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 2023

FINANCIAL HIGHLIGHTS

- The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 was HK$133.7 million (six months ended 30 June 2022 (restated): profit attributable to equity shareholders of HK$106.4 million), representing an increase of HK$27.3 million compared with the corresponding period of 2022. Excluding the effect of the change in the measurement of investment properties and investment property under development, the unaudited loss attributable to equity shareholders of the Company for the corresponding period in 2023 and 2022 would have been HK$38.0 million and HK$94.5 million respectively, representing an improvement of HK$56.5 million or 59.8% compared to that for 2022. The improvement was mainly due to the continued recovery in bus patronage resulting from the relaxation of anti-pandemic measures implemented by the Government, which led to a significant increase in fare revenue from both franchised and non-franchised bus operations. However, this improvement was partly offset by the increase in fuel costs and staff costs.

- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a loss after taxation of HK$48.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: loss after taxation of HK$139.1 million), representing a favourable variance of HK$90.9 million compared with the corresponding period of 2022. Such favourable variance was primarily due to the increase in fare revenue as a result of the rebound in patronage.

- Earnings per share for the six months ended 30 June 2023 was HK$0.28 per share (six months ended 30 June 2022 (restated): earnings per share of HK$0.23 per share).

- An interim dividend of HK$0.30 per share for the six months ended 30 June 2023 has been declared (six months ended 30 June 2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023 - UNAUDITED

	Note	Six months ended 30 June **2023** **HK$ million**	 2022 HK$ million (Restated)
Revenue	3 & 4	**3,805.4**	2,946.7
Other income	5	**98.2**	359.6
Staff costs	6(a)	**(2,084.3)**	(1,973.2)
Depreciation		**(593.6)**	(539.6)
Fuel and oil		**(487.9)**	(342.7)
Spare parts		**(106.7)**	(98.9)
Toll charges		**(144.9)**	(126.2)
Other operating expenses	6(b)	**(452.1)**	(395.8)
Profit/(loss) from operations		**34.1**	(170.1)
Change in fair value of investment properties and investment property under development		**140.1**	197.5
Finance costs	7	**(49.1)**	(9.0)
Share of profits of associates		**-** *	2.9
Share of profit of joint venture		**4.0**	3.3
Profit before taxation	6	**129.1**	24.6
Income tax credit	8	**4.6**	81.8
Profit for the period		**133.7**	106.4
Earnings per share **- Basic and diluted**	10	**HK$ 0.28**	HK$ 0.23

* The amount represents amount less than $0.1 million.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023 - UNAUDITED

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
		(Restated)
Profit for the period	**133.7**	106.4
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 ("FVOCI"): net movement in fair value reserve (non-recycling), net of nil tax	**8.6**	-
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	**(26.4)**	(31.0)
- Investments in financial assets measured at FVOCI (recycling): net movement in fair value reserve (recycling), net of nil tax	**(91.6)**	(297.1)
- Share of other comprehensive income of an associate, net of nil tax	**(0.4)**	-
Other comprehensive income for the period	**(109.8)**	(328.1)
Total comprehensive income for the period	**23.9**	(221.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023 - UNAUDITED

	Note	**At 30 June 2023 HK$ million**	At 31 December 2022 HK$ million (Restated)
Non-current assets			
Investment properties		**5,366.5**	1,468.8
Investment property under development		**2,625.0**	5,840.0
Interest in leasehold land		**47.5**	48.5
Other property, plant and equipment		**7,680.6**	7,779.2
		15,719.6	15,136.5
Intangible assets		**529.1**	529.1
Goodwill		**84.1**	84.1
Interest in associates		**572.8**	599.8
Interest in joint venture		**749.3**	751.2
Other financial assets		**1,426.3**	1,716.3
Employee benefit assets		**1,550.0**	1,541.0
Deferred tax assets		**2.3**	0.7
		20,633.5	20,358.7
Current assets			
Spare parts		**111.3**	95.5
Accounts receivable	11	**970.8**	957.2
Other financial assets		**305.3**	216.0
Deposits and prepayments		**92.8**	32.0
Current tax recoverable		**3.2**	2.6
Restricted bank deposits		**466.2**	442.9
Bank deposits and cash		**1,679.0**	1,799.6
		3,628.6	3,545.8
Current liabilities			
Accounts payable and accruals	12	**1,956.4**	1,531.1
Contingency provision – insurance		**85.4**	88.6
Bank loans		**1,186.7**	1,674.6
Lease liabilities		**3.4**	4.1
Current tax payable		**16.0**	13.5
		3,247.9	3,311.9
Net current assets		**380.7**	233.9
Total assets less current liabilities		**21,014.2**	20,592.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023 - UNAUDITED

(continued)

	At 30 June 2023 HK$ million	At 31 December 2022 HK$ million (Restated)
Non-current liabilities		
Bank loans	**3,821.1**	3,293.0
Lease liabilities	**2.4**	3.1
Deferred tax liabilities	**996.2**	1,009.1
Contingency provision – insurance	**148.7**	148.5
Provision for long service payments	**1.5**	1.5
	4,969.9	4,455.2
Net assets	**16,044.3**	16,137.4
Capital and reserves		
Share capital	**486.9**	474.9
Reserves	**15,557.4**	15,662.5
Total equity	**16,044.3**	16,137.4

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 2023 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 17 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Changes in accounting policies

(a) Change in the measurement of investment properties and investment property under development ("Change in Measurement of IP and IPUD")

In previous years, the Group's investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, and investment property under development was stated at cost. During the current interim period, the Group has changed its accounting policy with respect to the measurement of investment properties and investment property under development from using cost model to fair value model. Under fair value model, after initial recognition, the Group measures these investment properties at fair value at each reporting date, with changes in the fair value recognised in the consolidated statement of profit or loss. Where investment properties and investment property under development are carried at their fair value, there is a rebuttable presumption that the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date.

The Group believes the new policy more suitably reflects the value of the investment properties and investment property under development and will aid comparability with other listed companies, so the change in accounting policy provides more relevant information to the users of financial statements. The Group also assesses that income capitalisation approach is the appropriate valuation technique to determine the fair value of the investment properties of the Group when compared to other valuation techniques. These changes have been applied retrospectively and the relevant comparative amounts have been restated accordingly.

Effect of application of Change in Measurement of IP and IPUD

The following tables summarise the effects of Change in Measurement of IP and IPUD presented on the unaudited consolidated statement of profit or loss and other comprehensive income (extracts) for the six months ended 30 June 2023 and 2022 by line items:

	As presented before Change in Measurement of IP and IPUD HK$ million	**Effect of Change in Measurement of IP and IPUD HK$ million**	**As presented HK$ million**
For the six months ended 30 June 2023			
Change in fair value of investment properties and investment property under development	-	140.1	140.1
Depreciation	(625.2)	31.6	(593.6)
(Loss)/profit for the period	**(38.0)**	**171.7**	**133.7**
(Loss)/earnings per share - Basic and diluted	**(0.08)**	**0.36**	**0.28**

	As previously stated HK$ million	**Effect of Change in Measurement of IP and IPUD HK$ million**	**As restated HK$ million**
For the six months ended 30 June 2022			
Change in fair value of investment properties and investment property under development	-	197.5	197.5
Depreciation	(543.0)	3.4	(539.6)
(Loss)/profit for the period	**(94.5)**	**200.9**	**106.4**
(Loss)/earnings per share - Basic and diluted	**(0.20)**	**0.43**	**0.23**

The following tables summarise the effects of Change in Measurement of IP and IPUD presented on the unaudited consolidated statement of financial position (extracts) as at 30 June 2023 and 31 December 2022 by line items:

As at 30 June 2023	As presented before Change in Measurement of IP and IPUD HK$ million	Effect of Change in Measurement of IP and IPUD HK$ million	As presented HK$ million
Investment properties	2,772.4	2,594.1	5,366.5
Investment property under development	2,293.6	331.4	2,625.0
Total non-current assets	**17,708.0**	**2,925.5**	**20,633.5**
Deferred tax liabilities	1,001.9	(5.7)	996.2
Total non-current liabilities	**4,975.6**	**(5.7)**	**4,969.9**
Net assets	**13,113.1**	**2,931.2**	**16,044.3**
Retained earnings	9,420.9	2,931.2	12,352.1
Total equity	**13,113.1**	**2,931.2**	**16,044.3**

As at 31 December 2022	As previously stated HK$ million	Effect of Change in Measurement of IP and IPUD HK$ million	As restated HK$ million
Investment properties	89.8	1,379.0	1,468.8
Investment property under development	4,465.2	1,374.8	5,840.0
Total non-current assets	**17,604.9**	**2,753.8**	**20,358.7**
Deferred tax liabilities	1,014.8	(5.7)	1,009.1
Total non-current liabilities	**4,460.9**	**(5.7)**	**4,455.2**
Net assets	**13,377.9**	**2,759.5**	**16,137.4**
Retained earnings	9,696.3	2,759.5	12,455.8
Total equity	**13,377.9**	**2,759.5**	**16,137.4**

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits*, to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability in the financial statements for the year ended 31 December 2022.

The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

3 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		Total Six months ended 30 June	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$ million	HK$ million	**HK$ million**	HK$ million (Restated)	**HK$ million**	HK$ million	**HK$ million**	HK$ million (Restated)
Revenue from external customers	**3,643.8**	2,832.0	**39.5**	25.4	**122.1**	89.3	**3,805.4**	2,946.7
Inter-segment revenue	**0.5**	0.4	**2.2**	2.7	**0.5**	1.4	**3.2**	4.5
Reportable segment revenue	**3,644.3**	2,832.4	**41.7**	28.1	**122.6**	90.7	**3,808.6**	2,951.2
Reportable segment (loss)/profit	**(45.0)**	(164.8)	**158.9**	227.5	**0.5**	3.3	**114.4**	66.0
As at 30 June/31 December								
Reportable segment assets	**10,668.8**	11,281.3	**8,778.1**	8,070.4	**1,464.6**	1,497.2	**20,911.5**	20,848.9
Reportable segment liabilities	**4,702.4**	5,211.2	**3,370.8**	2,416.1	**95.2**	94.9	**8,168.4**	7,722.2

Note: Results of all other segments mainly represented non-franchised transport operations and interest in associates.

4 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	
	2023	2022
	HK$ million	HK$ million
Fare revenue from franchised public bus services	**3,494.8**	2,711.3
Revenue from non-franchised transport services	**122.3**	89.5
Licence fee income	**117.2**	97.0
Media sales revenue	**29.0**	21.3
Gross rentals from investment properties	**42.1**	27.6
	3,805.4	2,946.7

5 Other income

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Interest income	**54.2**	41.7
Net foreign exchange gain	**5.7**	3.1
Expected credit loss on other financial assets	**(32.5)**	-
	27.4	44.8
Claims received	**10.0**	5.8
Net miscellaneous business receipts	**7.3**	5.9
Net gain on disposal of other property, plant and equipment	**5.1**	2.3
Government subsidies (Note)	**-**	280.3
Sundry income	**48.4**	20.5
	98.2	359.6

Note: This mainly represented subsidies from the Government of the Hong Kong Special Administrative Region ("HKSAR") to relieve operating pressures on corporates, including franchised and non-franchised bus operators, as a result of the fifth wave of COVID-19 for the six months ended 30 June 2022.

6 Profit before taxation

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

(a) Staff costs

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Defined benefit retirement plan (income)/expense	**(9.0)**	12.1
Contributions to defined contribution retirement plan	**87.4**	80.2
Movements in provision for long service payments	**2.6**	8.7
Equity-settled share-based payment expenses	**1.8**	0.7
Salaries, wages and other benefits	**2,002.1**	1,872.6
	2,084.9	1,974.3
Less: staff costs included in cost of mask production	**(0.6)**	(1.1)
	2,084.3	1,973.2

(b) Provision for toll exemption fund (note)	**63.0**	61.8

Note: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying tolls when using 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" which 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 the Toll Exemption Fund of the Group as at 30 June 2023, included in accounts payable and accruals (note 12), was HK$465.9 million (31 December 2022: HK$450.4 million).

7 Finance costs

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Interest on bank loans	**84.8**	19.2
Interest on lease liabilities	**0.1**	0.1
Total interest expense on financial liabilities not at fair value through profit or loss	**84.9**	19.3
Less: interest expense capitalised	**(35.8)**	(10.3)
	49.1	9.0

8 Income tax

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	**5.0**	4.5
Under-provision in respect of prior year	**0.7**	-
	5.7	4.5
The People's Republic of China withholding tax	**0.3**	0.9
	6.0	5.4
Deferred tax		
Origination and reversal of temporary differences	**(10.6)**	(87.2)
Actual tax credit	**(4.6)**	(81.8)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 June 2023, 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 2022.

9 Dividends

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

	Six months ended 30 June			
	2023		2022	
	Per share HK$	**HK$ million**	Per share HK$	HK$ million
Interim dividend declared after the interim period end	**0.30**	**146.1**	-	-

The interim dividend in respect of the six months ended 30 June 2023 has not been recognised as liability at the end of the reporting period.

(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			
	2023		2022	
	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	**0.50**	**237.5**	0.50	232.7

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2022 was paid on 30 June 2023, of which HK$118.7 million was settled by the issuance of 11,974,451 shares at an issue price of HK$9.91 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2021 was paid on 30 June 2022, of which HK$115.8 million was settled by the issuance of 9,470,661 shares at an issue price of HK$12.23 per share under the scrip dividend scheme.

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$133.7 million (six months ended 30 June 2022 (restated): profit attributable to equity shareholders of the Company of HK$106.4 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2023	2022
Issued ordinary shares at 1 January	**474,940,075**	465,469,414
Effect of shares issued in respect of scrip dividend	**66,157**	52,324
Weighted average number of ordinary shares at 30 June	**475,006,232**	465,521,738

(b) Diluted earnings per share

The diluted earnings per share for both the six months ended 30 June 2023 and 2022 are the same as basic earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

11 Accounts receivable

	At 30 June 2023 HK$ million	At 31 December 2022 HK$ million
Trade and other receivables	**931.9**	924.5
Interest receivable	**39.3**	33.1
Less: loss allowance	**(0.4)**	(0.4)
	970.8	957.2

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:

	At 30 June 2023 HK$ million	At 31 December 2022 HK$ million
Current	**58.3**	59.9
Less than 1 month past due	**122.9**	96.7
1 to 3 months past due	**56.5**	52.0
More than 3 months past due	**135.1**	126.9
	372.8	335.5

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.

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 2023 HK$ million	At 31 December 2022 HK$ million
Due within 1 month or on demand	**82.1**	120.4
Due after 1 month but within 3 months	**2.3**	0.6
Due after more than 3 months	**0.9**	0.7
Trade payables	**85.3**	121.7
Balance of toll exemption fund (note 6(b))	**465.9**	450.4
Retention payables	**139.0**	-
Other payables and accruals	**1,261.3**	954.1
Amount due to an associate	**4.9**	4.9
	1,956.4	1,531.1

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.

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 was HK$133.7 million, representing an increase of HK$27.3 million compared to the restated profit attributable to equity shareholders of HK$106.4 million for the six months ended 30 June 2022. Excluding the effect of the change in the measurement of investment properties and investment property under development, the unaudited loss attributable to equity shareholders of the Company for the corresponding period in 2023 and 2022 would have been HK$38.0 million and HK$94.5 million respectively, representing an improvement of HK$56.5 million or 59.8% compared to that for 2022. The improvement was mainly due to the continued recovery in bus patronage resulting from the relaxation of anti-pandemic measures implemented by the Government, which led to a significant increase in fare revenue from both franchised and non-franchised bus operations. However, this improvement was partly offset by the increase in fuel costs and staff costs. Earnings per share for the six months ended 30 June 2023 was HK$0.28 per share (six months ended 30 June 2022 (restated): HK$0.23 per share), representing an increase of HK$0.05 per share compared with the corresponding period in 2022.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.30 per share for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil), totalling HK$146.1 million (six months ended 30 June 2022: Nil), will be paid to shareholders whose names are on the Register of Members on 6 September 2023. 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 2023.

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 18 October 2023.

The Register will be closed on 6 September 2023. 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 5 September 2023.

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$48.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: loss after taxation of HK$139.1 million), representing a favourable variance of HK$90.9 million compared with the corresponding period in 2022.

- Fare revenue for the six months ended 30 June 2023 was HK$3,254.2 million, an increase of HK$681.9 million or 26.5% compared with HK$2,572.3 million for the corresponding period in 2022. The increase was mainly due to the increase in fare revenue as a result of the rebound in patronage. Non-fare revenue for the six months ended 30 June 2023 increased by HK$27.8 million to HK$145.3 million from HK$117.5 million for the six months ended 30 June 2022.

- Total operating expenses for the six months ended 30 June 2023 amounted to HK$3,517.7 million, an increase of 10.5% compared with HK$3,182.9 million for the corresponding period in 2022. The increase was mainly attributable to the increase in fuel costs, staff costs and depreciation resulting from high international fuel prices, pay rises and fleet replacement, respectively.

- As at 30 June 2023, KMB operated a total of 436 routes (31 December 2022: 433 routes) covering Kowloon, the New Territories and Hong Kong Island. 163 Bus-bus Interchange ("BBI") schemes covering all 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 also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.

- During the first half of 2023, a total of 66 Euro VI buses with the latest safety, environmental and design features were added to the fleet. As at 30 June 2023, KMB operated 4,049 buses (31 December 2022: 4,036 buses), comprising 3,892 double-deck and 157 single-deck buses. In addition, a total of 52 electric buses and 20 Euro VI double-deck buses were awaiting licensing in the second half of 2023.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2023 was HK$3.2 million, representing a favourable variance of HK$28.6 million compared with the loss after taxation of HK$25.4 million for the six months ended 30 June 2022.

- Fare revenue for the six months ended 30 June 2023 increased by HK$101.6 million or 72.9% to HK$241.0 million compared with HK$139.4 million for the corresponding period in 2022. The increase was mainly due to the significant increase in bus patronage resulting from the relaxation of travel restrictions, particularly with respect to visitor arrivals and departures.

- Total operating expenses for the six months ended 30 June 2023 amounted to HK$237.1 million, an increase of HK$33.2 million or 16.3% compared with HK$203.9 million for the corresponding period in 2022. The increase was primarily due to the rise in staff costs and fuel costs.

- As at 30 June 2023, LWB had 30 BBI schemes covering 40 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 2023, LWB operated 40 regular routes with a fleet of 280 buses (31 December 2022: 261 buses), comprising 276 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$1.0 million for the six months ended 30 June 2023 (six months ended 30 June 2022: profit after taxation of HK$2.7 million). 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 2023 increased by 21.0% compared with the corresponding period in 2022. The increase was mainly due to the increase in local business and cross-boundary services. Total operating expenses for the period under review increased by 9.0% compared with the first half of 2022. This increase was mainly due to the increase in staff costs and other operating expenses resulting from inflation.

- As at 30 June 2023, the SBH Group had a fleet of 409 licensed buses (31 December 2022: 396 buses). During the first half of 2023, 20 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 the NHKB rebounded significantly after the resumption of the Huang Bus service on 6 February 2023 as a result of full resumption of the immigration clearance service for passengers at the Lok Ma Chau Control Point.

- As at 30 June 2023, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2022.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$158.9 million (including a fair value gain of HK$140.1 million) for the six months ended 30 June 2023, representing a decrease of HK$68.6 million or 30.2% compared with the restated profit after taxation of HK$227.5 million (including a fair value gain of HK$197.5 million) for the corresponding period in 2022. The decrease was primarily due to the lesser extent of HK$57.4 million in the fair value gain on investment properties and investment property under development. A review of the Group's investment properties is set out as follows:

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns The Millennity situated at No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong in equal shares as tenants in common for long-term investment purpose.

- The Millennity, a premium integrated commercial project strategically located in the heart of Kwun Tong, is close to Kwun Tong and Ngau Tau Kok MTR stations. An occupation permit was obtained in November 2022.

- The Millennity will offer Grade-A offices with a gross floor area of approximately 650,000 square feet in two 20-storey towers and a large shopping mall in a 10-storey podium covering leisurely retail space of approximately 500,000 square feet. Additionally, nearly 400 parking spaces will be provided in a 4-storey parking garage in the basement, a number of which will be equipped with electric vehicle charging systems.

- In December 2022, two subsidiaries of SHKP, Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited and Kai Shing Management Services Limited were appointed as the marketing and leasing agent and the property manager for The Millennity, respectively.

- During the current period, two office towers of The Millennity have been completed and tenants have moved in, commencing their operations. The podium mall is still under construction and is expected to have its grand opening in the first half of 2024.

- As at 30 June 2023, the fair value of The Millennity amounted to HK$6,525.0 million. Out of this amount, HK$3,900.0 million was classified as investment property, while the remaining portion of HK$2,625.0 million was classified as investment property under development in the consolidated statement of financial position. As of 31 December 2022 (restated), HK$5,840.0 million was classified as investment property under development.

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 2023, the fair value of the building (classified as investment property in the consolidated statement of financial position) amounted to HK$918.0 million (31 December 2022 (restated): HK$921.3 million).

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. 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 2023, the fair value of the shopping mall (classified as investment property in the consolidated statement of financial position), amounted to HK$445.5 million (31 December 2022 (restated): HK$444.5 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. On 23 June 2023, TMPI obtained approval from the Town Planning Board for a change of use from the existing industrial use to office, shop and services uses. As at 30 June 2023, 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 2023, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$572.8 million (31 December 2022: HK$599.8 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. The Group's China Mainland Transport Operations Division reported similar results for the six months ended 30 June 2023, compared to the corresponding period in 2022.

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, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市). As at 30 June 2023, it had 5,315 taxis (including 4,800 electric taxis, which are operated by an associate) and 5,684 buses serving some 270 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 2023, BBKT had a fleet of 4,148 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 1,070 vehicles available for hire as at 30 June 2023.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2023, the carrying values of 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$15,719.6 million (31 December 2022 (restated): HK$15,136.5 million), none of which was pledged or charged.

During the six months ended 30 June 2023, the Group incurred capital expenditure of HK$1,040.5 million (six months ended 30 June 2022: HK$668.7 million), which was mainly used for the development of The Millennity and the purchase of new buses by the Group for fleet replacement.

FUNDING AND FINANCING

Liquidity and financial resources

As at 30 June 2023, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK$2,862.6 million (31 December 2022: HK$2,725.1 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 borrowing)/ Net cash HK$ million
At 30 June 2023				
Hong Kong dollars		**1,480.2**	**(5,007.8)**	**(3,527.6)**
United States dollars	**83.6**	**655.0**	-	**655.0**
Other currencies		**10.0**	-	**10.0**
Total		**2,145.2**	**(5,007.8)**	**(2,862.6)**
At 31 December 2022				
Hong Kong dollars		1,693.8	(4,967.6)	(3,273.8)
United States dollars	69.2	540.4	-	540.4
Other currencies		8.3	-	8.3
Total		2,242.5	(4,967.6)	(2,725.1)

As at 30 June 2023, bank loans, all unsecured, amounted to HK$5,007.8 million (31 December 2022: HK$4,967.6 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2023 HK$ million	At 31 December 2022 HK$ million
Within 1 year	**1,186.7**	1,674.6
After 1 year but within 2 years	**162.2**	299.5
After 2 years but within 5 years	**3,658.9**	2,993.5
	5,007.8	4,967.6

As at 30 June 2023, the Group had undrawn banking facilities totalling HK$1,580.0 million (31 December 2022: HK$620.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2023 were HK$49.1 million, an increase of HK$40.1 million compared with HK$9.0 million for the six months ended 30 June 2022. The increase was mainly due to the increase in average bank borrowings and the increase in average interest rate in respect of the Group's borrowings from 0.89% per annum for the six months ended 30 June 2022 to 3.26% per annum for the six months ended 30 June 2023.

As at 30 June 2023, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars and United States dollars) amounted to HK$2,145.2 million (31 December 2022: HK$2,242.5 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 as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long term. Alternatively, the Group enters into contracts with diesel suppliers from time to time for the supply of diesel. It is expected that the fuel price will continue to be volatile, and management will continue to closely monitor fuel price movements and constantly review its strategy in respect of 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 financial assets measured at FVOCI (recycling) 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.

In view of the volatile financial markets and the prospect of interest rate hikes, the Group will continue to closely monitor the market conditions and devise 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 2023, 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.

The Group's credit risk is primarily attributable to trade and other receivables and debt investments. Management has a credit policy in place under which exposure to credit risk is monitored on an ongoing basis. The Group has established treasury management guidelines for investment of surplus cash reserves in debt securities for yield enhancement purposes. Limits are set for the total portfolio size and individual debt securities to minimise the overall risk as well as the concentration risk. The credit ratings of the debt issuers and market news relating to them, as available, are closely monitored over the life of the transactions. In addition, investment portfolio and investment strategies will be monitored and reviewed on a regular basis to minimise the risk of default on the investments in debt securities. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the

Group monitors the exposure to each financial institution. The Group does not provide guarantees to third parties which would expose the Group to credit risk.

CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2023 amounted to HK$558.6 million (31 December 2022: HK$725.7 million). These commitments were mainly in respect of the development of The Millennity 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 2023, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$2,002.1 million (six months ended 30 June 2022: HK$1,872.6 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 2023, the Group employed over 13,000 staff (31 December 2022: over 13,000 staff).

OUTLOOK

The uncertainty in the global economic outlook, continuous expansion of the local railway, volatile international fuel prices and increasing cost of human resources have brought challenges to the Group's operation. However, following the resumption of normalcy in the community and the reopening of borders, the numbers of passenger trips and visitor arrivals are gradually improving. TIH is confident that both franchised public bus operations and non-franchised transport operations in Hong Kong will be recovering to the pre-pandemic level. The Hong Kong SAR Government's approval of the fare adjustment of KMB and LWB effective from 18 June 2023 also helps ease the operating pressure. Together with LWB's new ten-year franchise from 1 May 2023 onwards, synergies between two franchised bus companies can bring positive impacts on the persistent provision of high quality and safe franchised bus services, as well as the expansion of bus network to attract passengers to continue to choose our bus services.

To further improve the bus service network, KMB and LWB have introduced and renovated a total of 31 Bus-bus Interchanges ("BBIs") with interchange discounts offered to various route combinations so that passengers can enjoy a point-to-point transport service. Information on routes and discounts offered at the BBIs is available on App1933 for passengers to make good use of our interchange networks more easily.

The Group has seized every development opportunity. Leveraging the establishment of new development areas and infrastructures, new bus routes were introduced while existing services were also enhanced to proactively expand our service to new passengers. In the meantime, facilities at bus stops and onboard were upgraded including using 5G technologies for a high-quality experience for our passengers. The Group has also strived to generate more non-fare box revenues by lobbying the Government for the implementation of different proposals. KMB is also strengthening its cooperation with Shenzhen Bus Group, in which TIH has interests, by promoting intermodal transportation projects and facilitating cross-boundary payments to cope with the enormous cross-border traffic demand brought by the integration into the Greater Bay Area.

To tie in with the carbon-neutral policies of the Nation and the Hong Kong SAR Government, the Group has laid down the development roadmap for achieving zero emissions of our bus fleets. KMB and LWB will have over 80 electric buses serving the public within this year, and are planning to have one-eighth of the fleets electrified by 2025 at the earliest. KMB is also building two new depots and actively upgrading facilities in existing depots to get prepared for the arrival of the new energy bus fleet.

The two grade-A office towers of The Millennity in Kwun Tong have been rented to a number of large organisations and enterprises. The 500,000-square-feet megamall at the podium is also expected to open within a few months in 2024. It is believed these will provide a steady return for our shareholders. The Group has also decided to redevelop the property in Tuen Mun, which will generate a long-term and continuous income through leasing the office and retail spaces. We will continue to open up recurrent income as one of our business strategies.

This year marks the 90th anniversary of KMB which has been rooted in Hong Kong since its establishment and upholding the commitment of serving the public throughout these nine decades. KMB will continue to nurture outstanding and professional talents in the transport industry with its years of precious experience. In the future, the Group will continue to walk with Hong Kong, with our staff members of every department making contributions on the road to smart and green transport with dedication and a strong sense of unity. We would like to express our heartfelt gratitude for the efforts made by every staff member, as well as each passenger for using our bus service.

ISSUE OF SHARES

On 30 June 2023, the Company issued 11,974,451 shares in lieu of the final dividend for the year ended 31 December 2022 at an issue price of HK$9.91 per share under the scrip dividend scheme as set out in the circular of the Company dated 2 June 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Except for the aforesaid issue of shares on 30 June 2023, 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 2023, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2023 as provided for in code provision C.1.6 due to other engagements.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2023 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 2023.

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 2023 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2023.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 17 August 2023

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* (Mr. WONG Hong Kit 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
Mr. Christopher KWOK Kai-wang, *JP*

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

**For identification purpose only*