.hkex.com.hk. The 2008 interim report will be available at the Company's website and despatched to shareholders of the Company in late September 2008.

By Order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 18 September 2008

As at the date of this interim results announcement, the Directors of the Company are The Hon. Sir Sze-yuen CHUNG, GBM, GBE, JP as Chairman and Independent Non-executive Director; Dr. Norman LEUNG Nai Pang, GBS, JP as Deputy Chairman and Independent Non-executive Director; Dr. KUNG Ziang Mien, James, GBS, OBE (with Mr. KUNG Lin Cheng, Leo as alternate), Dr. Eric LI Ka Cheung, GBS, OBE, JP and Mr. SIU Kwing-chue, Gordon, GBS, CBE, JP as Independent Non-executive Directors; Mr. Edmond HO Tat Man as Managing Director; Mr. Charles LUI Chung Yuen, M.H. and Ms. Winnie NG as Executive Directors; Mr. KWOK Ping-luen, Raymond, JP (with Mr. YUNG Wing Chung as alternate), Mr. KWOK Ping-sheung, Walter, JP (with Ms. WONG On Ning, Orlena as alternate), Mr. NG Siu Chan (with Ms. Winnie NG as alternate), Mr. William LOUEY Lai Kuen, Mr. John CHAN Cho Chak, GBS, JP, Mr. George CHIEN Yuan Hwei and Mr. John Anthony MILLER, SBS, OBE as Non-executive Directors.