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Transport International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 62)

Announcement of Interim Results For the Six Months ended 30 June 2010

Financial Highlights

- Profit attributable to equity shareholders of the Company for the first half of 2010 was HK\$658.5 million (first half of 2009: HK\$339.9 million), which included a non-recurrent capital gain of HK\$489.1 million (first half of 2009: Nil) arising from disposal of interest in leasehold land. Excluding this non-recurrent capital gain, the profit attributable to equity shareholders of the Company for the first half of 2010 would have been HK\$169.4 million, representing a decrease of HK\$170.5 million or 50.2% compared to the corresponding period of 2009.
- KMB's profit after taxation for the first half of 2010 of HK\$135.9 million (first half of 2009: HK\$234.9 million) included a non-cash deemed income of HK\$37.1 million (first half of 2009: deemed loss of HK\$20.0 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". Excluding this non-cash item, KMB recorded a profit after taxation of HK\$104.9 million for the first half of 2010, a decrease of HK\$146.7 million or 58.3% compared to that for the first half of 2009. The decrease was mainly due to the substantial year-on-year increase in fuel costs by HK\$129.7 million or 35.9% as a result of the significant rebound of the international fuel oil prices, and the decrease in fare revenue by HK\$63.8 million or 2.2% as a result of the intensified competition from the expanded railway network, particularly the commissioning of the Kowloon Southern Link in August 2009.
- Earnings per share for the period under review were HK\$1.63 (2009: HK\$0.84).
- Interim dividend of HK\$0.30 per share, same as that for 2009.

Consolidated income statement

	Note	Six months ended 30 June	
		2010 HK\$ million (Unaudited)	2009 HK\$ million (Unaudited)
Turnover	3, 12	3,307.8	3,350.6
Other net income	4	116.9	42.5
Cost of properties sold		(6.6)	(4.1)
Staff costs	5	(1,518.6)	(1,535.5)
Depreciation and amortisation		(442.4)	(443.5)
Fuel and oil		(544.2)	(418.8)
Toll charges		(181.4)	(188.2)
Spare parts and stores		(120.4)	(116.5)
Selling and marketing expenses for property sales		(2.2)	(2.0)
Other operating expenses		(338.2)	(296.2)
Profit from operations		270.7	388.3
Finance costs	6	(3.3)	(6.0)
Gain on disposal of interest in leasehold land	7	489.1	-
Share of profits of associates		21.0	23.7
Share of profits of jointly controlled entities		-	3.0
Impairment loss on unlisted equity securities	8	(110.0)	-
Profit before taxation		667.5	409.0
Income tax	9	(32.9)	(61.1)
Profit for the period		634.6	347.9

Consolidated income statement (continued)

	Note	Six months ended 30 June	
		2010	2009
		HK\$ million (Unaudited)	HK\$ million (Unaudited)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		658.5	339.9
Non-controlling interests		(23.9)	8.0
Profit for the period		634.6	347.9
Profit for the period attributable to equity shareholders of the Company:			
Arising from sales of interest in leasehold land and Manhattan Hill properties		511.7	24.2
Arising from the Group's other operations		146.8	315.7
		658.5	339.9
Basic and diluted earnings per share:	11		
Arising from sales of interest in leasehold land and Manhattan Hill properties		HK\$ 1.27	HK\$ 0.06
Arising from the Group's other operations		HK\$ 0.36	HK\$ 0.78
		HK\$ 1.63	HK\$ 0.84

Consolidated balance sheet

	Note	At 30 June 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Non-current assets			
Fixed assets			
- Investment property		113.4	115.9
- Investment property under development		3.1	-
- Other property, plant and equipment		3,894.3	3,906.3
- Interest in leasehold land held for own use under operating leases		76.9	77.9
		4,087.7	4,100.1
Passenger service licences		21.5	21.5
Goodwill		63.3	63.3
Media assets		-	0.4
Non-current prepayments		14.4	19.2
Interest in associates		616.4	612.0
Other financial assets		633.3	333.5
Employee benefit assets		753.0	716.0
Deferred tax assets		5.7	6.0
		6,195.3	5,872.0
Current assets			
Completed property held for sale		36.2	42.1
Spare parts and stores		62.7	72.3
Accounts receivable	13	302.2	384.6
Deposits and prepayments		98.1	40.1
Current taxation recoverable		8.4	7.8
Pledged bank deposits		41.2	51.2
Cash and cash equivalents		2,945.8	3,501.9
		3,494.6	4,100.0
Current liabilities			
Bank loans and overdrafts		416.0	401.9
Accounts payable and accruals	14	958.0	1,069.5
Third party claims payable		129.3	127.5
Current taxation payable		69.4	47.1
		1,572.7	1,646.0
Net current assets		1,921.9	2,454.0
Total assets less current liabilities		8,117.2	8,326.0

Consolidated balance sheet (continued)

	Note	At 30 June 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Non-current liabilities			
Bank loans		469.9	469.8
Contingency provision - insurance		305.1	305.1
Deferred tax liabilities		485.9	499.1
Provision for long service payments		32.3	34.3
		1,293.2	1,308.3
Net assets		6,824.0	7,017.7
Capital and reserves			
Share capital		403.6	403.6
Reserves		6,227.8	6,385.3
Total equity attributable to equity shareholders of the Company		6,631.4	6,788.9
Non-controlling interests		192.6	228.8
Total equity		6,824.0	7,017.7

Notes:

1 Independent review

The interim financial report for the six months ended 30 June 2010 is unaudited, but has been reviewed by 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 2009 annual financial statements except for changes in accounting policies, if required, in adopting new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretations that are first effective for accounting period beginning on or after 1 January 2010.

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement - eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HKAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods.

3 Turnover

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

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	2,991.1	3,055.3
Revenue from non-franchised transport services	128.0	169.0
Revenue from sales of properties	29.4	24.6
Media sales revenue	153.1	99.2
Gross rentals from investment property	6.2	2.5
	<u>3,307.8</u>	<u>3,350.6</u>

4 Other net income

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Net income/(loss) recognised in respect of		
defined benefits retirement plans	37.0	(21.5)
Net movement in balance of passenger rewards	14.8	-
Interest income on instalments receivable from		
sales of properties	0.2	0.5
Interest income on other financial assets not at fair value		
through profit or loss	16.4	20.7
Claims received	11.5	14.8
Net exchange gain/(loss)	4.3	(4.0)
Net miscellaneous business receipts	3.8	3.1
Dividend income from unlisted securities	16.1	8.7
Net gain on disposal of fixed assets	1.8	1.4
Available-for-sale debt securities:		
reclassified from equity upon disposal	-	(0.1)
Net write-back of impairment loss on		
instalments receivable	-	12.1
Sundry net income	11.0	6.8
	<u>116.9</u>	<u>42.5</u>

5 Staff costs

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Contributions to defined contribution retirement plans	31.6	30.6
Movements in provision for long service payments	2.3	3.5
Salaries, wages and other benefits	1,484.7	1,501.4
	<u>1,518.6</u>	<u>1,535.5</u>

6 Finance costs

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts not at fair value through profit or loss	3.3	6.0

7 Gain on disposal of interest in leasehold land

At a special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of 50% of the Group's leasehold land interest in an industrial site at Kwun Tong to Turbo Result Limited, a subsidiary of Sun Hung Kai Properties Limited at a consideration of HK\$490.0 million which was arrived at after arm's length negotiations by reference to a valuation performed by Knight Frank Petty Limited, an independent property valuer. The transaction was completed on 25 January 2010, resulting in a gain on disposal of HK\$489.1 million.

8 Impairment loss on unlisted equity securities

At 30 June 2010, the Group's unlisted equity investment was individually determined to be impaired on the basis of adverse changes in the market in which the investee operates which indicates that the Group's investment in the investee may not be fully recovered. Impairment loss on unlisted equity investment of HK\$110.0 million has been recognised during the six months ended 30 June 2010.

9 Income tax

	Six months ended 30 June	
	2010 HK\$ million (Unaudited)	2009 HK\$ million (Unaudited)
Current tax		
Provision for Hong Kong Profits Tax for the period	45.8	79.4
Provision for the People's Republic of China ("PRC") income tax for the period	-	0.3
	<u>45.8</u>	<u>79.7</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(12.9)</u>	<u>(18.6)</u>
	<u>(12.9)</u>	<u>(18.6)</u>
Income tax	<u><u>32.9</u></u>	<u><u>61.1</u></u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the six months ended 30 June 2010 (six months ended 30 June 2009: 16.5%). Taxation for subsidiaries in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the PRC.

10 Dividends

(a) *Dividend attributable to the interim period:*

	Six months ended 30 June	
	2010 HK\$ million (Unaudited)	2009 HK\$ million (Unaudited)
Dividend declared after the interim period end:		
Ordinary interim dividend of HK\$0.30 per share (2009: Ordinary interim dividend of HK\$0.30 per share)	<u>121.1</u>	<u>121.1</u>

The dividend has not been recognised as a liability at the balance sheet date.

- (b) *Dividends attributable to the previous financial year, approved and paid during the interim period:*

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Ordinary final dividend in respect of the financial year ended 31 December 2009, approved and paid during the following interim period, of HK\$1.05 per share (year ended 31 December 2008: HK\$1.05 per share)	423.8	423.8
Special dividend in respect of the financial year ended 31 December 2009, approved and paid during the following interim period, of HK\$1.00 per share (year ended 31 December 2008: Nil)	403.6	-
	827.4	423.8

11 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\$658.5 million (six months ended 30 June 2009: HK\$339.9 million) and 403.6 million shares in issue during the periods presented. The calculation of basic earnings per share arising from the sales of leasehold land interest and Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK\$511.7 million (six months ended 30 June 2009: HK\$24.2 million) and HK\$146.8 million (six months ended 30 June 2009: HK\$315.7 million) respectively and 403.6 million shares in issue during the periods presented.

- (b) *Diluted earnings per share*

There are no dilutive potential ordinary shares during the six months ended 30 June 2010 and 2009.

12 Segment information

	Franchised bus operation		Media sales business		Property development		All other segments (note)		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	2,992.0	3,087.3	152.2	67.2	29.4	24.6	134.2	171.5	3,307.8	3,350.6
Inter-segment revenue	47.6	21.9	-	8.0	-	-	12.4	9.7	60.0	39.6
Reportable segment revenue	3,039.6	3,109.2	152.2	75.2	29.4	24.6	146.6	181.2	3,367.8	3,390.2
Reportable segment profit/(loss)	143.6	251.3	(95.8)	17.0	22.6	23.9	43.9	34.5	114.3	326.7
	At 30 June	At 31	At 30 June	At 31	At 30 June	At 31	At 30 June	At 31	At 30 June	At 31
	2010	December	2010	December	2010	2009	2010	2009	2010	December
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	5,187.6	5,055.1	759.5	852.1	91.5	198.2	1,051.6	1,072.7	7,090.2	7,178.1
Reportable segment liabilities	2,542.7	2,433.1	63.9	48.0	175.7	187.3	44.7	247.7	2,827.0	2,916.1

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as “all other segments”. Such operating segments generate profits mainly from the provision of non-franchised transport operation, leasing of investment property and investments in associates and jointly controlled entities.

13 Accounts receivable

	At 30 June 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Instalments receivable from sales of properties	44.6	143.6
Trade and other receivables	243.9	236.1
Interest receivable	13.3	9.4
Less: Allowance for doubtful debts	(3.9)	(4.5)
	297.9	384.6
Derivative financial instruments	4.3	-
	302.2	384.6

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 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Current	86.4	148.7
1 to 3 months past due	15.7	17.9
More than 3 months past due	55.3	93.7
	157.4	260.3

The amount more than 3 months past due included instalments receivable from sales of properties of HK\$44.6 million (31 December 2009: HK\$84.0 million). No allowance for bad and doubtful debts had been provided for these balances at 30 June 2010 (31 December 2009: Nil). For instalments receivable from sales of properties, the properties sold serve as the collateral.

Trade receivables are normally due within 30 to 90 days from the date of billing.

14 Accounts payable and accruals

	At 30 June 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Trade payables	181.6	206.4
Balance of passenger rewards	43.3	58.1
Other payables and accruals	733.1	805.0
Financial liabilities measured at amortised cost	958.0	1,069.5

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 2010 HK\$ million (Unaudited)	At 31 December 2009 HK\$ million (Audited)
Due within 1 month or on demand	175.4	188.3
Due after 1 month but within 3 months	4.3	16.7
Due after more than 3 months	1.9	1.4
	181.6	206.4

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2010 was HK\$658.5 million (six months ended 30 June 2009: HK\$339.9 million), representing an increase of 93.7% as compared to the corresponding period in 2009. The increase was mainly due to the recognition of a non-recurrent capital gain of HK\$489.1 million arising from the disposal of 50% of the Group's interest in an industrial site at Kwun Tong in January 2010. Earnings per share for the six months ended 30 June 2010 amounted to HK\$1.63 (six months ended 30 June 2009: HK\$0.84).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.30 per share (six months ended 30 June 2009: HK\$0.30 per share), totalling HK\$121.1 million for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$121.1 million). The interim dividend will be paid on 18 October 2010 to the shareholders of the Company whose names are on the Register of Members at the close of business on 8 October 2010. The Register will be closed from 6 October 2010 to 8 October 2010, both dates inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 October 2010.

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's profit after taxation for the first half of 2010 amounted to HK\$135.9 million (first half of 2009: HK\$234.9 million), which included a non-cash deemed income of HK\$37.1 million (first half of 2009: deemed loss of HK\$20.0 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". Excluding this non-cash item, KMB recorded a profit after taxation of HK\$104.9 million for the first half of 2010, a decrease of HK\$146.7 million or 58.3% compared to that for the first half of 2009.
- Fare revenue for the period under review amounted to HK\$2,831.3 million, a decrease of 2.2% as compared with HK\$2,895.1 million for the same period last year. For the six months ended 30 June 2010, KMB recorded an average daily ridership of 2.588 million passenger trips (six months ended 30 June 2009: 2.652 million passenger trips), a decrease of 2.4% or about 64,000 passenger trips per day over the corresponding period last year. Such decreases were mainly attributable to the intensified competition from the expanded railway network, particularly the commissioning of the

Kowloon Southern Link in August 2009. Advertising revenue for the first half of 2010 was HK\$48.3 million (six months ended 30 June 2009: HK\$52.3 million).

- Total operating expenses for the six months ended 30 June 2010 amounted to HK\$2,803.5 million, representing an increase of HK\$126.5 million or 4.7% compared to HK\$2,677.0 million for the corresponding period last year. The increase was mainly due to the year-on-year increase in fuel costs by HK\$129.7 million or 35.9% as a result of the significant rebound of the international fuel oil prices.
- At 30 June 2010, KMB operated a total of 395 routes (31 December 2009: 396 routes). In addition, 74 Octopus Bus-bus Interchange ("BBI") schemes covering 260 bus routes were operated both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes are welcomed by our passengers, who benefit from extensive fare discounts on the second leg of journeys and improved network coverage. The schemes bring other benefits, in the form of resource savings and reduced congestion along busy corridors.
- During the first half of 2010, 35 new air-conditioned single-deck buses (comprising eight Euro IV buses and 27 Euro V buses) and 30 air-conditioned double-deck buses (comprising 24 Euro IV buses and six Euro V buses) were licensed. At 30 June 2010, KMB operated a total of 3,863 buses (31 December 2009: 3,880), comprising 3,707 double-deck and 156 single-deck buses, of which 3,688 buses (95.5%) were air-conditioned. In addition, at 30 June 2010, KMB had eight air-conditioned double-deck buses (comprising two Euro IV buses and six Euro V buses) and six air-conditioned single-deck Euro V buses awaiting licensing; and 329 air-conditioned double-deck buses (comprising 14 Euro IV and 315 Euro V buses) and 67 air-conditioned single-deck Euro V buses on order and due for delivery in the second half of 2010 or in 2011.

Long Win Bus Company Limited ("LWB")

- Profit after taxation for the six months ended 30 June 2010 amounted to HK\$7.8 million (six months ended 30 June 2009: HK\$16.4 million), representing a decrease of 52.4% compared to the same period last year.
- Fare revenue for the period under review slightly decreased by 0.2% to HK\$159.8 million as compared to HK\$160.2 million for the corresponding period in 2009. The decrease was due mainly to the decline in the ridership of the airport routes notwithstanding that the total ridership for the first half of 2010 increased slightly by 0.3% as compared to the same period last year.
- Total operating expenses for the period under review amounted to HK\$151.3 million, representing an increase of HK\$11.1 million or 7.9% compared to HK\$140.2 million for the same period in 2009. The increase was mainly due to the increase in fuel costs of HK\$8.4 million or 42.8% compared to the corresponding period last year.
- At 30 June 2010, there were a total of six BBI schemes covering 12 bus routes within LWB's bus network and on joint inter-modal schemes with other public transport operators. Besides providing passengers with interchange fare discounts, the BBI schemes allow LWB to deploy its resources more effectively.
- In the first half of 2010, LWB licensed 21 new air-conditioned double-deck buses to strengthen the level of service on routes with increased demand. At 30 June 2010,

LWB operated a total of 166 air-conditioned double-deck buses. The number of routes remained at 19 as at the end of 2009

- At 30 June 2010, LWB had on order six new air-conditioned double-deck Euro IV buses which will be delivered by early 2011 to further enhance its service level according to passenger demand.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$12.4 million for the first half of 2010 (first half of 2009: HK\$11.8 million), representing an increase of 5.1% compared to the corresponding period in 2009. Turnover decreased by 24.2% to HK\$128.1 million compared to HK\$168.9 million for the first half of 2009. 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, which provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as to the general public through chartered hire services.
- Turnover of the SBH Group for the first half of 2010 increased by 3.3% compared to that for the corresponding period in 2009. The increase was due mainly to the growth in patronage as a result of the improved economy.
- In the first half of 2010, the SBH Group purchased 18 coaches to support its business expansion and service enhancement, bringing its fleet size to 377 at 30 June 2010.

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) for regular commuters and holidays travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen (深圳). NHKB's ridership has decreased since the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007 and the launch of direct charter flights between Taiwan and China Mainland in July 2008. For the first half of 2010, NHKB's average monthly ridership was 0.95 million passenger trips (first half of 2009: 0.99 million passenger trips). At 30 June 2010, NHKB operated a total of 15 buses, the same number as at the end of 2009.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited ("LCKPI")

- LCKPI is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale luxurious residential complex in Lai Chi Kok, West Kowloon, consisting of

1,115 residential units with a total gross floor area of over one million square feet. Up to the end of 2009, 1,112 residential units of Manhattan Hill with a total saleable gross floor area (“saleable GFA”) of about 1,186,100 square feet (representing approximately 99.2% of saleable GFA) and 367 car parking spaces had been sold. For the period under review, a further one residential units with a total saleable GFA of about 2,300 square feet (representing 0.2% of the total saleable GFA) and three car parking spaces were sold, generating an after-tax profit of HK\$22.6 million (six months ended 30 June 2009: HK\$23.9 million)

- At 30 June 2010, the carrying value of completed property held for sale, comprising two residential units and 23 car parking spaces (classified under current assets in the consolidated balance sheet), amounted to HK\$36.2 million (31 December 2009: HK\$42.1 million).

LCK Commercial Properties Limited (“LCKCP”)

- LCKCP, a wholly-owned subsidiary of the Group, is the owner of the new shopping mall, "Manhattan Mid-town". Positioned as a high-end retail complex, the 50,000 square feet shopping mall complements the image of Manhattan Hill, providing Manhattan Hill residents, as well as local householders and office staff, with high quality retail facilities including a mix of shops and restaurants. The mall was opened in the second quarter of 2009 and at the end of June 2010 nearly all of its lettable area had been leased out to generate additional rental income for the Group.
- At 30 June 2010, the net book value of the shopping mall (classified under investment property in the consolidated balance sheet) amounted to HK\$113.4 million (31 December 2009: HK\$115.9 million).

LCK Real Estate Limited (“LCKRE”)

- LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes. The building was stated on the consolidated balance sheet at cost less accumulated depreciation in the amount of HK\$36.0 million (31 December 2009: HK\$35.9 million).

KT Real Estate Limited (“KTRE”) and KT Properties Investment Limited (“KTPI”)

- At the end of 2009, KTRE and KTPI, which are indirect wholly-owned subsidiaries of the Company, held the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “KT Site”) in equal shares as tenants in common. At the special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of KTPI’s 50% interest in the KT Site to Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), at a consideration of HK\$490.0 million, which was arrived at after arm’s length negotiations by reference to the valuation performed by Knight Frank Petty Limited, an independent property valuer. Following the completion of the aforesaid disposal on 25 January 2010, the KT Site was owned by KTRE and TRL in equal shares as tenants in common, and a gain on disposal of 50% interest in the KT Site of HK\$489.1 million was recognised in the consolidated income statement of the Company for the six months ended 30 June 2010.

- Pursuant to an agreement dated 11 December 2009 (the “Development Agreement”), KTRE, TRL, the Company and SHKP have agreed to jointly develop the KT Site for non-residential (excluding hotel) purpose. The project costs were estimated to be HK\$3.6 billion, which shall be borne by KTRE and TRL in equal shares.
- Particulars of the aforesaid transactions were disclosed in the announcement and the circular of the Company dated 11 December 2009 and 30 December 2009 respectively.

Media Sales Business

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

- The RoadShow Group is one of the leading media sales companies in the Greater China region. It capitalises on a vibrant advertising market consisting of bus passengers and pedestrians on transit vehicle routes. RoadShow mainly sells and markets business advertising on its proprietary Multi-media On-board (“MMOB”) system in Hong Kong, and also operates the bus interior and bus exterior advertising businesses. Currently, the Group has a 73% interest in the RoadShow Group.
- For the six months ended 30 June 2010, the RoadShow Group reported a loss attributable to equity shareholders of HK\$97.7 million (six months ended 30 June 2009: a profit of HK\$14.4 million). The loss was mainly attributable to the provision for impairment loss of approximately HK\$110.0 million made by the RoadShow Group on the carrying value of the unlisted equity interest in AdSociety Daye Advertising Company Limited based on Hong Kong Accounting Standard 39 issued by the Hong Kong Institute of Certified Public Accountants.
- Further information regarding the RoadShow Group is available in its 2010 interim results announcement and interim report.

Mainland Transport Operations

As at 30 June 2010, the Group’s total interest in the businesses under the Mainland Transport Operations Division amounted to HK\$616.4 million (31 December 2009: HK\$612.0 million). The investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. In the first half of 2010, the Group’s Mainland Transport Operations Division reported a profit after taxation of HK\$21.0 million, representing a decrease of 8.7% compared to HK\$23.0 million for the corresponding period in 2009.

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 primarily engages in taxi hire and car rental businesses with a fleet of more than 4,300 vehicles, and is one of the leading operators in the taxi and car hire businesses in Beijing City. BBKT is dedicated to providing quality services in the market and continued to record a profit during the first half of 2010.

Shenzhen (深圳)

- Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SBG”), which started 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 stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), with 5,256 vehicles serving some 230 routes. It continued to make steady progress and recorded a ridership of 449.5 million passenger trips in the first half of 2010 (first half of 2009: 416.9 million passenger trips).

FINANCIAL LIQUIDITY AND RESOURCES

The Group closely monitors its liquidity and financial resources in a prudent manner to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demands for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group’s operations are mainly financed by shareholders’ funds, bank loans and overdrafts.

Net cash

At 30 June 2010, the Group’s net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK\$2,101.1 million (31 December 2009: HK\$2,681.4 million). An analysis of the Group’s net cash by currency at 30 June 2010 is shown below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK\$ million (Unaudited)	Bank loans and overdrafts HK\$ million (Unaudited)	Net cash HK\$ million (Unaudited)
<i>At 30 June 2010:-</i>				
Hong Kong Dollar		2,624.2	(885.9)	1,738.3
United States Dollar	28.1	218.8	-	218.8
British Pound Sterling	1.7	20.2	-	20.2
Renminbi	108.3	123.8	-	123.8
Total		2,987.0	(885.9)	2,101.1
<i>At 31 December 2009:-</i>				
		(Audited)	(Audited)	(Audited)
Hong Kong Dollar		3,072.1	(871.7)	2,200.4
United States Dollar	39.9	309.4	-	309.4
British Pound Sterling	1.7	21.5	-	21.5
Renminbi	132.8	150.1	-	150.1
Total		3,553.1	(871.7)	2,681.4

Bank loans and overdrafts

At 30 June 2010, bank loans and overdrafts, all unsecured, amounted to HK\$885.9 million (31 December 2009: HK\$871.7 million). The maturity profile of the bank loans and overdrafts of the Group at 30 June 2010 and 31 December 2009 is shown below:

	<i>At 30 June 2010</i> HK\$ million (Unaudited)	<i>At 31 December 2009</i> HK\$ million (Audited)
Within 1 year or on demand	416.0	401.9
After 1 year but within 2 years	-	200.0
After 2 years but within 5 years	469.9	269.8
	469.9	469.8
Total	885.9	871.7

Banking facilities

At 30 June 2010, the Group had unutilised banking facilities totalling HK\$520.0 million (31 December 2009: HK\$720.0 million).

Finance costs

For the six months ended 30 June 2010, the finance costs incurred by the Group amounted to HK\$3.3 million (six months ended 30 June 2009: HK\$6.0 million). The average interest rate in respect of the Group's borrowings for the period under review was 0.72% per annum, a decrease of 9 basis points compared to 0.81% per annum for the corresponding period in 2009.

Cash and deposits at bank

At 30 June 2010, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pounds Sterling and Renminbi) amounted to HK\$2,987.0 million (31 December 2009: HK\$3,553.1 million).

FUNDING AND TREASURY POLICIES

In general, the Group's major operating companies arrange their own financing to meet their individual operational and investment needs. The Group's other subsidiaries are mainly financed by the holding company from its capital base. Management regularly reviews the Group's funding strategy to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. Adequate stand-by banking facilities are maintained to facilitate routine treasury operations.

Interest rate risk management

The Group manages 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 2010, all of 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 under review. 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 the payments for new buses and overseas motor vehicle components, which are mainly denominated in British Pounds Sterling. Although 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, the Group will continue to closely monitor foreign exchange movements and enter into forward exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. At 30 June 2010, the Group had a number of unexpired forward exchange contracts for the hedging of approximately 50.0% of the total British Pounds Sterling ("GBP") requirements for the second half of 2010.

Cash flow and liquidity risk management

The Group has not been exposed to significant cash flow and liquidity risks since it has maintained an adequate level of cash reserve on hand resulting from the sales of the Manhattan Hill residential units and the KT Site. Under normal circumstances and barring an unforeseen drastic upsurge in fuel oil prices, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, would also be low as its revenue is essentially received on a cash basis. Through proper planning and close monitoring of the level of debts, the Group is able to effectively meet its funding and investment requirements.

Fuel price risk management

Fuel price movements can have a significant impact on the results of the Group's core franchised public bus businesses. The Group has carefully considered the pros and cons of entering into fuel price hedging arrangements, and has concluded that fuel price hedging would be equally risky as not hedging, and would not necessarily result in a better financial position for the Group in the long run. As a result, the Group has not entered into any fuel oil hedging contracts during the period under review. To address the fuel price risk effectively, the Group's two major subsidiaries, KMB and LWB, will consider applying for fare increases when the impact of the surge in fuel oil prices is significant and will rigorously explore with the HKSAR Government other measures to mitigate this impact. The Group will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and others, investment property, and interest in leasehold land held for own use under operating leases. None of the Group's fixed assets was pledged or charged as at 30 June 2010. In the six months ended 30 June 2010, capital expenditure incurred by the Group amounted to HK\$430.2 million (six months ended 30 June 2009: HK\$268.4 million). The capital expenditure was mainly incurred for the purchase of new buses.

At 30 June 2010, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK\$2,858.8 million (31 December 2009: HK\$940.7 million). These commitments were mainly in respect of the development of the KT Site and the purchase of buses and other fixed assets, which are to be financed by borrowings and the working capital of the Group.

CONTINGENT LIABILITIES

At 30 June 2010, the Company had undertaken to guarantee a banking facility granted to a subsidiary to the extent of HK\$140.0 million (31 December 2009: HK\$340.0 million). As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at 30 June 2010 under the guarantee issued was the outstanding amount of the loan advanced by the bank to the subsidiary of HK\$70.0 million (31 December 2009: HK\$270.0 million).

EMPLOYEES AND REMUNERATION POLICIES

As transport operations are labour intensive, staff costs account for a substantial portion of the total operating cost of the Group. At 30 June 2010, the Group had 12,867 employees (31 December 2009: 13,074 employees), and total remuneration for the six months ended 30 June 2010 amounted to approximately HK\$1,518.6 million (six months ended 30 June 2009: HK\$1,535.5 million). The Group will continue to closely monitor the number and remuneration of its employees against productivity and market trends.

OUTLOOK

Franchised Public Bus Operations

During the period under review, the financial performance of the Group's franchised public bus business operated by KMB and LWB was adversely affected by the significant rebound in international fuel oil prices. For the first half of 2010, the average price of the Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the price of the Near Zero Sulphur Diesel (with Sulphur content of 0.001%) used by our franchised public bus fleet is based, was US\$87.2 per barrel, an increase of 45.8% compared to the average Gasoil price of US\$59.8 per barrel for the corresponding period of 2009. Both KMB and LWB have also agreed to grant a pay rise of 1.8% to their operations and maintenance staff with effect from 1 June 2010 and the other staff from 1 September 2010. In light of the rising fuel costs and the increase in wages and other operating expenses due to inflationary pressure, coupled with the decrease in our patronage due to intensifying competition from the railways, we expect that the operating

environment of KMB and LWB will be extremely difficult in the second half of 2010 and the years ahead. In response to these challenges, we have sought and will continue to seek to further rationalise our bus network and enhance our productivity as far as practicable.

Fare Increase Applications

Under the existing fare scale and with Gasoil prices remaining at, if not rising above, the current high level, the ability of KMB and LWB to generate profits would be seriously affected. Consequently, KMB and LWB submitted applications to the Transport Department of the HKSAR Government on 30 July 2010 for a fare increase of 8.6% and 7.4% respectively in order to maintain the financial viability and the existing service levels of our franchised bus operations.

Non-franchised Businesses

The operating performance of our non-franchised transport operations remained steady during the first half of 2010. We will continue to enhance economies of scale, improve the quality of service and explore businesses that will increase our income wherever possible.

Following the disposal of 50% of the Group's interest in an industrial site in Kwun Tong to, and the entering of a development agreement with, the Sun Hung Kai Properties Limited ("SHKP") Group in January 2010, a project manager (namely Sun Hung Kai Real Estate Agency Limited, which is a subsidiary of SHKP) was appointed in April 2010 for the management, supervision and control of the development project. It is planned to develop the site for non-residential (excluding hotel) uses and, upon completion, to hold the development for long-term investment purposes.

The sale of the residential flats at Manhattan Hill is almost coming to a close, with only a few residential units remaining available for sale. All of the lettable area of "Manhattan Mid-town", the shopping mall with a total area of 50,000 square feet, is currently leased out generating additional revenue for the Group.

We will continue to explore new business opportunities in China Mainland and maintain our efforts to improve our productivity and efficiency through rationalising our bus network in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2010, 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 2010 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 of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2010.

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 2010 interim report will be available at the Company's website and despatched to shareholders of the Company in early September 2010.

By Order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 19 August 2010

As at the date of this 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. 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 Mr. Evan AU YANG Chi Chun as Executive Directors; Mr. KWOK Ping-luen, Raymond, JP (with Mr. YUNG Wing Chung as alternate), Dr. KWOK Ping-sheung, Walter, JP (with Mr. SO Wai Kei, Godwin as alternate), Mr. NG Siu Chan (with Ms. Winnie NG as alternate), Mr. William LOUEY Lai Kuen, Dr. John CHAN Cho Chak, GBS, JP, Ms. Winnie NG, Mr. George CHIEN Yuan Hwei and Mr. John Anthony MILLER, SBS, OBE as Non-executive Directors.