載通國際
Transport International

TRANSPORT INTERNATIONAL HOLDINGS LIMITED






2010
INTERIM REPORT

CONTENTS

INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2010 was HK$658.5 million (six months ended 30 June 2009: HK$339.9 million), representing an increase of 93.7% as compared to the corresponding period in 2009. The increase was mainly due to the recognition of the non-recurrent capital gain of HK$489.1 million arising from the disposal of 50% of the Group's interest in an industrial site at Kwun Tong in January 2010. Earnings per share for the six months ended 30 June 2010 amounted to HK$1.63 (six months ended 30 June 2009: HK$0.84).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.30 per share (six months ended 30 June 2009: HK$0.30 per share), totalling HK$121.1 million for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$121.1 million). The interim dividend will be paid on 18 October 2010 to the shareholders of the Company whose names are on the Register of Members at the close of business on 8 October 2010. The Register will be closed from 6 October 2010 to 8 October 2010, both dates inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 October 2010.

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's profit after taxation for the first half of 2010 amounted to HK$135.9 million (first half of 2009: HK$234.9 million), which included a non-cash deemed income of HK$37.1 million (first half of 2009: deemed loss of HK$20.0 million) determined by independent actuaries in respect of two defined benefit staff retirement schemes operated by KMB in accordance with Hong Kong Accounting Standard 19, *Employee Benefits*. Excluding this non-cash item, KMB recorded a profit after taxation of HK$104.9 million for the first half of 2010, a decrease of HK$146.7 million or 58.3% compared to that for the first half of 2009.

- Fare revenue for the period under review amounted to HK$2,831.3 million, a decrease of 2.2% as compared with HK$2,895.1 million for the same period last year. For the six months ended 30 June 2010, KMB recorded an average daily ridership of 2.588 million passenger trips (six months ended 30 June 2009: 2.652 million passenger trips), a decrease of 2.4% or about 64,000 passenger trips per day over the corresponding period last year. Such decreases were mainly attributable to the intensified competition from the expanded railway network, particularly the commissioning of the Kowloon Southern Link in August 2009. Advertising revenue for the first half of 2010 was HK$48.3 million (first half of 2009: HK$52.3 million).

- Total operating expenses for the six months ended 30 June 2010 amounted to HK$2,803.5 million, representing an increase of HK$126.5 million or 4.7% compared to HK$2,677.0 million for the corresponding period last year. The increase was mainly due to the year-on-year increase in fuel costs by HK$129.7 million or 35.9% as a result of the significant rebound of the international fuel oil prices.

- At 30 June 2010, KMB operated a total of 395 routes (31 December 2009: 396 routes). In addition, 74 Octopus Bus-bus Interchange ("BBI") schemes covering 260 bus routes were operated both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes are welcomed by our passengers, who benefit from extensive fare discounts on the second leg of journeys and improved network coverage. The schemes bring other benefits, in the form of resource savings and reduced congestion along busy corridors.

- During the first half of 2010, 35 new air-conditioned single-deck buses (comprising eight Euro IV buses and 27 Euro V buses) and 30 air-conditioned double-deck buses (comprising 24 Euro IV buses and six Euro V buses) were licensed. At 30 June 2010, KMB operated a total of 3,863 (31 December 2009: 3,880) buses, comprising 3,707 double-deck and 156 single-deck buses, of which 3,688 buses (95.5%) were air-conditioned. In addition, at 30 June 2010, KMB had eight air-conditioned double-deck buses (comprising two Euro IV buses and six Euro V buses) and six Euro V air-conditioned single-deck buses awaiting licensing; and 329 air-conditioned double-deck buses (comprising 14 Euro IV and 315 Euro V buses) and 67 Euro V air-conditioned single-deck buses on order and due for delivery in the second half of 2010 or in 2011.

Long Win Bus Company Limited ("LWB")

- Profit after taxation for the six months ended 30 June 2010 amounted to HK$7.8 million (six months ended 30 June 2009: HK$16.4 million), representing a decrease of 52.4% compared to the same period last year.

- Fare revenue for the period under review slightly decreased by 0.2% to HK$159.8 million as compared to HK$160.2 million for the corresponding period in 2009. The decrease was due mainly to the decline in the ridership of the airport routes notwithstanding that the total ridership for the first half of 2010 increased slightly by 0.3% as compared to the same period last year.

- Total operating expenses for the period under review amounted to HK$151.3 million, representing an increase of HK$11.1 million or 7.9% compared to HK$140.2 million for the same period in 2009. The increase was mainly due to the increase in fuel costs of HK$8.4 million or 42.8% compared to the corresponding period last year.

- At 30 June 2010, there were a total of six BBI schemes covering 12 bus routes within LWB's bus network and on joint inter-modal schemes with other public transport operators. Besides providing passengers with interchange fare discounts, the BBI schemes allow LWB to deploy its resources more effectively.

- In the first half of 2010, LWB licensed 21 new air-conditioned double-deck buses to strengthen the level of service on routes with increased demand. At 30 June 2010, LWB operated a total of 166 air-conditioned double-deck buses. The number of routes remained at 19 as at the end of 2009.

- At 30 June 2010, LWB had on order six new Euro IV air-conditioned double-deck buses which will be delivered by early 2011 to further enhance its service level according to passenger demand.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$12.4 million for the first half of 2010 (first half of 2009: HK$11.8 million), representing an increase of 5.1% compared to the corresponding period in 2009. Turnover decreased by 24.2% to HK$128.1 million compared to HK$168.9 million for the first half of 2009. 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, which provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as to the general public through chartered hire services.

- Turnover of the SBH Group for the first half of 2010 increased by 3.3% compared to that for the corresponding period in 2009. The increase was due mainly to the growth in patronage as a result of the improved economy.

- In the first half of 2010, the SBH Group purchased 18 coaches to support its business expansion and service enhancement, bringing its fleet size to 377 at 30 June 2010.

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) for regular commuters and holidays travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen (深圳). NHKB's ridership has decreased since the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007 and the launch of direct charter flights between Taiwan and China Mainland in July 2008. For the first half of 2010, NHKB's average monthly ridership was 0.95 million passenger trips (first half of 2009: 0.99 million passenger trips). At 30 June 2010, NHKB operated a total of 15 buses, the same number as at the end of 2009.

Property Holdings and Development

Lai Chi Kok Properties Investment Limited ("LCKPI")

- LCKPI is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale luxurious residential complex in Lai Chi Kok, West Kowloon, consisting of 1,115 residential units with a total gross floor area of over one million square feet. Up to the end of 2009, 1,112 residential units of Manhattan Hill with a total saleable gross floor area ("saleable GFA") of about 1,186,100 square feet (representing approximately 99.2% of saleable GFA) and 367 car parking spaces had been sold. For the period under review, a further one residential units with a total saleable GFA of about 2,300 square feet (representing 0.2% of the total saleable GFA) and three car parking spaces were sold, generating an after-tax profit of HK$22.6 million (six months ended 30 June 2009: HK$23.9 million).

- At 30 June 2010, the carrying value of completed property held for sale, comprising two residential units and 23 car parking spaces (classified under current assets in the consolidated balance sheet), amounted to HK$36.2 million (31 December 2009: HK$42.1 million).

LCK Commercial Properties Limited ("LCKCP")

- LCKCP, a wholly-owned subsidiary of the Group, is the owner of the new shopping mall, "Manhattan Mid-town". Positioned as a high-end retail complex, the 50,000 square feet shopping mall complements the image of Manhattan Hill, providing Manhattan Hill residents, as well as local householders and office staff, with high quality retail facilities including a mix of shops and restaurants. The mall was opened in the second quarter of 2009 and at the end of June 2010 nearly all of its lettable area had been leased out to generate additional rental income for the Group.

- At 30 June 2010, the net book value of the shopping mall (classified under investment property in the consolidated balance sheet) amounted to HK$113.4 million (31 December 2009: HK$115.9 million).

LCK Real Estate Limited ("LCKRE")

- LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes. The building was stated on the consolidated balance sheet at cost less accumulated depreciation in the amount of HK$36.0 million (31 December 2009: HK$35.9 million).

KT Real Estate Limited ("KTRE") and KT Properties Investment Limited ("KTPI")

- At the end of 2009, KTRE and KTPI, which are indirect wholly-owned subsidiaries of the Company, held the industrial site situated at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "KT Site") in equal shares as tenants in common. At the special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of KTPI's 50% interest in the KT Site to Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), at a consideration of HK$490.0 million, which was arrived at after arm's length negotiations by reference to the valuation performed by Knight Frank Petty Limited, an independent property valuer. Following the completion of the aforesaid disposal on 25 January 2010, the KT Site was owned by KTRE and TRL in equal shares as tenants in common, and a gain on disposal of 50% interest in the KT Site of HK$489.1 million was recognised in the consolidated income statement of the Company for the six months ended 30 June 2010.

- Pursuant to an agreement dated 11 December 2009 (the "Development Agreement"), KTRE, TRL, the Company and SHKP have agreed to jointly develop the KT Site for non-residential (excluding hotel) purpose. The project costs were estimated to be HK$3.6 billion, which shall be borne by KTRE and TRL in equal shares.

- Particulars of the aforesaid transactions were disclosed in the announcement and the circular of the Company dated 11 December 2009 and 30 December 2009 respectively.

Media Sales Business

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

- The RoadShow Group is one of the leading media sales companies in the Greater China region. It capitalises on a vibrant advertising market consisting of bus passengers and pedestrians on transit vehicle routes. RoadShow mainly sells and markets business advertising on its proprietary Multi-media On-board ("MMOB") system in Hong Kong, and also operates the bus interior and bus exterior advertising businesses. Currently, the Group has a 73% interest in the RoadShow Group.

- For the six months ended 30 June 2010, the RoadShow Group reported a loss attributable to equity shareholders of HK$97.7 million (six months ended 30 June 2009: a profit of HK$14.4 million). The loss was mainly attributable to the provision for impairment loss of approximately HK$110.0 million made by the RoadShow Group on the carrying value of the unlisted equity interest in AdSociety Daye Advertising Company Limited based on Hong Kong Accounting Standard 39 issued by the Hong Kong Institute of Certified Public Accountants.

- Further information regarding the RoadShow Group is available in its 2010 interim results announcement and interim report.

Mainland Transport Operations

As at 30 June 2010, the Group's total interest in the businesses under the Mainland Transport Operations Division amounted to HK$616.4 million (31 December 2009: HK$612.0 million). The investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. In the first half of 2010, the Group's Mainland Transport Operations Division reported a profit after taxation of HK$21.0 million, representing a decrease of 8.7% compared to HK$23.0 million for the corresponding period in 2009.

Beijing (北京)

- Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT"), a Sino-foreign joint stock company, was established in Beijing (北京) in March 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%. BBKT primarily engages in taxi hire and car rental businesses with a fleet of more than 4,300 vehicles, and is one of the leading operators in the taxi and car hire businesses in Beijing City. BBKT is dedicated to providing quality services in the market and continued to record a profit during the first half of 2010.

Shenzhen (深圳)

- Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which started operation in January 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Group and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SBG, representing a stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), with 5,256 vehicles serving some 230 routes. It continued to make steady progress and recorded a ridership of 449.5 million passenger trips in the first half of 2010 (first half of 2009: 416.9 million passenger trips).

FINANCIAL POSITION

Fixed Assets and Capital Expenditure

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and others, investment property, and interest in leasehold land held for own use under operating leases. None of the Group's fixed assets was pledged or charged as at 30 June 2010. In the six months ended 30 June 2010, capital expenditure incurred by the Group amounted to HK$430.2 million (six months ended 30 June 2009: HK$268.4 million). The capital expenditure was mainly incurred for the purchase of new buses.

FUNDING AND FINANCING

Liquidity and Financial Resources

The Group closely monitors its liquidity and financial resources in a prudent manner to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the demands for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts.

- At 30 June 2010, the Group's net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK$2,101.1 million (31 December 2009: HK$2,681.4 million). An analysis of the Group's net cash by currency at 30 June 2010 is shown below:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK$ million (Unaudited)	Bank loans and overdrafts HK$ million (Unaudited)	Net cash HK$ million (Unaudited)
At 30 June 2010				
Hong Kong Dollar		**2,624.2**	**(885.9)**	**1,738.3**
United States Dollar	**28.1**	**218.8**	**—**	**218.8**
British Pound Sterling	**1.7**	**20.2**	**—**	**20.2**
Renminbi	**108.3**	**123.8**	**—**	**123.8**
Total		**2,987.0**	**(885.9)**	**2,101.1**
		(Audited)	(Audited)	(Audited)
At 31 December 2009				
Hong Kong Dollar		3,072.1	(871.7)	2,200.4
United States Dollar	39.9	309.4	—	309.4
British Pound Sterling	1.7	21.5	—	21.5
Renminbi	132.8	150.1	—	150.1
Total		3,553.1	(871.7)	2,681.4

- At 30 June 2010, bank loans and overdrafts, all unsecured, amounted to HK$885.9 million (31 December 2009: HK$871.7 million). The maturity profile of the bank loans and overdrafts of the Group at 30 June 2010 and 31 December 2009 is set out below:

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Within 1 year or on demand	**416.0**	401.9
After 1 year but within 2 years	**—**	200.0
After 2 years but within 5 years	**469.9**	269.8
	469.9	469.8
Total	**885.9**	871.7

- At 30 June 2010, the Group had unutilised banking facilities totalling HK$520.0 million (31 December 2009: HK$720.0 million).

- For the six months ended 30 June 2010, the finance costs incurred by the Group amounted to HK$3.3 million (six months ended 30 June 2009: HK$6.0 million). The average interest rate in respect of the Group's borrowings for the period under review was 0.72% per annum, a decrease of 9 basis points compared to 0.81% per annum for the corresponding period in 2009.

- At 30 June 2010, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pounds Sterling and Renminbi) amounted to HK$2,987.0 million (31 December 2009: HK$3,553.1 million).

FUNDING AND TREASURY POLICIES

- In general, the Group's major operating companies arrange their own financing to meet their individual operational and investment needs. The Group's other subsidiaries are mainly financed by the holding company from its capital base. Management regularly reviews the Group's funding strategy to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. Adequate stand-by banking facilities are maintained to facilitate routine treasury operations.

- The Group manages its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. At 30 June 2010, all of the Group's borrowings were denominated in Hong Kong Dollars and on a floating interest rate basis. This enabled the Group to take advantage of the lower floating interest rates compared to fixed rate financing during the period under review. The Group constantly reviews its strategy on interest rate risk management in the light of prevailing market conditions and devises suitable strategies to cope with risk exposure.

- The Group's foreign currency exposure mainly arises from the payments for new buses and overseas motor vehicle components, which are mainly denominated in British Pounds Sterling. Although foreign currency exposure does not pose a significant risk to the Group as the levels of foreign currency assets and liabilities are relatively low compared to its total asset base, the Group will continue to closely monitor foreign exchange movements and enter into forward exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. At 30 June 2010, the Group had a number of unexpired forward exchange contracts for the hedging of approximately 50.0% of the total British Pounds Sterling requirements for the second half of 2010.

- The Group has not been exposed to significant cash flow and liquidity risks since it has maintained an adequate level of cash reserve on hand resulting from the sales of the Manhattan Hill residential units and the KT Site. Under normal circumstances and barring an unforeseen drastic upsurge in fuel oil prices, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, would also be low as its revenue is essentially received on a cash basis. Through proper planning and close monitoring of the level of debts, the Group is able to effectively meet its funding and investment requirements.

- Fuel price movements can have a significant impact on the results of the Group's core franchised public bus businesses. The Group has carefully considered the pros and cons of entering into fuel price hedging arrangements, and has concluded that fuel price hedging would be equally risky as not hedging, and would not necessarily result in a better financial position for the Group in the long run. As a result, the Group has not entered into any fuel oil hedging contracts during the period under review. To address the fuel price risk effectively, the Group's two major subsidiaries, KMB and LWB, will consider applying for fare increases when the impact of the surge in fuel oil prices is significant and will rigorously explore with the HKSAR Government other measures to mitigate this impact. The Group will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management.

CAPITAL COMMITMENTS

At 30 June 2010, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to HK$2,858.8 million (31 December 2009: HK$940.7 million). These commitments were mainly in respect of the development of the KT Site and the purchase of buses and other fixed assets, which are to be financed by borrowings and the working capital of the Group.

CONTINGENT LIABILITIES

At 30 June 2010, the Company had undertaken to guarantee a banking facility granted to a subsidiary to the extent of HK$140.0 million (31 December 2009: HK$340.0 million). As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at 30 June 2010 under the guarantee issued was the outstanding amount of the loan advanced by the bank to the subsidiary of HK$70.0 million (31 December 2009: HK$270.0 million).

EMPLOYEES AND REMUNERATION POLICIES

As transport operations are labour intensive, staff costs account for a substantial portion of the total operating cost of the Group. At 30 June 2010, the Group had 12,867 employees (31 December 2009: 13,074 employees), and total remuneration for the six months ended 30 June 2010 amounted to approximately HK$1,518.6 million (six months ended 30 June 2009: HK$1,535.5 million). The Group will continue to closely monitor the number and remuneration of its employees against productivity and market trends.

OUTLOOK

Franchised Public Bus Operations

During the period under review, the financial performance of the Group's franchised public bus business operated by KMB and LWB was adversely affected by the significant rebound in international fuel oil prices. For the first half of 2010, the average price of the Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the price of the Near Zero Sulphur Diesel (with Sulphur content of 0.001%) used by our franchised public bus fleet is based, was US$87.2 per barrel, an increase of 45.8% compared to the average Gasoil price of US$59.8 per barrel for the corresponding period of 2009. Both KMB and LWB have also agreed to grant a pay rise of 1.8% to their operations and maintenance staff with effect from 1 June 2010 and the other staff from 1 September 2010. In light of the rising fuel costs and the increase in wages and other operating expenses due to inflationary pressure, coupled with the decrease in our patronage due to intensifying competition from the railways, we expect that the operating environment of KMB and LWB will be extremely difficult in the second half of 2010 and the years ahead. In response to these challenges, we have sought and will continue to seek to further rationalise our bus network and enhance our productivity as far as practicable.

Fare Increase Applications

Under the existing fare scale and with Gasoil prices remaining at, if not rising above, the current high level, the ability of KMB and LWB to generate profits would be seriously affected. Consequently, KMB and LWB submitted applications to the Transport Department of the HKSAR Government on 30 July 2010 for a fare increase of 8.6% and 7.4% respectively in order to maintain the financial viability and the existing service levels of our franchised bus operations.

Non-franchised Businesses

The operating performance of our non-franchised transport operations remained steady during the first half of 2010. We will continue to enhance economies of scale, improve the quality of service and explore businesses that will increase our income wherever possible.

Following the disposal of 50% of the Group's interest in an industrial site in Kwun Tong to, and the entering of a development agreement with, the Sun Hung Kai Properties Limited ("SHKP") Group in January 2010, a project manager (namely Sun Hung Kai Real Estate Agency Limited, which is a subsidiary of SHKP) was appointed in April 2010 for the management, supervision and control of the development project. It is planned to develop the site for non-residential (excluding hotel) uses and, upon completion, to hold the development for long-term investment purposes.

The sale of the residential flats at Manhattan Hill is almost coming to a close, with only a few residential units remaining available for sale. All of the lettable area of "Manhattan Mid-town", the shopping mall with a total area of 50,000 square feet, is currently leased out generating additional revenue for the Group.

We will continue to explore new business opportunities in China Mainland and maintain our efforts to improve our productivity and efficiency through rationalising our bus network in Hong Kong.

By Order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 19 August 2010

SUPPLEMENTARY INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

During the period under review, the changes in Directors' biographical details since the date of the 2009 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:

KWOK Ping-luen, Raymond JP, MA(Cantab), MBA, Hon DBA, Hon LLD

- USI Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, in which Mr Kwok Ping-luen, Raymond, JP acts as a non-executive director has been renamed to Wing Tai Properties Limited

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

- has been appointed as Honorary Trustee of Tongji University, Nanjing University and Honorary Fellowship, The School of Accountancy of The Central University of Finance and Economics

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

- Meadville Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, in which Dr Eric Li Ka Cheung acts as an independent non-executive director, has withdrawn its listing status with effect from 19 April 2010

(Independent Non-executive Director)*

Other than that 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 at 30 June 2010 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO:

I. Interests in Issued Shares

(a) The Company

	Ordinary shares of HK$1 each					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
The Hon Sir Sze-yuen CHUNG*	18,821	—	—	—	18,821	0.005%
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	393,350	—	—	—	393,350	0.097%
Dr KWOK Ping-sheung, Walter	61,522	—	—	—	61,522	0.015%
NG Siu Chan	—	21,000,609	—	—	21,000,609	5.203%
William LOUEY Lai Kuen	6,251,416	—	—	—	6,251,416	1.549%
Dr John CHAN Cho Chak	2,000	—	—	—	2,000	—
Charles LUI Chung Yuen	12,427	—	—	2,651,750 *(Note 1)*	2,664,177	0.660%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	41,416	—	—	21,000,609 *(Note 2)*	21,042,025	5.213%
George CHIEN Yuan Hwei	2,000	—	—	—	2,000	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* *Independent Non-executive Director*

Notes:

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

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

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

	Ordinary shares of HK$0.10 each					
	Personal interests	**Family interests**	**Corporate interests**	**Trustee interests**	**Total number of shares held**	**Percentage of total issued shares**
The Hon Sir Sze-yuen CHUNG*	4,000	—	—	—	4,000	—
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	37,400	—	—	—	37,400	0.004%
Dr KWOK Ping-sheung, Walter	6,600	—	—	—	6,600	0.001%
NG Siu Chan	—	123,743	—	—	123,743	0.012%
William LOUEY Lai Kuen	412,371	—	—	—	412,371	0.041%
Dr John CHAN Cho Chak	—	—	—	—	—	—
Charles LUI Chung Yuen	—	—	—	209,131 *(Note 1)*	209,131	0.021%
Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan)	1,000,000	—	—	123,743 *(Note 2)*	1,123,743	0.113%
George CHIEN Yuan Hwei	—	—	—	—	—	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
Evan AU YANG Chi Chun	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
SO Wai Kei, Godwin (Alternate Director to Dr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* *Independent Non-executive Director*

Notes:

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

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

As at 30 June 2010, none of the Directors had any non-beneficial interest in the share capital of the Company.

II. Interests in Underlying Shares

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

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts as disclosed in note 18 to the interim financial report, in which Mr Kwok Ping-luen, Raymond and Dr Kwok Ping-sheung, Walter, who had beneficial interests in Sun Hung Kai Properties Limited, were interested, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at 30 June 2010 or at any time in the six months ended 30 June 2010.

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

At 30 June 2010, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, were as follows:

	Ordinary shares of HK$1 each			
	Registered shareholders	**Corporate interests**	**Total number of shares held**	**Percentage of total issued shares**
Sun Hung Kai Properties Limited *(Notes 1 and 2)*	—	133,271,012	133,271,012	33.0%
Arklake Limited *(Note 1)*	68,600,352	—	68,600,352	17.0%
HSBC International Trustee Limited *(Note 3)*	42,592,788	—	42,592,788	10.6%
HSBC Trustee (C.I.) Limited *(Note 3)*	134,341,973	—	134,341,973	33.3%
Kwong Tai Holdings (PTC) Limited *(Note 4)*	21,000,609	—	21,000,609	5.2%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 68,600,352 shares disclosed by Arklake Limited.

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

3. HSBC International Trustee Limited and HSBC Trustee (C.I.) Limited are deemed to be interested in a total of 176,934,761 shares in the Company held on trust for their clients, of which 133,271,012 shares are held for SHKP.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2010 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2010. The independent review report of the external auditors is set out on page 39 of this interim report.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months ended 30 June 2010 HK$ million (Unaudited)	2009 HK$ million (Unaudited)
Turnover	3, 11	**3,307.8**	3,350.6
Other net income	4	**116.9**	42.5
Cost of properties sold		**(6.6)**	(4.1)
Staff costs	5	**(1,518.6)**	(1,535.5)
Depreciation and amortisation		**(442.4)**	(443.5)
Fuel and oil		**(544.2)**	(418.8)
Toll charges		**(181.4)**	(188.2)
Spare parts and stores		**(120.4)**	(116.5)
Selling and marketing expenses for property sales		**(2.2)**	(2.0)
Other operating expenses		**(338.2)**	(296.2)
Profit from operations		**270.7**	388.3
Finance costs	6	**(3.3)**	(6.0)
Gain on disposal of interest in leasehold land	18(a)(xi)	**489.1**	—
Share of profits of associates		**21.0**	23.7
Share of profits of jointly controlled entities		**—**	3.0
Impairment loss on unlisted equity securities	13(b)	**(110.0)**	—
Profit before taxation		**667.5**	409.0
Income tax	7	**(32.9)**	(61.1)
Profit for the period		**634.6**	347.9
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		**658.5**	339.9
Non-controlling interests		**(23.9)**	8.0
Profit for the period		**634.6**	347.9

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010 *(continued)*

	Note	Six months ended 30 June **2010** **HK$ million** **(Unaudited)**	2009 HK$ million (Unaudited)
Profit for the period attributable to equity shareholders of the Company:			
Arising from sales of interest in leasehold land and Manhattan Hill properties		**511.7**	24.2
Arising from the Group's other operations		**146.8**	315.7
		658.5	339.9
Basic and diluted earnings per share:	10		
Arising from sales of interest in leasehold land and Manhattan Hill properties		**HK$1.27**	HK$0.06
Arising from the Group's other operations		**HK$0.36**	HK$0.78
		HK$1.63	HK$0.84

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months ended 30 June **2010** **HK$ million** **(Unaudited)**	 2009 HK$ million (Unaudited)
Profit for the period		**634.6**	347.9
Other comprehensive income for the period (after tax and reclassification adjustments):			
Exchange difference on translation of financial statements of entities outside Hong Kong		**5.1**	—
Available-for-sale debt securities: net movement in the fair value reserve	9(a)	**2.0**	(1.9)
Cash flow hedges: net movement in the hedging reserve	9(b)	**4.3**	0.6
Total comprehensive income for the period		**646.0**	346.6
Attributable to:			
Equity shareholders of the Company		**669.9**	338.6
Non-controlling interests		**(23.9)**	8.0
Total comprehensive income for the period		**646.0**	346.6

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2010

	Note	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)
Non-current assets			
Fixed assets	12		
— Investment property		**113.4**	115.9
— Investment property under development		**3.1**	—
— Other property, plant and equipment		**3,894.3**	3,906.3
— Interest in leasehold land held for own use under operating leases		**76.9**	77.9
		4,087.7	4,100.1
Passenger service licences		**21.5**	21.5
Goodwill		**63.3**	63.3
Media assets		**—**	0.4
Non-current prepayments		**14.4**	19.2
Interest in associates		**616.4**	612.0
Other financial assets	13	**633.3**	333.5
Employee benefit assets		**753.0**	716.0
Deferred tax assets		**5.7**	6.0
		6,195.3	5,872.0
Current assets			
Completed property held for sale		**36.2**	42.1
Spare parts and stores		**62.7**	72.3
Accounts receivable	14	**302.2**	384.6
Deposits and prepayments		**98.1**	40.1
Current taxation recoverable		**8.4**	7.8
Pledged bank deposits		**41.2**	51.2
Cash and cash equivalents	15	**2,945.8**	3,501.9
		3,494.6	4,100.0
Current liabilities			
Bank loans and overdrafts		**416.0**	401.9
Accounts payable and accruals	16	**958.0**	1,069.5
Third party claims payable		**129.3**	127.5
Current taxation payable		**69.4**	47.1
		1,572.7	1,646.0
Net current assets		**1,921.9**	2,454.0
Total assets less current liabilities		**8,117.2**	8,326.0

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2010 *(continued)*

	Note	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)
Non-current liabilities			
Bank loans		**469.9**	469.8
Contingency provision — insurance		**305.1**	305.1
Deferred tax liabilities		**485.9**	499.1
Provision for long service payments		**32.3**	34.3
		1,293.2	1,308.3
Net assets		**6,824.0**	7,017.7
Capital and reserves			
Share capital		**403.6**	403.6
Reserves		**6,227.8**	6,385.3
Total equity attributable to equity shareholders of the Company		**6,631.4**	6,788.9
Non-controlling interests		**192.6**	228.8
Total equity		**6,824.0**	7,017.7

Approved and authorised for issue by the Board of Directors on 19 August 2010

S.Y. CHUNG
Chairman

Edmond HO Tat Man
Managing Director

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		(Unaudited) Attributable to equity shareholders of the Company									
	Note	Share capital HK$ million	Other reserves HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Fair value reserve HK$ million	Retained profits HK$ million	Amount recognised directly in equity relating to non-current assets held for sale HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 January 2009		403.6	1,102.8	110.7	(0.6)	1.7	5,042.6	–	6,660.8	253.1	6,913.9
Changes in equity for the six months ended 30 June 2009:											
Dividends approved in respect of the previous year	8(b)	–	–	–	–	–	(423.8)	–	(423.8)	–	(423.8)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(20.7)	(20.7)
Reclassification		–	–	(1.6)	–	–	–	1.6	–	–	–
Total comprehensive income for the period		–	–	–	0.6	(1.9)	339.9	–	338.6	8.0	346.6
At 30 June 2009 and 1 July 2009		403.6	1,102.8	109.1	–	(0.2)	4,958.7	1.6	6,575.6	240.4	6,816.0
Changes in equity for the six months ended 31 December 2009:											
Dividends approved in respect of the current year	8(a)	–	–	–	–	–	(121.1)	–	(121.1)	–	(121.1)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(7.2)	(7.2)
Total comprehensive income for the period		–	–	2.2	–	0.2	333.6	(1.6)	334.4	(4.4)	330.0
At 31 December 2009		403.6	1,102.8	111.3	–	–	5,171.2	–	6,788.9	228.8	7,017.7
At 1 January 2010		**403.6**	**1,102.8**	**111.3**	**–**	**–**	**5,171.2**	**–**	**6,788.9**	**228.8**	**7,017.7**
Changes in equity for the six months ended 30 June 2010:											
Dividends approved in respect of the previous year	8(b)	**–**	**–**	**–**	**–**	**–**	**(827.4)**	**–**	**(827.4)**	**–**	**(827.4)**
Repayment of capital to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3.9)**	**(3.9)**
Dividends paid to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8.4)**	**(8.4)**
Total comprehensive income for the period		**–**	**–**	**5.1**	**4.3**	**2.0**	**658.5**	**–**	**669.9**	**(23.9)**	**646.0**
At 30 June 2010		**403.6**	**1,102.8**	**116.4**	**4.3**	**2.0**	**5,002.3**	**–**	**6,631.4**	**192.6**	**6,824.0**

The notes on pages 23 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months ended 30 June **2010** **HK$ million** **(Unaudited)**	 2009 HK$ million (Unaudited)
Cash generated from operations		**597.9**	1,003.4
Tax paid		**(24.1)**	(30.1)
Net cash generated from operating activities		**573.8**	973.3
Net cash generated from/(used in) investing activities		**386.6**	(2,826.5)
Net cash used in financing activities		**(839.9)**	(359.5)
Net increase/(decrease) in cash and cash equivalents		**120.5**	(2,212.7)
Cash and cash equivalents at 1 January		**671.7**	2,377.9
Effect of foreign exchange rate changes		**1.0**	0.1
Cash and cash equivalents at 30 June		**793.2**	165.3
Analysis of cash and cash equivalents			
Cash and cash equivalents in the consolidated balance sheet		**2,945.8**	3,537.6
Less: Bank deposits with original maturities of over three months		**(2,135.9)**	(3,364.9)
Bank overdrafts		**(16.7)**	(7.4)
Cash and cash equivalents in the condensed consolidated cash flow statement		**793.2**	165.3

The notes on pages 23 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2010.

The accounting policies adopted in the preparation of this interim financial report are consistent with those set out in the Group's 2009 annual financial statements.

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 2009 annual financial statements. The consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's principal office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 18 March 2010.

2 Changes in accounting policies

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

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*

2 Changes in accounting policies *(continued)*

- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

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

The amendments to HKAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

3 Turnover

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

	Six months ended 30 June	
	2010 HK$ million (Unaudited)	2009 HK$ million (Unaudited)
Fare revenue from franchised public bus services	**2,991.1**	3,055.3
Revenue from non-franchised transport services	**128.0**	169.0
Revenue from sales of properties	**29.4**	24.6
Media sales revenue	**153.1**	99.2
Gross rentals from investment property	**6.2**	2.5
	3,307.8	3,350.6

4 Other net income

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Net income/(loss) recognised in respect of defined benefit retirement plans	**37.0**	(21.5)
Net movement in balance of passenger rewards (see note below)	**14.8**	—
Interest income on instalments receivable from sales of properties	**0.2**	0.5
Interest income on other financial assets not at fair value through profit or loss	**16.4**	20.7
Claims received	**11.5**	14.8
Net exchange gain/(loss)	**4.3**	(4.0)
Net miscellaneous business receipts	**3.8**	3.1
Dividend income from unlisted securities	**16.1**	8.7
Net gain on disposal of fixed assets	**1.8**	1.4
Available-for-sale debt securities: reclassified from equity upon disposal	**—**	(0.1)
Net write-back of impairment loss on instalments receivable	**—**	12.1
Sundry net income	**11.0**	6.8
	116.9	42.5

Note: Under the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net fixed assets is required to be set aside and accumulated in a balance of passenger rewards which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2010 and 2009 was 9.7% per annum. The balance of passenger rewards of the Group as at 30 June 2010, included in accounts payable and accruals, was HK$43.3 million (31 December 2009: HK$58.1 million). Net movement in the balance of HK$14.8 million during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil) was credited to the income statement.

5 Staff costs

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
	(Unaudited)	(Unaudited)
Contributions to defined contribution retirement plans	**31.6**	30.6
Movements in provision for long service payments	**2.3**	3.5
Salaries, wages and other benefits	**1,484.7**	1,501.4
	1,518.6	1,535.5

6 Finance costs

	Six months ended 30 June	
	2010 **HK$ million** **(Unaudited)**	2009 HK$ million (Unaudited)
Interest on bank loans and overdrafts not at fair value through profit or loss	**3.3**	6.0

7 Income tax

	Six months ended 30 June	
	2010 **HK$ million** **(Unaudited)**	2009 HK$ million (Unaudited)
Current tax		
Provision for Hong Kong Profits Tax for the period	**45.8**	79.4
Provision for the People's Republic of China ("PRC") income tax for the period	**—**	0.3
	45.8	79.7
Deferred tax		
Origination and reversal of temporary differences	**(12.9)**	(18.6)
	(12.9)	(18.6)
Income tax	**32.9**	61.1

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% for the six months ended 30 June 2010 (six months ended 30 June 2009: 16.5%). Taxation for subsidiaries in the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the PRC.

8 Dividends

(a) Dividend attributable to the interim period:

	Six months ended 30 June	
	2010 HK$ million (Unaudited)	2009 HK$ million (Unaudited)
Dividend declared after the interim period end:		
Ordinary interim dividend of HK$0.30 per share (2009: Ordinary interim dividend of HK$0.30 per share)	**121.1**	121.1

The dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2010 HK$ million (Unaudited)	2009 HK$ million (Unaudited)
Ordinary final dividend in respect of the financial year ended 31 December 2009, approved and paid during the following interim period, of HK$1.05 per share (year ended 31 December 2008: HK$1.05 per share)	**423.8**	423.8
Special dividend in respect of the financial year ended 31 December 2009, approved and paid during the following interim period, of HK$1.00 per share (year ended 31 December 2008: Nil)	**403.6**	—
	827.4	423.8

9 Other comprehensive income

(a) *Available-for-sale debt securities*

	Six months ended 30 June	
	2010 **HK$ million** **(Unaudited)**	2009 HK$ million (Unaudited)
Change in fair value recognised during the period	**2.0**	(2.0)
Reclassification adjustment for amount transferred to profit or loss:		
— loss on disposal	**—**	0.1
Net movement in the fair value reserve during the period recognised in other comprehensive income	**2.0**	(1.9)

(b) *Cash flow hedges*

	Six months ended 30 June	
	2010 **HK$ million** **(Unaudited)**	2009 HK$ million (Unaudited)
Change in fair value recognised during the period	**4.3**	—
Transferred from equity to profit or loss	**—**	0.6
	4.3	0.6

The Group uses forward exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 30 June 2010, fair value of these forward exchange contracts of HK$4.3 million (31 December 2009: Nil) was recognised as derivative financial assets. The forward exchange contracts were for the purchases of British Pound Sterling totalling GBP10.4 million (31 December 2009: Nil) and had maturities of less than one year after the balance sheet date.

10 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$658.5 million (six months ended 30 June 2009: HK$339.9 million) and 403.6 million shares in issue during the periods presented. The calculation of basic earnings per share arising from the sales of leasehold land interest and Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK$511.7 million (six months ended 30 June 2009: HK$24.2 million) and HK$146.8 million (six months ended 30 June 2009: HK$315.7 million) respectively and 403.6 million shares in issue during the periods presented.

(b) *Diluted earnings per share*

There are no dilutive potential ordinary shares during the six months ended 30 June 2010 and 2009.

11 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 makers ("CODM") for the purposes of resources allocation and performance assessment, the Group has identified the following three reportable segments:

- Franchised bus operation
- Media sales business
- Property development

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport operation, leasing of investment property and investments in associates and jointly controlled entities.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's CODM for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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 price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

11 Segment reporting *(continued)*

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

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

	Franchised bus operation Six months ended 30 June		Media sales business Six months ended 30 June		Property development Six months ended 30 June		All other segments Six months ended 30 June		Total Six months ended 30 June	
	2010 HK$ million (Unaudited)	2009 HK$ million (Unaudited)	**2010 HK$ million (Unaudited)**	2009 HK$ million (Unaudited)	**2010 HK$ million (Unaudited)**	2009 HK$ million (Unaudited)	**2010 HK$ million (Unaudited)**	2009 HK$ million (Unaudited)	**2010 HK$ million (Unaudited)**	2009 HK$ million (Unaudited)
Revenue from external customers	**2,992.0**	3,087.3	**152.2**	67.2	**29.4**	24.6	**134.2**	171.5	**3,307.8**	3,350.6
Inter-segment revenue	**47.6**	21.9	**—**	8.0	**—**	—	**12.4**	9.7	**60.0**	39.6
Reportable segment revenue	**3,039.6**	3,109.2	**152.2**	75.2	**29.4**	24.6	**146.6**	181.2	**3,367.8**	3,390.2
Reportable segment profit/(loss)	**143.6**	251.3	**(95.8)**	17.0	**22.6**	23.9	**43.9**	34.5	**114.3**	326.7
	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)
Reportable segment assets	**5,187.6**	5,055.1	**759.5**	852.1	**91.5**	198.2	**1,051.6**	1,072.7	**7,090.2**	7,178.1
Reportable segment liabilities	**2,542.7**	2,433.1	**63.9**	48.0	**175.7**	187.3	**44.7**	247.7	**2,827.0**	2,916.1

(b) *Reconciliation of reportable segment revenue, profit, assets and liabilities*

	Six months ended 30 June	
Revenue	**2010 HK$ million (Unaudited)**	2009 HK$ million (Unaudited)
Reportable segment revenue	**3,221.2**	3,209.0
Revenue from all other segments	**146.6**	181.2
Elimination of inter-segment revenue	**(60.0)**	(39.6)
Consolidated turnover	**3,307.8**	3,350.6

11 Segment reporting *(continued)*

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities (continued)

Profit	Six months ended 30 June **2010** **HK$ million** **(Unaudited)**	 2009 HK$ million (Unaudited)
Reportable segment profit	**70.4**	292.2
Profit from all other segments	**43.9**	34.5
Gain on disposal of interest in leasehold land	**489.1**	—
Unallocated profits	**31.2**	21.2
Consolidated profit after taxation	**634.6**	347.9

Assets	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)
Reportable segment assets	**6,038.6**	6,105.4
Assets from all other segments	**1,051.6**	1,072.7
Unallocated assets	**2,599.7**	2,793.9
Consolidated total assets	**9,689.9**	9,972.0

Liabilities	**At 30 June 2010 HK$ million (Unaudited)**	At 31 December 2009 HK$ million (Audited)
Reportable segment liabilities	**2,782.3**	2,668.4
Liabilities from all other segments	**44.7**	247.7
Unallocated liabilities	**38.9**	38.2
Consolidated total liabilities	**2,865.9**	2,954.3

12 Fixed assets

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of HK$430.2 million (six months ended 30 June 2009: HK$268.4 million). Certain items of plant and equipment with net book value of HK$0.4 million (six months ended 30 June 2009: HK$0.5 million) were disposed of during the six months ended 30 June 2010 resulting in a net gain on disposal of HK$1.8 million (six months ended 30 June 2009: HK$1.4 million). Further, certain interest in leasehold land was partially disposed of to a related party during the six months ended 30 June 2010 (see note 18(a)(xi)).

13 Other financial assets

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Instalments receivable from sales of properties	**4.3**	9.2
Unlisted equity securities	**38.9**	148.9
Loans to investee	**96.0**	69.9
Amounts due from investee	**13.9**	12.2
Available-for-sale debt securities		
— listed outside Hong Kong	**441.5**	55.3
— unlisted	**38.7**	38.0
	633.3	333.5

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

(b) At 30 June 2010, the Group's unlisted equity investment was individually determined to be impaired on the basis of adverse changes in the market in which the investee operates which indicates that the Group's investment in the investee may not be fully recovered. Impairment loss on unlisted equity investment of HK$110.0 million has been recognised during the six months ended 30 June 2010.

(c) Loans to investee are unsecured, carry interest at 5.31% p.a. and are not expected to be settled within one year. Amounts due from investee are unsecured, interest free and have no fixed repayment terms. Loans to and amounts due from investee are neither past due nor impaired.

(d) Debt securities are issued by corporate entities with credit rating ranging from A- to AA+. As at 30 June 2010, the Group's available-for-sale debt securities were neither past due nor impaired.

14 Accounts receivable

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Instalments receivable from sales of properties	**44.6**	143.6
Trade and other receivables	**243.9**	236.1
Interest receivable	**13.3**	9.4
Less: Allowance for doubtful debts	**(3.9)**	(4.5)
	297.9	384.6
Derivative financial instruments	**4.3**	—
	302.2	384.6

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

14 Accounts receivable *(continued)*

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

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Current	**86.4**	148.7
1 to 3 months past due	**15.7**	17.9
More than 3 months past due	**55.3**	93.7
	157.4	260.3

The amount more than 3 months past due included instalments receivable from sales of properties of HK$44.6 million (31 December 2009: HK$84.0 million). No allowance for bad and doubtful debts had been provided for these balances at 30 June 2010 (31 December 2009: Nil). For instalments receivable from sales of properties, the properties sold serve as the collateral.

Trade receivables are normally due within 30 to 90 days from the date of billing.

15 Cash and cash equivalents

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Cash at bank and in hand	**182.8**	335.5
Bank deposits	**2,804.2**	3,217.6
	2,987.0	3,553.1
Less: Pledged bank deposits	**(41.2)**	(51.2)
	2,945.8	3,501.9

16 Accounts payable and accruals

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Trade payables	**181.6**	206.4
Balance of passenger rewards	**43.3**	58.1
Other payables and accruals	**733.1**	805.0
Financial liabilities measured at amortised cost	**958.0**	1,069.5

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

Included in accounts payable and accruals are trade payables with the following ageing analysis as of the balance sheet date:

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Due within 1 month or on demand	**175.4**	188.3
Due after 1 month but within 3 months	**4.3**	16.7
Due after more than 3 months	**1.9**	1.4
	181.6	206.4

17 Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010 HK$ million (Unaudited)	At 31 December 2009 HK$ million (Audited)
Contracted for	**961.9**	767.7
Authorised but not contracted for	**1,896.9**	173.0
	2,858.8	940.7

18 Material related party transactions

(a) Transactions with related companies

Nature of transaction	Note	Six months ended 30 June **2010** **HK$ million** **(Unaudited)**	 2009 HK$ million (Unaudited)
Service fees for provision of coach services	(i)	**16.9**	16.8
Insurance service fee	(ii)	**34.2**	34.2
Amount accrued for management contractor services fee for property under development	(iii)	**—**	—
Amount paid and accrued for letting and sales agency fee	(iv)	**0.3**	0.8
Amount paid and accrued for management agreement	(v)	**2.3**	2.6
Amount paid for property project management services	(vi)	**—**	—
Estimated Entitled Net Return for provision of transport services	(vii)	**—**	2.7
Proceeds received from disposal of a subsidiary	(vii)	**—**	110.6
Amount paid and accrued for management contractor services for investment property under development	(viii)	**—**	—
Amount paid and accrued for project management and design services for investment property under development	(ix)	**—**	—
Amount paid for purchase of unsecured fixed rate notes	(x)	**—**	15.0
Interest income received from unsecured fixed rate notes	(x)	**0.2**	0.1
Gain on disposal of interest in leasehold land	(xi)	**489.1**	—
Amount paid and accrued for property project management service and lease modification	(xii)	**2.9**	—

18 Material related party transactions *(continued)*

(a) Transactions with related companies (continued)

Notes:

(i) During the period, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP") under the same terms as those available to independent third party customers in the ordinary course of business. Amounts due from these companies at 30 June 2010 amounted to HK$8.0 million (31 December 2009: HK$6.8 million).

(ii) In 2009, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited, for the provision of insurance services to the Group under the same terms as those available to independent third party customers in the ordinary course of business. There was no outstanding balance payable for this contract at 30 June 2010 (31 December 2009: Nil).

(iii) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract ("the Prime Cost Contract") with Chun Fai Construction Company Limited ("CFCCL"), a subsidiary of SHKP, for the provision of management contractor services relating to the property under development of the Group ("Manhattan Hill"). In 2004, a supplementary agreement to the Prime Cost Contract ("the Supplementary Agreement") was entered into between LCKPI and CFCCL for the purposes of upgrading the design, materials and quality of the workmanship of Manhattan Hill. Pursuant to the Prime Cost Contract, as supplemented by the Supplementary Agreement, the aggregate consideration payable to CFCCL should not exceed HK$1,617.7 million. Outstanding balance payable for this contract at 30 June 2010 amounted to HK$102.2 million (31 December 2009: HK$106.6 million).

(iv) LCKPI entered into a Letting and Sales Agency Agreement (the "Original Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and car parking spaces of Manhattan Hill. On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement ("the Letter Agreement") pursuant to which LCKPI continues to appoint SHKRE as the letting and sales agent of Manhattan Hill under the same terms and conditions of the Original Agreement except that the maximum amount of the agency fees payable under the Original Agreement and the Letter Agreement shall, altogether, not exceed HK$65.0 million. Outstanding balance payable for this contract at 30 June 2010 amounted to HK$4.0 million (31 December 2009: HK$3.7 million).

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

In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a fellow subsidiary of Hong Yip, to amend and supplement the management agreement (the "Supplemental Deed"). It is agreed among the three parties that Royal Elite would replace Hong Yip to be the manager and to perform and discharge the duties and obligations as the manager under the deed(s) of mutual covenant. All terms defined in the Management Agreement are adopted in the Supplemental Deed. There was no outstanding balance payable for this contract at 30 June 2010 (31 December 2009: HK$1.1 million).

(vi) The Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to Manhattan Hill. The contract sum of the project management services is HK$15.0 million, or the lower of 1% of the project costs and HK$20.0 million, whichever is higher. Outstanding balance payable for this contract at 30 June 2010 amounted to HK$3.8 million (31 December 2009: HK$3.8 million).

18 Material related party transactions *(continued)*

(a) Transactions with related companies (continued)

Notes: *(continued)*

(vii) On 23 May 2001, Park Island Transport Company Limited ("PITC") entered into an agreement ("Transport Agreement") with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW"), a wholly-owned subsidiary of SHKP, for the provision of transport services for Ma Wan Island in Hong Kong. The Transport Agreement was subsequently amended and supplemented by seven supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005, 28 November 2006, 6 December 2007 and 25 November 2008 (collectively, the "Supplemental Agreements") with the operating term extended to 13 December 2010.

Under the terms of the Transport Agreement and Supplemental Agreements, PITC shall be entitled to a return lying within the range of 6% and 15% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of PITC's fixed assets with respect to the accounting year concerned (the "Entitled Net Return").

On 21 May 2009, the Group disposed of the entire interest in PITC to Sun Hung Kai Transport Company Limited, a subsidiary of SHKP. The disposal consideration is HK$110.6 million, being the carrying value of the net assets of PITC at 31 May 2009. The transaction was completed on 1 June 2009. There was no resultant gain or loss on disposal of the subsidiary.

(viii) On 16 April 2008, LCK Commercial Properties Limited ("LCKCP"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement ("the Prime Cost Agreement") with CFCCL for the provision of management contractor services and for carrying out and completing the alteration and addition works to the retail podium of Manhattan Hill ("Manhattan Mid-town"). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCCL should not exceed HK$37.4 million. Outstanding balance payable for this contract at 30 June 2010 amounted to HK$4.2 million (31 December 2009: HK$4.4 million).

(ix) On 16 April 2008, LCKCP entered into a project management and design services agreement ("the Project Management and Design Services Agreement") with Sun Hung Kai Architects and Engineers Limited ("SHKAE"), a subsidiary of SHKP, for the provision of project management, statutory submission and interior design in relation to Manhattan Mid-town. Pursuant to the Project Management and Design Services Agreement, a lump sum service fee of HK$2.7 million is payable to SHKAE in accordance with the progress of alteration and addition works to Manhattan Mid-town. There was no outstanding balance payable for this contract at 30 June 2010 (31 December 2009: HK$0.4 million).

(x) On 6 March 2009, KMB Financial Services Limited ("KMBFS"), a wholly-owned subsidiary of the Company, purchased certain unsecured fixed rate notes (the "Fixed Rate Notes") issued by Sun Hung Kai Properties (Capital Market) Limited ("SHKPCM"), a wholly-owned subsidiary of SHKP, with a total nominal value of HK$15.0 million from a bank in an open secondary market, at a cost of HK$15.0 million. The Fixed Rate Notes are interest bearing at 2.64% per annum. The principal amount of the Fixed Rate Notes will be repaid by SHKPCM on the maturity date on 12 February 2012 and the interest on the Fixed Rate Notes is payable quarterly. At 30 June 2010, the Fixed Rate Notes held by KMBFS were carried at a fair value of HK$15.3 million and there was no material outstanding interest receivable.

(xi) At a special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of a 50% of the Group's leasehold land interest in an industrial site at Kwun Tong (the "KT Site") to Turbo Result Limited ("TRL"), a subsidiary of SHKP at a consideration of HK$490.0 million, which was arrived at after arm's length negotiations by reference to a valuation performed by Knight Frank Petty Limited, an independent property valuer. The transaction was completed on 25 January 2010, resulting in a gain on disposal of HK$489.1 million.

18 Material related party transactions *(continued)*

(a) Transactions with related companies (continued)

Notes: *(continued)*

(xii) On 26 April 2010, KT Real Estate Limited ("KTRE"), a subsidiary of the Group, and TRL entered into an agreement with SHKRE, pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of the KT Site and the construction of the KT Site.

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

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

Outstanding balance payable for this contract at 30 June 2010 amounted to HK$2.9 million (31 December 2009: Nil).

(b) Financing arrangements

No interest income was earned from loans to associate during the period (six months ended 30 June 2009: HK$2.3 million). There was no outstanding interest receivable from associate as at 30 June 2010 and 31 December 2009.

KPMG

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

Introduction

We have reviewed the interim financial report set out on pages 16 to 38 which comprises the consolidated balance sheet of Transport International Holdings Limited and its subsidiaries as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows 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 2010 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

19 August 2010

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(^ Non-executive Directors of the Company)

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Book closed from 6 October 2010 to
8 October 2010, both dates inclusive

DIVIDEND

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