載通國際
Transport International

TRANSPORT INTERNATIONAL HOLDINGS LIMITED

2013 Interim Report

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INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 was HK$195.4 million (six months ended 30 June 2012: HK$114.5 million, which has been restated due to the change in accounting policy with respect to defined benefit plans as a result of the adoption of the revised Hong Kong Accounting Standard 19, Employee benefits (the "Revised HKAS 19"), which has become effective for accounting period commencing on 1 January 2013), representing an increase of HK$80.9 million or 70.7% compared with the corresponding period in 2012. The effect of adopting the Revised HKAS 19 is set out in note 2 of the interim financial report. Earnings per share for the period under review increased correspondingly to HK$0.48 from HK$0.28 (restated) for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.15 per share (six months ended 30 June 2012: HK$0.15 per share), totalling HK$60.5 million for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$60.5 million). The interim dividend will be paid on 17 October 2013 to the equity shareholders of the Company whose names are on the Register of Members at the close of business on 9 October 2013. The Register will be closed from 4 October 2013 to 9 October 2013, both dates inclusive. 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, not later than 4:30 p.m. on 3 October 2013.

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$19.5 million for the first half of 2013 (first half of 2012: loss after taxation of HK$82.4 million, which has been restated as a result of the adoption of the Revised HKAS 19), representing a favourable variance of HK$62.9 million compared with the corresponding period of 2012.

- Fare revenue for the first half of 2013 increased by HK$126.1 million or 4.3% to HK$3,043.6 million as compared with HK$2,917.5 million for the corresponding period in 2012. Such increase was due to growth in ridership and the fare increase of 4.9% which took effect on 17 March 2013. Advertising revenue for the first half of 2013 was HK$56.0 million, an increase of 2.2% compared with HK$54.8 million for the first half of 2012. Total operating expenses for the first half of 2013 increased by HK$59.4 million or 1.9% to HK$3,166.6 million, compared with HK$3,107.2 million (restated) for the corresponding period of 2012. Despite the aforesaid increases in fare and advertising revenue, the total revenue was still insufficient to fully cover the operating expenses incurred during the first half of 2013.

- The average daily ridership for the first half of 2013 was 2.59 million passenger trips, an increase of 2.0% compared with the corresponding period last year. The increase was mainly due to the increase in patronage by elderly passengers as a result of the rolling out of the HKSAR Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities with effect from 5 August 2012.

- As at 30 June 2013, KMB operated a total of 392 routes (31 December 2012: 394 routes). In addition, there were 84 Octopus Bus-bus Interchange ("BBI") schemes covering 269 bus routes, operating both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes provide fare discounts to passengers on the second leg of journeys while broadening KMB's network coverage. They also help relieve traffic congestion on busy corridors and contribute towards an improved environment by improving bus utilisation and saving resources.

- During the first half of 2013, substantial investments were made in new buses featuring the latest safety, barrier-free wheelchair user-friendly, and environmental design features. Forty-eight Euro V air-conditioned super-low floor double-deck buses were added to the KMB fleet. As at 30 June 2013, KMB operated a total of 3,780 buses (31 December 2012: 3,820 buses), comprising 3,613 double-deck and 167 single-deck air-conditioned buses. In addition, KMB had 372 new Euro V air-conditioned double-deck buses and 11 new Euro V air-conditioned single-deck buses awaiting licensing or on order.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2013 amounted to HK$19.3 million, representing an increase of HK$5.2 million compared with that for the first half of 2012 of HK$14.1 million, which has been restated due to the adoption of the Revised HKAS 19.

- Fare revenue for the first half of 2013 increased by 4.1% to HK$189.8 million as compared with HK$182.3 million for the corresponding period in 2012. This increase was mainly due to an increase in the average daily ridership of 4.5% over the corresponding period in 2012 as a result of increasing transport demand from international travellers and from construction workers involved in various infrastructural projects at the Airport and in the expanding Hong Kong Disneyland. Total operating expenses for the period under review amounted to HK$169.0 million, an increase of HK$2.0 million compared with HK$167.0 million (restated) for the corresponding period of 2012.

- As at 30 June 2013, LWB operated 15 BBI schemes covering 12 bus routes, operating both within LWB's bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- In the first half of 2013, LWB introduced three new Euro V air-conditioned super-low floor double-deck buses to its fleet to enhance the level of service on routes with increased demand. As at 30 June 2013, LWB operated 19 routes with a fleet of 168 air-conditioned super-low floor double-deck buses.

- As at 30 June 2013, LWB had on order three new Euro V air-conditioned double-deck buses, which are expected to be delivered by the end of 2013 to further enhance its service level.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$15.5 million for the first half of 2013, representing an increase of 9.9% compared with HK$14.1 million for the corresponding period of 2012. A review of the operations of the principal business units in this Division is set out as follows:

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

- The SBH Group is a leading non-franchised bus operator in Hong Kong, providing tailor-made transport services to a variety of customers, serving large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as the general public through chartered hire services.

- Turnover of the SBH Group for the first half of 2013 increased by 12.6% compared with the corresponding period in 2012. The increase was due mainly to business growth and turnover generated by two cross-boundary non-franchised bus operators which were added to the SBH Group in the second half year of 2012. Total operating expenses for the period under review also increased as a result of the increases in salaries and other operating expenses resulting from general inflation.

- As at 30 June 2013, the SBH Group had a fleet of 386 (31 December 2012: 386) licensed buses. During the first half of 2013, 15 new coaches were purchased for service enhancement and fleet replacement.

New Hong Kong Bus Company Limited ("NHKB")

- In conjunction with its Shenzhen counterpart, NHKB operated a total of 15 air-conditioned super-low floor single-deck buses on its 24-hour cross-boundary shuttle bus service, commonly known as the "Huang Bus" service, which takes business and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen (深圳). With the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange, and the increasing number of cross-boundary transport options available for passengers, NHKB faced keen competition from railway and public minibus services. As a result, NHKB's average monthly ridership fell by 2.6% from 0.39 million passenger trips for the first half of 2012 to 0.38 million passenger trips for the first half of 2013.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited ("LCKPI")

- LCKPI, a wholly-owned subsidiary of the Group, is the developer of Manhattan Hill, a luxury residential complex located in Lai Chi Kok, Kowloon. The last residential unit of Manhattan Hill and 13 car parking spaces were sold in 2012, leaving only one car parking space which was sold in the first half of 2013, generating an after-tax profit of HK$1.3 million (first half of 2012: HK$71.2 million). On completion of the development project, LCKPI reached a final agreement with its contractors and sub-contractors on the contract settlement sums. Based on the quantity surveyors' certified final accounts of the work done, pre-tax development costs amounting to HK$108.2 million were written back to the income statement during the period under review on a one off basis. As a result of this write-back and the aforesaid sale of one car parking space, LCKPI recorded a profit after taxation of HK$91.6 million for the six months ended 30 June 2013, representing an increase of HK$20.4 million compared with that of HK$71.2 million for the first half of 2012.

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. Since its opening in March 2009, the 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with a mix of high quality retail facilities including a variety of shops and restaurants. As at 30 June 2013, about 95% of the lettable area of the shopping mall was leased out, generating a steady income stream for the Group.

- As at 30 June 2013, the carrying value of the shopping mall (classified as investment property on the consolidated balance sheet) amounted to HK$98.3 million (31 December 2012: HK$100.8 million).

LCK Real Estate Limited ("LCKRE")

- LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes.

- As at 30 June 2013, the building was stated on the consolidated balance sheet at cost less accumulated depreciation in the amount of HK$32.6 million (31 December 2012: HK$33.2 million).

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, together with Turbo Result Limited, a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common. Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a wholly-owned subsidiary of SHKP, has been appointed as project manager for the management, supervision and control of the development of the Kwun Tong Site to ensure that the whole development meets the highest standards. SHKRE is currently handling matters relating to the modification of the lease and the submission of the building plan. The Group intends to hold the development for long-term investment purposes.

- As at 30 June 2013, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated balance sheet) amounted to HK$13.9 million (31 December 2012: HK$13.4 million).

TM Properties Investment Limited ("TMPI")

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

- As at 30 June 2013, the carrying value of the industrial property (classified under investment property on the consolidated balance sheet) amounted to HK$8.0 million (31 December 2012: HK$8.6 million).

Media Sales Business

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

- RoadShow, established by the Group as its media sales arm, has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001. At present, the Group owns a 73% interest in RoadShow. The RoadShow Group offers advertisers a unique integrated media platform, spanning Multi-media On-board, bus interior, bus exterior, outdoor billboards as well as a newly launched web portal.

- For the six months ended 30 June 2013, RoadShow reported a profit attributable to equity shareholders of HK$29.9 million (six months ended 30 June 2012: HK$26.0 million).

- Further information regarding the RoadShow Group is available in its 2013 interim results announcement and interim report.

Mainland Transport Operations

As at 30 June 2013, the Group's total interest in the businesses under the Mainland Transport Operations Division amounted to HK$703.1 million (31 December 2012: HK$671.5 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. In the first half of 2013, the Group's Mainland Transport Operations Division reported a profit after taxation of HK$15.8 million, representing an increase of 2.6% compared with HK$15.4 million for the corresponding period in 2012.

Beijing (北京)

- Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT"), a Sino-foreign joint stock company, was established in Beijing (北京) 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%. Up to April 2013, BBKT operated both taxi hire and car rental businesses as one of the market leaders in Beijing, providing high quality transport services to its customers. The car rental business of BBKT was then transferred to a new joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司) ("BBF"), with the aim of providing greater focus in the exploration of business opportunities in the booming but challenging car rental market in Beijing. BBF has the same shareholding structure as BBKT. As at 30 June 2013, BBKT and BBF had 3,610 taxis and 1,114 charter vehicles respectively. Both businesses made steady progress and recorded profits in the first half of 2013.

Shenzhen (深圳)

- Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Group and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SBG, representing a stake of 35%. SBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), with 5,836 vehicles serving some 270 routes. SBG made steady progress and recorded a profit in the first half of 2013.

FINANCIAL POSITION

Fixed assets and capital expenditure

The Group's fixed assets mainly comprised buildings, buses and other motor vehicles, buses under construction, tools and others, investment properties, and interest in leasehold land. As at 30 June 2013, none of the Group's fixed assets was pledged or charged. In the first half of 2013, the Group incurred capital expenditure of HK$616.0 million (six months ended 30 June 2012: HK$167.4 million), which was mainly used for the purchase of new buses for the Group's franchised public bus operations.

FUNDING AND FINANCING

Liquidity and financial resources

Under the principle of prudent financial management, the Group closely monitors its liquidity and financial resources by preparing and reviewing a rolling 12-month cash flow projection on a monthly basis to ensure that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demands for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts.

- As at 30 June 2013, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$2,114.4 million (31 December 2012: HK$2,298.0 million). The details of the Group's net cash by currency as at 30 June 2013 are set out below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans and overdrafts HK$ million	Net cash HK$ million
At 30 June 2013				
Hong Kong dollars		**1,585.9**	**(598.8)**	**987.1**
Renminbi	**786.9**	**993.3**	**—**	**993.3**
United States dollars	**17.2**	**134.0**	**—**	**134.0**
Total		**2,713.2**	**(598.8)**	**2,114.4**
At 31 December 2012				
Hong Kong dollars		2,527.8	(798.6)	1,729.2
Renminbi	290.1	359.3	—	359.3
United States dollars	26.8	208.8	—	208.8
British Pounds Sterling	0.1	0.7	—	0.7
Total		3,096.6	(798.6)	2,298.0

- As at 30 June 2013, bank loans and overdrafts, all unsecured, amounted to HK$598.8 million (31 December 2012: HK$798.6 million). The maturity profile of the bank loans and overdrafts of the Group as at 30 June 2013 and 31 December 2012 is set out below:

	At 30 June 2013 HK$ million	At 31 December 2012 HK$ million
Within 1 year or on demand	**200.0**	200.1
After 1 year but within 2 years	**—**	200.0
After 2 years but within 5 years	**398.8**	398.5
	398.8	598.5
Total	**598.8**	798.6

- As at 30 June 2013, the Group had undrawn banking facilities totalling HK$610.0 million (31 December 2012: HK$609.9 million), of which HK$600.0 million (31 December 2012: HK$600.0 million) was of a committed nature.

- The finance costs incurred by the Group for the six months ended 30 June 2013 were HK$4.2 million (six months ended 30 June 2012: HK$4.8 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.08% per annum compared with 1.12% per annum for the corresponding period in 2012.

- As at 30 June 2013, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$2,713.2 million (31 December 2012: HK$3,096.6 million).

FUNDING AND TREASURY POLICIES

- In general, the Group's major operating companies arrange their own financing to meet their individual operational and investment needs. The other subsidiaries are mainly financed by their parent company from its capital base. The Group's funding strategy is regularly reviewed by management to ensure that cost-efficient and flexible funding is available to meet the unique operating environment of each subsidiary. Through maintaining adequate stand-by banking facilities and proper planning and close monitoring of the level of debts, management ensures that the Group's routine treasury operation is able to effectively meet its normal funding and ad hoc investment requirements.

- Fuel price movements can have a significant impact on the results of the Group's core franchised public bus businesses. The Group has carefully considered the pros and cons of entering into fuel price hedging arrangements and has come to the conclusion 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 run. As a result, the Group has not entered into any fuel oil hedging contracts during the period under review. To mitigate the impact of high fuel prices, the Group's two major subsidiaries, KMB and LWB, have rigorously explore ways to conserve fuel consumption, such as working with bus manufacturers to reduce the weight of new generation buses and conducting eco-driving training for our bus captains. In addition, we also rigorously explore other efficiency enhancement measures, including but not limited to the reorganisation of bus services on a district-wide basis, with the HKSAR Government and the District Councils. The Group will continue to closely monitor fuel price movements and constantly review its strategy on fuel price risk management and find ways to counter the adverse impact of high fuel prices. However, if these measures are not effective to restore the financial viability of the Group's franchised public bus operations, it is inevitable that the Group will have to seek a fare increase in order to maintain the provision of sustainable quality services.

- The Group manages its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. As at 30 June 2013, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. This strategy enabled the Group to take full advantage of the continuous low interest rates environment in the period under review. The Group will review its strategy on interest rate risk management on a regular basis in the light of prevailing market conditions and devise appropriate strategies to cope with its interest rate risk exposure.

- The Group's foreign currency exposure mainly arises from the payments for the purchases of new buses and overseas motor vehicle components, which are denominated in British Pounds Sterling. Although the amounts of foreign currency assets and liabilities of the Group are relatively low compared to its total asset base and therefore will not pose a significant foreign exchange risk to the Group, the Group's treasury team will continue to closely monitor the prevailing foreign exchange market conditions and enter into forward foreign exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. As at 30 June 2013, the Group had no forward exchange contracts outstanding.

- The Group has not been exposed to significant cash flow and liquidity risks since it has maintained an adequate level of cash reserves on hand arising from sales of properties. By means of proper planning and close monitoring of the level of debts, the Group will be able to effectively meet its funding and investment requirements. The Group will continue to review its strategy to ensure that cost-efficient funding is available in line with the unique operating environment of each of its subsidiaries. Under normal circumstances and barring an unforeseen drastic upsurge in fuel oil prices for a prolonged period of time, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, will also be low as its revenue is essentially received on a cash basis. However, if fuel prices and other operating costs continuously stay at a high level and KMB fails to reorganise its "legacy bus network" in a timely and effective manner, and is not able to obtain a sufficient fare increase magnitude from the HKSAR Government to counter the escalating costs, this will put financial pressure on KMB's daily operations.

CAPITAL COMMITMENTS

As at 30 June 2013, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK$2,719.2 million (31 December 2012: HK$3,063.8 million). These commitments were mainly in respect of the development of the Kwun Tong Site and the purchase of buses and other fixed assets, which are to be financed by borrowings and the working capital of the Group.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for over 48.5% of the total operating costs of the Group in the first half of 2013. As at 30 June 2013, the Group had 13,349 employees. For the six months ended 30 June 2013, total remuneration of the employees of the Group amounted to HK$1,735.1 million (six months ended 30 June 2012 (restated): HK$1,648.7 million). Employee compensation, including salaries, retirement schemes and medical benefits, is determined by reference to the market, individual performance and contribution. The Group closely monitors and aligns its headcount and staff remuneration against productivity and market trends.

OUTLOOK

Franchised Public Bus Operations

In view of the losses incurred by KMB due to factors beyond its control and for the purpose of restoring its financial viability for the provision of sustainable quality services, on 29 November 2012, KMB submitted to the Transport Department an application for a fare increase of 8.5%. We are disappointed that the HKSAR Government approved an average fare increase of only 4.9% with effect from 17 March 2013 which is insufficient in light of the challenges faced by KMB, such as intense competition from the expanding rail network, persistently high fuel prices, significant increases in wages and other operating expenses due to inflationary pressure, as well as rising customer expectations of higher service level and quality.

The new railway lines launched since 2002 have had a significant adverse impact on KMB's business. Although KMB's ridership has decreased by 16% over the past decade, we have not been allowed to rationalise our network and reduce our fleet size proportionately. On the other hand, the problem of road traffic congestion has significantly worsened, leading to increases in journey times on busy urban corridors. This has reduced the competitiveness of bus services and increased our operating costs as a result of increased fuel consumption and manpower allocation.

We believe that if KMB is allowed to re-design the existing network and remove or reshuffle overlapping or duplicated bus routes, we can deliver a better service using slightly fewer buses. In this connection, we have stepped up collaboration with the HKSAR Government and the District Councils with the aim of reorganising the bus network by adopting an "area approach" on a district by district basis. By considering the dynamics of travelling patterns over a wider area, rather than focusing on individual bus routes, and by taking into account opportunities offered by the new highway infrastructure, we believe that our routes can be optimised to better serve the travelling public. With the support of the HKSAR Government, we are pleased that KMB's North District route reorganisation plan was endorsed by North District Council in July 2013, albeit more than six months after KMB first put forward its plan to the HKSAR Government. Given the tough operating conditions currently faced by KMB, especially with the recent volatility in international fuel prices which may have a significant impact on KMB's performance in the second half of 2013, route reorganisation must be implemented at a much faster pace to enable us to make better use of our limited resources to meet our customers' needs and expectations, and to restore our financial viability.

Non-franchised Businesses

The Group's non-franchised transport businesses recorded healthy growth in the first half of 2013 although high fuel prices posed significant challenges to their operations. We will continue to enhance our coach service quality and to explore business opportunities that can increase our income.

The development of the Kwun Tong Site at No. 98 How Ming Street, Kwun Tong, Kowloon is ongoing. The site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel) uses, and upon completion, it will be held by the Group for long-term investment purposes. The Group's Manhattan Mid-town shopping mall with a total area of 50,000 square feet and the shops in our headquarters building in Lai Chi Kok, together with the industrial property at 1 Kin Fung Circuit, Tuen Mun, will continue to provide steady rental revenue for the Group.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 15 August 2013

SUPPLEMENTARY INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

During the period under review, the changes in Directors' biographical details since the date of the 2012 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below.

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

Dr Leung served as a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials from 2007 to 2013.

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

Dr Chan ceased to be the Chairman of the Council of the Sir Edward Youde Memorial Fund.

Dr KWOK Ping-sheung, Walter JP, D. Sc., MSc(Lond), DIC, MICE

Dr Kwok was appointed as the Vice Chairman of Friends of Hong Kong Association Development Foundation. He ceased to be a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference.

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

Dr Li was an Independent Non-executive Director of Bank of Communications Co., Ltd. until 25 June 2013.

Evan AU YANG Chi Chun BA, MBA

Mr Au Yang was appointed as a member of the Local Advisory Committee for the Division of Environment at The Hong Kong University of Science and Technology.

Professor LIU Pak-wai* SBS, JP

Professor Liu was appointed as a member of the Working Group on Long Term Fiscal Planning. He was formerly a member of the Commission on Strategic Development.

(Independent Non-executive Director)*

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

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

The Directors of the Company who held office as at 30 June 2013 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO:

I. Interests in Issued Shares

(a) *The Company*

	Ordinary shares of HK$1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
Dr John CHAN Cho Chak*	2,000	—	—	—	2,000	—
KWOK Ping-luen, Raymond	393,350	—	—	—	393,350	0.097%
Dr KWOK Ping-sheung, Walter	61,522	—	—	—	61,522	0.015%
NG Siu Chan	—	21,000,609	—	—	21,000,609	5.203%
William LOUEY Lai Kuen	6,251,416	—	—	—	6,251,416	1.549%
Charles LUI Chung Yuen	12,427	—	—	2,651,750 *(Note 1)*	2,664,177	0.660%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	41,416	—	—	21,000,609 *(Note 2)*	21,042,025	5.213%
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
Professor LIU Pak-wai*	—	—	—	—	—	—
Roger LEE Chak Cheong (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* *Independent Non-executive Director*

Notes:

1. Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 2,651,750 shares in the Company.

2. Ms Winnie Ng had an interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

(b) RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Company

	Ordinary shares of HK$0.10 each					
	Personal interests	**Family interests**	**Corporate interests**	**Trustee interests**	**Total number of shares held**	**Percentage of total issued shares**
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
Dr John CHAN Cho Chak*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	37,400	—	—	—	37,400	0.004%
Dr KWOK Ping-sheung, Walter	6,600	—	—	—	6,600	0.001%
NG Siu Chan	—	123,743	—	—	123,743	0.012%
William LOUEY Lai Kuen	412,371	—	—	—	412,371	0.041%
Charles LUI Chung Yuen	—	—	—	209,131 *(Note 1)*	209,131	0.021%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	1,000,000	—	—	123,743 *(Note 2)*	1,123,743	0.113%
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
Professor LIU Pak-wai*	—	—	—	—	—	—
Roger LEE Chak Cheong (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

** Independent Non-executive Director*

Notes:

1. Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 209,131 shares in RoadShow.

2. Ms Winnie Ng had an interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 30 June 2013, none of the Directors had any non-beneficial interest in the share capital of the Company.

II. Interests in Underlying Shares

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

DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 17 to the interim financial report, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Mr Kwok Ping-luen, Raymond, and Dr Kwok Ping-sheung, Walter, are directors of SHKP. Mr Kwok Ping-luen, Raymond, is materially interested in these transactions by virtue of his deemed interest under Part XV of the Securities and Futures Ordinance in more than 5% of the issued shares of SHKP and the interest of Dr Kwok Ping-sheung, Walter, in the issued shares of SHKP is pending resolution.

Save as disclosed above, no contract of significance to which the Company, its subsidiaries or fellow subsidiaries were a party and in which a Director of the Company had a material interest, subsisted at the end of the six months ended 30 June 2013.

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

As at 30 June 2013, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, were as follows:

	Ordinary shares of HK$1 each			
	Registered shareholders	**Corporate interests**	**Total number of shares held**	**Percentage of total issued shares**
Sun Hung Kai Properties Limited *(Notes 1 and 2)*	—	133,271,012	133,271,012	33.0%
Arklake Limited *(Note 1)*	68,600,352	—	68,600,352	17.0%
HSBC International Trustee Limited *(Note 3)*	35,837,445	—	35,837,445	8.9%
HSBC Trustee (C.I.) Limited *(Note 3)*	134,341,973	—	134,341,973	33.3%
Kwong Tai Holdings (PTC) Limited *(Note 4)*	21,000,609	—	21,000,609	5.2%

Notes:

1. The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.

2. Under The Code on Takeovers and Mergers (the "Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rule 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rule 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.

Notes: (continued)

3. HSBC International Trustee Limited and HSBC Trustee (C.I.) Limited are deemed to be interested in a total of 170,179,418 shares in the Company held on trust for their clients, of which 133,271,012 shares are held for SHKP.

4. The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013, except that two of the Non-executive Directors of the Company, Mr Raymond Kwok Ping-luen and Dr Walter Kwok Ping-sheung, were unable to attend the Annual General Meeting of the Company held on 23 May 2013 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 2013 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, by the Company's external auditors, KPMG, whose review report is set out on page 39 of this interim report.

The Audit Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2013.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2013** **$'million** **(Unaudited)**	 2012 $'million (Unaudited) (Restated)
Turnover	3 & 4	**3,612.5**	3,554.6
Other net income	5	**191.0**	87.3
Cost of properties sold		**(0.4)**	(19.5)
Staff costs	6(b)	**(1,735.1)**	(1,648.7)
Depreciation and amortisation		**(371.7)**	(398.0)
Fuel and oil		**(752.3)**	(777.2)
Spare parts and stores		**(136.1)**	(114.0)
Toll charges		**(196.9)**	(194.5)
Other operating expenses		**(385.5)**	(367.1)
Profit from operations		**225.5**	122.9
Finance costs	6(a)	**(4.2)**	(4.8)
Share of profits of associates		**15.8**	15.4
Profit before taxation	6	**237.1**	133.5
Income tax	7	**(32.0)**	(8.9)
Profit for the period		**205.1**	124.6
Attributable to:			
Equity shareholders of the Company		**195.4**	114.5
Non-controlling interests		**9.7**	10.1
Profit for the period		**205.1**	124.6
Profit for the period attributable to equity shareholders of the Company:			
Arising from Manhattan Hill properties		**91.6**	71.2
Arising from the Group's other operations		**103.8**	43.3
		195.4	114.5
Earnings per share — basic and diluted:	8		
Arising from Manhattan Hill properties		**$0.22**	$0.18
Arising from the Group's other operations		**$0.26**	$0.10
		$0.48	$0.28

The notes on pages 22 to 38 form part of this interim financial report. Details of dividends paid and payable to equity shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	$'million	$'million
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**205.1**	124.6
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— exchange differences on translation of financial statements of entities outside Hong Kong	**15.3**	(5.7)
— available-for-sale debt securities: net movement in fair value reserve, net of nil tax:		
— changes in fair value recognised during the period	**(7.6)**	5.6
— reclassification adjustments for amounts transferred to consolidated income statement: other net income	**(0.3)**	—
Other comprehensive income for the period	**7.4**	(0.1)
Total comprehensive income for the period	**212.5**	124.5
Attributable to:		
Equity shareholders of the Company	**202.8**	114.4
Non-controlling interests	**9.7**	10.1
Total comprehensive income for the period	**212.5**	124.5

The notes on pages 22 to 38 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2013

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2013 $'million (Unaudited)**	At 31 December 2012 $'million (Audited) (Restated)
Non-current assets			
Fixed assets	10		
— Investment properties		**118.1**	120.4
— Investment property under development		**13.9**	13.4
— Interest in leasehold land		**68.4**	69.4
— Other property, plant and equipment		**3,895.5**	3,648.6
		4,095.9	3,851.8
Intangible assets		**132.1**	132.1
Goodwill		**84.1**	84.1
Non-current prepayments and deposits		**9.5**	3.7
Interest in associates		**703.1**	671.5
Other financial assets	11	**398.0**	591.0
Net defined benefit retirement assets		**215.9**	325.9
Deferred tax assets		**5.6**	4.5
		5,644.2	5,664.6
Current assets			
Completed property held for sale		**—**	0.4
Spare parts and stores		**57.7**	46.2
Accounts receivable	12	**474.3**	455.1
Deposits and prepayments		**69.3**	27.9
Other financial assets	11	**180.2**	48.4
Current tax recoverable		**18.7**	21.6
Pledged and restricted bank deposits		**67.8**	62.9
Cash and cash equivalents	13	**2,645.4**	3,033.7
		3,513.4	3,696.2
Current liabilities			
Bank loans and overdrafts		**200.0**	200.1
Accounts payable and accruals	14	**1,077.7**	1,116.9
Contingency provision — insurance		**143.1**	136.0
Current tax payable		**42.7**	17.6
		1,463.5	1,470.6
Net current assets		**2,049.9**	2,225.6
Total assets less current liabilities		**7,694.1**	7,890.2

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2013 *(continued)*

(Expressed in Hong Kong dollars)

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited) (Restated)
Non-current liabilities		
Bank loans	**398.8**	598.5
Deferred tax liabilities	**532.0**	531.4
Contingency provision — insurance	**310.7**	310.7
Provision for long service payments	**25.2**	28.9
	1,266.7	1,469.5
Net assets	**6,427.4**	6,420.7
Capital and reserves		
Share capital	**403.6**	403.6
Reserves	**5,853.6**	5,832.4
Total equity attributable to equity shareholders of the Company	**6,257.2**	6,236.0
Non-controlling interests	**170.2**	184.7
Total equity	**6,427.4**	6,420.7

Approved and authorised for issue by the Board of Directors on 15 August 2013

Norman LEUNG Nai Pang
Chairman

Edmond HO Tat Man
Managing Director

The notes on pages 22 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(Expressed in Hong Kong dollars)

		(Unaudited)							
		Attributable to equity shareholders of the Company							
	Note	Share capital $'million	Other reserves $'million	Exchange reserve $'million	Fair value reserve $'million	Retained profits $'million	Total $'million	Non-controlling interests $'million	Total equity $'million
Balance at 1 January 2012		403.6	1,102.6	158.9	7.2	4,847.7	6,520.0	182.3	6,702.3
Impact of change in accounting policy		—	—	—	—	(448.8)	(448.8)	—	(448.8)
Restated balance at 1 January 2012		403.6	1,102.6	158.9	7.2	4,398.9	6,071.2	182.3	6,253.5
Changes in equity for the six months ended 30 June 2012:									
Profit for the period (restated)		—	—	—	—	114.5	114.5	10.1	124.6
Other comprehensive income		—	—	(5.7)	5.6	—	(0.1)	—	(0.1)
Total comprehensive income for the period (restated)		—	—	(5.7)	5.6	114.5	114.4	10.1	124.5
Dividends approved in respect of the previous year	9(b)	—	—	—	—	(181.6)	(181.6)	—	(181.6)
Dividends paid to non-controlling interests		—	—	—	—	—	—	(22.5)	(22.5)
		—	—	—	—	(181.6)	(181.6)	(22.5)	(204.1)
Balance at 30 June 2012 and 1 July 2012 (restated)		403.6	1,102.6	153.2	12.8	4,331.8	6,004.0	169.9	6,173.9
Changes in equity for the six months ended 31 December 2012:									
Profit for the period (restated)		—	—	—	—	51.4	51.4	14.8	66.2
Other comprehensive income (restated)		—	—	6.7	3.4	231.0	241.1	—	241.1
Total comprehensive income for the period (restated)		—	—	6.7	3.4	282.4	292.5	14.8	307.3
Dividends approved in respect of the current period	9(a)	—	—	—	—	(60.5)	(60.5)	—	(60.5)
Balance at 31 December 2012 (restated) and 1 January 2013		**403.6**	**1,102.6**	**159.9**	**16.2**	**4,553.7**	**6,236.0**	**184.7**	**6,420.7**
Changes in equity for the six months ended 30 June 2013:									
Profit for the period		**—**	**—**	**—**	**—**	**195.4**	**195.4**	**9.7**	**205.1**
Other comprehensive income		**—**	**—**	**15.3**	**(7.9)**	**—**	**7.4**	**—**	**7.4**
Total comprehensive income for the period		**—**	**—**	**15.3**	**(7.9)**	**195.4**	**202.8**	**9.7**	**212.5**
Dividends approved in respect of the previous year	9(b)	**—**	**—**	**—**	**—**	**(181.6)**	**(181.6)**	**—**	**(181.6)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**(24.2)**	**(24.2)**
		—	**—**	**—**	**—**	**(181.6)**	**(181.6)**	**(24.2)**	**(205.8)**
Balance at 30 June 2013		**403.6**	**1,102.6**	**175.2**	**8.3**	**4,567.5**	**6,257.2**	**170.2**	**6,427.4**

The notes on pages 22 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2013 $'million (Unaudited)**	2012 $'million (Unaudited)
Cash generated from operations		**403.1**	488.7
Tax (paid)/refunded			
— Hong Kong Profits Tax		**(4.3)**	105.1
— Income tax in the People's Republic of China (the "PRC")		**(0.1)**	—
Net cash generated from operating activities		**398.7**	593.8
Net cash generated from/(used in) investing activities		**477.8**	(1,525.1)
Net cash used in financing activities		**(405.8)**	(274.1)
Net increase/(decrease) in cash and cash equivalents		**470.7**	(1,205.4)
Cash and cash equivalents at 1 January		**436.6**	1,689.5
Effect of foreign exchange rate changes		**26.9**	(2.2)
Cash and cash equivalents at 30 June		**934.2**	481.9
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the consolidated balance sheet	13	**2,645.4**	3,077.9
Less: bank deposits with original maturities of over three months		**(1,711.2)**	(2,596.0)
Cash and cash equivalents in the condensed consolidated cash flow statement		**934.2**	481.9

The notes on pages 22 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 15 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 39. This interim financial report has also been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's principal office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 21 March 2013.

2 Changes in accounting policies

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

— Amendments to HKAS 1, *Presentation of financial statements — presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— HKFRS 11, *Joint arrangements*

— HKFRS 12, *Disclosure of interests in other entities*

— HKFRS 13, *Fair value measurement*

— Revised HKAS 19, *Employee benefits*

— *Annual Improvements to HKFRSs 2009-2011 Cycle*

— Amendments to HKFRS 7 — *Financial instruments: Disclosures — offsetting financial assets and financial liabilities*

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

(a) Amendments to HKAS 1, Presentation of financial statements — presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the interim financial report has been modified accordingly.

(b) HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation — special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

2 Changes in accounting policies *(continued)*

(c) *HKFRS 11, Joint arrangements*

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified its investments in jointly controlled assets to joint operations. The investments continue to be recognised on a line-by-line basis and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

(d) *HKFRS 12, Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

(e) *HKFRS 13, Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 Changes in accounting policies *(continued)*

(f) Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the "corridor method" was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012, and the result for the six months ended 30 June 2012 as follows:

	As previously reported $'million	**Effect of adopting revised HKAS 19** $'million	**As restated** $'million
Consolidated income statement for the six months ended 30 June 2012:			
Other net income	104.8	(17.5)	87.3
Staff costs	1,584.3	64.4	1,648.7
Income tax expense	22.4	(13.5)	8.9
Profit for the period	193.0	(68.4)	124.6
Basic and diluted earnings per share	$0.45	$(0.17)	$0.28
Consolidated statement of comprehensive income for the six months ended 30 June 2012:			
Total comprehensive income for the period	192.9	(68.4)	124.5
Consolidated balance sheet at 31 December 2012:			
Net defined benefit retirement assets	758.4	(432.5)	325.9
Deferred tax liabilities	602.8	(71.4)	531.4
Net assets/total equity	6,781.8	(361.1)	6,420.7
Retained profits	4,914.8	(361.1)	4,553.7

2 Changes in accounting policies *(continued)*

(g) *Annual Improvements to HKFRSs 2009-2011 Cycle*

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

(h) *Amendments to HKFRS 7 — Financial Instruments: Disclosures — offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3 Segment reporting

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

Franchised bus operation	:	The provision of franchised public transport services in Hong Kong.
Media sales business	:	The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.
Property development	:	The development of residential properties for sale.

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

3 Segment reporting *(continued)*

(a) *Segment results*

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

	Franchised bus operation Six months ended 30 June		Media sales business Six months ended 30 June		Property development Six months ended 30 June		All other segments Six months ended 30 June		Total Six months ended 30 June	
	2013 $'million (Unaudited)	2012 $'million (Unaudited) (Restated)	**2013 $'million (Unaudited)**	2012 $'million (Unaudited)	**2013 $'million (Unaudited)**	2012 $'million (Unaudited)	**2013 $'million (Unaudited)**	2012 $'million (Unaudited)	**2013 $'million (Unaudited)**	2012 $'million (Unaudited) (Restated)
Revenue from external customers	**3,235.8**	3,103.0	**202.7**	192.6	**1.9**	103.7	**172.1**	155.3	**3,612.5**	3,554.6
Inter-segment revenue	**53.9**	52.8	**–**	–	**–**	–	**18.1**	10.3	**72.0**	63.1
Reportable segment revenue	**3,289.7**	3,155.8	**202.7**	192.6	**1.9**	103.7	**190.2**	165.6	**3,684.5**	3,617.7
Reportable segment profit/(loss)	**(0.2)**	(68.3)	**31.5**	28.9	**91.6**	71.2	**42.2**	37.8	**165.1**	69.6

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

(b) *Reconciliation of reportable segment revenue and profit*

	Six months ended 30 June	
	2013 $'million (Unaudited)	2012 $'million (Unaudited) (Restated)
Revenue		
Reportable segment revenue	**3,494.3**	3,452.1
Revenue from all other segments	**190.2**	165.6
Elimination of inter-segment revenue	**(72.0)**	(63.1)
Consolidated turnover for the period	**3,612.5**	3,554.6
Profit		
Reportable segment profit	**122.9**	31.8
Profit from all other segments	**42.2**	37.8
Unallocated profits	**40.0**	55.0
Consolidated profit for the period	**205.1**	124.6

4 Turnover

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

	Six months ended 30 June	
	2013	2012
	$'million	$'million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	**3,233.4**	3,099.8
Revenue from non-franchised transport services	**158.2**	142.1
Media sales revenue	**204.7**	195.8
Revenue from sales of properties	**1.6**	103.7
Gross rentals from investment properties	**14.6**	13.2
	3,612.5	3,554.6

5 Other net income

	Six months ended 30 June	
	2013	2012
	$'million	$'million
	(Unaudited)	(Unaudited)
		(Restated)
Reversal of development cost accrual relating to Manhattan Hill *(note (a))*	**108.2**	—
Interest income on other financial assets not at fair value through profit or loss	**31.9**	33.4
Dividend income from unlisted equity securities	**7.4**	32.2
Net movement in balance of passenger rewards *(note (b))*	**0.3**	0.7
Claims received	**15.8**	9.6
Net miscellaneous business receipts	**4.0**	3.9
Net gain on disposal of fixed assets	**3.4**	1.4
Net foreign exchange gain/(loss)	**13.1**	(3.0)
Sundry revenue	**6.9**	9.1
	191.0	87.3

Notes:

(a) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract (the "Prime Cost Contract") with Chun Fai Construction Co. Ltd. ("CFCCL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, for the provision of management contractor services relating to the property under development of the Group ("Manhattan Hill"). In 2004, a supplementary agreement to the Prime Cost Contract (the "Supplementary Agreement") was entered into between LCKPI and CFCCL for the purposes of upgrading the design, materials and quality of the workmanship of Manhattan Hill. Pursuant to the Prime Cost Contract, as supplemented by the Supplementary Agreement, the aggregate consideration payable to CFCCL should not exceed $1,617.7 million.

5 Other net income *(continued)*

Notes: (continued)

(a) *(continued)*

In prior years, LCKPI has accrued the amount payable to CFCCL in accordance with the terms set out in the Prime Cost Contract and the Supplementary Agreement. At 31 December 2012, outstanding balance payable for this contract amounted to $95.8 million. During the period ended 30 June 2013, the statement of final account in respect of this contract has been concluded and a finalised amount of $21.4 million is confirmed to be payable to CFCCL. The balance of the accrued amount of $74.4 million is reversed during the period.

Further, a provision of $33.8 million made in prior years in respect of sub-contractors for the development of Manhattan Hill was also reversed during the current period upon the finalisation of the statement of final account.

(b) Under the revised Modified Basket of Factors approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net fixed assets is required to be set aside and accumulated in a balance of passenger rewards which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2013 and 2012 was 9.7% per annum. The balance of passenger rewards of the Group at 30 June 2013, included in accounts payable and accruals (note 14), was $6.2 million (31 December 2012: $6.5 million).

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013 $'million (Unaudited)	2012 $'million (Unaudited) (Restated)
(a) Finance costs		
Interest on bank loans and overdrafts not at fair value through profit or loss	**4.2**	4.8
(b) Staff costs		
Defined benefit retirement plan expense	**67.9**	64.4
Contributions to defined contribution retirement plans	**43.7**	37.1
Movements in provision for long service payments	**(0.2)**	0.7
Salaries, wages and other benefits	**1,623.7**	1,546.5
	1,735.1	1,648.7

7 Income tax

	Six months ended 30 June	
	2013 $'million (Unaudited)	2012 $'million (Unaudited) (Restated)
Current tax — Hong Kong Profits Tax		
Provision for the period	**32.3**	52.0
Current tax — Income Tax in the PRC		
Provision for the period	**0.2**	—
	32.5	52.0
Deferred tax		
Origination and reversal of temporary differences	**(0.5)**	(43.1)
	32.0	8.9

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the six months ended 30 June 2013 (six months ended 30 June 2012: 16.5%). Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

8 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $195.4 million (six months ended 30 June 2012 (restated): $114.5 million) and 403.6 million shares (six months ended 30 June 2012: 403.6 million shares) in issue during the periods presented. The calculation of basic earnings per share arising from Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of $91.6 million (six months ended 30 June 2012: $71.2 million) and $103.8 million (six months ended 30 June 2012 (restated): $43.3 million) and 403.6 million shares (six months ended 30 June 2012: 403.6 million shares) in issue during the periods presented.

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares during the periods presented and diluted earnings per share are the same as basic earnings per share.

9 Dividends

(a) *Dividends paid/payable to equity shareholders of the Company attributable to the interim period:*

	Six months ended 30 June			
	2013 (Unaudited)		2012 (Unaudited)	
	Per share $	**$'million**	Per share $	$'million
Interim dividend declared after the interim period end	**0.15**	**60.5**	0.15	60.5

The interim dividend declared after the balance sheet date has not been recognised as liability at the balance sheet date.

(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			
	2013 (Unaudited)		2012 (Unaudited)	
	Per share $	**$'million**	Per share $	$'million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.45**	**181.6**	0.45	181.6

10 Fixed assets

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of $616.0 million (six months ended 30 June 2012: $167.4 million). Certain items of plant and equipment with a net book value of $0.2 million (six months ended 30 June 2012: $13.0 million) were disposed of during the six months ended 30 June 2013, resulting in a net gain on disposal of $3.4 million (six months ended 30 June 2012: $1.4 million).

11 Other financial assets

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Instalments receivable from sales of properties *(note (a))*	**1.0**	1.0
Unlisted equity securities, at cost	**15.4**	15.4
Available-for-sale debt securities *(note (b))*		
— listed in Hong Kong	**67.5**	69.1
— listed outside Hong Kong	**484.2**	531.6
— unlisted	**10.1**	22.3
	578.2	639.4
Less: available-for-sale debt securities classified as current assets		
— listed outside Hong Kong	**(170.1)**	(36.2)
— unlisted	**(10.1)**	(12.2)
	(180.2)	(48.4)
Other financial assets classified as non-current assets	**398.0**	591.0

Notes:

(a) Instalments receivable from sales of properties are neither past due nor impaired. Instalments receivable from sales of properties relate to customers from whom there was no recent history of default. Properties sold to the customers serve as collateral.

(b) Debt securities are issued by corporate entities with credit rating ranging from AAA to BBB-. At 30 June 2013 and 31 December 2012, the Group's available-for-sale debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

12 Accounts receivable

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Trade and other receivables	**452.1**	432.1
Instalments receivable from sales of properties	**1.5**	0.1
Interest receivable	**20.8**	23.0
Less: allowance for doubtful debts	**(0.1)**	(0.1)
	474.3	455.1

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

Included in accounts receivable are trade receivables and instalments receivable from sales of properties (net of allowance for doubtful debts) with the following ageing analysis, based on the due date, as of the balance sheet date:

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Current	**197.6**	189.4
1 to 3 months past due	**37.2**	57.3
More than 3 months past due	**17.0**	9.9
	251.8	256.6

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

13 Cash and cash equivalents

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Cash at bank and in hand	**198.8**	262.4
Bank deposits	**2,514.4**	2,834.2
	2,713.2	3,096.6
Less: pledged and restricted deposits	**(67.8)**	(62.9)
	2,645.4	3,033.7

14 Accounts payable and accruals

At the balance sheet date, 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 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Due within 1 month or on demand	**288.3**	200.2
Due after 1 month but within 3 months	**0.6**	33.9
Due after more than 3 months	**1.8**	1.8
Trade payables	**290.7**	235.9
Balance of passenger rewards *(note 5(b))*	**6.2**	6.5
Other payables and accruals	**780.8**	874.5
	1,077.7	1,116.9

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

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within 1 month or on demand as disclosed above are within 3 months from the invoice date.

15 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

	At 30 June 2013 (Unaudited)			At 31 December 2012 (Audited)		
		Fair value measurements using			Fair value measurements using	
	Fair value $'million	**quoted prices in active market for identical assets (Level 1) $'million**	**significant other observable inputs (Level 2) $'million**	Fair value $'million	quoted prices in active market for identical assets (Level 1) $'million	significant other observable inputs (Level 2) $'million
Recurring fair value measurement						
Financial assets:						
Available-for-sale debt securities:						
— listed	**551.7**	**551.7**	**—**	600.7	600.7	—
— unlisted	**10.1**	**—**	**10.1**	22.3	—	22.3

During the six months ended 30 June 2013 and 2012, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market related discount rate.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2013 and 31 December 2012 except for the unlisted equity securities of $15.4 million (31 December 2012: $15.4 million), which do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less accumulated impairment losses at the balance sheet date.

16 Capital commitments

(a) At 30 June 2013, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the interim financial report:

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Contracted for	**653.5**	1,032.7
Authorised but not contracted for	**277.0**	242.3
	930.5	1,275.0

(b) At 30 June 2013, the Group's share of capital commitments of a joint operation in relation to investment property under development not provided for in the interim financial report is as follows:

	At 30 June 2013 $'million (Unaudited)	At 31 December 2012 $'million (Audited)
Contracted for	**22.3**	22.3
Authorised but not contracted for	**1,766.4**	1,766.5
	1,788.7	1,788.8

17 Transactions with related companies

		Six months ended 30 June	
Nature of transactions	Note	**2013 $'million (Unaudited)**	2012 $'million (Unaudited)
Service fees for provision of coach services	(a) & (b)	**29.9**	25.4
Insurance premium paid	(c)	**35.8**	35.0
Reversal of accrual for management contractor services for property under development	5(a)	**(74.4)**	—
Amount recoverable for letting and sales agency agreement	(d)	**—**	—
Amount paid and accrued for management agreement	(e)	**2.5**	2.6
Amount paid and accrued for property project management services	(f)	**—**	—
Amount paid and accrued for management contractor services for investment property under development	(g)	**—**	—
Interest income received and receivable from unsecured fixed rate notes	(h)	**—**	0.1
Repayment of principal of unsecured fixed rate notes on maturity	(h)	**—**	15.0
Amount paid and accrued for property project management service and lease modification	(i)	**—**	—

Notes:

(a) During the period, the Group provided coach services to certain subsidiaries of SHKP, a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to $4.0 million (six months ended 30 June 2012: $1.3 million). Outstanding balances due from these companies at 30 June 2013 amounted to $3.0 million (31 December 2012: $0.3 million).

(b) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $25.9 million (six months ended 30 June 2012: $24.1 million). Outstanding balances due from these companies at 30 June 2013 amounted to $13.5 million (31 December 2012: $15.4 million).

(c) In 2012, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group for the year ending 31 December 2013 (the "2013 Insurance Arrangements"). The amount paid and payable under the 2013 Insurance Arrangements amounted to $35.8 million (six months ended 30 June 2012: $35.0 million). Outstanding balance due to SHKPI at 30 June 2013 amounted to $0.6 million (31 December 2012: Nil).

(d) LCKPI entered into a Letting and Sales Agency Agreement (the "Original Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and the car parking spaces of Manhattan Hill. On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement (the "Letter Agreement") pursuant to which LCKPI continues to appoint SHKRE as the letting and sales agent of Manhattan Hill under the same terms and conditions of the Original Agreement except that the maximum amount of the agency fees payable under the Original Agreement and the Letter Agreement shall, altogether, not exceed $65.0 million. Outstanding balance payable for this contract at 30 June 2013 amounted to $2.7 million (31 December 2012: $2.7 million).

17 Transactions with related companies *(continued)*

Notes: (continued)

(e) In 2003, LCKPI entered into the Management Agreement with Hong Yip Service Company Limited ("Hong Yip"), a subsidiary of SHKP, to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a completed unit of the property.

In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a fellow subsidiary of Hong Yip, to amend and supplement the Management Agreement (the "Supplemental Deed"). It is agreed among the three parties that Royal Elite will replace Hong Yip to be the manager and to perform and discharge the duties and obligations as the manager under the deed(s) of mutual covenant. All terms defined in the Management Agreement are adopted in the Supplemental Deed. Amount paid and payable for the Management Agreement amounted to $2.5 million (six months ended 30 June 2012: $2.6 million). Outstanding balance payable for this contract at 30 June 2013 amounted to $44,000 (31 December 2012: $22,000).

(f) In 1999, the Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to Manhattan Hill. The contract sum of the project management services is $15.0 million, or the lower of 1% of the project costs and $20.0 million, whichever is higher. Management service fees payable for this contract at 30 June 2013 amounted to $3.8 million (31 December 2012: $3.8 million).

(g) On 16 April 2008, LCK Commercial Properties Limited ("LCKCP"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement (the "Prime Cost Agreement") with CFCCL for the provision of management contractor services and for carrying out and completing the alteration and addition works to the retail podium of Manhattan Hill ("Manhattan Mid-town"). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCCL should not exceed $37.4 million. Outstanding balance payable for this contract at 30 June 2013 amounted to $2.4 million (31 December 2012: $2.4 million).

(h) On 6 March 2009, KMB Financial Services Limited, a wholly-owned subsidiary of the Company, purchased certain unsecured fixed rate notes (the "Fixed Rate Notes") issued by Sun Hung Kai Properties (Capital Market) Limited ("SHKPCM"), a wholly-owned subsidiary of SHKP, with a total nominal value of $15.0 million from a bank in an open secondary market at a cost of $15.0 million. The Fixed Rate Notes are interest bearing at 2.65% per annum. Interest income received from SHKPCM amounted to $0.1 million for the six months ended 30 June 2012. The principal amount of the Fixed Rate Notes have been repaid by SHKPCM upon maturity on 17 February 2012.

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

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20.0 million; and (2) the lower of (a) 1% of the project cost and (b) $25.0 million.

The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification and (2) $3.8 million.

Outstanding balance payable for this contract at 30 June 2013 amounted to $2.0 million (31 December 2012: $2.0 million).

18 Comparative figures

As a result of the application of Revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to the current period's presentation. Further details of those developments are disclosed in note 2.

KPMG

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 16 to 38 which comprises the consolidated balance sheet of Transport International Holdings Limited as of 30 June 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

15 August 2013

CORPORATE DIRECTORY

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

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REGISTER OF MEMBERS

Book closed from 4 October 2013 to 9 October 2013, both dates inclusive

DIVIDEND

Interim
HK$0.15 per share,
payable on 17 October 2013

STOCK CODE

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

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