載通國際
Transport International

Transport International Holdings Limited
2019 Interim Report

CONTENTS

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was HK$302.0 million (six months ended 30 June 2018: HK$308.1 million), representing a decrease of HK$6.1 million or 2.0% compared with the corresponding period in 2018. The decrease in profit was mainly due to the increase in staff costs as a result of the annual pay rise and the improvement in benefit packages. 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 2019 were HK$0.69 per share (six months ended 30 June 2018: HK$0.73 per share), representing a decrease of HK$0.04 per share compared with the corresponding period in 2018.

INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.30 per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$0.30 per share), totalling HK$133.1 million (six months ended 30 June 2018: HK$129.5 million), be paid to shareholders whose names are on the Register of Members at the close of business on 3 September 2019. 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 2019.

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 15 October 2019.

The Register will be closed on 3 September 2019. 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 2 September 2019.

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$167.7 million for the first half of 2019 (first half of 2018: HK$192.5 million), representing a decrease of HK$24.8 million or 12.9% compared with the corresponding period in 2018.

- Fare revenue for the first half of 2019 was HK$3,454.0 million, an increase of HK$96.5 million or 2.9% compared with HK$3,357.5 million for the corresponding period in 2018. The increase was mainly attributable to patronage growth resulting from the enhancement of services on existing routes as well as the introduction of new services. Other non-fare revenue for the first half of 2019 increased by HK$21.2 million to HK$118.8 million from HK$97.6 million for the first half of 2018.

- Total operating expenses for the first half of 2019 amounted to HK$3,412.9 million, an increase of HK$149.9 million or 4.6% compared with HK$3,263.0 million for the corresponding period in 2018. The increase was mainly due to the increase in staff costs of HK$163.7 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK$18.9 million resulting from continued investment in new buses with enhanced safety features.

- The Government has announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" which fund will be used to lower the magnitude of future fare increases. As at 30 June 2019, the balance of KMB's Toll Exemption Fund amounted to HK$73.5 million.

- As at 30 June 2019, KMB operated a total of 420 routes (31 December 2018: 409 routes) covering Kowloon, the New Territories and Hong Kong Island. 154 Octopus Bus-bus Interchange ("BBI") schemes covering 420 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 2019, a total of 59 Euro VI and one Euro V super-low floor double-deck buses, and one supercapacitor super-low floor single-deck bus, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2019, KMB operated 4,085 buses (31 December 2018: 4,112 buses), comprising 3,937 double-deck and 148 single-deck buses. In addition, a total of 271 Euro VI double-deck buses were awaiting licensing or delivery in the second half of 2019.

Long Win Bus Company Limited ("LWB")

- The profit after taxation of LWB for the six months ended 30 June 2019 was HK$41.1 million, representing an increase of HK$24.6 million or 149.1% compared with HK$16.5 million for the first half of 2018.

- Fare revenue for the first half of 2019 increased by HK$50.0 million or 18.7% to HK$317.6 million compared with HK$267.6 million for the corresponding period in 2018. The increase was mainly due to a growth in ridership of 13.9% as a result of the continuous increase in transport demand within the A-route network as well as the additional inflow of visitors following the opening of the Hong Kong-Zhuhai-Macao Bridge in late 2018.

- Total operating expenses for the first half of 2019 amounted to HK$274.4 million, an increase of HK$23.5 million or 9.4% compared with HK$250.9 million for the corresponding period in 2018. The increase was primarily due to the rise in staff costs of HK$17.5 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK$4.2 million resulting from continued investment in new buses with enhanced safety features.

- The Government has announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" which fund will be used to lower the magnitude of future fare increases. As at 30 June 2019, the balance of LWB's Toll Exemption Fund amounted to HK$10.7 million.

- As at 30 June 2019, LWB had 27 BBI schemes covering 27 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 2019, LWB introduced 17 new Euro V super-low floor double-deck buses to its fleet. As at 30 June 2019, LWB operated 34 regular routes with a fleet of 279 buses (31 December 2018: 262 buses), comprising 275 super-low floor double-deck buses and four super-low floor single-deck electric buses. In addition, a total of ten new Euro VI double-deck buses were awaiting licensing.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$24.2 million for the first half of 2019, representing a decrease of HK$2.6 million or 9.7% compared with HK$26.8 million for the corresponding period in 2018. 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 2019 decreased by 8.8% compared with the corresponding period in 2018. The decrease was mainly attributable to the decline in the local business. Meanwhile, the cross-boundary services had business growth during the period. Total operating expenses for the period under review decreased by 9.1% compared with the first half of 2018, which was in line with the decline in the local business.

- As at 30 June 2019, the SBH Group had a fleet of 390 licensed buses (31 December 2018: 390 buses). During the first half of 2019, ten 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 2019 decreased by 6.4% compared with the corresponding period in 2018. The decrease was mainly due to the decrease in patronage by 7.2% from 2.36 million passenger-trips in the first half of 2018 to 2.19 million passenger-trips in the first half of 2019. The decrease in demand was attributable to an increase in choices for cross-boundary services.

- As at 30 June 2019, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2018.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK$27.6 million for the first half of 2019, representing an increase of HK$0.5 million or 1.8% compared with HK$27.1 million for the corresponding period in 2018. A review of the Group's investment properties is set out as follows:

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2019, the entire 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 2019, 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$77.4 million (31 December 2018: HK$78.3 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 2019, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$31.2 million (31 December 2018: HK$31.0 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.

- As at 30 June 2019, 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$1.9 million (31 December 2018: HK$2.0 million).

KT Real Estate Limited ("KTRE")

- KTRE, a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), own Kwun Tong Inland Lot No. 240 (the "Kwun Tong Site") at 98 How Ming Street, Kowloon, Hong Kong, as tenants in common in equal shares.

- Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. In August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK$4,305.0 million. 50% of such land premium, which amounted to HK$2,152.5 million, was borne by KTRE.

- In December 2018, KTRE, TRL and Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP (the "Contractor"), entered into a building contract (the "Building Contract") under which KTRE and TRL have engaged the Contractor to carry out and complete the construction works for the Kwun Tong Site at a contract sum of HK$4,436.1 million (to be borne by KTRE and TRL in equal shares), subject to adjustments in accordance with the Building Contract, which was approved by independent shareholders in February 2019.

- The demolition work of the Kwun Tong Site was completed in 2018. Foundation laying work commenced in April 2018 and will be completed by August 2019. The superstructure construction works are expected to commence upon the completion of the foundation work and are expected to be completed by the end of 2022.

- As at 30 June 2019, 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$2,373.2 million (31 December 2018: HK$2,301.1 million).

China Mainland Transport Operations

As at 30 June 2019, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$596.9 million (31 December 2018: HK$610.9 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 2019, the Group's China Mainland Transport Operations Division reported a profit after taxation of HK$2.3 million compared to a profit after taxation of HK$4.5 million for the corresponding period in 2018.

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

- SZBG, which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Company and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus and taxi services in Shenzhen City. As at 30 June 2019, it had 5,087 taxis (including 4,580 electric taxis, which are operated by an associate) and 6,028 buses serving some 336 routes.

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT")

- BBKT, a Sino-foreign joint stock company, was established in Beijing in 2003. The Group has invested RMB80.0 million (equivalent to HK$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus on the business opportunities in the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司). As at 30 June 2019, BBKT had a fleet of 3,859 taxis.

Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司) ("BBF")

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF had 1,091 vehicles available for hire as at 30 June 2019.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2019, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK$9,891.6 million (31 December 2018: HK$9,840.5 million), none of which was pledged or charged.

During the first half of 2019, the Group incurred capital expenditure of HK$514.9 million (six months ended 30 June 2018: HK$751.9 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 such 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 2019, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK$1,438.9 million (31 December 2018: HK$1,444.0 million). The details of the Group's net cash/net borrowing position by currency are set out below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million	Bank loans HK$ million	Net cash/ (Net borrowing) HK$ million
At 30 June 2019				
Hong Kong dollars		**976.5**	**(2,703.3)**	**(1,726.8)**
Renminbi	**2.3**	**2.6**	**–**	**2.6**
United States dollars	**25.3**	**197.6**	**–**	**197.6**
British Pounds Sterling	**8.6**	**84.8**	**–**	**84.8**
Other currencies		**2.9**	**–**	**2.9**
Total		**1,264.4**	**(2,703.3)**	**(1,438.9)**
At 31 December 2018				
Hong Kong dollars		905.6	(2,625.0)	(1,719.4)
Renminbi	1.8	2.0	–	2.0
United States dollars	25.4	198.7	–	198.7
British Pounds Sterling	7.3	73.1	–	73.1
Other currencies		1.6	–	1.6
Total		1,181.0	(2,625.0)	(1,444.0)

As at 30 June 2019, bank loans, all unsecured, amounted to HK$2,703.3 million (31 December 2018: HK$2,625.0 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
After 1 year but within 2 years	**397.3**	–
After 2 years but within 5 years	**2,306.0**	2,625.0
	2,703.3	2,625.0

As at 30 June 2019, the Group had undrawn committed banking facilities totalling HK$2,280.0 million (31 December 2018: HK$2,455.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2019 were HK$14.6 million, an increase of HK$5.2 million compared with HK$9.4 million for the six months ended 30 June 2018. The increase was mainly due to the increase in average bank borrowings and increase in average interest rate in respect of the Group's borrowings from 1.83% per annum for the six months ended 30 June 2018 to 2.44% per annum for the six months ended 30 June 2019.

As at 30 June 2019, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and British Pounds Sterling) amounted to HK$1,264.4 million (31 December 2018: HK$1,181.0 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. Alternatively, the Group has entered into contracts with diesel suppliers for the supply of diesel. A price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these contracts. Management will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management in the light of prevailing market conditions.

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

The Group closely monitors market conditions and devises suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps will be used when appropriate. As at 30 June 2019, 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 2019 amounted to HK$2,938.8 million (31 December 2018: HK$677.9 million). These commitments were mainly in respect of the development of the Kwun Tong site and the purchases of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources.

EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2019, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK$2,078.6 million (first half of 2018: HK$1,911.6 million), accounting for about 55% of the total operating costs of the Group. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. Employee compensation, including salaries and retirement and medical benefits, is determined based on the principles of performance, fairness, transparency and market competitiveness. As at 30 June 2019, the Group employed over 13,000 staff (31 December 2018: over 12,500 staff).

OUTLOOK

Franchised Public Bus Operations

Since KMB launched the "KMB Monthly Pass", the product has been well received by passengers. The Company broadened the sale network by introducing the in-app purchase feature in App1933, where over four million users can purchase the Monthly Pass. The number of KMB Monthly Pass self-service kiosks will also increase to 113.

With major cross-border infrastructure projects having commenced operations, the Company's business growth momentum has been strengthened. The Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge have come into service. KMB and LWB have been taking the opportunity to introduce new bus routes and enhance their services to increase the flow of passengers from the Greater Bay Area. KMB has won the tender for a new bus service plying between the Liantang/Heung Yuen Wai Boundary Control Point and Yuen Long and Tuen Mun for the soon to be opened Liantang/Heung Yuen Wai Boundary Control Point. KMB has also been granted the franchise for the new bus service between Yau Tong and Tsuen Wan West, among others. During festive periods and for mega events, KMB and LWB introduce special bus routes to meet passenger demand. KMB and LWB continue to expand their passenger base and enhance their networks with the aim of being the preferred choice of passengers.

In 2019, KMB extended the interchange discount schemes with Hong Kong Tramways and AMS Public Transport Holdings Limited to strengthen the network. We have also launched a Fare Saver Scheme with ten major tertiary education institutions, providing a fare rebate when passengers tap their Octopus card at designated fare saver kiosks on campus. The Group is studying other concession schemes under which passengers can enjoy best-value bus services.

The Group has always been committed to improving the safety of its bus services. All buses newly ordered come equipped with seat belts. Newly purchased Euro VI double-deck buses are equipped with an Electronic Stability Programme. We will strengthen black box data processing and optimise the driving feedback device. We are committed to improving recruitment procedures, performance management, the work environment and the training of bus captains so as to provide safe and efficient services.

As the market leaders in the local franchised bus industry, KMB and LWB connect almost all corners of the city. KMB contributes to charitable causes by leveraging its resources to support community development, education and other sectors and make the city a better place. Under the Donation of Used and Retired Bus Programme, KMB donated nine buses in the first seven months in 2019, bringing the total of schools benefiting from the Programme since its launch in 2016 to 23. This has enabled the schools to use the retired buses for teaching purposes, while achieving the purpose of recycling resources.

Looking ahead, the Group will continue to invest resources in enhancing staff remuneration packages and talent development as well as in upgrading driving safety, and a number of advanced safety features will be introduced to the fleet. These initiatives will increase the commitment to human resources. Due to fluctuated international fuel prices and the rise in toll, overall operating costs have correspondingly increased. It is against this background that we have made an application for a fare adjustment to the Government. The Company hopes that the approval process will be completed soon. We also appreciate it that the Government has waived the tolls charged on franchised buses for using government tunnels and roads. This measure aims to alleviate fare increase pressure by transferring the exemption from a designated fund to the bus operator if a fare rise application were put forward and approved.

Moreover, the continuous expansions of the rail network, in particular, the soon to be opened section of the Shatin to Central Link, together with an aging population, have had a significant impact on our ridership. Amid the unstable international economy, uncertainty has been brought to Hong Kong as well as to the Company's operations. Although the operating environment of the franchised bus business is challenging, the Group seeks to improve ridership and achieve better use of resources through further bus route reorganisation and an expansion of its service network. The Group will take every opportunity to explore means to increase fare revenue, as well as non-fare box income, so that it can continue to improve its service quality and sustain its financial health.

Non-franchised Operations

The SBH Group continued its fleet upgrade programme through the introduction of more Euro VI buses and the wider application of technology to cater for the potential growth in demand for customers, including chartered hire services and cross-boundary shuttle bus services.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into a large-scale commercial and retail complex. Demolition works have been completed and the development is expected to bring stable and sustainable income to the Group upon completion.

Our continued success depends on everyone in the Group working together as a team to serve our customers. We extend our gratitude to all Group members for their contributions, as we forge ever closer ties with all our employees while seeking to improve staff benefits and enhance the work environment. We would also like to express our sincere thanks to the passengers who patronise our services.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 15 August 2019

SUPPLEMENTARY INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details since the date of the 2018 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:

Professor LIU Pak Wai* SBS, JP
Professor Liu is a director of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority.

Mr TSANG Wai Hung* GBS, PDSM, JP, MBA
Mr Tsang was appointed as the Deputy Commissioner of the National Narcotics Control Commission with effect from 1 April 2019.

Dr CHEUNG Wing Yui^ BBS, BCom, Hon DBA, CPA(Aust.)
Dr Cheung is currently the chairman of the Admissions, Budgets and Allocations Committee, as well as a director, of The Community Chest of Hong Kong Limited. He is also a member of the Sponsorship & Development Fund Committee and a court member of The Open University of Hong Kong and an Honorary Council Member of The Hong Kong Institute of Directors Limited.

He was an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd.

(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 2019 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**	**Other 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	479,644 *(note 1)*	–	–	–	–	479,644	0.108%
NG Siu Chan	–	24,984,977	–	–	–	24,984,977	5.630%
William LOUEY Lai Kuen	7,317,204	11,052	–	–	24,988,269	32,316,525 *(note 2)*	7.283%
Charles LUI Chung Yuen	13,829	–	–	3,026,112 *(note 3)*	–	3,039,941	0.685%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	–	–	24,984,977 *(note 4)*	–	25,166,393	5.671%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	120,521	–	–	–	–	120,521	0.027%
TSANG Wai Hung*	–	–	–	–	–	–	–
Dr CHEUNG Wing Yui	–	–	–	–	–	–	–
LEE Luen Fai	–	30,000	–	–	–	30,000	0.007%
LUNG Po Kwan	–	–	–	–	–	–	–
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*

載通國際
Transport International

Notes:

1. Of these shares in the Company, Mr Raymond Kwok Ping Luen held 475,836 shares jointly with his spouse.

2. Mr William Louey Lai Kuen, Ms Phyllis Louey and Ms Carol Wilma Louey entered into a shareholders voting agreement and together have interests in 32,316,525 shares of the Company.

3. Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 3,026,112 shares in the Company.

4. Ms Winnie Ng had an interest in 24,984,977 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 30 June 2019, 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 SCHEMES

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 2019, 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 2019 were as follows:

	Number of share option								
	Balance as at 1 January 2019	Exercised during the period	Forfeited during the period	Balance as at 30 June 2019	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*	Market value per share on exercise 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	2,720,000	(382,800)	(474,000)	1,863,200	31 October 2016	31 October 2017 to 30 October 2021 *(Note)*	HK$23.45	HK$23.45	HK$24.09

* *being the weighted average closing price of the Company's ordinary shares on the date of grant or exercise, as applicable.*

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 2019.

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"). Certain Directors, namely Dr Norman Leung Nai Pang, Dr Eric Li Ka Cheung, Mr Raymond Kwok Ping Luen, Mr Allen Fung Yuk Lun and Dr Cheung Wing Yui are also directors of SHKP and/or Sun Hung Kai Properties Insurance Limited, and Mr Lee Luen Fai and Mr Lung Po Kwan are employees of SHKP. Among them, Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO 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 2019 or at any time during the six months ended 30 June 2019.

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

As at 30 June 2019, 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**	**Trustee Interests**	**Total number of shares held**	**Percentage of total issued shares**
HSBC Trustee (C.I.) Limited	–	–	169,994,730	169,994,730	38.3%
Sun Hung Kai Properties Limited *(Notes 1 and 2)*	–	169,994,730	–	169,994,730	38.3%
Arklake Limited *(Note 1)*	93,111,769	–	–	93,111,769	21.0%
Hung Fat (Hop Kee) General Contractors Limited *(Note 1)*	28,223,700	–	–	28,223,700	6.4%
Wister Investment Limited *(Note 1)*	25,037,326	–	–	25,037,326	5.6%
HSBC International Trustee Limited	37,805,269	–	–	37,805,269	8.5%
Kwong Tai Holdings (PTC) Limited *(Note 3)*	24,984,977	–	–	24,984,977	5.6%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 146,372,795 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 24,984,977 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

ISSUE OF SHARES

On 27 June 2019, the Company issued 8,764,283 shares in lieu of the final dividend for the year ended 31 December 2018 at an issue price of HK$22.79 per share under the scrip dividend scheme as set out in the circular of the Company dated 30 May 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 27 June 2019, 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 2019, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 16 May 2019 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 2019 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 47 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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 *(Note)*
		$'million	$'million
Revenue	3 & 4	**4,073.5**	3,932.6
Other income	5	**105.3**	87.1
Staff costs	6(b)	**(2,182.9)**	(2,012.7)
Depreciation and amortisation		**(473.0)**	(445.5)
Fuel and oil		**(453.9)**	(483.9)
Spare parts and stores		**(106.8)**	(120.2)
Toll charges		**(175.9)**	(228.8)
Other operating expenses		**(419.1)**	(363.2)
Profit from operations		**367.2**	365.4
Finance costs	6(a)	**(14.6)**	(9.4)
Share of profit of associates		**1.7**	5.2
Profit before taxation	6	**354.3**	361.2
Income tax	7	**(52.3)**	(53.1)
Profit for the period		**302.0**	308.1
Earnings per share	8		
Basic and diluted		**$0.69**	$0.73

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 25 to 46 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.

載通國際
Transport International

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018 *(Note)*
	$'million	$'million
Profit for the period	**302.0**	308.1
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling), net of nil tax	**9.9**	6.5
Items that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	**(1.2)**	(8.9)
– cash flow hedge: net movement in hedging reserve, net of tax credit of $45,000 (2018: $Nil)	**(0.2)**	–
– investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	**37.3**	(35.0)
– share of other comprehensive income of an associate, net of nil tax	**11.7**	–
Other comprehensive income for the period	**57.5**	(37.4)
Total comprehensive income for the period	**359.5**	270.7

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019 – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2019** **$'million**	At 31 December 2018 *(Note)* $'million
Non-current assets			
Investment properties		**108.0**	108.7
Investment property under development		**2,373.2**	2,301.1
Interest in leasehold land		**56.3**	57.3
Other property, plant and equipment		**7,354.1**	7,373.4
		9,891.6	9,840.5
Intangible assets		**360.6**	360.6
Goodwill		**84.1**	84.1
Interest in associates		**596.9**	610.9
Other financial assets	11	**1,182.4**	1,708.9
Employee benefit assets		**887.7**	913.2
Deferred tax assets		**0.7**	0.7
		13,004.0	13,518.9
Current assets			
Spare parts and stores		**78.8**	82.5
Accounts receivable	12	**525.8**	371.1
Other financial assets	11	**793.7**	231.2
Deposits and prepayments		**76.3**	15.0
Current tax recoverable		**3.5**	10.3
Pledged and restricted bank deposits	13	**35.4**	6.8
Bank deposits and cash	13	**1,229.0**	1,174.2
		2,742.5	1,891.1
Current liabilities			
Accounts payable and accruals	14	**1,081.9**	1,033.8
Contingency provision – insurance		**139.8**	145.0
Lease liabilities		**3.9**	–
Current tax payable		**20.3**	1.0
		1,245.9	1,179.8

載通國際
Transport International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2019** **$'million**	At 31 December 2018 *(Note)* $'million
Net current assets		**1,496.6**	711.3
Total assets less current liabilities		**14,500.6**	14,230.2
Non-current liabilities			
Bank loans		**2,703.3**	2,625.0
Lease liabilities		**3.8**	–
Deferred tax liabilities		**1,178.0**	1,161.6
Contingency provision – insurance		**236.4**	241.4
Employee benefit liabilities		**3.9**	2.6
Provision for long service payments		**1.6**	4.0
		4,127.0	4,034.6
NET ASSETS		**10,373.6**	10,195.6
CAPITAL AND RESERVES			
Share capital		**443.7**	434.6
Reserves		**9,929.9**	9,761.0
TOTAL EQUITY		**10,373.6**	10,195.6

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the Board of Directors on 15 August 2019

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 25 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – 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	Hedging reserve $'million	Fair value reserve (recycling) $'million	Fair value reserve (non-recycling) $'million	Retained profits $'million	Total equity $'million
Balance at 1 January 2018		422.5	425.8	5.0	1,102.6	133.0	–	1.9	476.1	7,452.1	10,019.0
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		–	–	–	–	–	–	–	–	308.1	308.1
Other comprehensive income		–	–	–	–	(8.9)	–	(35.0)	6.5	–	(37.4)
Total comprehensive income		–	–	–	–	(8.9)	–	(35.0)	6.5	308.1	270.7
Shares issued in respect of scrip dividend – 2017 final dividend	9(a)(ii)	9.1	201.3	–	–	–	–	–	–	–	210.4
Equity-settled share-based transactions	6(b)	–	–	0.9	–	–	–	–	–	–	0.9
Dividends approved in respect of the previous year	9(a)(ii)	–	–	–	–	–	–	–	–	(380.2)	(380.2)
		9.1	201.3	0.9	–	–	–	–	–	(380.2)	(168.9)
Balance at 30 June 2018 and 1 July 2018		431.6	627.1	5.9	1,102.6	124.1	–	(33.1)	482.6	7,380.0	10,120.8
Changes in equity for the six months ended 31 December 2018:											
Profit for the period		–	–	–	–	–	–	–	–	412.0	412.0
Other comprehensive income		–	–	–	–	(22.3)	(1.1)	(4.6)	14.1	(264.1)	(278.0)
Total comprehensive income		–	–	–	–	(22.3)	(1.1)	(4.6)	14.1	147.9	134.0
Shares issued in respect of scrip dividend – 2018 interim dividend	9(a)(i)	3.0	59.9	–	–	–	–	–	–	–	62.9
Unclaimed dividends forfeited		–	–	–	–	–	–	–	–	7.4	7.4
Dividends approved in respect of the current period	9(a)(i)	–	–	–	–	–	–	–	–	(129.5)	(129.5)
		3.0	59.9	–	–	–	–	–	–	(122.1)	(59.2)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Share capital $'million	Share premium $'million	Capital reserve $'million	Other reserves $'million	Exchange reserve $'million	Hedging reserve $'million	Fair value reserve (recycling) $'million	Fair value reserve (non-recycling) $'million	Retained profits $'million	Total equity $'million
		Attributable to equity shareholders of the Company									
Balance at 31 December 2018 and 1 January 2019 (Note)		434.6	687.0	5.9	1,102.6	101.8	(1.1)	(37.7)	496.7	7,405.8	10,195.6
Changes in equity for the six months ended 30 June 2019:											
Profit for the period		–	–	–	–	–	–	–	–	302.0	302.0
Other comprehensive income		–	–	–	–	(1.2)	(0.2)	37.3	9.9	11.7	57.5
Total comprehensive income		–	–	–	–	(1.2)	(0.2)	37.3	9.9	313.7	359.5
Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	–	–	1.1	–	–	–	1.1
Shares issued in respect of scrip dividend – 2018 final dividend	9(a)(ii)	8.7	190.9	–	–	–	–	–	–	–	199.6
Issuance of shares upon exercise of share options	9(b)	0.4	9.3	(0.7)	–	–	–	–	–	–	9.0
Forfeiture of share options		–	–	(0.4)	–	–	–	–	–	0.4	–
Equity-settled share-based transactions	6(b)	–	–	0.3	–	–	–	–	–	–	0.3
Dividends approved in respect of the previous year	9(a)(ii)	–	–	–	–	–	–	–	–	(391.5)	(391.5)
		9.1	200.2	(0.8)	–	–	1.1	–	–	(391.1)	(181.5)
Balance at 30 June 2019		443.7	887.2	5.1	1,102.6	100.6	(0.2)	(0.4)	506.6	7,328.4	10,373.6

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 25 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
		(Note)
	$'million	$'million
Operating activities		
Cash generated from operations	**638.7**	811.0
Tax paid		
– Hong Kong Profits Tax	**(9.9)**	(4.9)
Net cash generated from operating activities	**628.8**	806.1
Investing activities		
(Increase)/decrease in pledged and restricted bank deposits	**(28.6)**	21.3
Decrease/(increase) in bank deposits with original maturities of over three months	**47.0**	(565.0)
Payment for the purchase of investment properties	**(2.4)**	(0.2)
Payment for the purchase of investment property under development	**(52.5)**	(9.8)
Payment for the purchase of other property, plant and equipment	**(392.6)**	(731.3)
Payment for the purchase of intangible assets	**–**	(176.8)
Receipt of government grant for the purchase of other property, plant and equipment	**4.6**	6.2
Receipt of government grant for the disposal of other property, plant and equipment	**–**	1.3
Proceeds from disposal of other property, plant and equipment	**1.3**	7.1
Finance costs paid and capitalised into investment property under development	**(19.6)**	(13.5)
Dividend received from associates	**26.3**	–
Net cash used in investing activities	**(416.5)**	(1,460.7)

載通國際
Transport International

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED *(continued)*

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2019	2018 *(Note)*
		$'million	$'million
Financing activities			
Proceeds from new bank loans		**945.0**	780.0
Repayment of bank loans		**(870.0)**	(610.0)
Issuance of shares upon exercise of share options		**9.0**	–
Capital element of lease rentals paid		**(1.8)**	–
Interest element of lease rentals paid		**(0.1)**	–
Dividends paid to equity shareholders of the Company		**(191.7)**	(169.7)
Net cash (used in)/generated from financing activities		**(109.6)**	0.3
Net increase/(decrease) in cash and cash equivalents		**102.7**	(654.3)
Cash and cash equivalents at 1 January		**224.6**	1,204.8
Effect of foreign exchange rate changes		**(0.9)**	(1.4)
Cash and cash equivalents at 30 June		**326.4**	549.1
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the consolidated statement of financial position	13	**1,229.0**	1,114.1
Less: bank deposits with original maturities of over three months		**(902.6)**	(565.0)
Cash and cash equivalents in the condensed consolidated cash flow statement		**326.4**	549.1

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 25 to 46 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 15 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 47. 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 2018 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.

2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there are no adjustments to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 16(b).

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Changes in accounting policies *(continued)*

(a) Changes in the accounting policies *(continued)*

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.7%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2 Changes in accounting policies *(continued)*

(c) Transitional impact *(continued)*

The following table reconciles the operating lease commitments as disclosed in note 16(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'million
Operating lease commitments at 31 December 2018	**8.6**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(1.4)**
	7.2
Less: total future interest expenses	**(0.2)**
Total lease liabilities recognised at 1 January 2019	**7.0**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment properties in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

2 Changes in accounting policies *(continued)*

(c) Transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 $'million	Capitalisation of operating lease contracts $'million	**Carrying amount at 1 January 2019 $'million**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	7,373.4	7.0	**7,380.4**
Total non-current assets	13,518.9	7.0	**13,525.9**
Lease liabilities (current)	–	3.1	**3.1**
Current liabilities	1,179.8	3.1	**1,182.9**
Net current assets	711.3	(3.1)	**708.2**
Total assets less current liabilities	14,230.2	3.9	**14,234.1**
Lease liabilities (non-current)	–	3.9	**3.9**
Total non-current liabilities	4,034.6	3.9	**4,038.5**
Net assets	10,195.6	–	**10,195.6**

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 two reportable segments:

Franchised bus operation	:	The provision of franchised public transport services in Hong Kong.
Property holdings and development	:	The holding and development of non-residential property for the use as investment property.
All other segments	:	The provision of non-franchised public transport service, provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen) and investment holding.

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.

(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		Property holdings and development Six months ended 30 June		All other segments Six months ended 30 June		Total Six months ended 30 June	
	2019	2018	**2019**	2018 *(Note)*	**2019**	2018	**2019**	2018 *(Note)*
	$'million	$'million	**$'million**	$'million	**$'million**	$'million	**$'million**	$'million
Revenue from external customers	**3,880.0**	3,723.1	**31.0**	34.3	**162.5**	175.2	**4,073.5**	3,932.6
Inter-segment revenue	**0.2**	0.3	**2.8**	2.6	**4.4**	5.9	**7.4**	8.8
Reportable segment revenue	**3,880.2**	3,723.4	**33.8**	36.9	**166.9**	181.1	**4,080.9**	3,941.4
Reportable segment profit	**208.8**	209.0	**27.6**	27.1	**28.0**	29.9	**264.4**	266.0
As at 30 June/31 December								
Reportable segment assets	**8,797.0**	8,588.0	**2,494.0**	2,421.7	**1,781.3**	1,806.7	**13,072.3**	12,816.4
Reportable segment liabilities	**3,669.3**	3,541.1	**1,541.1**	1,538.6	**111.7**	103.5	**5,322.1**	5,183.2

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3 Segment reporting *(continued)*

(a) Segment results, assets and liabilities *(continued)*

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	
	2019	2018 *(Note)*
	$'million	$'million
Revenue		
Reportable segment revenue	**3,914.0**	3,760.3
Revenue from all other segments	**166.9**	181.1
Elimination of inter-segment revenue	**(7.4)**	(8.8)
Consolidated revenue	**4,073.5**	3,932.6
Profit		
Reportable segment profit	**236.4**	236.1
Profit from all other segments	**28.0**	29.9
Unallocated profits	**37.6**	42.1
Consolidated profit for the period	**302.0**	308.1

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

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

	Six months ended 30 June	
	2019	2018
	$'million	$'million
Fare revenue from franchised public bus services	**3,771.6**	3,625.1
Revenue from non-franchised transport services	**164.0**	177.2
Licence fee income	**92.7**	86.5
Media sales revenue	**14.2**	9.5
Gross rentals from investment properties	**31.0**	34.3
	4,073.5	3,932.6

5 Other income

	Six months ended 30 June	
	2019	2018
	$'million	$'million
Interest income	**43.3**	38.6
Claims received	**22.2**	17.6
Net miscellaneous business receipts	**5.4**	5.4
Net gain on disposal of other property, plant and equipment	**1.1**	6.5
Net foreign exchange (loss)/gain	**(4.1)**	7.2
Sundry income	**37.4**	11.8
	105.3	87.1

6 Profit before taxation

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

	Six months ended 30 June	
	2019	2018 *(Note)*
	$'million	$'million
(a) Finance costs		
Interest expenses	**34.1**	22.9
Interest on lease liabilities	**0.1**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**34.2**	22.9
Less: interest expense capitalised into investment property under development	**(19.6)**	(13.5)
	14.6	9.4
(b) Staff costs		
Defined benefit retirement plan expense	**26.8**	33.8
Contributions to defined contribution retirement plan	**76.7**	66.3
Movements in provision for long service payments	**0.5**	0.1
Total retirement cost	**104.0**	100.2
Equity-settled share-based payment expenses	**0.3**	0.9
Salaries, wages and other benefits	**2,078.6**	1,911.6
	2,182.9	2,012.7

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

7 Income tax

	Six months ended 30 June	
	2019 **$'million**	2018 $'million
Current tax – Hong Kong Profits Tax		
Provision for the period	**35.1**	12.3
The People's Republic of China ("PRC") withholding tax	**0.9**	0.2
	36.0	12.5
Deferred tax		
Origination and reversal of temporary differences	**16.3**	40.6
	52.3	53.1

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for a subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated using the same basis in 2018.

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 $302.0 million (six months ended 30 June 2018: $308.1 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

(i) Profit attributable to equity shareholders of the Company

	Six months ended 30 June	
	2019 **$'million**	2018 $'million
Profit attributable to equity shareholders of the Company	**302.0**	308.1

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
Issued ordinary shares at 1 January	**434,597,327**	422,455,810
Effect of shares issued in respect of scrip dividend	**193,686**	101,345
Effect of share options exercised	**150,559**	–
Weighted average number of ordinary shares at 30 June	**434,941,572**	422,557,155

(b) Diluted earnings per share

The diluted earnings per share for both the six months ended 30 June 2019 and 2018 are the same as basic earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

9 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June			
	2019		2018	
	Per share		Per share	
	$	**$'million**	$	$'million
Interim dividend declared after the interim period end	**0.30**	**133.1**	0.30	129.5

The interim dividend in respect of the six months ended 30 June 2019 has not been recognised as a liability at the end of the reporting period.

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2018 was paid on 16 October 2018, of which $62.9 million was settled by the issuance of 2,969,828 shares at an issue price of $21.14 per share under the scrip dividend scheme.

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June			
	2019		2018	
	Per share		Per share	
	$	**$'million**	$	$'million
Final dividend in respect of the previous financial year, approved and paid during the period	**0.90**	**391.5**	0.90	380.2

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2018 was paid on 27 June 2019, of which $199.6 million was settled by the issuance of 8,764,283 shares at an issue price of $22.79 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2017 was paid on 29 June 2018, of which $210.4 million was settled by the issuance of 9,171,689 shares at an issue price of $22.95 per share under the scrip dividend scheme.

9 Capital, reserves and dividends *(continued)*

(b) Equity-settled share-based transactions

474,000 (six months ended 30 June 2018: 540,000) options were forfeited during the six months ended 30 June 2019. 383,000 (six months ended 30 June 2018: Nil) options were exercised during the six months ended 30 June 2019 at a consideration of $9.0 million, of which $0.4 million was credited to the share capital account and the balance of $8.6 million was credited to the share premium account. $0.7 million has been transferred from the capital reserve to the share premium account.

(c) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the level of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as bank deposits and cash and pledged and restricted bank deposits less interest-bearing loans and borrowings and lease liabilities in the consolidated statement of financial position. Capital comprises all components of equity.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's total debt on 1 January 2019 when compared to its position as at 31 December 2018.

9 Capital, reserves and dividends *(continued)*

(c) Capital management *(continued)*

The Group's net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	30 June 2019 **$'million**	1 January 2019 *(Note)* $'million	31 December 2018 *(Note)* $'million
Current liability:			
Lease liabilities	**3.9**	3.1	–
Non-current liabilities:			
Bank loans	**2,703.3**	2,625.0	2,625.0
Lease liabilities	**3.8**	3.9	–
Total debt	**2,711.0**	2,632.0	2,625.0
Less: Bank deposits and cash	**(1,229.0)**	(1,174.2)	(1,174.2)
Pledged and restricted bank deposits	**(35.4)**	(6.8)	(6.8)
Adjusted net debt	**1,446.6**	1,451.0	1,444.0
Capital	**10,373.6**	10,195.6	10,195.6
Adjusted net debt-to-capital ratio	**14.0%**	14.2%	14.2%

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2.

10 Other property, plant and equipment

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in other property, plant and equipment is also identified as right-of-use assets.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of staff rest kiosks and bus regulators' office, and recorded additions to right-of-use assets of $2.6 million.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of other property, plant and equipment with a cost of $440.4 million (six months ended 30 June 2018: $728.5 million). Items of plant and equipment with a net book value of $0.2 million were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: $0.6 million), resulting in a net gain on disposal of $1.1 million (six months ended 30 June 2018: $6.5 million).

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11 Other financial assets

	At 30 June 2019 $'million	At 31 December 2018 $'million
Debt securities listed outside Hong Kong (note)	**1,454.2**	1,428.1
Unlisted equity securities	**521.9**	512.0
	1,976.1	1,940.1
Less: debt securities listed outside Hong Kong classified as current assets	**(793.7)**	(231.2)
Other financial assets classified as non-current assets	**1,182.4**	1,708.9

Note: Debt securities are issued by corporate entities with credit rating ranging from BB- to A as at 30 June 2019. At 30 June 2019 and 31 December 2018, the Group's investments in 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 2019 $'million	At 31 December 2018 $'million
Trade and other receivables	**484.9**	338.9
Interest receivable	**41.3**	32.6
Less: loss allowance	**(0.4)**	(0.4)
	525.8	371.1

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

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

	At 30 June 2019 $'million	At 31 December 2018 $'million
Current	**50.0**	49.6
Less than 1 month past due	**46.5**	46.0
1 to 3 months past due	**6.5**	8.0
More than 3 months past due	**3.2**	6.6
	106.2	110.2

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 current as disclosed above are within three months from the invoice date.

13 Bank deposits and cash

	At 30 June 2019 $'million	At 31 December 2018 $'million
Cash at bank and in hand	**182.8**	156.4
Bank deposits	**1,081.6**	1,024.6
	1,264.4	1,181.0
Less: pledged and restricted bank deposits	**(35.4)**	(6.8)
Cash and cash equivalents in the consolidated statement of financial position	**1,229.0**	1,174.2
Less: bank deposits with original maturities of over three months	**(902.6)**	(949.6)
Cash and cash equivalents in the condensed consolidated cash flow statement	**326.4**	224.6

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 2019 $'million	At 31 December 2018 $'million
Due within 1 month or on demand	**123.6**	154.1
Due after 1 month but within 3 months	**0.6**	3.1
Due after more than 3 months	**2.7**	2.7
Trade payables	**126.9**	159.9
Balance of passenger rewards	**6.1**	6.1
Balance of toll exemption fund	**84.2**	–
Other payables and accruals	**864.7**	867.8
	1,081.9	1,033.8

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

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

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.

	30 June 2019				31 December 2018			
		Fair value measurements categorised into				Fair value measurements categorised into		
	Fair value $'million	**Level 1 $'million**	**Level 2 $'million**	**Level 3 $'million**	Fair value $'million	Level 1 $'million	Level 2 $'million	Level 3 $'million
Recurring fair value measurements								
Assets:								
Investments in debt securities – listed	**1,454.2**	**1,454.2**	**–**	**–**	1,428.1	1,428.1	–	–
Unlisted equity securities	**521.9**	**–**	**–**	**521.9**	512.0	–	–	512.0
Derivative financial instrument – forward foreign exchange contracts	**–**	**–**	**–**	**–**	0.1	–	0.1	–
Liability:								
Derivative financial instruments – forward foreign exchange contracts	**(0.7)**	**–**	**(0.7)**	**–**	(1.3)	–	(1.3)	–

During the six months ended 30 June 2019, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

The fair values of forward foreign exchange contracts as at 30 June 2019 and 31 December 2018 in Level 2 were marked to market using quoted market price from financial institutions.

(c) Information about Level 3 fair value measurement

	Valuation technique	**Significant unobservable inputs**	**Percentage**
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	35% (2018: 35%)

The fair value of unlisted equity instruments is determined using market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2019, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5 percentage points would have increased/decreased the Group's other comprehensive income by $40.1 million (2018: $38.3 million).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2019 $'million	2018 $'million
Unlisted equity securities:		
At 1 January	**512.0**	491.5
Net unrealised gains recognised in other comprehensive income during the period	**9.9**	6.5
At 30 June	**521.9**	498.0

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purpose are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.

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

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

All financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018 except for the amounts due from/to associates of the Group which are unsecured, interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

16 Commitments

(a) Capital commitments

(i) At 30 June 2019, 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 2019 $'million	At 31 December 2018 $'million
Contracted for	**623.6**	533.2

(ii) At 30 June 2019, 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 2019 $'million	At 31 December 2018 $'million
Contracted for	**2,315.2**	144.7

16 Commitments *(continued)*

(b) Operating leases commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	$'million
Within 1 year	4.3
After 1 year but within 5 years	4.3
	8.6

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

17 Transactions with related companies

		Six months ended 30 June	
	Notes	**2019 $'million**	2018 $'million
Nature of transactions			
Service fees for provision of coach services	(a) & (b)	**27.2**	22.9
Insurance premium paid	(c)	**51.2**	45.2
Amount paid and accrued for building management services	(d)	**0.4**	0.4
Amount paid and accrued for project management service and lease modification	(e)	**–**	–
Advertising income	(f)	**1.1**	0.6

17 Transactions with related companies *(continued)*

Notes:

(a) During the period, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to $6.0 million (six months ended 30 June 2018: $4.5 million). Outstanding balances due from these companies at 30 June 2019 amounted to $3.4 million (31 December 2018: $3.3 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 $21.2 million (six months ended 30 June 2018: $18.4 million). Outstanding balances due from these companies at 30 June 2019 amounted to $9.7 million (31 December 2018: $10.6 million).

(c) In 2018 and 2017, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group for the period from 1 January 2019 to 31 December 2020 (the "2019/20 Insurance Arrangements") and for the period from 1 January 2018 to 31 December 2019 (the "2018/19 Medical and Dental Insurance Arrangement") respectively. The amount paid and payable under the 2019/20 Insurance Arrangements and 2018/19 Medical and Dental Insurance Arrangement for the six months ended 30 June 2019 amounted to $51.2 million (six months ended 30 June 2018: $45.2 million). There was no outstanding balances payable under these contracts at 30 June 2019 (31 December 2018: outstanding balance receivables of $0.4 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 2019 amounted to $0.4 million (six months ended 30 June 2018: $0.4 million). Outstanding balance payable for this contract at 30 June 2019 amounted to $0.1 million (31 December 2018: $0.2 million).

(e) On 26 April 2010, KT Real Estate Limited ("KTRE"), a 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 2019 amounted to $2.0 million (31 December 2018: $2.0 million).

(f) During the period, the Group provided advertising services to certain subsidiaries of SHKP, a substantial shareholder of the Company. The amounts received and receivable for these advertising services amounted to $1.1 million (six months ended 30 June 2018: $0.6 million). Outstanding balances due from these companies at 30 June 2019 amounted to $0.2 million (31 December 2018: $Nil).

18 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

KPMG

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 17 to 46 which comprises the consolidated statement of financial position of Transport International Holdings Limited as of 30 June 2019 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 2019 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 2019

載通國際
Transport International

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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

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

Raymond KWOK Ping Luen^
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

NG Siu Chan^

William LOUEY Lai Kuen^
BSc(Econ)

Charles LUI Chung Yuen^
M.H., BEc, AASA, FCILT

Winnie NG^
JP, BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD
(Non-executive Director and Alternate Director to Mr NG Siu Chan^)

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

Professor LIU Pak Wai*
SBS, JP

Allen FUNG Yuk Lun^
BA, Ph.D.

Roger LEE Chak Cheong
BSc, MSc, MICE, CEng
Managing Director

TSANG Wai Hung*
GBS, PDSM, JP, MBA

Dr CHEUNG Wing Yui^
BBS, BCom, Hon DBA, CPA(Aust.)

LEE Luen Fai^
JP, BA

LUNG Po Kwan^
BSocSc, MSocSc(Economics), MBA, CFA

Susanna WONG Sze Lai
(Alternate Director to Mr Raymond KWOK Ping Luen, JP^)

GAO Feng
(Alternate Director to Mr William LOUEY Lai Kuen^)

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

BOARD COMMITTEES

Audit and Risk Management Committee
Dr Eric LI Ka Cheung#
Professor LIU Pak Wai
Allen FUNG Yuk Lun
TSANG Wai Hung

Nomination Committee
Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Allen FUNG Yuk Lun

Remuneration Committee
Dr John CHAN Cho Chak#
Dr Eric LI Ka Cheung
Professor LIU Pak Wai
Winnie NG

Standing Committee
Dr Norman LEUNG Nai Pang#
Dr John CHAN Cho Chak
Raymond KWOK Ping Luen
Charles LUI Chung Yuen
Winnie NG
Roger LEE Chak Cheong
William LOUEY Lai Kuen
TSANG Wai Hung

(# Committee Chairman)

COMPANY SECRETARY

Lana WOO
BA, MBA, FCIS, FCS (PE), CPA(Canada), CGA

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Hong Kong

REGISTER OF MEMBERS

Book closed on 3 September 2019

DIVIDEND

Interim
HK$0.30 per share,
payable on 15 October 2019

STOCK CODE

The Stock Exchange of Hong Kong: 62
Bloomberg: 62HK
Reuters: 0062.HK

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

載通國際
Transport International

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Stock Code: 62