載通國際
Transport International

Transport International Holdings Limited

2017 Interim Report

CONTENTS

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK$378.2 million (six months ended 30 June 2016: HK$388.4 million), representing a decrease of HK$10.2 million or 2.6% compared with the corresponding period in 2016. The decrease in profit was mainly attributable to the increase in operating costs mainly associated with the rise in international fuel prices, the annual pay rise, and the increase in toll charges. However, this was partly offset by the increase in fare revenue resulting from the continued growth in ridership of our franchised public bus businesses operated by The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB"). Earnings per share for the six months ended 30 June 2017 were HK$0.92 per share (six months ended 30 June 2016: HK$0.96 per share), representing a decrease of HK$0.04 per share compared with the corresponding period in 2016.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.35 per share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.35 per share), totalling HK$146.9 million (six months ended 30 June 2016: HK$143.2 million), be paid to shareholders whose names are on the Register of Members at the close of business on 5 September 2017. 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 2017.

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 17 October 2017.

The Register will be closed on 5 September 2017. 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 4 September 2017.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNITS

Franchised Public Bus Operations

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

- KMB recorded a profit after taxation of HK$316.6 million for the first half of 2017 (first half of 2016: HK$343.8 million), representing a decrease of HK$27.2 million compared with the corresponding period in 2016.

- Fare revenue for the first half of 2017 was HK$3,349.7 million, an increase of HK$72.7 million or 2.2% compared with HK$3,277.0 million for the corresponding period in 2016. The increase was mainly due to the continued growth in ridership of 2.3%. Advertising revenue for the first half of 2017 increased by HK$4.1 million to HK$87.3 million from HK$83.2 million for the first half of 2016.

- Total operating expenses for the first half of 2017 amounted to HK$3,114.5 million, an increase of HK$126.2 million or 4.2% compared with HK$2,988.3 million for the corresponding period in 2016. During the period under review, fuel and oil costs increased by HK$67.2 million as a result of the rise in international fuel prices. Staff costs and toll charges also increased due to the annual pay rise and general inflation. This increase in operating costs was partly offset by the increase in fare revenue as a result of continued passenger growth.

- As at 30 June 2017, KMB operated a total of 396 routes (31 December 2016: 384 routes) covering Kowloon, the New Territories and Hong Kong Island. 144 Octopus Bus-bus Interchange ("BBI") schemes covering 392 bus routes operated both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes not only provide fare discounts to passengers on the second leg of journeys and broaden KMB's network coverage without the need to operate extra buses, but they also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.

- During the first half of 2017, a total of 154 Euro V and one Euro VI super-low floor double-deck buses, and one supercapacitor and eight electric super-low floor single-deck buses, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2017, KMB operated 3,938 buses (31 December 2016: 3,920 buses), comprising 3,779 double-deck and 159 single-deck buses. In addition, a total of 333 new Euro V double-deck buses, four supercapacitor single-deck buses and two electric single-deck buses were awaiting licensing or delivery in the second half of 2017 and 2018.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2017 was HK$18.1 million, representing a decrease of HK$2.4 million compared with HK$20.5 million for the first half of 2016.

- Fare revenue for the first half of 2017 increased by HK$31.5 million or 14.2% to HK$253.0 million compared with HK$221.5 million for the corresponding period in 2016. The increase was mainly due to a growth in ridership of 5.8%, and an increase in the average fare by 7.4% as a result of the enhancement in A-route services that was implemented in the second half of 2016.

- Total operating expenses for the period under review amounted to HK$233.8 million, an increase of HK$33.1 million or 16.5% compared with HK$200.7 million for the corresponding period in 2016. The increase was mainly due to the rise in operating costs associated with the enhancement in A-route services implemented in the second half of 2016. In addition, fuel and oil costs increased as a result of the rise in international fuel prices and fuel consumption also increased as a result of the increase in kilometres travelled due to service enhancement.

- As at 30 June 2017, LWB had 23 BBI schemes covering 20 regular bus routes, operating both within LWB's bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- In the first half of 2017, LWB introduced two new super-low floor single-deck electric buses to its fleet to test the operating efficiency of the zero-emission buses on a trial basis under Government subsidy. As at 30 June 2017, LWB operated 29 regular routes with a fleet of 242 super-low floor double-deck buses and two super-low floor single-deck electric buses. In addition, a total of 34 new Euro V double-deck buses and two electric single-deck buses were awaiting licensing or on order.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$27.6 million for the first half of 2017, representing a decrease of HK$2.1 million compared with HK$29.7 million for the corresponding period in 2016. A review of the operations of the principal business units in this Division is set out as follows:

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

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

- The revenue of the SBH Group for the first half of 2017 increased by HK$7.0 million or 4.9% to HK$152.2 million compared with the corresponding period in 2016 mainly due to business growth. Total operating expenses for the period under review increased as a result of the rise in operating costs associated with the increase in toll charges, fuel costs and depreciation.

- As at 30 June 2017, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2016. During the first half of 2017, 21 new coaches were purchased for fleet replacement and service enhancement purposes.

New Hong Kong Bus Company Limited ("NHKB")

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

- The revenue of NHKB for the first half of 2017 increased by 3.0% compared with the corresponding period in 2016. NHKB's total patronage for the first half of 2017 increased by 3.3% to 2.18 million passenger trips (an average monthly ridership of 364,200 passenger trips) from 2.12 million passenger trips (an average monthly ridership of 352,500 passenger trips) for the corresponding period last year.

- As at 30 June 2017, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2016.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$29.0 million for the first half of 2017, representing an increase of HK$8.0 million or 38.1% compared with HK$21.0 million for the corresponding period in 2016. Revenue increased by HK$10.9 million or 40.7% from HK$26.8 million for the first half of 2016 to HK$37.7 million for the first half of 2017. A review of the Group's investment properties is set out as follows:

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2017, 100% of the lettable area of the shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring income for the Group.

- As at 30 June 2017, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$81.8 million (31 December 2016: HK$82.9 million).

LCK Real Estate Limited ("LCKRE")

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

- As at 30 June 2017, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$30.3 million (31 December 2016: HK$31.3 million).

KT Real Estate Limited ("KTRE")

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

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

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

- As at 30 June 2017, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position), which was stated at cost, amounted to HK$2,196.5 million (31 December 2016: HK$2,186.2 million).

TM Properties Investment Limited ("TMPI")

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

- As at 30 June 2017, the carrying value of the industrial property (classified under investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$2.9 million (31 December 2016: HK$3.5 million).

Media Sales Business

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

- RoadShow, established by the Company as its media sales arm, has been separately listed on the Main Board of the Stock Exchange since 28 June 2001. The Company currently has a 73% interest in RoadShow. The RoadShow Group is principally engaged in the provision of media sales and design services and the production of advertisements for transit vehicle exteriors ("Bus-Body") and interiors ("In-Bus"), bus shelters, Multi-media On-board ("MMOB" or "Bus-TV"), online portals, mobile apps, and outdoor signs, as well as the provision of integrated marketing services covering these advertising platforms.

- For the six months ended 30 June 2017, RoadShow reported a loss attributable to equity shareholders of HK$11.0 million (six months ended 30 June 2016: loss of HK$11.8 million).

- Further information regarding the RoadShow Group is available in its 2017 interim results announcement and 2017 interim report.

China Mainland Transport Operations

As at 30 June 2017, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$586.0 million (31 December 2016: HK$601.6 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. For the first half of 2017, the Group's China Mainland Transport Operations Division reported an after-tax loss of HK$36.9 million compared to an after-tax loss of HK$39.0 million for the corresponding period in 2016.

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 2017, BBKT had a fleet of 3,754 taxis and recorded a loss in the first half of 2017.

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 1,113 vehicles available for hire as at 30 June 2017 and recorded a profit in the first half of 2017.

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

- SZBG, which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Company and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus and taxi services in Shenzhen City. Due mainly to keen competition from the Shenzhen underground railway system and rising operating costs, SZBG recorded a loss in the first half of 2017. SZBG will seek additional subsidies from the Shenzhen Government to overcome its operational challenges. As at 30 June 2017, it had 3,327 taxis (including 845 electric taxis, which are operated by an associate) and 5,693 buses serving some 343 routes.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2017, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK$8,845.7 million (31 December 2016: HK$8,875.1 million), none of which was pledged or charged.

During the first half of 2017, the Group incurred capital expenditure of HK$412.2 million (six months ended 30 June 2016: HK$949.6 million), which was mainly used for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and financial resources

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

As at 30 June 2017, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,578.5 million (31 December 2016: HK$1,648.4 million). The details of the Group's net cash/net borrowings position by currency are set out below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans HK$ million	Net cash/ (Net borrowings) HK$ million
At 30 June 2017				
Hong Kong dollars		**425.7**	**(2,330.2)**	**(1,904.5)**
Renminbi	**159.4**	**183.2**	**—**	**183.2**
United States dollars	**16.2**	**126.3**	**—**	**126.3**
British Pounds Sterling	**0.9**	**9.5**	**—**	**9.5**
Other currencies		**7.0**	**—**	**7.0**
Total		**751.7**	**(2,330.2)**	**(1,578.5)**
At 31 December 2016				
Hong Kong dollars		739.4	(2,724.4)	(1,985.0)
Renminbi	157.1	174.7	—	174.7
United States dollars	16.1	125.1	—	125.1
British Pounds Sterling	2.8	26.4	—	26.4
Other currencies		10.4	—	10.4
Total		1,076.0	(2,724.4)	(1,648.4)

As at 30 June 2017, bank loans, all unsecured, amounted to HK$2,330.2 million (31 December 2016: HK$2,724.4 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
After 2 years but within 5 years	**2,330.2**	2,724.4

As at 30 June 2017, the Group had undrawn banking facilities totalling HK$1,481.0 million (31 December 2016: HK$1,490.0 million), of which HK$1,480.0 million (31 December 2016: HK$1,480.0 million) was of a committed nature.

The finance costs incurred by the Group for the six months ended 30 June 2017 were HK$14.3 million, an increase of HK$6.1 million compared with HK$8.2 million for the six months ended 30 June 2016. The increase was mainly due to the increase in average interest rate in respect of the Group's borrowings from 1.56% per annum for the six months ended 30 June 2016 to 1.73% per annum for the six months ended 30 June 2017.

As at 30 June 2017, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$751.7 million (31 December 2016: HK$1,076.0 million).

FUNDING AND TREASURY POLICIES

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

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

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

The Group closely monitors market conditions and devises suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps are used when appropriate. As at 30 June 2017, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions.

CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2017 amounted to HK$756.9 million (31 December 2016: HK$479.1 million). These commitments were mainly in respect of the purchases of buses and other motor vehicles, which are to be financed by borrowings and from the Group's working capital.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2017, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$1,856.7 million (first half of 2016: HK$1,830.8 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 2017, the Group employed over 13,200 employees (31 December 2016: over 13,300 employees).

OUTLOOK

Franchised Public Bus Operations

KMB was granted a new ten-year franchise by the Government, effective from July 2017. KMB will continue to provide service excellence based on its extensive experience, while remaining committed to continuous innovation as it launches various service enhancement programmes and innovative interchange concession schemes with the aim of meeting passenger needs. Such schemes include a long-haul route fare concession scheme for full-time students and special interchange fare concessions schemes in partnership with Hong Kong Tramways Limited and AMS Public Transport Holdings Limited respectively.

2017 saw the launch of KMB's newly-designed red and silver buses, equipped with updated passenger facilities and technological innovations. With its commitment to providing quality services to its passengers, KMB will continue to invest in bus fleet upgrade, while also conducting trials on a system that will inform passengers on the lower deck of seat availability on the upper deck to help reduce unnecessary passenger movement between the two decks. To enhance customers' travelling experience, KMB will also continue to optimise existing bus shelter space, including the installation of display panels showing the estimated time of arrival ("ETA").

As for LWB, major construction projects such as the Tung Chung New Town Extension, the Hong Kong-Zhuhai-Macao Bridge, the third runway at the Airport and the development of the Airport North Commercial District are set to open up possibilities for business development. LWB will continue to advance the services of its Airbus routes from time to time to align with passenger expectations and local developments.

Notwithstanding the generally optimistic outlook, franchised bus operations are being confronted by various challenges, spearheaded by new rail lines coming into service and an aging population. In addition, the stability of bus services has been significantly affected in recent years by growing levels of car ownership and worsening traffic congestion.

The release of the Government's Public Transport Strategy Study, with its commitment to opening up transport service vistas, encourages us to identify opportunities in different spheres that will contribute to the growth of our business. With the new town developments in Lantau and Hung Shui Kiu, the outlook is bright for both Hong Kong and the Group. With their edge in terms of flexibility and point-to-point service, combined with the customer-friendly ETA facility, we believe that bus services will continue to play an important role in the public transport market.

Non-franchised Businesses

The SBH Group continues to leverage the Group's extensive resources as it improves its service quality and explores viable business opportunities, with the ETA service already provided on some of its routes.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into non-residential (excluding hotel, petrol filling station and residential care home for the elderly) uses after an offer from the Lands Department for the grant of lease modification from industrial to non-residential use was accepted. The site will be developed into an office and retail complex, and is expected to generate additional rental income for the Group in the years ahead.

The success of all our divisions depends on the professionalism and diligence of our staff. We extend our gratitude to all Group members for their contribution, as we forge ever closer ties with all our employees while seeking to improve staff benefits and enhance the work environment.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 17 August 2017

SUPPLEMENTARY INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details since the date of the 2016 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:

Winnie NG^ JP, BA, MBA(Chicago), MPA(Harvard), FCIM,CMILT, MHKIoD
Ms Ng was appointed as a Justice of the Peace with effect from 30 June 2017. She is a court member of The Hong Kong Polytechnic University.

Dr Eric LI Ka Cheung* GBS, OBE, JP, LLD, DSocSc, Hon DSocSc(EdUHK), BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS
Dr Li was appointed as the Chairman of the Independent Commission on Remuneration for Members of the District Council of the Hong Kong Special Administrative Region.

Allen FUNG Yuk Lun^ BA, Ph.D.
Mr Fung is a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region.

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

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

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

The Directors of the Company who held office as at 30 June 2017 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	—
Raymond KWOK Ping Luen	431,826 *(Note 1)*	—	—	—	431,826	0.103%
NG Siu Chan	—	22,681,536	—	—	22,681,536	5.405%
William LOUEY Lai Kuen	6,567,950	—	—	—	6,567,950	1.565%
Charles LUI Chung Yuen	13,641	—	—	2,911,146 *(Note 2)*	2,924,787	0.697%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	181,416	—	—	22,681,536 *(Note 3)*	22,862,952	5.449%
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
Professor LIU Pak Wai*	—	—	—	—	—	—
Allen FUNG Yuk Lun	—	—	—	—	—	—
Roger LEE Chak Cheong	104,800	—	—	—	104,800	0.025%
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	—	—	—	—	—	—
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	—	—	—	—	—	—

** Independent Non-executive Director*

Notes:

1. Of these shares in the Company, Mr Raymond Kwok Ping Luen held 428,396 shares jointly with his spouse.

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

3. Ms Winnie Ng had an interest in 22,681,536 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*	—	—	—	—	—	—
Raymond KWOK Ping Luen	37,400 *(Note 1)*	—	—	—	37,400	0.004%
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 2)*	209,131	0.021%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	1,000,000	—	—	123,743 *(Note 3)*	1,123,743	0.113%
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
Professor LIU Pak Wai*	—	—	—	—	—	—
Allen FUNG Yuk Lun	—	—	—	—	—	—
Roger LEE Chak Cheong	—	—	—	—	—	—
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	—	—	—	—	—	—
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	—	—	—	—	—	—

** Independent Non-executive Director*

Notes:

1. Mr Raymond Kwok Ping Luen held 37,400 shares in RoadShow jointly with his spouse.

2. 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.

3. 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 2017, none of the Directors had any non-beneficial interest in the share capital of the Company.

II. Interests in Underlying Shares

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

SHARE OPTION SCHEME

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

During the six months ended 30 June 2017, no share options were granted under the Share Option Scheme. Particulars of the outstanding share options granted under the Share Option Scheme and the movements during the six months ended 30 June 2017 were as follows:

	Number of share option							
	Balance as at 1 January 2017	Granted during the period	Forfeited during the period	Balance as at 30 June 2017	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options *
Director								
Roger LEE Chak Cheong	860,000	—	—	860,000	31 October 2016	31 October 2017 to 30 October 2021 *(Note)*	HK$23.45	HK$23.45
Employees	4,160,000	—	(360,000)	3,800,000	31 October 2016	31 October 2017 to 30 October 2021 *(Note)*	HK$23.45	HK$23.45

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

Note:

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

Save as disclosed above, there were no outstanding share options granted under the Scheme during the six months ended 30 June 2017.

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 Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his deemed interest under Part XV of the Securities and Futures Ordinance in more than 5% of the issued shares of SHKP.

Save as disclosed above, no contract of significance to which the Company, its subsidiaries or fellow subsidiaries were a party and in which a Director of the Company had a material interest, subsisted at 30 June 2017 or at any time during the six months ended 30 June 2017.

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

As at 30 June 2017, 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)*	—	152,718,686	152,718,686	36.4%
Arklake Limited *(Note 1)*	83,501,000	—	83,501,000	19.9%
Hung Fat (Hop Kee) General Contractors Limited *(Note 1)*	25,409,778	—	25,409,778	6.1%
Wister Investment Limited *(Note 1)*	22,541,089	—	22,541,089	5.4%
HSBC International Trustee Limited	37,805,269	—	37,805,269	9.0%
Kwong Tai Holdings (PTC) Limited *(Note 3)*	22,681,536	—	22,681,536	5.4%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 131,451,867 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.

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

3. The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 22,681,536 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

ISSUE OF SHARES

On 30 June 2017, the Company issued 7,922,188 shares in lieu of the final dividend for the year ended 31 December 2016 at an issue price of HK$25.45 per share under the scrip dividend scheme as set out in the circular of the Company dated 5 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

The Company complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules in the six months ended 30 June 2017, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2017 as provided for in code provision A.6.7 due to other engagement.

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2017 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 independent review report is set out on page 39 of this interim report.

The Audit and Risk Management Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2017.

載通國際
Transport International

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2017 $'million	2016 $'million
Revenue	3 & 4	**3,984.2**	3,892.1
Other income	5	**107.1**	49.7
Staff costs	6(b)	**(1,962.2)**	(1,938.2)
Depreciation and amortisation		**(439.6)**	(432.1)
Fuel and oil		**(389.2)**	(309.6)
Spare parts and stores		**(119.3)**	(119.7)
Toll charges		**(228.3)**	(213.0)
Other operating expenses		**(452.8)**	(413.8)
Profit from operations		**499.9**	515.4
Finance costs	6(a)	**(14.3)**	(8.2)
Share of losses of associates		**(36.9)**	(39.0)
Profit before taxation	6	**448.7**	468.2
Income tax	7	**(77.0)**	(81.2)
Profit for the period		**371.7**	387.0
Attributable to:			
Equity shareholders of the Company		**378.2**	388.4
Non-controlling interests		**(6.5)**	(1.4)
Profit for the period		**371.7**	387.0
Earnings per share	8		
Basic and diluted		**$0.92**	$0.96

The notes on pages 26 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	$'million	$'million
Profit for the period	**371.7**	387.0
Other comprehensive income for the period (after tax and reclassification adjustments):		
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	**23.0**	(10.1)
— available-for-sale debt securities: net movement in fair value reserve, net of nil tax:		
— changes in fair value recognised during the period	**8.5**	29.6
Other comprehensive income for the period	**31.5**	19.5
Total comprehensive income for the period	**403.2**	406.5
Attributable to:		
Equity shareholders of the Company	**409.7**	407.9
Non-controlling interests	**(6.5)**	(1.4)
Total comprehensive income for the period	**403.2**	406.5

The notes on pages 26 to 38 form part of this interim financial report.

載通國際
Transport International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2017 $'million**	At 31 December 2016 $'million
Non-current assets			
Investment properties		**111.2**	113.8
Investment property under development		**2,196.5**	2,186.2
Interest in leasehold land		**60.4**	61.4
Other property, plant and equipment	10	**6,477.6**	6,513.7
		8,845.7	8,875.1
Intangible assets		**132.1**	132.1
Goodwill		**84.1**	84.1
Non-current prepayments		**1.3**	1.4
Interest in associates		**586.0**	601.6
Other financial assets	11	**1,517.5**	1,207.2
Employee benefit assets		**586.2**	626.2
Deferred tax assets		**9.7**	11.0
		11,762.6	11,538.7
Current assets			
Spare parts and stores		**42.2**	56.4
Accounts receivable	12	**479.3**	516.8
Other financial assets	11	**—**	94.9
Deposits and prepayments		**74.4**	25.6
Current tax recoverable		**0.6**	4.1
Pledged and restricted bank deposits		**136.3**	131.7
Cash and cash equivalents	13	**615.4**	944.3
		1,348.2	1,773.8
Current liabilities			
Accounts payable and accruals	14	**1,072.4**	1,209.0
Contingency provision — insurance		**193.7**	183.2
Current tax payable		**58.0**	4.9
		1,324.1	1,397.1
Net current assets		**24.1**	376.7
Total assets less current liabilities		**11,786.7**	11,915.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 – UNAUDITED *(continued)*
(Expressed in Hong Kong dollars)

	At 30 June 2017 $'million	At 31 December 2016 $'million
Non-current liabilities		
Bank loans	**2,330.2**	2,724.4
Deferred tax liabilities	**968.2**	951.2
Contingency provision — insurance	**265.9**	253.0
Employee benefit liabilities	**10.6**	8.9
Provision for long service payments	**3.6**	6.4
	3,578.5	3,943.9
NET ASSETS	**8,208.2**	7,971.5
Capital and reserves		
Share capital	**419.6**	411.7
Reserves	**7,649.4**	7,414.1
Total equity attributable to equity shareholders of the Company	**8,069.0**	7,825.8
Non-controlling interests	**139.2**	145.7
TOTAL EQUITY	**8,208.2**	7,971.5

Approved and authorised for issue by the Board of Directors on 17 August 2017

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 26 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital $'million	Share premium $'million	Capital reserve $'million	Other reserves $'million	Exchange reserve $'million	Fair value reserve $'million	Retained profits $'million	Total $'million	Non-controlling interests $'million	Total equity $'million
Balance at 1 January 2016		403.6	—	—	1,102.6	132.3	0.9	5,568.3	7,207.7	153.9	7,361.6
Changes in equity for the six months ended 30 June 2016:											
Profit/(loss) for the period		—	—	—	—	—	—	388.4	388.4	(1.4)	387.0
Other comprehensive income for the period		—	—	—	—	(10.1)	29.6	—	19.5	—	19.5
Total comprehensive income for the period		—	—	—	—	(10.1)	29.6	388.4	407.9	(1.4)	406.5
Dividends approved in respect of the previous year	9(a)(ii)	—	—	—	—	—	—	(363.3)	(363.3)	—	(363.3)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(1.6)	(1.6)
		—	—	—	—	—	—	(363.3)	(363.3)	(1.6)	(364.9)
Balance at 30 June 2016 and 1 July 2016		403.6	—	—	1,102.6	122.2	30.5	5,593.4	7,252.3	150.9	7,403.2
Changes in equity for the six months ended 31 December 2016:											
Profit/(loss) for the period		—	—	—	—	—	—	442.4	442.4	(5.2)	437.2
Other comprehensive income for the period		—	—	—	—	(29.2)	(21.9)	124.1	73.0	—	73.0
Total comprehensive income for the period		—	—	—	—	(29.2)	(21.9)	566.5	515.4	(5.2)	510.2
Shares issued in respect of scrip dividend — 2015 final dividend	9(a)(ii)	5.5	103.0	—	—	—	—	—	108.5	—	108.5
Shares issued in respect of scrip dividend — 2016 interim dividend	9(a)(i)	2.6	59.8	—	—	—	—	—	62.4	—	62.4
Equity-settled share-based transactions	9(b)	—	—	1.0	—	—	—	—	1.0	—	1.0
Unclaimed dividends forfeited		—	—	—	—	—	—	29.4	29.4	—	29.4
Dividends approved in respect of the current period	9(a)(i)	—	—	—	—	—	—	(143.2)	(143.2)	—	(143.2)
		8.1	162.8	1.0	—	—	—	(113.8)	58.1	—	58.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital $'million	Share premium $'million	Capital reserve $'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 31 December 2016 and 1 January 2017		**411.7**	**162.8**	**1.0**	**1,102.6**	**93.0**	**8.6**	**6,046.1**	**7,825.8**	**145.7**	**7,971.5**
Changes in equity for the six months ended 30 June 2017:											
Profit/(loss) for the period		—	—	—	—	—	—	378.2	378.2	(6.5)	371.7
Other comprehensive income for the period		—	—	—	—	23.0	8.5	—	31.5	—	31.5
Total comprehensive income for the period		—	—	—	—	23.0	8.5	378.2	409.7	(6.5)	403.2
Shares issued in respect of scrip dividend — 2016 final dividend	9(a)(ii)	7.9	193.7	—	—	—	—	—	201.6	—	201.6
Equity-settled share-based transactions	9(b)	—	—	2.4	—	—	—	—	2.4	—	2.4
Dividends approved in respect of the previous year	9(a)(ii)	—	—	—	—	—	—	(370.5)	(370.5)	—	(370.5)
		7.9	193.7	2.4	—	—	—	(370.5)	(166.5)	—	(166.5)
Balance at 30 June 2017		**419.6**	**356.5**	**3.4**	**1,102.6**	**116.0**	**17.1**	**6,053.8**	**8,069.0**	**139.2**	**8,208.2**

The notes on pages 26 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	$'million	$'million
Operating activities		
Cash generated from operations	**843.3**	976.3
Tax paid		
— Hong Kong Profits Tax	**(0.6)**	(1.3)
— Income tax in the People's Republic of China (the "PRC")	**(0.3)**	(0.3)
Net cash generated from operating activities	**842.4**	974.7
Investing activities		
Increase in pledged and restricted bank deposits	**(4.6)**	(68.8)
(Increase)/decrease in bank deposits with original maturities of over three months	**(30.6)**	1,486.4
Payment for the purchase of investment properties	**(0.6)**	(2.4)
Payment for the purchase of investment property under development	**(10.3)**	(1.4)
Payment for the purchase of other property, plant and equipment	**(396.7)**	(832.2)
Payment for the purchase of intangible assets	**—**	(0.1)
Receipt of government grant for the disposal of other property, plant and equipment	**0.2**	2.9
Payment for the purchase of available-for-sale debt securities	**(299.9)**	(1,200.0)
Proceeds on maturity of available-for-sale debt securities	**94.7**	66.8
Proceeds from disposal of other property, plant and equipment	**5.6**	8.4
Net cash used in investing activities	**(642.2)**	(540.4)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2017** **$'million**	 2016 $'million
Financing activities			
Proceeds from new bank loans		**575.0**	1,245.0
Repayment of bank loans		**(975.0)**	(1,260.0)
Dividends paid to equity shareholders of the Company		**(168.9)**	—
Dividends paid to non-controlling interests		**—**	(1.6)
Net cash used in financing activities		**(568.9)**	(16.6)
Net (decrease)/increase in cash and cash equivalents		**(368.7)**	417.7
Cash and cash equivalents at 1 January		**700.9**	721.6
Effect of foreign exchange rate changes		**9.3**	(2.1)
Cash and cash equivalents at 30 June		**341.5**	1,137.2
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the consolidated statement of financial position	13	**615.4**	1,559.0
Less: bank deposits with original maturities of over three months		**(273.9)**	(421.8)
Cash and cash equivalents in the condensed consolidated cash flow statement		**341.5**	1,137.2

The notes on pages 26 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, 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 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has 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.

3 Segment reporting

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

Franchised bus operation	:	The provision of franchised public transport services in Hong Kong.
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 holdings and development	:	The holding and development of non-residential property for the use as investment property.

For the six months ended 30 June 2016, property holdings and development did not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments* to qualify as a reportable segment, and was included in "all other segments". As a result of the additions of investment property under development subsequent to the six months ended 30 June 2016, property holdings and development qualifies as a reportable segment in the six months ended 30 June 2017. Comparatives have been restated to disclose the segment separately from "all other segments" as a reportable segment in the six months ended 30 June 2016.

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

3 Segment reporting *(continued)*

(a) Segment results, assets and liabilities

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

	Franchised bus operation Six months ended 30 June		Media sales business Six months ended 30 June		Property holdings and development Six months ended 30 June		All other segments Six months ended 30 June		Total Six months ended 30 June	
	2017 $'million	2016 $'million	**2017 $'million**	2016 $'million	**2017 $'million**	2016 $'million	**2017 $'million**	2016 $'million	**2017 $'million**	2016 $'million
Revenue from external customers	**3,609.1**	3,507.7	**163.4**	191.3	**37.7**	26.8	**174.0**	166.3	**3,984.2**	3,892.1
Inter-segment revenue	**83.6**	79.9	**—**	—	**3.9**	4.9	**4.9**	30.9	**92.4**	115.7
Reportable segment revenue	**3,692.7**	3,587.6	**163.4**	191.3	**41.6**	31.7	**178.9**	197.2	**4,076.6**	4,007.8
Reportable segment profit/(loss)	**334.7**	364.3	**(11.9)**	(10.0)	**29.0**	21.0	**(10.9)**	(8.9)	**340.9**	366.4
As at 30 June/31 December										
Reportable segment assets	**7,419.0**	7,680.5	**578.2**	617.6	**2,325.8**	2,319.3	**1,070.0**	1,300.8	**11,393.0**	11,918.2
Reportable segment liabilities	**3,098.7**	3,552.5	**88.8**	116.8	**1,531.8**	1,528.5	**127.5**	128.0	**4,846.8**	5,325.8

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

3 Segment reporting *(continued)*

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

	Six months ended 30 June	
	2017	2016
	$'million	$'million
Revenue		
Reportable segment revenue	**3,897.7**	3,810.6
Revenue from all other segments	**178.9**	197.2
Elimination of inter-segment revenue	**(92.4)**	(115.7)
Consolidated revenue	**3,984.2**	3,892.1
Profit		
Reportable segment profit	**351.8**	375.3
Loss from all other segments	**(10.9)**	(8.9)
Unallocated profits	**30.8**	20.6
Consolidated profit for the period	**371.7**	387.0

4 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services.

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

	Six months ended 30 June	
	2017	2016
	$'million	$'million
Fare revenue from franchised public bus services	**3,602.7**	3,498.4
Revenue from non-franchised transport services	**175.0**	170.3
Media sales revenue	**168.7**	195.8
Gross rentals from investment properties	**37.8**	27.6
	3,984.2	3,892.1

5 Other income

	Six months ended 30 June	
	2017 **$'million**	2016 $'million
Interest income on other financial assets not at fair value through profit or loss	**33.4**	28.9
Net movement in balance of passenger rewards	**—**	(13.9)
Claims received	**19.8**	19.4
Net miscellaneous business receipts	**3.6**	1.9
Net gain on disposal of other property, plant and equipment	**3.6**	5.8
Government subsidies	**0.2**	2.9
Net foreign exchange gain/(loss)	**13.7**	(5.7)
Sundry revenue	**32.8**	10.4
	107.1	49.7

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017 **$'million**	2016 $'million
(a) Finance costs		
Interest on bank loans not at fair value through profit or loss	**14.3**	8.2
(b) Staff costs		
Defined benefit retirement plan expense	**41.7**	49.8
Contributions to defined contribution retirement plan	**61.3**	57.5
Movements in provision for long service payments	**0.1**	0.1
Total retirement cost	**103.1**	107.4
Equity-settled share-based payment expenses	**2.4**	—
Salaries, wages and other benefits	**1,856.7**	1,830.8
	1,962.2	1,938.2

7 Income tax

	Six months ended 30 June	
	2017	2016
	$'million	$'million
Current tax — Hong Kong Profits Tax		
Provision for the period	**57.5**	10.0
PRC withholding tax	**1.2**	0.2
	58.7	10.2
Deferred tax		
Origination and reversal of temporary differences	**18.3**	71.0
	77.0	81.2

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 2017 (six months ended 30 June 2016: 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 $378.2 million (six months ended 30 June 2016: $388.4 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2017	2016
Issued shares at 1 January	**411,680,499**	403,639,413
Effect of shares issued in respect of scrip dividend	**43,769**	—
Weighted average number of shares at 30 June	**411,724,268**	403,639,413

(b) Diluted earnings per share

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

There were no dilutive potential ordinary shares during the six months ended 30 June 2016 and diluted earnings per share are the same as basic earnings per share.

9 Capital, reserves and dividends

(a) *Dividends*

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

	Six months ended 30 June			
	2017		2016	
	Per share		Per share	
	$	**$'million**	$	$'million
Interim dividend declared after the interim period end	**0.35**	**146.9**	0.35	143.2

The interim dividend in respect of the six months period ended 30 June 2017 has not been recognised as liability at the end of the reporting period.

The interim dividend with a scrip dividend alternative in respect of the six months period ended 30 June 2016 was paid on 18 October 2016, of which $62.4 million was settled by the issuance of 2,628,991 shares at an issue price of $23.73 per share under the scrip dividend scheme.

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

	Six months ended 30 June			
	2017		2016	
	Per share		Per share	
	$	**$'million**	$	$'million
Final dividend in respect of the previous financial year, approved during the period	**0.90**	**370.5**	0.90	363.3

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

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2015 was paid on 8 July 2016, of which $108.5 million was settled by the issue of 5,412,095 shares at an issue price of $20.04 per share under the scrip dividend scheme.

(b) *Equity settled share-based transactions*

360,000 (six months ended 30 June 2016: Nil) options were forfeited during the six months ended 30 June 2017. No options were exercised during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10 Other property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of other property, plant and equipment with a cost of $401.3 million (six months ended 30 June 2016: $945.8 million). Items of plant and equipment with a net book value of $2.0 million were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: $2.6 million), resulting in a net gain on disposal of $3.6 million (six months ended 30 June 2016: $5.8 million).

11 Other financial assets

	At 30 June 2017 $'million	At 31 December 2016 $'million
Unlisted equity securities, at cost	**15.4**	15.4
Available-for-sale debt securities listed outside Hong Kong *(note)*	**1,502.1**	1,286.7
	1,517.5	1,302.1
Less: available-for-sale debt securities listed outside Hong Kong classified as current assets	**—**	(94.9)
Other financial assets classified as non-current assets	**1,517.5**	1,207.2

Note: Debt securities are issued by corporate entities with credit rating ranging from A to B+. At 30 June 2017 and 31 December 2016, 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 2017 $'million	At 31 December 2016 $'million
Trade and other receivables	**462.4**	498.6
Interest receivable	**26.7**	26.1
Less: allowance for doubtful debts	**(9.8)**	(7.9)
	479.3	516.8

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

12 Accounts receivable *(continued)*

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

	At 30 June 2017 $'million	At 31 December 2016 $'million
Current	**124.3**	144.6
1 to 3 months past due	**14.3**	17.6
More than 3 months past due	**19.0**	21.4
	157.6	183.6

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 2017 $'million	At 31 December 2016 $'million
Cash at bank and in hand	**197.3**	428.8
Bank deposits	**554.4**	647.2
	751.7	1,076.0
Less: pledged and restricted deposits	**(136.3)**	(131.7)
	615.4	944.3

14 Accounts payable and accruals

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

	At 30 June 2017 $'million	At 31 December 2016 $'million
Due within 1 month or on demand	**109.1**	140.4
Due after 1 month but within 3 months	**1.1**	1.9
Due after more than 3 months	**3.6**	4.0
Trade payables	**113.8**	146.3
Balance of passenger rewards	**31.2**	109.1
Dividends payable	**35.3**	14.0
Other payables and accruals	**892.1**	939.6
	1,072.4	1,209.0

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

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

15 Fair value measurement of financial instruments

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

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

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

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

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

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

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

	At 30 June 2017			At 31 December 2016		
		Fair value measurements categorised into			Fair value measurements categorised into	
	Fair value $'million	Level 1 $'million	Level 2 $'million	Fair value $'million	Level 1 $'million	Level 2 $'million
Recurring fair value measurements						
Assets/(liabilities):						
Available-for-sale debt securities — listed	**1,502.1**	**1,502.1**	**—**	1,286.7	1,286.7	—
Derivative financial instrument — forward foreign exchange contracts	**1.8**	**—**	**1.8**	(0.5)	—	(0.5)

During the period ended 30 June 2017, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3.

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

The fair values of forward foreign exchange contracts as at 30 June 2017 and 31 December 2016 in Level 2 were marked to market using quoted market price from financial institutions.

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

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 30 June 2017 and 31 December 2016 except as follows:

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

(2) Unlisted equity securities of $15.4 million (31 December 2016: $15.4 million) 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 end of the reporting period.

16 Capital commitments

(a) At 30 June 2017, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the interim financial report:

	At 30 June 2017 $'million	At 31 December 2016 $'million
Contracted for	**703.4**	456.8

(b) At 30 June 2017, the Group's share of capital commitments of a joint operation in respect of investment property under development not provided for in the interim financial report is as follows:

	At 30 June 2017 $'million	At 31 December 2016 $'million
Contracted for	**53.5**	22.3

17 Transactions with related companies

	Notes	**Six months ended 30 June** **2017 $'million**	2016 $'million
Nature of transactions			
Service fees for provision of coach services	(a) & (b)	**20.6**	23.3
Insurance premium paid	(c)	**33.8**	46.0
Amount paid and accrued for building management services	(d)	**0.2**	2.4
Amount paid and accrued for project management service and lease modification	(e)	**—**	—

Notes:

(a) During the period, the Group provided coach services ("Shuttle Bus Service Agreements") to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, details of which were disclosed in the announcement of the Company dated 17 December 2015. The amounts received and receivable under the Shuttle Bus Service Agreements amounted to $0.4 million (six months ended 30 June 2016: $3.8 million). During the period, the Group also provided coach services to certain subsidiaries of SHKP ("Other Shuttle Bus Service Agreements"). The amounts received and receivable under the Other Shuttle Bus Service Agreements amounted to $3.6 million (six months ended 30 June 2016: $1.4 million). Outstanding balances due from these companies at 30 June 2017 amounted to $1.3 million (31 December 2016: $1.6 million).

17 Transactions with related companies *(continued)*

Notes: (continued)

(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 $16.6 million (six months ended 30 June 2016: $18.1 million). Outstanding balances due from these companies at 30 June 2017 amounted to $3.4 million (31 December 2016: $5.0 million).

(c) In 2016 and 2015, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited, for the provision of insurance services to the Group for the period from 1 January 2017 to 31 December 2018 (the "2017/18 Insurance Arrangements") and for the period from 1 July 2015 to 31 December 2016 (the "2015/16 Insurance Arrangements") respectively. The amount paid and payable under the 2017/18 Insurance Arrangements for the six months ended 30 June 2017 amounted to $33.8 million (six months ended 30 June 2016: $46.0 million under the 2015/16 Insurance Arrangements). Outstanding balances payable under this contract at 30 June 2017 amounted to $Nil (31 December 2016: Outstanding balance receivables of $0.8 million).

(d) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the six months ended 30 June 2017 amounted to $0.2 million (six months ended 30 June 2016: $2.4 million). There was no outstanding balance payable for this contract at 30 June 2017 (31 December 2016: $Nil).

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

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20.0 million; and (2) the lower of (a) 1% of the project cost and (b) $25.0 million. The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification and (2) $3.8 million. Outstanding balance payable for this contract at 30 June 2017 amounted to $2.0 million (31 December 2016: $2.0 million).

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $11.1 million for properties, which are payable within five years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

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 18 to 38 which comprises the consolidated statement of financial position of Transport International Holdings Limited as of 30 June 2017 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 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

17 August 2017

載通國際
Transport International

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(^ Non-executive Director of the Company)

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REGISTER OF MEMBERS

Book closed on 5 September 2017

DIVIDEND

Interim
HK$0.35 per share,
payable on 17 October 2017

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

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