

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2021**

#### **FINANCIAL HIGHLIGHTS**

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was HK\$20.2 million (six months ended 30 June 2020: loss attributable to equity shareholders of HK\$51.8 million), representing a favourable variance of HK\$72.0 million compared with the corresponding period of 2020.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a loss after taxation of HK\$36.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: loss after taxation of HK\$24.9 million), representing an unfavourable variance of HK\$12.0 million compared with the corresponding period of 2020. The unfavourable variance was largely due to the fact that KMB received government subsidies in 2020. Moreover, the rise in international fuel prices led to increase in fuel costs during the period under review. However, these were partially offset by increase in fare revenue as a result of the rebound in patronage along with the fare increase which took effect on 4 April 2021.
- Earnings per share for the six months ended 30 June 2021 was HK\$0.04 per share (six months ended 30 June 2020: loss per share of HK\$0.12 per share).
- The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 - UNAUDITED**

	Note	Six months ended 30 June	
		2021 HK\$ million	2020 HK\$ million
<b>Revenue</b>	2 & 3	<b>3,408.8</b>	3,073.3
Other income	4	<b>135.1</b>	405.9
Staff costs	5(a)	<b>(2,043.1)</b>	(2,120.9)
Depreciation		<b>(501.4)</b>	(491.6)
Fuel and oil		<b>(358.8)</b>	(307.2)
Spare parts		<b>(104.6)</b>	(95.1)
Toll charges		<b>(134.7)</b>	(131.3)
Other operating expenses	5(b)	<b>(384.3)</b>	(377.8)
<b>Profit/(loss) from operations</b>		<b>17.0</b>	(44.7)
Finance costs	6	<b>(8.5)</b>	(17.6)
Share of profits/ (losses) of associates		<b>6.4</b>	(95.6)
Share of profit of a joint venture		<b>4.0</b>	-
<b>Profit/(loss) before taxation</b>		<b>18.9</b>	(157.9)
Income tax credit	7	<b>1.3</b>	106.1
<b>Profit/(loss) for the period</b>		<b>20.2</b>	(51.8)
<b>Earnings/(loss) per share</b>			
<b>- Basic and diluted</b>	9	<b>HK\$ 0.04</b>	HK\$ (0.12)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 - UNAUDITED**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
<b>Profit/(loss) for the period</b>	<b>20.2</b>	<b>(51.8)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
- Equity investment at fair value through other comprehensive income - net movement in fair value reserve (non-recycling), net of nil tax	60.9	(9.4)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
- Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	4.3	(12.3)
- Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	(10.6)	6.9
- Share of other comprehensive income of an associate, net of nil tax	3.1	36.3
<b>Other comprehensive income for the period</b>	<b>57.7</b>	<b>21.5</b>
<b>Total comprehensive income for the period</b>	<b>77.9</b>	<b>(30.3)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2021 - UNAUDITED**

	Note	At 30 June 2021 HK\$ million	At 31 December 2020 HK\$ million
<b>Non-current assets</b>			
Investment properties		94.9	97.9
Investment property under development		3,367.4	3,005.4
Interest in leasehold land		52.3	53.3
Other property, plant and equipment		7,916.6	7,797.0
		<u>11,431.2</u>	<u>10,953.6</u>
Intangible assets		381.5	365.0
Goodwill		84.1	84.1
Interest in associates		670.4	656.6
Interest in a joint venture		749.5	750.5
Other financial assets		1,457.6	1,473.5
Employee benefit assets		1,675.5	1,701.5
Deferred tax assets		0.4	0.5
		<u>16,450.2</u>	<u>15,985.3</u>
<b>Current assets</b>			
Spare parts		111.3	95.3
Accounts receivable	10	694.8	660.5
Other financial assets		533.4	234.2
Deposits and prepayments		112.7	27.4
Current tax recoverable		4.0	5.1
Restricted bank deposits		391.0	350.4
Bank deposits and cash		898.3	1,943.3
		<u>2,745.5</u>	<u>3,316.2</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	1,511.3	1,585.5
Contingency provision – insurance		81.7	90.3
Bank loans		1,298.6	1,398.2
Lease liabilities		2.9	3.6
Current tax payable		8.1	9.3
		<u>2,902.6</u>	<u>3,086.9</u>
<b>Net current (liabilities)/assets</b>		<u>(157.1)</u>	<u>229.3</u>
<b>Total assets less current liabilities</b>		<u>16,293.1</u>	<u>16,214.6</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2021 – UNAUDITED**

(continued)

	At 30 June 2021 HK\$ million	At 31 December 2020 HK\$ million
<b>Non-current liabilities</b>		
Bank loans	1,819.4	1,684.3
Lease liabilities	1.4	1.9
Deferred tax liabilities	1,116.0	1,123.4
Contingency provision – insurance	198.5	217.7
Provision for long service payments	0.6	1.0
	3,135.9	3,028.3
<b>Net assets</b>	<b>13,157.2</b>	<b>13,186.3</b>
<b>Capital and reserves</b>		
Share capital	465.4	457.8
Reserves	12,691.8	12,728.5
<b>Total equity</b>	<b>13,157.2</b>	<b>13,186.3</b>

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 2021 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 19 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

The Group has applied the Amendment to Hong Kong Financial Reporting Standard ("HKFRS") 16, *Covid-19-related rent concessions beyond 30 June 2021*, issued by the HKICPA to this interim financial report for the current accounting period.

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

Other than the Amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Segment information

	Franchised bus operation		Property holdings and development		All other segments (note)		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue from external customers	<b>3,287.0</b>	2,929.8	<b>23.8</b>	37.2	<b>98.0</b>	106.3	<b>3,408.8</b>	3,073.3
Inter-segment revenue	<b>3.9</b>	1.6	<b>2.7</b>	2.9	<b>1.8</b>	6.2	<b>8.4</b>	10.7
Reportable segment revenue	<b>3,290.9</b>	2,931.4	<b>26.5</b>	40.1	<b>99.8</b>	112.5	<b>3,417.2</b>	3,084.0
Reportable segment (loss)/profit	<b>(34.4)</b>	(38.3)	<b>23.4</b>	29.0	<b>0.0</b>	(78.4)	<b>(11.0)</b>	(87.7)
As at 30 June/31 December								
Reportable segment assets	<b>10,783.2</b>	10,475.5	<b>4,225.3</b>	3,867.7	<b>1,794.4</b>	1,782.5	<b>16,802.9</b>	16,125.7
Reportable segment liabilities	<b>4,259.7</b>	4,380.8	<b>1,623.4</b>	1,611.2	<b>105.2</b>	87.5	<b>5,988.3</b>	6,079.5

Note: Results of all other segments arose mainly from the provision of non-franchised transport services and interest in associates. The share of profits of associates for the period amounted to HK\$6.4 million (six months ended 30 June 2020: share of losses of HK\$95.6 million).

### 3 Revenue

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

	Six months ended 30 June	
	2021	2020
	HK\$ million	HK\$ million
Fare revenue from franchised public bus services	3,133.0	2,815.4
Revenue from non-franchised transport services	97.8	106.1
Licence fee income	125.5	98.5
Media sales revenue	28.0	16.0
Gross rentals from investment properties	24.5	37.3
	<u>3,408.8</u>	<u>3,073.3</u>

### 4 Other income

	Six months ended 30 June	
	2021	2020
	HK\$ million	HK\$ million
Interest income	30.0	43.6
Claims received	13.9	17.3
Net miscellaneous business receipts	4.7	3.1
Net gain on disposal of other property, plant and equipment	6.0	2.8
Net loss on derecognition of investments in debt securities	(3.1)	(0.2)
Net foreign exchange gain/(loss)	3.0	(8.1)
Government subsidies (note)	-	328.4
Drawdown from toll exemption fund (note 5(b))	49.4	-
Sundry income	31.2	19.0
	<u>135.1</u>	<u>405.9</u>

Note: This represented subsidies from the Hong Kong Special Administrative Region (“HKSAR”) Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of COVID-19. It mainly included wage subsidies and fuel subsidies, as well as regular repair and maintenance costs and insurance premium subsidies.



## 5 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

### (a) Staff costs

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Defined benefit retirement plan expense	26.3	25.7
Contributions to defined contribution retirement plan	73.6	78.2
Movements in provision for long service payments	0.2	0.3
Equity-settled share-based payment expenses	2.4	-
Salaries, wages and other benefits	1,941.9	2,016.7
	<u>2,044.4</u>	<u>2,120.9</u>
Less: staff costs included in cost of mask production	(1.3)	-
	<u>2,043.1</u>	<u>2,120.9</u>
(b) Provision for toll exemption fund (note)	<u>77.2</u>	<u>94.7</u>

Note: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using the Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the “Toll Exemption Fund” in which the fund will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. The balance of Toll Exemption Fund of the Group as at 30 June 2021, included in accounts payable and accruals (note 11), was HK\$395.9 million (31 December 2020: HK\$392.9 million). The drawdown from Toll Exemption Fund was recognised in the consolidated statement of profit or loss for the period.

## 6 Finance costs

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$ million</b>	HK\$ million
Interest on bank loans	14.8	33.7
Interest on lease liabilities	<u>0.1</u>	<u>0.1</u>
Total interest expense on financial liabilities not at fair value through profit or loss	14.9	33.8
Less: interest expense capitalised into investment property under development	<u>(6.4)</u>	<u>(16.2)</u>
	<u><b>8.5</b></u>	<u>17.6</u>

## 7 Income tax

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$ million</b>	HK\$ million
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	6.0	5.6
Over-provision in respect of prior year	<u>-</u>	<u>(24.8)</u>
	6.0	(19.2)
<b>The People's Republic of China ("PRC") withholding tax</b>		
	<u>-</u>	<u>1.0</u>
	6.0	(18.2)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(7.3)</u>	<u>(87.9)</u>
Income tax credit	<u><b>(1.3)</b></u>	<u>(106.1)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 2021, except for a subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated using the same basis in 2020.

## 8 Dividends

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

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

- (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			
	2021		2020	
	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	<b>0.50</b>	<b>228.9</b>	<b>0.70</b>	<b>312.9</b>

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2020 was paid on 30 June 2021, of which HK\$119.5 million was settled by the issuance of 7,648,718 shares at an issue price of HK\$15.62 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which HK\$163.7 million was settled by the issuance of 10,879,685 shares at an issue price of HK\$15.04 per share under the scrip dividend scheme.

## 9 Earnings/(loss) 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\$20.2 million (six months ended 30 June 2020: loss attributable to equity shareholders of the Company of HK\$51.8 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Issued ordinary shares at 1 January	<b>457,820,696</b>	446,941,011
Effect of shares issued in respect of scrip dividend	<b>42,026</b>	59,778
Weighted average number of ordinary shares at 30 June	<b>457,862,722</b>	447,000,789

### (b) *Diluted earnings/(loss) per share*

The diluted earnings/(loss) per share for both the six months ended 30 June 2021 and 2020 are the same as basic earnings/(loss) per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

## 10 Accounts receivable

	<b>At 30 June 2021 HK\$ million</b>	At 31 December 2020 HK\$ million
Trade and other receivables	676.4	644.0
Interest receivable	18.8	16.9
Less: loss allowance	<u>(0.4)</u>	<u>(0.4)</u>
	<b><u>694.8</u></b>	<b><u>660.5</u></b>

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

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

	<b>At 30 June 2021 HK\$ million</b>	At 31 December 2020 HK\$ million
Current	60.0	41.0
Less than 1 month past due	74.1	59.7
1 to 3 months past due	25.8	35.5
More than 3 months past due	<u>68.9</u>	<u>29.0</u>
	<b><u>228.8</u></b>	<b><u>165.2</u></b>

According to the Group's credit policy, the 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.

## 11 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:

	<b>At 30 June 2021 HK\$ million</b>	At 31 December 2020 HK\$ million
Due within 1 month or on demand	177.8	95.3
Due after 1 month but within 3 months	1.0	0.6
Due after more than 3 months	2.7	2.6
Trade payables	181.5	98.5
Balance of passenger rewards	5.9	7.2
Balance of toll exemption fund (note 5(b))	395.9	392.9
Other payables and accruals	923.1	1,082.0
Amount due to an associate	4.9	4.9
	<b>1,511.3</b>	<b>1,585.5</b>

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 one 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 2021 was HK\$20.2 million, representing a favourable variance of HK\$72.0 million compared to the loss attributable to equity shareholders of HK\$51.8 million for the six months ended 30 June 2020. The improvement in financial performance was primarily due to the increase in revenue from the franchised bus operations as well as the recovery from the Group's transport operations in China Mainland. Earnings per share for the six months ended 30 June 2021 was HK\$0.04 per share (six months ended 30 June 2020: loss per share of HK\$0.12 per share), representing a favourable variance of HK\$0.16 per share compared with the corresponding period in 2020.

## INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 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 loss after taxation of HK\$36.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: loss after taxation of HK\$24.9 million), representing an unfavourable variance of HK\$12.0 million compared with the corresponding period in 2020. Excluding government subsidies of HK\$279.1 million in the first half of 2020, KMB would record year-on-year improvement of HK\$267.1 million for the first half of 2021.
- Fare revenue for the six months ended 30 June 2021 was HK\$2,976.1 million, an increase of HK\$348.7 million or 13.3% compared with HK\$2,627.4 million for the corresponding period in 2020. The increase was mainly attributable to the rebound in patronage along with the fare increase which took place on 4 April 2021. Non-fare revenue for the six months ended 30 June 2021 increased by HK\$38.7 million to HK\$149.8 million from HK\$111.1 million for the six months ended 30 June 2020.
- Total operating expenses for the six months ended 30 June 2021 amounted to HK\$3,237.4 million, an increase of HK\$59.8 million or 1.9% compared with HK\$3,177.6 million for the corresponding period in 2020. The increase was mainly due to the increase in fuel costs as a result of the rise in international fuel prices.
- As at 30 June 2021, KMB operated a total of 418 routes (31 December 2020: 417 routes) covering Kowloon, the New Territories and Hong Kong Island. 156 Bus-bus Interchange ("BBI") schemes covering 418 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 2021, a total of 113 Euro VI buses with the latest safety, environmental and design features were added to the fleet. As at 30 June 2021, KMB operated 4,012 buses (31 December 2020: 4,009 buses), comprising 3,870 double-deck and 142 single-deck buses. In addition, a total of 188 Euro VI double-deck buses were awaiting licensing in the second half of 2021.

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

- The profit after taxation of LWB for the six months ended 30 June 2021 was HK\$2.7 million, representing a favourable variance of HK\$15.8 million compared with loss after taxation of HK\$13.1 million for the six months ended 30 June 2020.
- Fare revenue for the six months ended 30 June 2021 decreased by HK\$31.0 million or 16.5% to HK\$157.3 million compared with HK\$188.3 million for the corresponding period in 2020. The decline was mainly due to the decrease in ridership as various anti-epidemic measures imposed by the Government at boundary control points including the airport as well as the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge since February 2020.
- Total operating expenses for the six months ended 30 June 2021 amounted to HK\$222.3 million, a decrease of HK\$23.1 million or 9.4% compared with HK\$245.4 million for the corresponding period in 2020. The decrease was primarily due to the improvement in operating efficiencies.
- As at 30 June 2021, LWB had 36 BBI schemes covering 31 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.
- As at 30 June 2021, LWB operated 40 regular routes with a fleet of 265 buses (31 December 2020: 241 buses), comprising 261 double-deck buses and 4 single-deck electric buses.



## **Non-franchised Transport Operations**

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$2.2 million for the six months ended 30 June 2021, representing a decrease of HK\$17.7 million or 88.9% compared with HK\$19.9 million for the corresponding period in 2020. Excluding government subsidies of HK\$20.0 million in the first half of 2020, the Non-franchised Transport Operations would record an improvement of HK\$2.3 million for the first half of 2021. A review of the operations of the principal business units in this Division is set out as follows:

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

- The SBH Group is one of the leading non-franchised bus operators in Hong Kong, 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 six months ended 30 June 2021 decreased by 10.8% compared with the corresponding period in 2020. The decrease was mainly attributable to the decline in both local business and cross-boundary services as a result of outbreak of COVID-19. Total operating expenses for the period under review decreased by 13.5% compared with the first half of 2020 as management implemented certain cost control measures amidst the decline in business.
- As at 30 June 2021, the SBH Group had a fleet of 390 licensed buses (31 December 2020: 390 buses). During the first half of 2021, 6 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 in Hong Kong and Huanggang (皇崗) in Shenzhen.
- The revenue of NHKB for the six months ended 30 June 2021 decreased by 75.0% compared with the corresponding period in 2020. The decrease was primarily attributable to the suspension of Huang Bus service since 4 February 2020 as the immigration clearance service for passenger at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.
- As at 30 June 2021, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2020.

## Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$23.4 million for the six months ended 30 June 2021, representing a decrease of HK\$5.6 million or 19.3% compared with HK\$29.0 million for the corresponding period in 2020. 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 Midtown 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. 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 2021, 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\$72.2 million (31 December 2020: HK\$73.5 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 2021, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK\$24.7 million (31 December 2020: HK\$26.5 million).

### *KT Real Estate Limited ("KTRE")*

- KTRE, a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), own Kwun Tong Inland Lot No. 240 (the "Kwun Tong Site") at 98 How Ming Street, Kowloon, Hong Kong, as tenants in common in equal shares.
- Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. In August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification 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.
- In December 2018, KTRE, TRL and Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP (the "Contractor"), entered into a building contract (the "Building Contract") under which KTRE and TRL have engaged the Contractor to carry out and complete the construction works for the Kwun Tong Site at a contract sum of HK\$4,436.0 million (to be borne by KTRE and TRL in equal shares), subject to

adjustments in accordance with the Building Contract, which was approved by independent shareholders in February 2019. The basement, superstructure and office tower construction works are underway. The occupation permit is expected to be obtained by end of 2022.

- As at 30 June 2021, 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\$3,367.4 million (31 December 2020: HK\$3,005.4 million).

#### *TM Properties Investment Limited (“TMPI”)*

- TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“MOL”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to MOL on 29 December 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of the Group.
- TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI will apply to relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. As at 30 June 2021, the entire lettable area of the property has been leased out to generate rental income for the Group.

#### **China Mainland Transport Operations**

As at 30 June 2021, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$670.4 million (31 December 2020: HK\$656.6 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 six months ended 30 June 2021, the Group’s China Mainland Transport Operations Division reported an after-tax profit of HK\$6.4 million compared to an after-tax loss of HK\$95.6 million for the corresponding period in 2020.

#### *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. As a result of the effective containment of COVID-19 in China, SZBG has resumed profitability for the six months ended 30 June 2021. As at 30 June 2021, it had 4,892 taxis (including 4,314 electric taxis, which are operated by an associate) and 5,976 buses serving some 322 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 2021, BBKT had a fleet of 3,798 taxis.

*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 1,123 vehicles available for hire as at 30 June 2021.

## **FINANCIAL POSITION**

### **Capital Expenditure**

As at 30 June 2021, 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\$11,431.2 million (31 December 2020: HK\$10,953.6 million), none of which was pledged or charged.

During the six months ended 30 June 2021, the Group incurred capital expenditure of HK\$978.4 million (six months ended 30 June 2020: HK\$651.8 million), which was mainly used for the development of the Kwun Tong site and the purchase of new buses.

## FUNDING AND FINANCING

### Liquidity and financial resources

As at 30 June 2021, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,828.7 million (31 December 2020: HK\$788.8 million). The details of the Group's net cash/net borrowing 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 borrowing) HK\$ million
<i>At 30 June 2021</i>				
Hong Kong dollars		968.3	(3,118.0)	(2,149.7)
United States dollars	40.0	311.0	-	311.0
British Pounds Sterling	0.2	2.1	-	2.1
Other currencies		7.9	-	7.9
Total		<u>1,289.3</u>	<u>(3,118.0)</u>	<u>(1,828.7)</u>
<i>At 31 December 2020</i>				
Hong Kong dollars		1,746.0	(3,082.5)	(1,336.5)
United States dollars	68.9	534.5	-	534.5
British Pounds Sterling	0.2	1.6	-	1.6
Other currencies		11.6	-	11.6
Total		<u>2,293.7</u>	<u>(3,082.5)</u>	<u>(788.8)</u>

As at 30 June 2021, bank loans, all unsecured, amounted to HK\$3,118.0 million (31 December 2020: HK\$3,082.5 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2021 HK\$ million	At 31 December 2020 HK\$ million
Within 1 year	1,298.6	1,398.2
After 1 year but within 2 years	1,397.2	1,087.2
After 2 years but within 5 years	422.2	597.1
	<u>3,118.0</u>	<u>3,082.5</u>

As at 30 June 2021, the Group had undrawn committed banking facilities totalling HK\$1,275.0 million (31 December 2020: HK\$2,110.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2021 were HK\$8.5 million, a decrease of HK\$9.1 million compared with HK\$17.6 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in average interest rate in respect of the Group's borrowings from 2.19% per annum for the six months ended 30 June 2020 to 0.97% per annum for the six months ended 30 June 2021 but was partly offset by the increase in average bank borrowings.

As at 30 June 2021, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and British Pounds Sterling) amounted to HK\$1,289.3 million (31 December 2020: HK\$2,293.7 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 diesel suppliers for the supply of diesel. 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. Management will continue to closely monitor the 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) and United States dollars (USD). In respect of the 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 will be used when appropriate. As at 30 June 2021, 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 2021 amounted to HK\$1,905.3 million (31 December 2020: HK\$2,579.1 million). These commitments were mainly in respect of the development of the Kwun Tong site and the purchases of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources.

## **EMPLOYEES AND REMUNERATION POLICIES**

Transport operations are labour intensive. For the six months ended 30 June 2021, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK\$1,941.9 million (six months ended 30 June 2020: HK\$2,016.7 million), accounting for about 55% 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 2021, the Group employed over 13,000 staff (31 December 2020: over 13,000 staff).

## **OUTLOOK**

### **Franchised Public Bus Operations**

In view of low public travel activities and stringent border control measures, bus patronage has yet to fully recover since the outbreak of COVID-19 in early 2020. Meanwhile, the continuous expansion of the railway network has had a profound effect on KMB. In particular, the recent opening of the Tuen Ma Rail Line has caused significant patronage drop on certain overlapping KMB routes. Patronage is anticipated to drop further after the opening of the Shatin-Central Link. The Government introduced various subsidies in 2020 under the Anti-epidemic Fund to provide financial support to the public transport sector, however we do not expect it to recur in 2021. Together with the rise in international fuel prices, the financial performance of the Group for the second half of 2021 would continue to face challenges.

In the face of economic uncertainty, the Group has rolled out various schemes to enhance its operation, business and services. Among others, the introduction of an e-payment system, the extension of the Regional Short-haul Sectional Fare Scheme to Sai Kung and Tseung Kwan O, the expansion of the Bus-bus Interchange Discount Scheme to Ma Wan and South Lantau Island and extending the promotion period of "KMB X LWB FUN Redemption Scheme". Moreover, the Group will strive for operating new routes and special routes to seize the opportunities in newly developed areas in the New Territories. The Group also seeks cooperation with different industries for new business opportunities, such as bus-themed "staycation".

Environmental protection is our commitment. To tie in with the National 14th Five-Year Plan and the emission reduction target of the Hong Kong SAR Government, the Group has outlined a vision of replacing the whole fleet with electric buses by 2050. In 2021, KMB has ordered 42 electric double-deck buses. Including 16 electric single-deck buses purchased last year, a total of 80 electric buses of KMB and LWB will be in service from 2022. To achieve the goal of bus electrification, KMB plans to build two new depots with the charging

capability of 800 - 1,000 electric buses. The depots are expected to be completed in three to four years. At the same time, over 22,000 solar panels will be installed at depots, bus stops and on bus rooftops. The installation enhances the application of renewable energy, bringing an annual reduction of about 5,400 tonnes of carbon dioxide emissions for Hong Kong.

Apart from the development of green transport, the Group takes the initiative to explore the feasibility of applying 5G technology to enhance bus safety and services. KMB is exploring the usage of 5G technology in real-time monitoring of bus occupancy and the number of queuing passengers at bus stops to enhance service quality and improve operational efficiency. In addition, KMB explores real-time detection and analysis of road conditions in termini. If a jaywalker is detected, the sensors will alert instantly to remind buses and other road users as added safety measures.

As the epidemic continues, KMB and LWB continue to enforce stringent anti-epidemic measures. Apart from disinfecting the fleet with medical-grade disinfectants, providing masks to frontline employees and giving free masks to passengers, KMB also arranged an outreach team from the government's COVID-19 Vaccination Programme to provide vaccination service to employees and their families at a depot. We also work with the clinics to offer more service spots for employees' vaccination. By supporting the lucky draw of The Hong Kong General Chamber of Commerce, the Group expresses gratitude to citizens who have received the vaccination.

The franchise of LWB will expire in 2023, and the government is reviewing the new franchises upon expiry of the current ones. The Group will strive for extending the current franchise to continue quality services for the public.

### **Non-franchised Operations**

The COVID-19 has also brought adverse impacts to the SBH Group, NHKB and our transport operations in China Mainland. The Group hopes that the epidemic situation of Hong Kong and the mainland will turn better soon, with the ridership recovers as the local and border disease prevention measures gradually ease.

The superstructure work at the Kwun Tong Site, expected to be completed in 2022, will provide a stable return for shareholders. Last year, the Group initiated a redevelopment plan for its property in Tuen Mun to generate long-term sustainable income by office and retail space leasing. The Group will continue to explore sources of recurring income to pursue the business strategy.

In the challenging operating environment, the Group relies on the professionalism and unity of staff members. We express our heartfelt gratitude to our employees' strong commitment. The Group will continue to enhance the staff welfare, work environment, as well as internal communication. We also sincerely thank every passenger who chooses our bus service.



## **ISSUE OF SHARES**

On 30 June 2021, the Company issued 7,648,718 shares in lieu of the final dividend for the year ended 31 December 2020 at an issue price of HK\$15.62 per share under the scrip dividend scheme as set out in the circular of the Company dated 3 June 2021.

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

Except for the aforesaid issue of shares on 30 June 2021, 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 2021, except that two Directors of the Company were unable to attend the Annual General Meeting of the Company held on 20 May 2021 as provided for in code provision A.6.7 due to other engagements.

## **REVIEW OF INTERIM FINANCIAL REPORT**

The interim financial report for the six months ended 30 June 2021 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 2021.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.tih.hk](http://www.tih.hk) and the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2021.

By Order of the Board

**Norman LEUNG Nai Pang**  
Chairman

Hong Kong, 19 August 2021

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, *JP* 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, *BBS*  
Mr. LEE Luen Fai, *BBS, JP*  
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

*\*For identification purpose only*