Transport International Holdings Limited

（載通國際控股有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 62)

Announcement of Interim Results
For the Six Months ended 30 June 2018

FINANCIAL HIGHLIGHTS

- 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), a decrease of HK$70.1 million or 18.5% compared with the corresponding period in 2017.

- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("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), a decrease of HK$124.1 million compared with the corresponding period last year. 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).

- An interim dividend of HK$0.30 per share for the six months ended 30 June 2018 has been declared (six months ended 30 June 2017: HK$0.35 per share).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 - UNAUDITED

	Note	Six months ended 30 June 2018 HK$ million	2017 HK$ million
Continuing operations			
Revenue	2 & 3	**3,932.6**	3,904.2
Other income	4	**87.1**	96.5
Staff costs	5	**(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	**(9.4)**	(14.3)
Share of profits/(losses) of associates		**5.2**	(36.9)
Profit before taxation		**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	9	**-**	(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
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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 - UNAUDITED
(continued)

	Note	Six months ended 30 June			
			2018		2017
			HK$ million		HK$ million
Earnings/(loss) per share from continuing and discontinued operations attributable to equity shareholders of the Company for the period	10				
Basic and diluted					
From continuing operations		**HK$**	**0.73**	HK$	0.94
From discontinued operations			**-**	HK$	(0.02)
From profit for the period		**HK$**	**0.73**	HK$	0.92

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018 - UNAUDITED

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018 - UNAUDITED

	Note	**At 30 June 2018 HK$ million**	At 31 December 2017 HK$ 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		**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		**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	11	**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		**1,114.1**	1,204.8
		1,662.5	1,773.0
Current liabilities			
Accounts payable and accruals	12	**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
Net current assets		**232.0**	438.4
Total assets less current liabilities		**14,056.9**	13,321.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018 – UNAUDITED
(continued)

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
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

Notes:

1 Basis of preparation

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from that interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 9, *Financial instruments*, is relevant to the Group's financial statements.

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. Under the transition method chosen, the Group recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018 with no restatement of comparative information.

2 Segment information

	Franchised bus operation Six months ended 30 June		Property holdings and development Six months ended 30 June		All other segments (note) Six months ended 30 June		Continuing operations sub-total Six months ended 30 June		Discontinued operations Six months ended 30 June		Total Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ 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

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

3 Revenue

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

	Six months ended 30 June		
	2018	2017	
		Continuing operations	*Discontinued operations*
	HK$ million	HK$ million	HK$ 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

4 Other income

	Six months ended 30 June		
	2018	2017	
		Continuing operations	*Discontinued operations*
	HK$ million	HK$ million	HK$ 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

5 Staff costs

	Six months ended 30 June		
	2018	2017	
		Continuing operations	*Discontinued operations*
	HK$ million	HK$ million	HK$ million
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	-
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

6 Finance costs

	Six months ended 30 June		
	2018	2017	
		Continuing operations	*Discontinued operations*
	HK$ million	HK$ million	HK$ million
Interest expenses	**22.9**	23.8	-
Less: interest expense capitalised into investment property under development	**(13.5)**	(9.5)	-
	9.4	14.3	-

7 Income tax

	Six months ended 30 June		
	2018	2017	
		Continuing operations	*Discontinued operations*
	HK$ million	HK$ million	HK$ 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 Dividends

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

	Six months ended 30 June			
	2018		2017	
	Per share HK$	**HK$ million**	Per share HK$	HK$ 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 HK$70.8 million was settled by the issuance of 2,799,123 shares at an issue price of HK$25.30 per share under the scrip dividend scheme.

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

	Six months ended 30 June			
	2018		2017	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.90**	**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 HK$210.4 million was settled by the issuance of 9,171,689 shares at an issue price of HK$22.95 per share under the scrip dividend scheme.

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 HK$201.6 million was settled by the issuance of 7,922,188 shares at an issue price of HK$25.45 per share under the scrip dividend scheme.

9 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 HK$ 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)

10 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 HK$308.1 million (six months ended 30 June 2017: HK$378.2 million) and the weighted average number of shares in issue during the period, calculated as follows:

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

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ 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

(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.

11 Accounts receivable

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ 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.

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 HK$ million	At 31 December 2017 HK$ 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.

12 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 HK$ million	At 31 December 2017 HK$ 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.

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

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 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.

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.

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 included in the interim report to be sent to shareholders.

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.tih.hk and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The 2018 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2018.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 16 August 2018

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:
Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Professor LIU Pak Wai, *SBS, JP*
Mr. TSANG Wai Hung, *GBS, PDSM, JP*

Non-executive Directors:
Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG as his alternate)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)
Ms. Winnie NG, *JP*
Mr. Allen FUNG Yuk Lun
Dr. CHEUNG Wing Yui
Mr. LEE Luen Fai, *JP*
Mr. LUNG Po Kwan

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

**For identification purpose only*