載通國際
Transport International

Transport International Holdings Limited

2018 Interim Report

CONTENTS

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 was HK$308.1 million (six months ended 30 June 2017: HK$378.2 million), representing a decrease of HK$70.1 million or 18.5% compared with the corresponding period in 2017. The decrease in profit was mainly due to the increase in fuel costs and staff costs as a result of rising international fuel prices and annual pay rise respectively. Earnings per share for the six months ended 30 June 2018 were HK$0.73 per share (six months ended 30 June 2017: HK$0.92 per share), representing a decrease of HK$0.19 per share compared with the corresponding period in 2017.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.30 per share for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$0.35 per share), totalling HK$129.5 million (six months ended 30 June 2017: HK$146.9 million), be paid to shareholders whose names are on the Register of Members at the close of business on 4 September 2018. The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid ordinary shares in lieu of cash or partly in cash and partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid interim dividend, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders in mid-September 2018.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The interim dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 16 October 2018.

The Register will be closed on 4 September 2018. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 3 September 2018.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNITS

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited ("KMB")

- KMB recorded a profit after taxation of HK$192.5 million for the first half of 2018 (first half of 2017: HK$316.6 million), representing a decrease of HK$124.1 million compared with the corresponding period in 2017.

- Fare revenue for the first half of 2018 was HK$3,357.5 million, an increase of HK$7.8 million or 0.2% compared with HK$3,349.7 million for the corresponding period in 2017. The increase was mainly attributable to patronage growth. Advertising revenue for the first half of 2018 increased by HK$8.1 million to HK$95.4 million from HK$87.3 million for the first half of 2017.

- Total operating expenses for the first half of 2018 amounted to HK$3,263.0 million, an increase of HK$148.5 million or 4.8% compared with HK$3,114.5 million for the corresponding period in 2017. During the period under review, fuel and oil costs increased by HK$85.4 million as a result of the rise in international fuel prices. Staff costs also increased due to the annual pay rise.

- As at 30 June 2018, KMB operated a total of 405 routes (31 December 2017: 397 routes) covering Kowloon, the New Territories and Hong Kong Island. 147 Octopus Bus-bus Interchange ("BBI") schemes covering 394 bus routes operated both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes not only provide fare discounts to passengers on the second leg of journeys and broaden KMB's network coverage without the need to operate extra buses, but they also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.

- During the first half of 2018, a total of 253 Euro V and one Euro VI super-low floor double-deck buses, and two supercapacitor super-low floor single-deck buses, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2018, KMB operated 4,011 buses (31 December 2017: 3,972 buses), comprising 3,864 double-deck and 147 single-deck buses. In addition, a total of 206 new Euro V and one Euro VI double-deck buses and two supercapacitor single-deck buses were awaiting licensing or delivery in the second half of 2018.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2018 was HK$16.5 million, representing a decrease of HK$1.6 million compared with HK$18.1 million for the first half of 2017.

- Fare revenue for the first half of 2018 increased by HK$14.6 million or 5.8% to HK$267.6 million compared with HK$253.0 million for the corresponding period in 2017. The increase was mainly due to a growth in ridership of 4.3%, and an increase in the average fare by 1.5% as a result of increasing transport demand following the enhancement in A-route services.

- Total operating expenses for the first half of 2018 amounted to HK$250.9 million, an increase of HK$17.1 million or 7.3% compared with HK$233.8 million for the corresponding period in 2017. The increase was primarily due to the rise in staff costs as a result of annual pay rise. In addition, fuel and oil costs increased mainly due to the rise in international fuel prices.

- As at 30 June 2018, LWB had 25 BBI schemes covering 26 regular bus routes, operating both within LWB's bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- In the first half of 2018, LWB introduced three new Euro V super-low floor double-deck buses to its fleet. As at 30 June 2018, LWB operated 33 regular routes with a fleet of 246 super-low floor double-deck buses and four super-low floor single-deck electric buses. In addition, a total of 29 new Euro V double-deck buses were awaiting licensing.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$26.8 million for the first half of 2018, representing a decrease of HK$0.8 million compared with HK$27.6 million for the corresponding period in 2017. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its subsidiaries (the "SBH Group")

- The SBH Group is a leading non-franchised bus operator in Hong Kong, providing customised, premium, safe, reliable, and value-for-money transport services to a wide range of customers, including large residential estates, shopping malls, major employers, travel agents and schools, as well as the general public through chartered hire services.

- The revenue of the SBH Group for the first half of 2018 increased by 4.5% compared with the corresponding period in 2017 mainly due to business growth. Total operating expenses for the period under review increased as a result of the rise in operating costs associated with the increase in fuel and staff costs.

- As at 30 June 2018, the SBH Group had a fleet of 390 licensed buses (31 December 2017: 386 buses). During the first half of 2018, 24 new coaches were purchased for fleet replacement and service enhancement purposes.

New Hong Kong Bus Company Limited ("NHKB")

- NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and leisure travellers between Lok Ma Chau and Huanggang (皇崗) in Shenzhen.

- The revenue of NHKB for the first half of 2018 increased by 7.3% compared with the corresponding period in 2017. NHKB's total patronage for the first half of 2018 increased by 8.3% to 2.36 million passenger trips (an average monthly ridership of 392,700 passenger trips) from 2.18 million passenger trips (an average monthly ridership of 364,200 passenger trips) for the corresponding period last year.

- As at 30 June 2018, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2017.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$27.1 million for the first half of 2018, representing a decrease of HK$1.9 million or 6.6% compared with HK$29.0 million for the corresponding period in 2017. Revenue decreased by HK$3.4 million or 9.0% from HK$37.7 million for the first half of 2017 to HK$34.3 million for the first half of 2018. A review of the Group's investment properties is set out as follows:

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2018, most of the lettable area of the shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring income for the Group.

- As at 30 June 2018, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$79.1 million (31 December 2017: HK$80.5 million).

LCK Real Estate Limited ("LCKRE")

- LCKRE, a wholly-owned subsidiary of the Company, owns the 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet for office use and rental purposes. A portion of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to shops, offices and restaurants.

- As at 30 June 2018, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$28.4 million (31 December 2017: HK$29.6 million).

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), are owners as tenants in common in equal shares of the industrial site situated at No. 98 How Ming Street, Kowloon, Hong Kong, which is delineated as Kwun Tong Inland Lot No. 240 ("Kwun Tong Site").

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

- On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK$4,305.0 million. 50% of such land premium, which amounted to HK$2,152.5 million, was borne by KTRE.

- As at 30 June 2018, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position), which was stated at cost, amounted to HK$2,245.4 million (31 December 2017: HK$2,222.2 million).

TM Properties Investment Limited ("TMPI")

- TMPI, a wholly-owned subsidiary of the Company, owns the industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, has been leased out to generate rental income for the Group since March 2011.

- As at 30 June 2018, the carrying value of the industrial property (classified under investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$2.0 million (31 December 2017: HK$2.2 million).

China Mainland Transport Operations

As at 30 June 2018, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$620.9 million (31 December 2017: HK$624.8 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. For the first half of 2018, the Group's China Mainland Transport Operations Division reported an after-tax profit of HK$4.5 million compared to an after-tax loss of HK$36.9 million for the corresponding period in 2017.

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SZBG")

- SZBG, which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Company and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus and taxi services in Shenzhen City. SZBG recorded a profit in the first half of 2018 as opposed to a loss for the corresponding period in 2017, as government subsidies were granted earlier in 2018. As at 30 June 2018, it had 4,925 taxis (including 850 electric taxis, which are operated by an associate) and 6,045 buses serving some 351 routes.

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT")

- BBKT, a Sino-foreign joint stock company, was established in Beijing in 2003. The Group has invested RMB80.0 million (equivalent to HK$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus on the business opportunities in the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司). As at 30 June 2018, BBKT had a fleet of 3,850 taxis and recorded a loss in the first half of 2018.

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

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF had 1,151 vehicles available for hire as at 30 June 2018 and recorded a profit in the first half of 2018.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2018, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK$9,567.2 million (31 December 2017: HK$9,261.5 million), none of which was pledged or charged.

During the first half of 2018, the Group incurred capital expenditure of HK$751.9 million (six months ended 30 June 2017: HK$412.2 million), which was mainly used for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and financial resources

The Group closely monitors its liquidity requirements and financial resources to ensure that a healthy financial position is maintained so that cash inflows from operating activities together with the Group's reserves of cash and liquid assets and undrawn committed banking facilities are sufficient to meet daily operational needs, loan repayments and capital expenditure as well as potential business expansion and development. The Group's operations are mainly financed by shareholders' funds and bank loans.

As at 30 June 2018, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,400.7 million (31 December 2017: HK$1,120.5 million). The details of the Group's net cash/net borrowings position by currency are set out below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans HK$ million	Net cash/ (Net borrowings) HK$ million
At 30 June 2018				
Hong Kong dollars		**852.0**	**(2,521.5)**	**(1,669.5)**
Renminbi	**9.1**	**11.6**	**—**	**11.6**
United States dollars	**25.0**	**196.2**	**—**	**196.2**
British Pounds Sterling	**5.0**	**52.1**	**—**	**52.1**
Other currencies		**8.9**	**—**	**8.9**
Total		**1,120.8**	**(2,521.5)**	**(1,400.7)**
At 31 December 2017				
Hong Kong dollars		856.6	(2,353.3)	(1,496.7)
Renminbi	8.3	10.0	—	10.0
United States dollars	35.0	273.6	—	273.6
British Pounds Sterling	7.9	83.8	—	83.8
Other currencies		8.8	—	8.8
Total		1,232.8	(2,353.3)	(1,120.5)

As at 30 June 2018, bank loans, all unsecured, amounted to HK$2,521.5 million (31 December 2017: HK$2,353.3 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Within 1 year	**44.7**	—
After 1 year but within 2 years	**—**	74.5
After 2 years but within 5 years	**2,476.8**	2,278.8
	2,521.5	2,353.3

As at 30 June 2018, the Group had undrawn committed banking facilities totalling HK$2,600.0 million (31 December 2017: HK$2,800.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2018 were HK$9.4 million, a decrease of HK$4.9 million compared with HK$14.3 million for the six months ended 30 June 2017. The decrease was mainly due to the decrease in average bank borrowings but was partially offset by increase in average interest rate in respect of the Group's borrowings from 1.73% per annum for the six months ended 30 June 2017 to 1.83% per annum for the six months ended 30 June 2018.

As at 30 June 2018, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$1,120.8 million (31 December 2017: HK$1,232.8 million).

FUNDING AND TREASURY POLICIES

In general, the Group's major operating companies arrange their own financing to meet their operational and specific needs. The Group's other subsidiaries are mainly financed from the capital base of their parent company. The Group reviews its funding policy from time to time to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary.

The impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be equally as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long term. Therefore the Group did not enter into any fuel oil swap contract during the period under review. Alternatively, the Group has entered into contracts with two diesel suppliers for the supply of diesel for a term of three years commencing from 1 January 2016. A price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these contracts. During 2017, the Group entered into further contracts with a similar arrangement with two diesel suppliers for the supply of diesel until the end of 2019. Management will continue to closely monitor fuel price movements and constantly review its strategy on fuel price risk management in the light of prevailing market conditions.

The Group is exposed to foreign currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a foreign currency. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP), United States dollars (USD) and Renminbi (RMB). In respect of its exposure in GBP used for bus purchases, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate.

The Group closely monitors market conditions and devises suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps are used when appropriate. As at 30 June 2018, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions.

CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2018 amounted to HK$694.9 million (31 December 2017: HK$1,188.5 million). These commitments were mainly in respect of the purchases of buses and other motor vehicles, which are to be financed by borrowings and from the Group's working capital.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2018, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$1,911.6 million (first half of 2017: HK$1,856.7 million), accounting for about 52% of the total operating costs of the Group. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. Employee compensation, including salaries and retirement and medical benefits, is determined based on the principles of performance, fairness, transparency and market competitiveness. As at 30 June 2018, the Group employed over 12,700 employees (31 December 2017: over 13,000 employees).

OUTLOOK

Franchised Public Bus Operations

After obtaining a new ten-year franchise in 2017, KMB has continued to make innovations in terms of operations and customer service. The introduction of a Monthly Pass in early 2018 was a significant breakthrough as passengers can travel across the territory on our network of nearly 400 routes, enjoying flexible and convenient point-to-point bus services. KMB is set to explore different fare concession schemes to provide economical options for our customers. The unprecedented inter-modal interchange concession schemes with Hong Kong Tramways Limited and AMS Public Transport Holdings Limited launched last year have been well received. These two mutually beneficial schemes have been extended to reach even more passengers.

With a commitment to upgrading its service quality, LWB has further developed its new express overnight bus routes providing passengers from various districts in the New Territories with a direct connection to the Airport, as well as offering convenience to passengers working late or enjoying an evening out. Various new concession schemes have been launched, including the "Pre-paid Group Discount Tickets" scheme, specially designed for holidays and festive periods. With the opening of the Hong Kong-Zhuhai-Macau Bridge, LWB is ready to expand its A-route network to cater for the newly generated demand. LWB has also taken the initiative to leverage the increasing importance of AsiaWorld-Expo and Hong Kong Disneyland as major event hubs by operating special bus routes to meet participants' needs for a reliable and efficient bus service.

Both KMB and LWB have been innovative in achieving their vision of a customer-oriented service. Wi-Fi and USB chargers have become standard features on buses, while tests of on-board upper-deck vacant seat displays to save passengers unnecessary trips upstairs have been conducted. The estimated time of arrival system on App1933 has been strengthened by indicating the occupancy of the next bus. Sustained efforts will be made in upgrading the facilities at bus terminus and bus stops.

Safeguarding passenger safety is our core concern. Technology has been further utilized by introducing a number of advanced safety features in buses, including an anti-drowsiness system for bus captains, an automatic speed limitation system and an electronic stability program. Seat belts, CCTV cameras and hot air demisters will be installed in all new buses.

To build an emission-free future, KMB and LWB continue to trial electric buses and supercapacitor-powered buses, while examining the feasibility of introducing electric double-deck buses to Hong Kong and other clean energy solutions. As electronic payment systems become more mature and popular, KMB and LWB will study the introduction of new payment means to offer passengers more options.

Looking ahead, the operating environment of the franchised bus business is challenging. International fuel prices have rebounded to a high level while the tight local labour market has led to a steep rise in staff costs. Continued rail network expansion, in particular the soon to be opened Shatin-Central Link, and worsening traffic congestion has further undermined the competitiveness of bus services. The Group seeks to improve operational efficiency and achieve better use of resources through further bus route rationalisation and expansion of its service network, as well as by leveraging business opportunities presented by the planned development of new towns in the northern New Territories, including Hung Shui Kiu, and land reclamation off Tung Chung East. However, given the present tough operating conditions, the Group is exploring means to improve fare revenue so that it can continue to improve its service quality and sustain its financial health.

Non-franchised Businesses

The SBH Group has upgraded its new buses, with Wi-Fi and USB chargers being standard facilities, while the estimated time of arrival system has been installed on some routes. SBH will improve its service quality through wider application of technology and will continue to explore viable business opportunities arising from major developments, including the opening of the Hong Kong-Zhuhai-Macau Bridge.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into a large-scale commercial and retail complex. The initial stage of foundation laying work has started and the development is expected to generate additional rental income for the Group in the years ahead.

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

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 16 August 2018

SUPPLEMENTARY INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details since the date of the 2017 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

Dr John CHAN Cho Chak* GBS, JP, DBA(Hon), DSocSc(Hon), BA, DipMS, CCMI, FCILT, FHKIoD
Dr Chan has been elected as a member of the Board of Directors of The Community Chest of Hong Kong, and appointed as a member of the Executive Committee of the same organization with effect from 26 June 2018.

LEE Luen Fai^ JP, BA
Mr Lee was appointed as a Justice of the Peace with effect from 1 July 2018.

(Independent Non-executive Director)*
(^ Non-executive Director)

Other than the information disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

載通國際
Transport International

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office as at 30 June 2018 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO:

I. Interests in Issued Shares

a) *The Company*

	Ordinary shares of HK$1 each						
	Personal interests	Family interests	Corporate interests	Trustee interests	Other interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—	—
Dr John CHAN Cho Chak*	2,000	—	—	—	—	2,000	—
Raymond KWOK Ping Luen	454,967 *(note 1)*	—	—	—	—	454,967	0.105%
NG Siu Chan	—	23,796,260	—	—	—	23,796,260	5.513%
William LOUEY Lai Kuen	6,940,723	—	—	—	24,329,775 *(note 2)*	31,270,498	7.245%
Charles LUI Chung Yuen	13,829	—	—	2,911,146 *(note 3)*	—	2,924,975	0.678%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	—	—	23,796,260 *(note 4)*	—	23,977,676	5.555%
Dr Eric LI Ka Cheung*	—	—	—	—	—	—	—
Professor LIU Pak Wai*	—	—	—	—	—	—	—
Allen FUNG Yuk Lun	—	—	—	—	—	—	—
Roger LEE Chak Cheong (Managing Director)	114,321	—	—	—	—	114,321	0.026%
TSANG Wai Hung*	—	—	—	—	—	—	—
Dr CHEUNG Wing Yui	—	—	—	—	—	—	—
LEE Luen Fai	—	30,000	—	—	—	30,000	0.007%
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	—	—	—	—	—	—	—
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	—	—	—	—	—	—	—

* *Independent Non-executive Director*

Notes:

1. Of these shares in the Company, Mr Raymond Kwok Ping Luen held 451,354 shares jointly with his spouse.

2. Mr William Louey Lai Kuen, Ms Phyllis Louey and Ms Carol Wilma Louey entered into a shareholders voting agreement and together have interests in 31,270,498 shares of the Company.

3. Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 2,911,146 shares in the Company.

4. Ms Winnie Ng had an interest in 23,796,260 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 30 June 2018, none of the Directors had any non-beneficial interest in the share capital of the Company.

II. Interests in Underlying Shares

Apart from the foregoing, none of the Directors or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors' interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

On 26 May 2016, the Company adopted a Share Option Scheme (the "Scheme"). Under the Scheme, the Board of Directors of the Company shall be entitled at any time within ten years commencing on 26 May 2016 to make an offer for the grant of a share option of the Company to any employees, including executive directors of the Company and its subsidiaries, as the Board may in its absolute discretion select. The options cannot be exercised under the Scheme before the first anniversary of the date of grant.

During the six months ended 30 June 2018, no share options were granted under the Share Option Scheme. Particulars of the outstanding share options granted under the Share Option Scheme and the movements during the six months ended 30 June 2018 were as follows:

	Number of share option						
	Balance as at 1 January 2018	**Forfeited during the period**	**Balance as at 30 June 2018**	**Date granted**	**Period during which options are exercisable**	**Exercise price per share**	**Market value per share at date of grant of options***
Director							
Roger LEE Chak Cheong	860,000	—	860,000	31 October 2016	31 October 2017 to 30 October 2021 *(Note)*	HK$23.45	HK$23.45
Employees	3,440,000	(540,000)	2,900,000	31 October 2016	31 October 2017 to 30 October 2021 *(Note)*	HK$23.45	HK$23.45

* *being the closing price of the Company's ordinary shares on the date of grant.*

Note:

The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

Save as disclosed above, there were no outstanding share options granted under the Scheme during the six months ended 30 June 2018.

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 17 to the interim financial report, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Dr Norman Leung Nai Pang, Dr Eric Li Ka Cheung, Mr Raymond Kwok Ping Luen and Mr Allen Fung Yuk Lun are directors of SHKP; Mr Allen Fung Yuk Lun and Dr Cheung Wing Yui are directors of Sun Hung Kai Properties Insurance Limited; and Mr Lee Luen Fai is director of Park Island Transport Company Limited, an indirect wholly-owned subsidiary of SHKP. Mr Raymond Kwok Ping Luen is materially interested in these transactions by virtue of his deemed interest under Part XV of the Securities and Futures Ordinance in more than 5% of the issued shares of SHKP.

Save as disclosed above, no contract of significance to which the Company, its subsidiaries or fellow subsidiaries were a party and in which a Director of the Company had a material interest, subsisted at 30 June 2018 or at any time during the six months ended 30 June 2018.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, were as follows:

	Ordinary shares of HK$1 each			
	Registered shareholders	**Corporate interests**	**Total number of shares held**	**Percentage of total issued shares**
Sun Hung Kai Properties Limited *(Notes 1 and 2)*	—	161,248,227	161,248,227	37.4%
Arklake Limited *(Note 1)*	88,321,018	—	88,321,018	20.5%
Hung Fat (Hop Kee) General Contractors Limited *(Note 1)*	26,771,544	—	26,771,544	6.2%
Wister Investment Limited *(Note 1)*	23,749,114	—	23,749,114	5.5%
HSBC International Trustee Limited	37,805,269	—	37,805,269	8.8%
Kwong Tai Holdings (PTC) Limited *(Note 3)*	23,796,260	—	23,796,260	5.5%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 138,841,676 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.

2. Under The Code on Takeovers and Mergers (the "Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until ten years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rule 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rule 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of ten years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.

3. The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 23,796,260 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

ISSUE OF SHARES

On 29 June 2018, the Company issued 9,171,689 shares in lieu of the final dividend for the year ended 31 December 2017 at an issue price of HK$22.95 per share under the scrip dividend scheme as set out in the circular of the Company dated 1 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 29 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules during the interim period under review, and, following specific enquiry by the Company, it is noted that all Directors complied with the required standard of dealings set out therein.

CORPORATE GOVERNANCE

The Company complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules in the six months ended 30 June 2018, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 17 May 2018 as provided for in code provision A.6.7 due to other engagement.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2018 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, by the Company's external auditors, KPMG, whose review report is set out on page 47 of this interim report.

The Audit and Risk Management Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2018.

載通國際
Transport International

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018	2017 *(Note)*
		$'million	$'million
Continuing operations			
Revenue	3 & 4	**3,932.6**	3,904.2
Other income	5	**87.1**	96.5
Staff costs	6(b)	**(2,012.7)**	(1,930.2)
Depreciation and amortisation		**(445.5)**	(437.3)
Fuel and oil		**(483.9)**	(389.2)
Spare parts and stores		**(120.2)**	(119.3)
Toll charges		**(228.8)**	(228.3)
Other operating expenses		**(363.2)**	(386.4)
Profit from operations		**365.4**	510.0
Finance costs	6(a)	**(9.4)**	(14.3)
Share of profit/(losses) of associates		**5.2**	(36.9)
Profit before taxation	6	**361.2**	458.8
Income tax	7	**(53.1)**	(75.2)
Profit for the period from continuing operations		**308.1**	383.6
Discontinued operations			
Loss for the period from discontinued operations	18	**—**	(11.9)
Profit for the period		**308.1**	371.7
Attributable to:			
Equity shareholders of the Company		**308.1**	378.2
Non-controlling interests		**—**	(6.5)
Profit for the period		**308.1**	371.7

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018	2017 *(Note)*
		$'million	$'million
Profit/(loss) attributable to equity shareholders of the Company arises from:			
— Continuing operations		**308.1**	386.2
— Discontinued operations		**—**	(8.0)
		308.1	378.2
Earnings/(loss) per share from continuing and discontinued operations attributable to equity shareholders of the Company for the period	8		
Basic and diluted			
From continuing operations		**$0.73**	$0.94
From discontinued operations		**—**	(0.02)
From profit for the period		**$0.73**	$0.92

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report. Details of dividends paid and payable to equity shareholders of the Company are set out in note 9.

載通國際
Transport International

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017 *(Note)*
	$'million	$'million
Profit for the period	**308.1**	371.7
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
— equity investment at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	**6.5**	—
Items that may be reclassified subsequently to profit or loss:		
— exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	**(8.9)**	23.0
— available-for-sale debt securities: net movement in fair value reserve (recycling)	**(35.0)**	8.5
Other comprehensive income for the period	**(37.4)**	31.5
Total comprehensive income for the period	**270.7**	403.2
Attributable to:		
Equity shareholders of the Company	**270.7**	409.7
Non-controlling interests	**—**	(6.5)
Total comprehensive income for the period	**270.7**	403.2
Total comprehensive income attributable to equity shareholders of the Company arises from:		
— Continuing operations	**270.7**	417.2
— Discontinued operations	**—**	(7.5)
	270.7	409.7

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018** **$'million**	At 31 December 2017 *(Note)* $'million
Non-current assets			
Investment properties		**106.8**	109.4
Investment property under development		**2,245.4**	2,222.2
Interest in leasehold land		**58.3**	59.4
Other property, plant and equipment	10	**7,156.7**	6,870.5
		9,567.2	9,261.5
Intangible assets		**359.2**	132.1
Goodwill		**84.1**	84.1
Interest in associates		**620.9**	624.8
Other financial assets	11	**1,940.1**	1,493.3
Employee benefit assets		**1,252.8**	1,286.7
Deferred tax assets		**0.6**	0.6
		13,824.9	12,883.1
Current assets			
Spare parts and stores		**74.6**	56.0
Accounts receivable	12	**402.1**	459.6
Deposits and prepayments		**63.1**	22.0
Current tax recoverable		**1.9**	2.6
Pledged and restricted bank deposits		**6.7**	28.0
Bank deposits and cash	13	**1,114.1**	1,204.8
		1,662.5	1,773.0
Current liabilities			
Accounts payable and accruals	14	**1,187.1**	1,138.8
Contingency provision — insurance		**184.2**	188.0
Bank loans		**44.7**	—
Current tax payable		**14.5**	7.8
		1,430.5	1,334.6

載通國際
Transport International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	At 30 June 2018	At 31 December 2017 *(Note)*
	$'million	$'million
Net current assets	**232.0**	438.4
Total assets less current liabilities	**14,056.9**	13,321.5
Non-current liabilities		
Bank loans	**2,476.8**	2,353.3
Deferred tax liabilities	**1,176.3**	1,135.8
Contingency provision — insurance	**281.9**	285.4
Provision for long service payments	**1.1**	4.1
	3,936.1	3,778.6
NET ASSETS	**10,120.8**	9,542.9
Capital and reserves		
Share capital	**431.6**	422.5
Reserves	**9,689.2**	9,120.4
TOTAL EQUITY	**10,120.8**	9,542.9

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

Approved and authorised for issue by the Board of Directors on 16 August 2018

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 25 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'million	Share premium $'million	Capital reserve $'million	Other reserves $'million	Exchange reserve $'million	Fair value reserve (recycling) $'million	Fair value reserve (non-recycling) $'million	Retained profits $'million	Total $'million	Non-controlling interests $'million	Total equity $'million
Balance at 1 January 2017		411.7	162.8	1.0	1,102.6	93.0	8.6	—	6,046.1	7,825.8	145.7	7,971.5
Changes in equity for the six months ended 30 June 2017:												
Profit/(loss) for the period		—	—	—	—	—	—	—	378.2	378.2	(6.5)	371.7
Other comprehensive income		—	—	—	—	23.0	8.5	—	—	31.5	—	31.5
Total comprehensive income		—	—	—	—	23.0	8.5	—	378.2	409.7	(6.5)	403.2
Shares issued in respect of scrip dividend — 2016 final dividend	9(a)(ii)	7.9	193.7	—	—	—	—	—	—	201.6	—	201.6
Equity-settled share-based transactions	9(b)	—	—	2.4	—	—	—	—	—	2.4	—	2.4
Dividends approved in respect of the previous year	9(a)(ii)	—	—	—	—	—	—	—	(370.5)	(370.5)	—	(370.5)
		7.9	193.7	2.4	—	—	—	—	(370.5)	(166.5)	—	(166.5)
Balance at 30 June 2017 and 1 July 2017		419.6	356.5	3.4	1,102.6	116.0	17.1	—	6,053.8	8,069.0	139.2	8,208.2
Changes in equity for the six months ended 31 December 2017:												
Profit for the period		—	—	—	—	—	—	—	916.6	916.6	0.4	917.0
Other comprehensive income		—	—	—	—	26.5	(15.2)	—	628.6	639.9	—	639.9
Total comprehensive income		—	—	—	—	26.5	(15.2)	—	1,545.2	1,556.5	0.4	1,556.9
Shares issued in respect of scrip dividend — 2017 interim dividend	9(a)(i)	2.8	68.0	—	—	—	—	—	—	70.8	—	70.8
Issuance of shares upon exercise of share options		0.1	1.3	(0.1)	—	—	—	—	—	1.3	—	1.3
Equity-settled share-based transactions	9(b)	—	—	1.7	—	—	—	—	—	1.7	—	1.7
Dividends approved in respect of the current period	9(a)(i)	—	—	—	—	—	—	—	(146.9)	(146.9)	—	(146.9)
Release of exchange reserve upon disposal of subsidiaries		—	—	—	—	(9.5)	—	—	—	(9.5)	—	(9.5)
Disposal of interest in subsidiaries to non-controlling interest		—	—	—	—	—	—	—	—	—	(139.6)	(139.6)
		2.9	69.3	1.6	—	(9.5)	—	—	(146.9)	(82.6)	(139.6)	(222.2)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'million	Share premium $'million	Capital reserve $'million	Other reserves $'million	Exchange reserve $'million	Fair value reserve (recycling) $'million	Fair value reserve (non-recycling) $'million	Retained profits $'million	Total $'million	Non-controlling interests $'million	Total equity $'million
Balance at 31 December 2017 (note)		422.5	425.8	5.0	1,102.6	133.0	1.9	—	7,452.1	9,542.9	—	9,542.9
Impact on initial application of HKFRS 9	2	—	—	—	—	—	—	476.1	—	476.1	—	476.1
Adjusted balance at 1 January 2018		422.5	425.8	5.0	1,102.6	133.0	1.9	476.1	7,452.1	10,019.0	—	10,019.0
Changes in equity for the six months ended 30 June 2018:												
Profit for the period		—	—	—	—	—	—	—	308.1	308.1	—	308.1
Other comprehensive income		—	—	—	—	(8.9)	(35.0)	6.5	—	(37.4)	—	(37.4)
Total comprehensive income		—	—	—	—	(8.9)	(35.0)	6.5	308.1	270.7	—	270.7
Shares issued in respect of scrip dividend — 2017 final dividend	9(a)(ii)	9.1	201.3	—	—	—	—	—	—	210.4	—	210.4
Equity-settled share-based transactions	9(b)	—	—	0.9	—	—	—	—	—	0.9	—	0.9
Dividends approved in respect of the previous year	9(a)(ii)	—	—	—	—	—	—	—	(380.2)	(380.2)	—	(380.2)
		9.1	201.3	0.9	—	—	—	—	(380.2)	(168.9)	—	(168.9)
Balance at 30 June 2018		431.6	627.1	5.9	1,102.6	124.1	(33.1)	482.6	7,380.0	10,120.8	—	10,120.8

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017 *(Note)*
	$'million	$'million
Operating activities		
Cash generated from operations	**811.0**	843.3
Tax paid		
— Hong Kong Profits Tax	**(4.9)**	(0.6)
— Income tax in the People's Republic of China (the "PRC")	**—**	(0.3)
Net cash generated from operating activities	**806.1**	842.4
Investing activities		
Decrease/(increase) in pledged and restricted bank deposits	**21.3**	(4.6)
Increase in bank deposits with original maturities of over three months	**(565.0)**	(30.6)
Payment for the purchase of investment properties	**(0.2)**	(0.6)
Payment for the purchase of investment property under development	**(9.8)**	(0.8)
Payment for the purchase of other property, plant and equipment	**(731.3)**	(396.7)
Payment for the purchase of intangible assets	**(176.8)**	—
Payment for the purchase of available-for-sale debt securities	**—**	(299.9)
Receipt of government grant for the purchase of other property, plant and equipment	**6.2**	—
Receipt of government grant for the disposal of other property, plant and equipment	**1.3**	0.2
Proceeds on maturity of available-for-sale debt securities	**—**	94.7
Proceeds from disposal of other property, plant and equipment	**7.1**	5.6
Finance costs paid and capitalised into investment property under development	**(13.5)**	(9.5)
Net cash used in investing activities	**(1,460.7)**	(642.2)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2018** $'million	2017 *(Note)* $'million
Financing activities			
Proceeds from new bank loans		**780.0**	575.0
Repayment of bank loans		**(610.0)**	(975.0)
Dividends paid to equity shareholders of the Company		**(169.7)**	(168.9)
Net cash generated from/(used in) financing activities		**0.3**	(568.9)
Net decrease in cash and cash equivalents		**(654.3)**	(368.7)
Cash and cash equivalents at 1 January		**1,204.8**	700.9
Effect of foreign exchange rate changes		**(1.4)**	9.3
Cash and cash equivalents at 30 June		**549.1**	341.5
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the consolidated statement of financial position	13	**1,114.1**	615.4
Less: bank deposits with original maturities of over three months		**(565.0)**	(273.9)
Cash and cash equivalents in the condensed consolidated cash flow statement		**549.1**	341.5

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 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, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 47. This interim financial report has also been reviewed by the Audit and Risk Management Committee of the Company.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

(a) Overview

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

— HKFRS 9, *Financial instruments*

Except for the above, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets. Details of the changes in accounting policies are discussed in note 2(b).

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

	At 31 December 2017	Impact on initial application of HKFRS 9 *(Note 2(b))*	**At 1 January 2018**
	$'million	$'million	**$'million**
Other financial assets — non-current portion	1,493.3	476.1	**1,969.4**
Total non-current assets	12,883.1	476.1	**13,359.2**
Total assets less current liabilities	13,321.5	476.1	**13,797.6**
Net assets	9,542.9	476.1	**10,019.0**
Reserves	9,120.4	476.1	**9,596.5**
Total equity	9,542.9	476.1	**10,019.0**

Further details of these changes are set out in sub-section (b) of this note.

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	$'million
Fair value reserve (non-recycling)	
Recognition of fair value reserve relating to equity securities (previously measured at cost less impairment losses now measured at FVOCI (non-recycling) at 1 January 2018)	**476.1**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, ***Financial instruments*** *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, ***Financial instruments*** *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 $'million	Reclassification $'million	Remeasurement $'million	**HKFRS 9 carrying amount at 1 January 2018 $'million**
Financial assets carried at cost				
Other financial assets — unlisted equity securities *(note (i))*	15.4	(15.4)	—	**—**
Financial assets measured at FVOCI (non-recyclable)				
Other financial assets — unlisted equity securities *(note (i))*	—	15.4	476.1	**491.5**
Financial assets classified as available-for-sale under HKAS 39 *(note (ii))*	1,477.9	(1,477.9)	—	**—**
Financial assets measured at FVOCI (recyclable)				
Other financial assets — available-for-sale debt securities listed outside Hong Kong *(note (ii))*	—	1,477.9	—	**1,477.9**
Financial assets carried at FVPL				
Other derivative assets *(note (iii))*	0.3	—	—	**0.3**

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated these unlisted equity securities at FVOCI (non-recycling) as the investment is held for strategic purpose.

(ii) Under HKAS 39, debt securities were classified as available-for-sale financial assets. They are classified as FVOCI (recycling) under HKFRS 9.

(iii) Derivative financial assets were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, ***Financial instruments*** *(continued)*

(ii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

3 Segment reporting

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments:

Franchised bus operation	:	The provision of franchised public transport services in Hong Kong.
Property holdings and development	:	The holding and development of non-residential property for the use as investment property.
Discontinued operations	:	The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.
All other segments	:	The provision of non-franchised public transport service, provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen) and investment holding.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

3 Segment reporting *(continued)*

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the period is set out below:

	Franchised bus operation Six months ended 30 June		Property holdings and development Six months ended 30 June		All other segments Six months ended 30 June		Continuing operations sub-total Six months ended 30 June		Discontinued operations Six months ended 30 June		Total Six months ended 30 June	
	2018 $'million	2017 $'million	**2018 $'million**	2017 $'million	**2018 $'million**	2017 $'million	**2018 $'million**	2017 $'million	**2018 $'million**	2017 $'million	**2018 $'million**	2017 $'million
Revenue from external customers	**3,723.1**	3,609.1	**34.3**	37.7	**175.2**	174.0	**3,932.6**	3,820.8	**—**	163.4	**3,932.6**	3,984.2
Revenue from discontinued operations	**—**	83.4	**—**	—	**—**	—	**—**	83.4	**—**	—	**—**	83.4
Inter-segment revenue	**0.3**	0.2	**2.6**	3.9	**5.9**	4.9	**8.8**	9.0	**—**	—	**8.8**	9.0
Reportable segment revenue	**3,723.4**	3,692.7	**36.9**	41.6	**181.1**	178.9	**3,941.4**	3,913.2	**—**	163.4	**3,941.4**	4,076.6
Reportable segment profit/(loss)	**209.0**	334.7	**27.1**	29.0	**29.9**	(10.9)	**266.0**	352.8	**—**	(11.9)	**266.0**	340.9
As at 30 June/31 December												
Reportable segment assets	**8,777.1**	8,540.0	**2,366.4**	2,350.8	**1,577.6**	1,339.4	**12,721.1**	12,230.2	**—**	—	**12,721.1**	12,230.2
Reportable segment liabilities	**3,606.2**	3,443.4	**1,527.1**	1,527.9	**173.2**	108.2	**5,306.5**	5,079.5	**—**	—	**5,306.5**	5,079.5

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to prices charged to external parties for similar transactions.

3 Segment reporting *(continued)*

(b) Reconciliation of reportable segment revenue and profit

	Six months ended 30 June	
	2018	2017
	$'million	$'million
Revenue		
Reportable segment revenue		
— Continuing operations	**3,760.3**	3,734.3
— Discontinued operations	**—**	163.4
Revenue from all other segments		
— Continuing operations	**181.1**	178.9
Elimination of inter-segment revenue		
— Continuing operations	**(8.8)**	(9.0)
Consolidated revenue	**3,932.6**	4,067.6
Profit		
Reportable segment profit/(loss)		
— Continuing operations	**236.1**	363.7
— Discontinued operations	**—**	(11.9)
Profit/(loss) from all other segments		
— Continuing operations	**29.9**	(10.9)
Unallocated profits		
— Continuing operations	**42.1**	30.8
Consolidated profit for the period	**308.1**	371.7

4 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

The amount of each significant category of revenue is as follows:

	Six months ended 30 June		
	2018	2017	
		Continuing operations	Discontinued operations
	$'million	$'million	$'million
Fare revenue from franchised public bus services	**3,625.1**	3,602.7	—
Revenue from non-franchised transport services	**177.2**	175.0	—
Licence fee income	**86.5**	83.4	—
Media sales revenue	**9.5**	5.3	163.4
Gross rentals from investment properties	**34.3**	37.8	—
	3,932.6	3,904.2	163.4

5 Other income

	Six months ended 30 June		
	2018	2017	
		Continuing operations	Discontinued operations
	$'million	$'million	$'million
Interest income	**38.6**	30.4	3.0
Claims received	**17.6**	19.8	—
Net miscellaneous business receipts	**5.4**	3.6	—
Net gain on disposal of other property, plant and equipment	**6.5**	1.6	2.0
Government subsidies	**—**	0.2	—
Net foreign exchange gain	**7.2**	8.5	5.2
Sundry revenue	**11.8**	32.4	0.4
	87.1	96.5	10.6

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June		
	2018	2017	
		Continuing operations	Discontinued operations
	$'million	$'million	$'million
(a) Finance costs			
Interest expenses	**22.9**	23.8	—
Less: interest expense capitalised into investment property under development	**(13.5)**	(9.5)	—
	9.4	14.3	—
(b) Staff costs			
Defined benefit retirement plan expense	**33.8**	41.7	—
Contributions to defined contribution retirement plan	**66.3**	60.6	0.7
Movements in provision for long service payments	**0.1**	0.1	—
Total retirement cost	**100.2**	102.4	0.7
Equity-settled share-based payment expenses	**0.9**	2.4	—
Salaries, wages and other benefits	**1,911.6**	1,825.4	31.3
	2,012.7	1,930.2	32.0

7 Income tax

	Six months ended 30 June		
	2018	2017	
		Continuing operations	Discontinued operations
	$'million	$'million	$'million
Current tax — Hong Kong Profits Tax			
Provision for the period	**12.3**	57.3	0.2
PRC withholding tax	**0.2**	0.9	0.3
	12.5	58.2	0.5
Deferred tax			
Origination and reversal of temporary differences	**40.6**	17.0	1.3
	53.1	75.2	1.8

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 2018 (six months ended 30 June 2017: 16.5%). 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/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of $308.1 million (six months ended 30 June 2017: $378.2 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

(i) Profit/(loss) attributable to equity shareholders of the Company

	Six months ended 30 June	
	2018	2017
	$'million	$'million
Profit/(loss) attributable to equity shareholders of the Company arises from		
— Continuing operations	**308.1**	386.2
— Discontinued operations	**—**	(8.0)
	308.1	378.2

8 Earnings per share *(continued)*

(a) Basic earnings/(loss) per share *(continued)*

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
Issued ordinary shares at 1 January	**422,455,810**	411,680,499
Effect of shares issued in respect of scrip dividend	**101,345**	43,769
Weighted average number of ordinary shares at 30 June	**422,557,155**	411,724,268

(b) Diluted earnings per share

The diluted earnings per share for both the six months ended 30 June 2018 and 2017 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

9 Capital, reserves and dividends

(a) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June			
	2018		2017	
	Per share $	**$'million**	Per share $	$'million
Interim dividend declared after the interim period end	**0.30**	**129.5**	0.35	146.9

The interim dividend in respect of the six months ended 30 June 2018 has not been recognised as liability at the end of the reporting period.

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2017 was paid on 17 October 2017, of which $70.8 million was settled by the issuance of 2,799,123 shares at an issue price of $25.30 per share under the scrip dividend scheme.

9 Capital, reserves and dividends *(continued)*

(a) Dividends *(continued)*

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June			
	2018		2017	
	Per share		Per share	
	$	**$'million**	$	$'million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.90**	**380.2**	0.90	370.5

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2017 was paid on 29 June 2018, of which $210.4 million was settled by the issuance of 9,171,689 shares at an issue price of $22.95 per share under the scrip dividend scheme.

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

(b) Equity-settled share-based transactions

540,000 (six months ended 30 June 2017: 360,000) options were forfeited during the six months ended 30 June 2018. No options were exercised during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(c) Reserves

(i) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(b)). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39.

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(b)(i)).

10 Other property, plant and equipment

During the six months ended 30 June 2018, the Group acquired items of other property, plant and equipment with a cost of $728.5 million (six months ended 30 June 2017: $401.3 million). Items of plant and equipment with a net book value of $0.6 million were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: $2.0 million), resulting in a net gain on disposal of $6.5 million (six months ended 30 June 2017: $3.6 million).

11 Other financial assets

	At 30 June 2018 $'million	At 31 December 2017 *(Note (i))* $'million
Unlisted equity securities	**498.0**	15.4
Available-for-sale debt securities listed outside Hong Kong *(Note (ii))*	**1,442.1**	1,477.9
Other financial assets classified as non-current assets	**1,940.1**	1,493.3

Notes:

(i) The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

(ii) Debt securities are issued by corporate entities with credit rating ranging from A to BB-. At 30 June 2018 and 31 December 2017, the Group's available-for-sale debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

12 Accounts receivable

	At 30 June 2018 $'million	At 31 December 2017 $'million
Trade and other receivables	**379.1**	437.6
Interest receivable	**24.5**	23.7
Less: allowance for doubtful debts	**(1.5)**	(1.7)
	402.1	459.6

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

12 Accounts receivable *(continued)*

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

	At 30 June 2018 $'million	At 31 December 2017 $'million
Current	**91.6**	95.7
1 to 3 months past due	**4.7**	6.6
More than 3 months past due	**2.1**	5.0
	98.4	107.3

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

13 Bank deposits and cash

	At 30 June 2018 $'million	At 31 December 2017 $'million
Cash at bank and in hand	**144.3**	190.1
Bank deposits	**976.5**	1,042.7
	1,120.8	1,232.8
Less: pledged and restricted bank deposits	**(6.7)**	(28.0)
Cash and cash equivalents in the consolidated statement of financial position	**1,114.1**	1,204.8
Less: bank deposits with original maturities of over three months	**(565.0)**	—
Cash and cash equivalents in the condensed consolidated cash flow statement	**549.1**	1,204.8

14 Accounts payable and accruals

As of the end of the reporting period, the ageing analysis of trade payables (which are included in accounts payable and accruals), based on the due date, is as follows:

	At 30 June 2018 $'million	At 31 December 2017 $'million
Due within 1 month or on demand	**135.0**	135.6
Due after 1 month but within 3 months	**2.3**	5.7
Due after more than 3 months	**2.4**	2.5
Trade payables	**139.7**	143.8
Balance of passenger rewards	**6.7**	6.8
Dividend payable	**37.3**	15.1
Other payables and accruals	**1,003.4**	973.1
	1,187.1	1,138.8

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

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 month or on demand as disclosed above are within three months from the invoice date.

15 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

HKFRS 13, *Fair value measurement* categorised recurring fair value measurement of the Group's financial instruments at the end of the reporting period into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

15 Fair value measurement of financial instruments *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	30 June 2018				31 December 2017			
		Fair value measurements categorised into				Fair value measurements categorised into		
	Fair value $'million	**Level 1 $'million**	**Level 2 $'million**	**Level 3 $'million**	Fair value $'million	Level 1 $'million	Level 2 $'million	Level 3 $'million
Recurring fair value measurements								
Assets/(liabilities):								
Available-for-sale debt securities — listed	**1,442.1**	**1,442.1**	**—**	**—**	1,477.9	1,477.9	—	—
Unlisted equity securities *(note)*	**498.0**	**—**	**—**	**498.0**	—	—	—	—
Derivative financial instrument — forward foreign exchange contracts	**(1.7)**	**—**	**(1.7)**	**—**	0.3	—	0.3	—

Note: Unlisted equity securities were reclassified to financial assets designated at FVOCI (non-recycling) upon the adoption of HKFRS 9 at 1 January 2018 (see note 2(b)(i)). They were stated at cost less accumulated impairment losses at 31 December 2017.

During the six months ended 30 June 2018, there was no transfer between instruments in Level 1 and Level 2. The unlisted equity securities were reclassified to financial assets designated at FVOCI (non-recycling) and their fair values are measured under Level 3 upon the adoption of HKFRS 9 at 1 January 2018.

(b) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 30 June 2018 and 31 December 2017 in Level 2 were marked to market using quoted market price from financial institutions.

15 Fair value measurement of financial instruments *(continued)*

(c) Information about Level 3 fair value measurement

	Valuation technique	Significant unobservable inputs	Percentage
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	35.0% (2017: N/A)

The fair value of unlisted equity instruments is determined using market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by $38,307,000 (2017: N/A).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2018 $'million
Unlisted equity securities	
At 1 January	—
Transfer to Level 3: unlisted equity securities	**491.5**
Net unrealised gains recognised in other comprehensive income during the period	**6.5**
At 30 June	**498.0**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purpose are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were presented in the "Other income" line item in the consolidated statement of profit or loss.

(d) Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 30 June 2018 and 31 December 2017 except as follows:

Amounts due from/to associates of the Group are unsecured, interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

16 Capital commitments

(a) At 30 June 2018, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the interim financial report:

	At 30 June 2018 $'million	At 31 December 2017 $'million
Contracted for	**521.5**	1,114.5

(b) At 30 June 2018, the Group's share of capital commitments of a joint operation in respect of investment property under development not provided for in the interim financial report is as follows:

	At 30 June 2018 $'million	At 31 December 2017 $'million
Contracted for	**173.4**	74.0

17 Transactions with related companies

		Six months ended 30 June	
	Notes	**2018 $'million**	2017 $'million
Nature of transactions			
Service fees for provision of coach services	(a) & (b)	**22.9**	20.6
Insurance premium paid	(c)	**45.2**	33.8
Amount paid and accrued for building management services	(d)	**0.4**	0.2
Amount paid and accrued for project management service and lease modification	(e)	**—**	—

17 Transactions with related companies *(continued)*

Notes:

(a) During the period, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to $4.5 million (six months ended 30 June 2017: $4.0 million). Outstanding balances due from these companies at 30 June 2018 amounted to $2.1 million (31 December 2017: $3.1 million).

(b) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $18.4 million (six months ended 30 June 2017: $16.6 million). Outstanding balances due from these companies at 30 June 2018 amounted to $7.2 million (31 December 2017: $8.4 million).

(c) In 2017 and 2016, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group for the period from 1 January 2017 to 31 December 2018 (the "2017/18 Insurance Arrangements") and for the period from 1 January 2018 to 31 December 2019 (the "2018/19 Medical and Dental Insurance Arrangement") respectively. The amount paid and payable under the 2017/18 Insurance Arrangements and 2018/19 Medical and Dental Insurance Arrangement for the six months ended 30 June 2018 amounted to $45.2 million (six months ended 30 June 2017: $33.8 million). There was no outstanding balances payable under these contracts at 30 June 2018 (31 December 2017: Outstanding balance receivables of $0.1 million).

(d) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the six months ended 30 June 2018 amounted to $0.4 million (six months ended 30 June 2017: $0.2 million). There was no outstanding balance payable for this contract at 30 June 2018 (31 December 2017: $Nil).

(e) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL") a subsidiary of SHKP, entered into an agreement with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong (the "Kwun Tong Site") and the construction of the Kwun Tong Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20.0 million; and (2) the lower of (a) 1% of the project cost and (b) $25.0 million. The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification and (2) $3.8 million. Outstanding balance payable for this contract at 30 June 2018 amounted to $2.0 million (31 December 2017: $2.0 million).

18 Discontinued operations

On 26 October 2017, the Group disposed of certain businesses through the sale of its subsidiaries. As the disposed businesses are considered as separate major lines of businesses, the corresponding operations have been classified as discontinued operations as a result of the completion of such disposal.

The result of the discontinued operations for the six months ended 30 June 2017 is set out below:

	Six months ended 30 June 2017 $'million
Revenue	163.4
Other income	10.6
Staff costs	(32.0)
Depreciation and amortisation	(2.3)
Other operating expenses	(158.1)
Loss from operations	(18.4)
Impairment loss on trade and other receivables	(1.8)
Reversal of provision for onerous contracts	10.1
Loss before taxation	(10.1)
Income tax	(1.8)
Loss for the period from discontinued operations	(11.9)
Attributable to:	
Equity shareholders of the Company	(8.0)
Non-controlling interests	(3.9)
Loss for the period from discontinued operations	(11.9)
Cash flow	
Operating cash outflows	25.3
Investing cash outflows	73.6
Net cash outflows	98.9

19 Comparative figures

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

At 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to $6.1 million for properties, which are payable within five years after the reporting date. Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months of the current reporting date will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

KPMG

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 16 to 46 which comprises the consolidated statement of financial position of Transport International Holdings Limited as of 30 June 2018 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 August 2018

載通國際
Transport International

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Dr Norman LEUNG Nai Pang*
GBS, JP, LLD, BA
Chairman

Dr John CHAN Cho Chak*
GBS, JP, DBA(Hon), DSocSc(Hon),
BA, DipMS, CCMI, FCILT, FHKIoD
Deputy Chairman

Raymond KWOK Ping Luen^
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

NG Siu Chan^

William LOUEY Lai Kuen^
BSc(Econ)

Charles LUI Chung Yuen^
M.H., BEc, AASA, FCILT

Winnie NG^
JP, BA, MBA(Chicago), MPA(Harvard),
FCIM, CMILT, MHKIoD
(Non-executive Director and Alternate
Director to Mr NG Siu Chan^)

Dr Eric LI Ka Cheung*
GBS, OBE, JP, LLD, DSocSc,
Hon DSocSc(EdUHK), BA,
FCPA(Practising), FCA, FCPA(Aust.), FCIS

Professor LIU Pak Wai*
SBS, JP

Allen FUNG Yuk Lun^
BA, Ph.D.

Roger LEE Chak Cheong
BSc, MSc, MICE, CEng
Managing Director

TSANG Wai Hung*
GBS, PDSM, JP, MBA

Dr CHEUNG Wing Yui^
BBS, BCom, Hon DBA, CPA(Aust.)

LEE Luen Fai^
JP, BA

LUNG Po Kwan^
BSocSc, MSocSc(Economics), MBA, CFA

Susanna WONG Sze Lai
(Alternate Director to
Mr Raymond KWOK Ping Luen, JP^)

GAO Feng
(Alternate Director to
Mr William LOUEY Lai Kuen^)

(* Independent Non-executive Director of the Company)
(^ Non-executive Director of the Company)

BOARD COMMITTEES

Audit and Risk Management Committee
Dr Eric LI Ka Cheung#
Professor LIU Pak Wai
Allen FUNG Yuk Lun
TSANG Wai Hung

Nomination Committee
Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Allen FUNG Yuk Lun

Remuneration Committee
Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Professor LIU Pak Wai
Winnie NG

Standing Committee
Dr Norman LEUNG Nai Pang#
Raymond KWOK Ping Luen
Dr John CHAN Cho Chak
Charles LUI Chung Yuen
William LOUEY Lai Kuen
Winnie NG
Roger LEE Chak Cheong

(# Committee Chairman)

COMPANY SECRETARY

Lana WOO
BA, MBA, FCIS, FCS (PE),
CPA(Canada), CGA

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Wan Chai, Hong Kong

Bermuda
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

AUDITOR

KPMG
8/F, Prince's Building
10 Chater Road Central
Hong Kong

REGISTER OF MEMBERS

Book closed on 4 September 2018

DIVIDEND

Interim
HK$0.30 per share,
payable on 16 October 2018

STOCK CODE

The Stock Exchange of Hong Kong: 62
Bloomberg: 62HK
Reuters: 0062.HK

This Interim Report is also available on our corporate website: www.tih.hk

載通國際
Transport International

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Stock Code: 62