



# Transport International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 062)

## Announcement of Interim Results For the Six Months ended 30 June 2007

### FINANCIAL HIGHLIGHTS

- Profit attributable to equity shareholders arising from the Group's transport operations and other recurrent businesses amounted to HK\$175.6 million, an increase of 3.3% compared to last year.
- Profit attributable to equity shareholders arising from sales of Manhattan Hill properties amounted to HK\$2,961.9 million (2006: Nil).
- The Group's total profit attributable to equity shareholders for the six months ended 30 June 2007 was HK\$3,137.5 million (2006: HK\$169.9 million).
- The franchised public bus business operated by KMB and LWB continued to face tremendous pressure from cost escalation and the total operating expenses for the period under review increased by HK\$10.3 million and HK\$5.0 million respectively compared to the corresponding period last year. This pressure is expected to intensify in the second half of 2007.
- Earnings per share were HK\$7.77 (2006: HK\$0.42).
- Interim dividend of HK\$0.45 per share and special interim dividend of HK\$1.50 per share, totalling HK\$1.95 per share.
- Gearing ratio improved to 0.31 as at 30 June 2007 (31 December 2006: 0.51).

**Consolidated income statement  
for the six months ended 30 June 2007**

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2007</i>	<i>2006</i>
		<b>HK\$ million</b>	<b>HK\$ million</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Turnover</b>	3, 9	<b>7,716.1</b>	3,223.1
Other net income	4	<b>82.5</b>	84.1
Cost of properties sold		<b>(1,104.8)</b>	-
Staff costs	5	<b>(1,465.5)</b>	(1,483.5)
Depreciation and amortisation		<b>(446.8)</b>	(445.6)
Fuel and oil		<b>(532.3)</b>	(529.1)
Toll charges		<b>(162.5)</b>	(161.6)
Spare parts and stores		<b>(121.4)</b>	(116.3)
Selling and marketing expenses for property sales		<b>(293.4)</b>	-
Other operating expenses		<b>(328.2)</b>	(315.1)
<b>Profit from operations</b>		<b>3,343.7</b>	256.0
Finance costs	6	<b>(71.0)</b>	(50.4)
Share of profits less losses of associates		<b>7.4</b>	23.8
Share of losses of jointly controlled entities		<b>(1.0)</b>	-
<b>Profit before taxation</b>		<b>3,279.1</b>	229.4
Income tax	7	<b>(133.6)</b>	(33.9)
<b>Profit for the period</b>		<b>3,145.5</b>	195.5

**Consolidated income statement**  
**for the six months ended 30 June 2007**  
(continued)

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2007</i>	<i>2006</i>
		<b>HK\$ million</b> <b>(Unaudited)</b>	<b>HK\$ million</b> <b>(Unaudited)</b>
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>3,137.5</b>	169.9
Minority interests		<b>8.0</b>	25.6
		<hr/> <b>3,145.5</b> <hr/>	<hr/> 195.5 <hr/>
<b>Profit for the period</b>			
<b>Profit for the period attributable to equity shareholders of the Company:</b>			
Arising from sales of Manhattan Hill properties		<b>2,961.9</b>	-
Arising from the Group's other operations		<b>175.6</b>	169.9
		<hr/> <b>3,137.5</b> <hr/>	<hr/> 169.9 <hr/>
<b>Dividends attributable to the interim period:</b>			
Ordinary		<b>181.6</b>	181.6
Special		<b>605.5</b>	-
		<hr/> <b>787.1</b> <hr/>	<hr/> 181.6 <hr/>
<b>Earnings per share (HK\$):</b>			
	8		
Arising from sales of Manhattan Hill properties		<b>HK\$ 7.34</b>	-
Arising from the Group's other operations		<b>HK\$ 0.43</b>	HK\$ 0.42
		<hr/> <b>HK\$ 7.77</b> <hr/>	<hr/> HK\$ 0.42 <hr/>
<b>Dividends per share (HK\$):</b>			
Ordinary		<b>HK\$ 0.45</b>	HK\$0.45
Special		<b>HK\$ 1.50</b>	-
		<hr/> <b>HK\$ 1.95</b> <hr/>	<hr/> HK\$0.45 <hr/>

## Consolidated balance sheet at 30 June 2007

	<i>Note</i>	<i>At 30 June 2007</i>	<i>At 31 December 2006</i>
		<b>HK\$ million (Unaudited)</b>	<b>HK\$ million (Audited)</b>
<b>Non-current assets</b>			
Fixed assets			
- Investment property under development		74.6	74.6
- Other property, plant and equipment		5,118.0	5,304.2
- Interest in leasehold land held for own use under operating leases		83.1	84.2
		5,275.7	5,463.0
Intangible assets		8.7	7.6
Goodwill		49.2	49.2
Media assets		1.3	1.4
Non-current prepayments		43.1	47.9
Interest in associates		852.9	834.2
Interest in jointly controlled entities		22.0	22.6
Other financial assets		51.2	46.6
Employee benefit assets		578.6	537.0
Deferred tax assets		13.8	13.8
		6,896.5	7,023.3
<b>Current assets</b>			
Completed property held for sale		347.2	1,433.4
Spare parts and stores		70.9	72.7
Accounts receivable	10	5,613.7	2,179.3
Deposits and prepayments		96.3	98.3
Current taxation recoverable		-	25.3
Pledged bank deposit		40.4	39.5
Cash and cash equivalents		1,202.8	1,228.5
		7,371.3	5,077.0
<b>Current liabilities</b>			
Bank loans and overdrafts		2,072.7	1,780.2
Accounts payable and accruals	11	1,426.7	1,628.0
Third party claims payable		242.8	262.9
Current taxation payable		226.9	115.8
		3,969.1	3,786.9
<b>Net current assets</b>		<b>3,402.2</b>	<b>1,290.1</b>
<b>Total assets less current liabilities</b>		<b>10,298.7</b>	<b>8,313.4</b>

## Consolidated balance sheet at 30 June 2007

(continued)

	<i>Note</i>	<i>At 30 June 2007</i>	<i>At 31 December 2006</i>
		<b>HK\$ million</b>	<b>HK\$ million</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Bank loans		1,507.5	2,052.5
Contingency provision - insurance		172.2	134.5
Deferred tax liabilities		735.3	758.2
Provision for long service payments		49.4	49.3
		2,464.4	2,994.5
<b>Net assets</b>		<b>7,834.3</b>	<b>5,318.9</b>
<b>Capital and reserves</b>			
Share capital		403.6	403.6
Reserves		7,192.7	4,670.6
<b>Total equity attributable to equity shareholders of the Company</b>		<b>7,596.3</b>	<b>5,074.2</b>
<b>Minority interests</b>		<b>238.0</b>	<b>244.7</b>
<b>Total equity</b>		<b>7,834.3</b>	<b>5,318.9</b>

*Notes:*

**1. Independent review**

The interim results for the six months ended 30 June 2007 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. This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 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:

	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fare revenue from franchised public bus services	<b>2,986.6</b>	2,955.1
Revenue from non-franchised transport services	<b>183.0</b>	156.5
Revenue from sales of properties	<b>4,458.3</b>	-
Media sales revenue	<b>88.2</b>	111.5
	<b><u>7,716.1</u></b>	<b><u>3,223.1</u></b>

#### 4. Other net income

	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income	<b>56.1</b>	13.8
Claims received	<b>10.3</b>	10.8
Net exchange gain/(loss)	<b>3.7</b>	(0.5)
Gain on disposal of plant and equipment	<b>3.2</b>	3.1
Gain on disposal of media assets	-	43.2
Net realised and unrealised gain on investments in securities carried at fair value	-	4.7
Dividend income from listed securities	-	0.6
Net miscellaneous business receipts	<b>2.7</b>	2.6
Sundry revenue	<b>6.5</b>	5.8
	<b>82.5</b>	<b>84.1</b>

#### 5. Staff costs

	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Contributions to defined contribution retirement plans	<b>26.3</b>	23.9
Deemed income recognised in respect of defined benefit retirement plans	<b>(41.7)</b>	(27.1)
Movements in provision for long service payments	<b>3.9</b>	2.2
Retirement costs	<b>(11.5)</b>	(1.0)
Salaries, wages and other benefits	<b>1,477.0</b>	1,484.5
	<b>1,465.5</b>	<b>1,483.5</b>

#### 6. Finance costs

	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans, overdrafts and other unsecured loans wholly repayable within five years	<b>71.0</b>	65.6
Less: borrowing costs capitalised into property under development	-	(15.2)
	<b>71.0</b>	<b>50.4</b>

## 7. Income tax

	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	HK\$ million
	<b>(Unaudited)</b>	(Unaudited)
<i>Current tax</i>		
Provision for Hong Kong Profits Tax for the period	<b>156.2</b>	43.0
Provision for the People's Republic of China ("PRC") income tax for the period	<b>0.3</b>	3.4
	<b>156.5</b>	46.4
<i>Deferred tax</i>		
Origination and reversal of temporary differences	<b>(22.9)</b>	(12.5)
	<b>133.6</b>	33.9

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 June 2007. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

## 8. 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\$3,137.5 million (six months ended 30 June 2006: HK\$169.9 million) and 403.6 million shares in issue during the two interim periods. 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\$2,961.9 million (six months ended 30 June 2006: Nil) and HK\$175.6 million (six months ended 30 June 2006: HK\$169.9 million) respectively and 403.6 million shares in issue during the two interim periods.

### (b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2007 and 2006 are not presented as there are no dilutive potential ordinary shares as at the period ends.



**9. 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.

	<i>Transport operations</i>		<i>Media sales business</i>		<i>Property holdings and development</i>		<i>Inter-segment elimination</i>		<i>Consolidated</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<b>HK\$ million</b>	HK\$ million	<b>HK\$ million</b>	HK\$ million	<b>HK\$ million</b>	HK\$ million	<b>HK\$ million</b>	HK\$ million	<b>HK\$ million</b>	HK\$ million
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Revenue from external customers	<b>3,169.6</b>	3,111.6	<b>88.2</b>	111.5	<b>4,458.3</b>	-	-	-	<b>7,716.1</b>	3,223.1
Inter-segment revenue	-	-	<b>11.6</b>	11.4	-	-	<b>(11.6)</b>	(11.4)	-	-
Other revenue from external customers	<b>17.4</b>	16.2	<b>1.5</b>	1.8	-	-	-	-	<b>18.9</b>	18.0
<b>Total</b>	<b>3,187.0</b>	3,127.8	<b>101.3</b>	124.7	<b>4,458.3</b>	-	<b>(11.6)</b>	(11.4)	<b>7,735.0</b>	3,241.1
<b>Segment result</b>	<b>206.8</b>	177.0	<b>32.2</b>	66.3	<b>3,056.1</b>	-	-	-	<b>3,295.1</b>	243.3
Unallocated net operating income									<b>48.6</b>	12.7
<b>Profit from operations</b>									<b>3,343.7</b>	256.0

## 10. Accounts receivable

	<i>At 30 June 2007</i> <b>HK\$ million (Unaudited)</b>	<i>At 31 December 2006</i> <b>HK\$ million (Audited)</b>
Instalments receivable from sales of properties	<b>5,409.3</b>	1,855.7
Trade and other receivables	<b>201.5</b>	321.2
Interest receivable	<b>2.6</b>	1.6
Derivative financial instruments	<b>0.3</b>	0.8
	<b><u>5,613.7</u></b>	<b><u>2,179.3</u></b>

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 impairment losses for doubtful debts) with the following ageing analysis as of the balance sheet date:

	<i>At 30 June 2007</i> <b>HK\$ million (Unaudited)</b>	<i>At 31 December 2006</i> <b>HK\$ million (Audited)</b>
Current	<b>5,515.8</b>	2,003.4
1 to 3 months overdue	<b>11.9</b>	15.8
More than 3 months overdue	<b>11.2</b>	9.8
	<b><u>5,538.9</u></b>	<b><u>2,029.0</u></b>

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.

## 11. Accounts payable and accruals

	<i>At 30 June 2007</i> <b>HK\$ million (Unaudited)</b>	<i>At 31 December 2006</i> <b>HK\$ million (Audited)</b>
Trade payables	<b>99.0</b>	253.3
Other payables and accruals	<b>1,327.7</b>	1,374.7
	<b><u>1,426.7</u></b>	<b><u>1,628.0</u></b>

## 11. Accounts payable and accruals (*continued*)

All of the accounts payable and accruals, except for other payables and accruals of HK\$26.1 million (31 December 2006: HK\$33.7 million), 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:

	<i>At 30 June</i> <i>2007</i> <b>HK\$ million</b> <b>(Unaudited)</b>	<i>At 31 December</i> <i>2006</i> <b>HK\$ million</b> <b>(Audited)</b>
Due within 1 month or on demand	<b>92.6</b>	196.9
Due after 1 month but within 3 months	<b>4.6</b>	54.6
Due after more than 3 months	<b>1.8</b>	1.8
	<hr/> <b>99.0</b> <hr/>	<hr/> 253.3 <hr/>

## **INTERIM RESULTS**

The Group's unaudited profit attributable to equity shareholders for the six months ended 30 June 2007 was HK\$3,137.5 million (2006: HK\$169.9 million). The profit included the after-tax profit of HK\$2,961.9 million (2006: Nil), which is of a non-recurrent nature, arising from the sales of 796 residential units of Manhattan Hill during the first half of 2007 by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary within the Group's Property Holdings and Development Division. If such after-tax profit from property sales was excluded, the profit attributable to equity shareholders for the first half of 2007 would have been HK\$175.6 million, representing an increase of 3.3% compared with HK\$169.9 million for the first half of 2006. Earnings per share for the period under review were HK\$7.77 (2006: HK\$0.42).

## **INTERIM AND SPECIAL INTERIM DIVIDENDS**

The Board has declared an interim dividend of HK\$0.45 per share (2006: HK\$0.45 per share), amounting to HK\$181.6 million (2006: HK\$181.6 million), for the six months ended 30 June 2007. The Board has further declared a special interim dividend of HK\$1.50 per share, amounting to HK\$605.5 million (2006: Nil) to be paid out of the profits from the sales of the residential units of Manhattan Hill. These interim dividends will be paid on 17 October 2007 to the shareholders of the Company whose names are on the Register of Members at the close of business on 10 October 2007. The Register will be closed from 8 October 2007 to 10 October 2007, both dates inclusive. To qualify for the interim and special dividends, 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 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 October 2007.

## **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")*

- Profit after taxation for the six months ended 30 June 2007 amounted to HK\$132.8 million (2006: HK\$113.3 million) which included the deemed income of HK\$41.5 million (2006: HK\$27.2 million) determined by independent actuaries in respect of the two defined benefit staff retirement schemes operated by KMB. Such deemed income, which was non-cash in nature, was booked in the income statement of KMB in accordance with the requirement of Hong Kong Accounting Standard 19 "Employee Benefits". If this non-cash item was excluded, the profit after taxation of KMB for the period under review would have been HK\$98.6 million (2006: HK\$90.9 million).
- In the first half of 2007, fare revenue and ridership amounted to HK\$2,840.6 million (2006: HK\$2,814.7 million) and 497.1 million passenger trips (2006: 495.7 million passenger trips) respectively. These represent increases of 0.9% and 0.28% respectively compared with the corresponding period of 2006. Such increases were below the market average as KMB has continued to face intense competition from the new

railways. Advertising revenue for the first half of 2007 was HK\$32.5 million (2006: HK\$32.3 million), a slight increase of 0.6% compared with the corresponding period last year.

- Total operating expenses for the period under review amounted to HK\$2,721.1 million, representing an increase of HK\$10.3 million compared with HK\$2,710.8 million for the first half of 2006. During the period, KMB continued to face tremendous pressure from cost escalation, particularly with oil prices rebounding to a very high level in the second quarter of 2007 and increases in wages commencing from 1 June 2007 for operations staff. Virtually all of these increases in operating costs were beyond KMB's control. Nevertheless, KMB has continued to use its best efforts to control costs and enhance service efficiency as far as possible while maintaining its high standards of service.
- At the end of June 2007, KMB operated a total of 401 routes compared with 403 at 31 December 2006. In addition, there were 62 Octopus Bus-bus Interchange ("BBI") schemes covering 248 bus routes, operating both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes provide passengers with significant fare discounts and at the same time improve network coverage, save operating resources and relieve traffic congestion and air pollution along busy transport corridors.
- During the first half of 2007, 35 new air-conditioned double-deck buses were licensed. At 30 June 2007, KMB had a fleet of 4,038 (end of 2006: 4,021) licensed buses, comprising 3,886 double-deck and 152 single-deck buses, of which 3,789 buses (94%) were air-conditioned. In addition, about 40 new air-conditioned double-deck buses will be delivered during the second half of 2007 and early 2008.

*Long Win Bus Company Limited ("LWB")*

- Profit after taxation for the six months ended 30 June 2007 amounted to HK\$9.3 million, representing an increase of HK\$1.3 million compared with HK\$8.0 million for the first half of 2006.
- Fare revenue for the first six months of 2007 was HK\$146.0 million, representing an increase of 4.1% compared with HK\$140.3 million for the corresponding period of 2006. During the period under review, LWB recorded a total ridership of 13.4 million passenger trips, an increase of 5.4% compared with 12.7 million passenger trips for the corresponding period last year. The increase in ridership was due mainly 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 (including the newly opened Sky Plaza at Terminal 2) and AsiaWorld-Expo.
- Total operating expenses for the period under review amounted to HK\$134.1 million, representing an increase of HK\$5.0 million or 3.9% compared with HK\$129.1 million for the same period of 2006. Major operating expenses including staff costs, fuel costs, tunnel tolls and depreciation charges have increased in line with the expansion of service to cope with the growing transport demand.

- At 30 June 2007, LWB had 144 air-conditioned double-deck buses and nine air-conditioned single-deck buses serving a total of 18 routes. Its fleet size and number of routes remained the same as at the end of 2006.
- 10 new air-conditioned double-deck buses were under construction as at 30 June 2007. These new air-conditioned double-deck buses will be licensed to cater for eight service improvement programmes in the second half of 2007.
- At 30 June 2007, there were five 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.

### **Non-franchised Transport Operations**

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$16.1 million for the first half of 2007 (2006: HK\$14.4 million), representing an increase of 11.8% compared with the corresponding period of 2006. Turnover increased by 16.8% to HK\$182.9 million compared with HK\$156.6 million for the first half of 2006. 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")*

- In the first half of 2007, the turnover of the SBH Group increased by 36.5% compared with the corresponding period of 2006. The increase was due mainly to the growth in patronage as a result of the continuous growth of tourists from the Mainland and the contribution from the acquisition of a local non-franchised bus operator in August 2006.
- The SBH Group is one of the leading operators in Hong Kong's non-franchised bus industry and provides a wide range of bus services tailored to specific niche markets. 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, 29 new coaches were purchased during the period under review bringing the total number of buses to 343 at 30 June 2007.

#### *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. With the additional population intake and the launching of a new Airport circular bus route during the first half of 2007, the total patronage for the first half of 2007 increased by 3.6% to 3.5 million passenger trips.
- At the end of June 2007, PITC operated two ferry routes and three bus routes serving Ma Wan Island with a fleet of 19 air-conditioned single-deck buses and seven high-speed catamarans.

### *New Hong Kong Bus Company Limited (“NHKB”)*

- NHKB, together with its Shenzhen counterpart, 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 in Hong Kong and Huanggang in Shenzhen. The average monthly ridership reached 1.69 million passenger trips for the first half of 2007, an increase of 3.7% compared with 1.63 million passenger trips for the corresponding period of 2006. The increase in patronage was due mainly to the growth in the number of Mainland tourists as a result of the continuous extension of the Individual Visit Scheme to more Mainland cities and the increase in economic activities between Hong Kong and the Mainland.
- The opening of the KCRC’s Lok Ma Chau Spur Line in August 2007 is expected to have an adverse impact on the patronage of NHKB. However, it is anticipated that the introduction of further liberalisation measures under the Closer Economic Partnership Arrangement (CEPA) and the increase in the number of visitors from the Mainland will generate extra passenger numbers for NHKB to partially offset the loss of patronage to the new railway. At the end of June 2007, NHKB operated a total of 15 buses, same as at the end of 2006.

### **Property Development**

- Lai Chi Kok Properties Investment Limited is a wholly-owned subsidiary of the Group and the owner and developer of the residential and commercial complex known as “Manhattan Hill” located at 1 Po Lun Street, Lai Chi Kok, Kowloon. Manhattan Hill comprises 1,115 up-market 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. The development obtained its occupation permit in December 2006.
- The first phase of the sales campaign of Manhattan Hill’s residential units was launched in November last year. The response was overwhelming and 245 residential units with a total saleable gross floor area (“saleable GFA”) of about 299,000 square feet (representing approximately 25% of total saleable GFA) were sold before the end of 2006. For the six months ended 30 June 2007, a further 796 residential units with a total saleable GFA of about 730,000 square feet (representing approximately 61% of the total saleable GFA) were sold, generating total sales of HK\$4,458.3 million (2006: Nil) with a profit contribution of HK\$2,961.9 million (2006: Nil).
- At 30 June 2007, 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\$347.2 million (31 December 2006: HK\$1,433.4 million) and HK\$74.6 million (31 December 2006: HK\$74.6 million) respectively. The development of Manhattan Hill is financed by the Group’s working capital and unsecured bank loans.

## Media Sales Business

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

- The RoadShow Group is a leading media sales group in Hong Kong and the Mainland. It is principally engaged in marketing advertising aimed at passengers riding public transit vehicles in Hong Kong through a proprietary Multi-media On-board ("MMOB") system. The RoadShow Group also runs a television programme syndication and media sales network in the Mainland of China covering more than 200 cities. Currently, the Group has a 73% interest in the RoadShow Group.
- For the six months ended 30 June 2007, the RoadShow Group reported a profit attributable to equity shareholders of HK\$16.1 million (2006: HK\$24.4 million), representing a decrease of 34% compared with the corresponding period of 2006. The decrease was because the amount for 2006 included an aggregate of profit of approximately HK\$14.6 million arising from the disposal of certain media assets and two subsidiaries which were disposed of in 2006.
- Further information relating to the RoadShow Group is available in its 2007 interim report.

## Mainland Transport Operations

As at 30 June 2007, the Group's total interest in associates and jointly controlled entity within the Mainland Transport Operations Division amounted to HK\$665.8 million (31 December 2006: HK\$680.0 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\$2.2 million, representing a decrease of 88.2% compared with HK\$18.6 million for the corresponding period of 2006. The decrease was due mainly to the surge in fuel costs and staff costs of our associates, while bus fares generally remained unchanged over 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 in March 2003. BBKT principally engages in taxi hire and car rental businesses in Beijing City (北京市) with a fleet of over 4,200 vehicles. The Group's investment in BBKT was RMB80.0 million (HK\$75.5 million), representing 31.38% of BBKT's equity interest. BBKT achieved satisfactory performance during the first half of 2007. In a recent government survey conducted on 132 taxi operators in Beijing prior to the 2008 Olympic Games, BBKT was ranked first for its outstanding performance.



### *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 has invested RMB135.4 million (HK\$127.2 million), representing a 45% equity interest, in WKPT. Currently, WKPT operates some 1,800 public buses on over 120 routes. During the first half of 2007, WKPT continued to make steady progress and recorded a ridership of 140.9 million passenger trips (2006: 138.3 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 (HK\$363.9 million), representing a 35% stake, in SBG. SBG principally operates public bus and taxi hire services in Shenzhen City, Guangdong Province (廣東省深圳市), with about 4,200 vehicles serving some 160 routes. SBG recorded a ridership of 364.9 million passenger trips (2006: 318.7 million passenger trips) for the first half of 2007.

## **FINANCIAL LIQUIDITY AND RESOURCES**

The Group has constantly monitored its liquidity and financial resources with an aim to maintain a healthy financial position so 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 financed mainly by shareholders' funds, bank loans and overdrafts.

The gearing ratio, representing the ratio of the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) to the total share capital and reserves attributable to equity shareholders of the Company, was 0.31 as at 30 June 2007 (31 December 2006: 0.51). The improvement in gearing ratio for the period under review was mainly attributable to the profit and cash inflow from the sales of the residential units of Manhattan Hill.

## Net borrowings

At 30 June 2007, the Group's net borrowings amounted to HK\$2,337.0 million, representing a decrease of HK\$227.7 million compared with the net borrowings of HK\$2,564.7 million at 31 December 2006. An analysis of the Group's net borrowings by currency at 30 June 2007 is shown below:

Currency	<i>At 30 June 2007</i>		<i>At 31 December 2006</i>	
	Net borrowings / (cash) in foreign currency million	Net borrowings / (cash) HK\$ million (Unaudited)	Net borrowings / (cash) in foreign currency million	Net borrowings / (cash) HK\$ million (Audited)
Hong Kong Dollar		<b>2,860.0</b>		3,082.4
United States Dollar	<b>(50.0)</b>	<b>(390.2)</b>	(46.9)	(365.6)
British Pound Sterling	<b>(1.6)</b>	<b>(25.0)</b>	(1.6)	(23.7)
Renminbi	<b>(104.6)</b>	<b>(107.8)</b>	(128.4)	(128.4)
Total		<b><u>2,337.0</u></b>		<b><u>2,564.7</u></b>

## Bank loans and overdrafts

Bank loans and overdrafts at 30 June 2007 amounted to HK\$3,580.2 million (31 December 2006: HK\$3,832.7 million) of which a bank loan of HK\$38.0 million was secured by a pledged bank deposit of HK\$40.4 million. The maturity profile of the bank loans and overdrafts of the Group is shown below:

	<i>At 30 June 2007</i> HK\$ million (Unaudited)	<i>At 31 December 2006</i> HK\$ million (Audited)
Within 1 year or on demand	<b><u>2,072.7</u></b>	<u>1,780.2</u>
After 1 year but within 2 years	<b>767.5</b>	977.5
After 2 years but within 5 years	<b><u>740.0</u></b>	<u>1,075.0</u>
	<b><u>1,507.5</u></b>	<u>2,052.5</u>
Total	<b><u>3,580.2</u></b>	<b><u>3,832.7</u></b>

## **Banking facilities**

At 30 June 2007, the Group had stand-by banking facilities totalling HK\$1,193.0 million (31 December 2006: HK\$1,254.0 million).

## **Finance costs**

The finance costs for the six months ended 30 June 2007 amounted to HK\$71.0 million (2006: HK\$50.4 million). The average interest rate in respect of the Group's borrowings for the period under review was 4.34% per annum, an increase of 3 basis points compared with 4.31% per annum for the corresponding period of 2006.

## **Cash and deposits at bank**

At 30 June 2007, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pound Sterling and Renminbi) amounted to HK\$1,243.2 million (31 December 2006: HK\$1,268.0 million).

## **FUNDING AND TREASURY POLICIES**

In general, the Group's major operating companies arrange their own financing to meet specific requirements whilst other subsidiaries of the Group obtain financing from the holding company from its own capital base. Stand-by banking facilities have been maintained to facilitate routine treasury operations.

### **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.

### **Interest rate risk management**

It is the Group's policy to manage its exposure to interest rate risk in a prudent manner with suitable instruments and strategies, including the use of interest rate swaps and natural hedges, as and when appropriate. At 30 June 2007, the Group's borrowings were mainly denominated in Hong Kong Dollars and on a floating interest rate basis so as to take advantage of the lower floating interest rates compared with fixed rate financing during the period.

## **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 2007. During the six months ended 30 June 2007, capital expenditure incurred by the Group amounted to HK\$262.3 million (2006: HK\$297.5 million). The capital expenditure was mainly incurred for the purchase of new buses for fleet replenishment.

Capital commitments outstanding and not provided for in the interim financial report of the Group as at 30 June 2007 amounted to HK\$282.6 million (31 December 2006: HK\$491.2 million). The commitments are mainly in respect of the purchase of buses and other fixed assets and the development of Manhattan Hill. The commitments are to be financed by borrowings and working capital of the Group.

## **CONTINGENT LIABILITIES**

At 30 June 2007, the Company had undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$2,840.0 million (31 December 2006: HK\$3,160.0 million). The maximum liability of the Company at 30 June 2007 under the guarantees issued was the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK\$2,210.0 million (31 December 2006: HK\$2,343.0 million).

## **EMPLOYEES AND REMUNERATION POLICIES**

Transport operations are labour intensive and staff costs represent a substantial portion of the operating costs of the Group. Hence, the number and remuneration of the employees have been closely monitored by the Group to align with productivity and market trends. At 30 June 2007, the Group had 13,216 employees (2006: 13,541 employees). Total remuneration for the six months ended 30 June 2007 amounted to approximately HK\$1,465.5 million (2006: HK\$1,483.5 million).

## **OUTLOOK**

We anticipate that in the second half of 2007, the Group's franchised public bus business will continue to face tremendous pressure from escalating operating costs, particularly with historically high oil prices and further increases in wages and tunnel toll rates. The fuel costs of KMB and LWB have continued to rise with the prices of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the prices of ultra low sulphur diesel used by our franchised public buses are based. The average price of Gasoil for July and August 2007 rose to US\$84.4 per barrel, an increase of 11.5% compared with that of US\$75.7 per barrel for the first six months of 2007. It should be remembered that the average price of Gasoil for 1997 was US\$24.2 per barrel. In addition, the 2.5% pay increase given to KMB's and LWB's operations staff had become effective on 1 June 2007 and the same increase for their office staff also took effect from 1 September 2007. These increases are expected to further erode the profit margin of the Group's franchised bus operations in the second half of 2007. In light of these adverse factors and trends going forward, we expect that the profits of KMB and LWB for the year ending 31 December 2007 will be lower than those for last year.

Fuel expenses, tunnel tolls and staff costs, which account for about 72% of total operating expenses of our franchised bus operations, are wholly or largely beyond our control. Besides,

we also expect that the rail fare discounts to be offered upon the imminent merger of the two rail companies will have an adverse effect on our patronage. In order to maintain the financial viability and the existing service level of our franchised bus operations, KMB and LWB have submitted applications to the Transport Department of the Government of the Hong Kong Special Administrative Region on 7 September 2007 for a fare increase of 9% and 5.9% respectively. In the meantime, we will continue to monitor our patronage trends and rationalise our franchised bus network and resources as far as practicable to contain our operating costs.

On the brighter side, we expect that the performance of our non-franchised transport operations, in particular the tourist service, will continue to improve along with the intrinsic growth of the Hong Kong economy and the extension of the Individual Visit Scheme to more Mainland cities.

Several phases of the sales campaign for the residential flats of Manhattan Hill have been launched since November 2006. Up to 30 June 2007, about 93% of the total number of residential flats (representing approximately 86% of the total saleable gross floor area (GFA) of Manhattan Hill) had been sold. In light of the current buoyant local property market, we shall devise further sales and marketing plans with a view to maximising the value of the remaining units of Manhattan Hill.

The performance of our joint venture transportation projects in the Mainland cities of Dalian, Beijing, Wuxi and Shenzhen have been suppressed by high oil prices. We will work with our joint venture partners to step up cost control measures and rationalise the bus networks wherever possible. In line with the Group's business diversification strategy, we will continue to explore new business opportunities on the Mainland.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the six months ended 30 June 2007, 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 2007 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 2007. 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](http://www.tih.hk) and the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk). The 2007 interim report will be available at the Company's website and dispatched to shareholders of the Company in late September 2007.

By Order of the Board

**S.Y. CHUNG**  
*Chairman*

Hong Kong, 20 September 2007

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. John CHAN Cho Chak, GBS, JP as Managing Director; Mr. Charles LUI Chung Yuen, M.H., Ms. Winnie NG and Mr. Edmond HO Tat Man 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 and Mr. George CHIEN Yuan Hwei as Non-executive Directors.