



載通國際
Transport International

TRANSPORT INTERNATIONAL HOLDINGS LIMITED



2008
Interim Report

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INTERIM RESULTS

The Group's unaudited profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 was HK\$450.5 million (2007: HK\$3,137.5 million). The profit included the non-recurrent after-tax profit of HK\$422.7 million (2007: HK\$2,961.9 million) arising from the sales of 26 residential units of Manhattan Hill during the first half of 2008 (2007: 796 residential units) by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary within the Group's Property Holdings and Development Division. If such non-recurrent profit from property sales was excluded, the profit attributable to equity shareholders of the Company for the first half of 2008 would have been HK\$27.8 million, representing a decrease of 84.2% compared to HK\$175.6 million for the corresponding period of 2007. Earnings per share for the period under review were HK\$1.12 (2007: HK\$7.77).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.30 per share (2007: an interim dividend of HK\$0.45 per share and a special interim dividend of HK\$1.50 per share), amounting to HK\$121.1 million (2007: HK\$787.1 million) for the six months ended 30 June 2008. The interim dividend will be paid on 16 October 2008 to the shareholders of the Company whose names are on the Register of Members at the close of business on 8 October 2008. The Register will be closed from 6 October 2008 to 8 October 2008, 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 Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 October 2008.

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")

- For the six months ended 30 June 2008, KMB recorded a loss of HK\$162.8 million (2007: profit of HK\$98.6 million) when the following non-cash items were excluded:
 - (i) a deemed income of HK\$88.6 million (2007: HK\$41.5 million) determined by independent actuaries in respect of the two defined benefit staff retirement schemes operated by KMB, and recognised in KMB's income statement in accordance with the requirement of Hong Kong Accounting Standard 19 "Employee Benefits"; and
 - (ii) a deferred tax credit of HK\$38.6 million (2007: Nil) arising from the adjustment to the opening deferred tax balance due to the reduction in the Hong Kong Profits Tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09.

After taking into account the above non-cash items, the loss after taxation of KMB for the first half of 2008 was HK\$50.2 million (2007: profit after taxation of HK\$132.8 million).

- The deterioration in KMB's financial performance was due to the drastic upsurge of the international fuel oil prices during the first six months of 2008. As shown in Table 1 below, the average price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the prices of ultra low sulphur diesel used by our franchised buses are based, increased by 79.0% for the first half of 2008. The rise in the Gasoil prices resulted in our fuel costs for the first half of 2008 surging to HK\$781.3 million, a significant increase of HK\$316.2 million or 68.0% as compared with HK\$465.1 million for the corresponding period of 2007. Fuel costs accounted for 26.0% of KMB's total operating costs for the first half of 2008, compared to 17.1% for the corresponding period last year.

Table 1. Average Price of Gasoil

Month	2008 US\$/barrel	2007 US\$/barrel	% Increase
January	106	66	+61%
February	111	71	+56%
March	126	74	+70%
April	138	80	+73%
May	159	81	+96%
June	167	82	+104%
Average (Jan – Jun)	136	76	+79%

- Fare revenue and ridership for the first half of 2008 amounted to HK\$2,832.8 million (2007: HK\$2,840.6 million) and 490.0 million passenger trips (2007: 497.1 million passenger trips) respectively. These represent decreases of 0.27% and 1.43% respectively compared with the first half of last year. The decreases were mainly due to the intensified competition for patronage following the formal merger of the two local rail networks together with the offer of rail fare discounts starting from December 2007. Advertising revenue for the first half of 2008 was HK\$43.2 million (2007: HK\$32.5 million), an increase of 32.9% compared to that of the corresponding period last year.
- In order to maintain the financial viability and the existing service levels of its bus operations, KMB submitted an application to the Transport Department of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") on 7 September 2007 for a fare increase of 9%, the first fare increase application made by KMB since 1 December 1997. On 20 May 2008, the HKSAR Government announced its decision to grant KMB a fare increase of 4.5% with effect from 8 June 2008. As the average price of Gasoil subsequently increased to about US\$167 per barrel in June 2008, which was 96% higher than the Gasoil price of US\$85 per barrel at the time KMB submitted its fare increase application in September 2007, such fare increase of 4.5% is grossly insufficient to offset the huge increase in KMB's fuel costs.
- At 30 June 2008, KMB operated a total of 401 routes compared with 402 at 31 December 2007. In addition, there were 69 Octopus Bus-bus Interchange ("BBI") schemes covering 259 bus routes, operating both within the KMB route network and on joint inter-modal schemes with other public transport operators. These BBI schemes benefit our passengers by giving them significant fare discounts. They also improve network coverage, save additional resources that would otherwise be required for serving a larger transportation network, and relieve traffic congestion as well as air pollution along busy transport corridors.

- 21 new air-conditioned double-deck buses were licensed during the first six months of 2008. At 30 June 2008, KMB had a fleet of 4,018 (end of 2007: 4,047) licensed buses, comprising 3,878 double-deck and 140 single-deck buses, of which 3,813 buses (95%) were air-conditioned. In addition, nine new air-conditioned double-deck and 30 new air-conditioned single-deck buses will be delivered during the second half of 2008 and early 2009.

Long Win Bus Company Limited (“LWB”)

- LWB recorded a loss after taxation of HK\$2.7 million for the six months ended 30 June 2008, representing an unfavourable change of HK\$12.0 million compared with a profit after taxation of HK\$9.3 million for the corresponding period last year. The loss was due to the upsurge in the Gasoil prices in the first half of 2008.
- Fare revenue for the first six months of 2008 amounted to HK\$152.2 million, representing an increase of 4.2% compared with HK\$146.0 million for the corresponding period of 2007. During the period under review, LWB recorded a total ridership of 14.0 million passenger trips, an increase of 4.5% compared with 13.4 million passenger trips for the corresponding period last year. The increase in ridership was mainly due to the continued growth of population in Tung Chung New Town and the increase in travel demand to and from the Hong Kong International Airport.
- Total operating expenses for the period under review amounted to HK\$157.2 million, representing an increase of HK\$23.1 million or 17.2% compared with HK\$134.1 million for the same period of 2007. In addition to the substantial increase in fuel costs by HK\$18.6 million, other major operating expenses including staff costs, tunnel tolls and depreciation charges for the first half of 2008 have also increased in line with the service enhancement to cope with the growing transport demand.
- On 7 September 2007, LWB submitted a fare increase application to the Transport Department of the HKSAR Government for a fare increase of 5.9%. However, the HKSAR Government only gave approval for a fare increase of 4.5% with effect from 8 June 2008. As previously mentioned, such fare increase magnitude of 4.5% is grossly insufficient to offset the huge increase in LWB’s fuel costs as the average Gasoil price of US\$167 per barrel in June 2008 was 96% higher than the price of US\$85 per barrel at the time LWB submitted its fare increase application in September 2007.
- At 30 June 2008, there were six BBI schemes covering 12 bus routes operating both within LWB’s bus network and on joint inter-modal schemes with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.
- During the period under review, two new air-conditioned double-deck buses were added to the fleet. At 30 June 2008, LWB had a licensed fleet of 157 buses, consisting of 154 air-conditioned double-deck buses and three air-conditioned single-deck buses serving a total of 18 routes. The number of routes remained the same as at the end of 2007.
- LWB placed an order for seven new air-conditioned double-deck buses in the first half of 2008. These new buses are scheduled for delivery in the second half of 2008 to cater for service improvement.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$9.8 million for the first half of 2008 (2007: HK\$16.1 million), representing a decrease of 39.1% compared with the corresponding period of 2007. Turnover increased by 11.0% to HK\$203.0 million compared with HK\$182.9 million for the first half of 2007. A review of the operations of the principal business units in this Division is set out as follows:

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

- The SBH Group is one of the leading non-franchised bus operators in Hong Kong. It provides tailor-made high quality transport services to a variety of customers. Its fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services. To cater for its expansion, 13 new coaches were purchased during the period under review bringing the total number of buses to 366 at 30 June 2008.
- Turnover of the SBH Group for the first half of 2008 increased by 15.4% compared with that for the corresponding period of 2007. The increase was due mainly to the additional revenue generated from the expanded bus fleet and increase in hire charges.

Park Island Transport Company Limited ("PITC")

- PITC provides quality shuttle bus and ferry services for the residents of and visitors to Park Island, a prestigious residential development on Ma Wan Island. As a result of the additional population intake and the increase in the number of visitors to Ma Wan Island due to the opening of Phase 1 of Ma Wan Park, the total patronage for the first half of 2008 increased by 30% to 4.5 million passenger trips.
- At the end of June 2008, PITC operated two ferry routes and four bus routes serving Ma Wan Island with a fleet of 27 air-conditioned single-deck buses and seven high-speed catamarans.

New Hong Kong Bus Company Limited ("NHKB")

- NHKB jointly operates a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the Huang Bus service) serving regular commuters and holiday travellers between Lok Ma Chau and Huanggang (皇崗) with its Shenzhen (深圳) counterpart. NHKB's average monthly ridership for the first half of 2008 was 1.21 million passenger trips, a decrease of 28% compared with 1.69 million passenger trips for the corresponding period of 2007. The significant decrease in patronage was due mainly to the increased competition for patronage after the opening of the Lok Ma Chau Spur Line in August 2007.
- It is expected that the introduction of further liberalisation measures under the Closer Economic Partnership Arrangement (CEPA) and the increase in the number of Mainland visitors will generate additional passengers for NHKB to partially offset the loss of patronage to the new railway. At the end of June 2008, NHKB operated a total of 15 buses, same as at the end of 2007.

Property Holdings and Development

- Lai Chi Kok Properties Investment Limited (“LCKPI”) is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale residential and commercial complex located at 1 Po Lun Street, Lai Chi Kok, Kowloon. Manhattan Hill comprises 1,115 luxurious residential units with a total gross floor area of more than one million square feet and a two-level retail podium of about 50,000 square feet. In December 2007, the retail podium of Manhattan Hill, which will be developed into a shopping mall for rental purpose, was transferred to another wholly-owned subsidiary of the Group, LCK Commercial Properties Limited.
- Up to the end of 2007, 1,080 residential units with a total saleable gross floor area (“saleable GFA”) of about 1,119,000 square feet (representing approximately 94.0% of total saleable GFA) were sold. In the first six months of 2008, a further 26 residential units with a total saleable GFA of about 53,000 square feet (representing approximately 4.4% of the total saleable GFA) were sold, generating total sales of HK\$597.5 million (2007: HK\$4,458.3 million) with a profit contribution of HK\$422.7 million (2007: HK\$2,961.9 million).
- At 30 June 2008, completed property held for sale (classified under current assets in the consolidated balance sheet) and investment property under development in respect of the commercial portion of Manhattan Hill (classified under fixed assets in the consolidated balance sheet) amounted to HK\$94.6 million (31 December 2007: HK\$206.3 million) and HK\$85.3 million (31 December 2007: HK\$82.5 million) respectively. The development of Manhattan Hill was financed by the Group’s working capital and unsecured bank loans which had been fully repaid by the end of 2007.

Media Sales Business

RoadShow Holdings Limited and its subsidiaries (the “RoadShow Group”)

- The RoadShow Group is a leading media sales group in the Greater China region. It capitalises on a vibrant advertising market that consists of passengers who use public transit vehicles and pedestrians traversing transit vehicle routes, selling and marketing business advertising on its proprietary Multi-media On-board (“MMOB”) system in Hong Kong and offering value added media sales, products and services at competitive prices. It also runs a television programme syndication and media sales network in China Mainland covering more than 200 cities. Currently, the Group has a 73% interest in the RoadShow Group.
- For the six months ended 30 June 2008, the RoadShow Group reported a profit attributable to equity shareholders of HK\$18.0 million (2007: HK\$16.1 million), representing an increase of 11.8% compared with the corresponding period of 2007. The increase was mainly attributed to the increase in the RoadShow Group’s turnover and share of profit of an associate by HK\$2.6 million and HK\$0.8 million respectively.
- Further information relating to the RoadShow Group is available in its 2008 interim report.

Mainland Transport Operations

As at 30 June 2008, the Group's total interest in associates and jointly controlled entity within the Mainland Transport Operations Division amounted to HK\$757.6 million (31 December 2007: HK\$702.2 million). Such investments are mainly related to the operation of passenger public transport services in Dalian, Shenzhen and Wuxi, and taxi and car rental services in Beijing. During the period under review, the Group's Mainland Transport Operations Division reported a profit after taxation of HK\$13.5 million, representing an increase of 513.6% compared with HK\$2.2 million for the corresponding period of 2007. The increase was due mainly to the increase in government subsidies for public bus operations which alleviated the financial burden of our associates resulting from the rise in fuel costs and other operating expenses in the period under review.

Dalian (大連)

The co-operative joint venture ("CJV") in Dalian, Liaoning Province (遼寧省大連市) was established in July 1997 between a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company (大連市第一公共汽車公司). This CJV currently operates three routes in Dalian City with a fleet of 84 single-deck buses.

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 principally engages in taxi hire and car rental businesses in Beijing City with a fleet of over 4,300 vehicles. BBKT achieved satisfactory performance during the first half of 2008.

Wuxi (無錫)

Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) ("WKPT") is a Sino-foreign joint stock company established in Wuxi City, Jiangsu Province (江蘇省無錫市) in February 2004. The Group's investment in WKPT amounted to RMB135.4 million (equivalent to HK\$127.2 million at the investment date), representing a 45% equity interest. WKPT currently operates over 1,900 public buses on some 130 routes. During the first half of 2008, WKPT recorded a ridership of 143.5 million passenger trips (2007: 140.9 million passenger trips).

Shenzhen (深圳)

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which commenced 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 35% equity interest. SBG principally operates public bus and taxi hire services in Shenzhen City, Guangdong Province (廣東省深圳市), with over 4,200 vehicles serving some 170 routes. SBG recorded a ridership of 372.2 million passenger trips for the first half of 2008 (2007: 364.9 million passenger trips).

Financial position

Fixed assets and capital expenditure

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, interest in leasehold land held for own use under operating leases, investment property under development, buses and other motor vehicles, vessels, buses under construction and tools. None of the Group's fixed assets was pledged or charged as at 30 June 2008. During the six months ended 30 June 2008, capital expenditure incurred by the Group amounted to HK\$168.5 million (2007: HK\$262.3 million). The capital expenditure was mainly incurred for the purchase of new buses.

Funding and financing

Liquidity and financial resources

Under the principle of prudent financial management, the Group closely monitored its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflow from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditures, as well as potential business expansion and development. The Group's operations were mainly financed by shareholders' funds, bank loans and overdrafts.

- At 30 June 2008, the Group's net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK\$1,375.2 million (31 December 2007: HK\$1,541.8 million). An analysis of the Group's net cash by currency at 30 June 2008 is shown below:

Currency	At 30 June 2008		At 31 December 2007	
	Net cash in foreign currency million	Net cash HK\$ million (Unaudited)	Net cash in foreign currency million	Net cash HK\$ million (Audited)
Hong Kong Dollars		857.7		978.2
United States Dollars	46.9	365.9	54.0	421.3
British Pound Sterling	1.7	26.2	1.6	25.5
Renminbi	110.9	125.4	109.1	116.8
Total		<u>1,375.2</u>		<u>1,541.8</u>

- Bank loans and overdrafts at 30 June 2008, which were unsecured, amounted to HK\$1,521.7 million (31 December 2007: HK\$1,591.6 million, of which a bank loan of HK\$38.0 million was secured by a pledged bank deposit of HK\$38.0 million). The maturity profile of the bank loans and overdrafts of the Group is shown below:

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Within 1 year or on demand	782.0	436.9
After 1 year but within 2 years	250.0	550.0
After 2 years but within 5 years	489.7	604.7
	<u>739.7</u>	<u>1,154.7</u>
Total	<u>1,521.7</u>	<u>1,591.6</u>

- At 30 June 2008, the Group had unutilised banking facilities totalling HK\$745.0 million (31 December 2007: HK\$692.0 million).
- The finance costs for the six months ended 30 June 2008 amounted to HK\$18.9 million (2007: HK\$71.0 million). The average interest rate in respect of the Group's borrowings for the period under review was 2.39% per annum, a decrease of 195 basis points compared with 4.34% per annum for the corresponding period of 2007.
- At 30 June 2008, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pound Sterling and Renminbi) amounted to HK\$2,896.9 million (31 December 2007: HK\$3,133.4 million).

Funding and treasury policies

- Major operating companies of the Group arrange for their own financing to meet their operational and investment requirements. The Group's other subsidiaries are mainly financed by the holding company from its capital base. The Group reviews its funding strategy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. Stand-by banking facilities have been maintained to facilitate routine treasury operations.
- It is the Group's policy to manage 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 2008, 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. 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 payments for new buses and overseas motor vehicle components, which are denominated in British Pound Sterling. To minimise the foreign exchange risk particularly at times when the currency market is volatile, it is the Group's policy to closely monitor foreign exchange movements and strategically enter into forward exchange contracts to hedge its foreign currency requirement when opportunities arise, notwithstanding that 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.

Capital commitments

Capital commitments outstanding and not provided for in the interim financial report of the Group as at 30 June 2008 amounted to HK\$393.0 million (31 December 2007: HK\$361.9 million). The commitments are mainly in respect of the purchase of buses and other fixed assets and the development of Manhattan Hill retail podium. The commitments are to be financed by borrowings and working capital of the Group.

Contingent liabilities

At 30 June 2008, the Company had undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$540.0 million (31 December 2007: HK\$540.0 million). The maximum liability of the Company at 30 June 2008 under the guarantees issued was the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK\$395.0 million (31 December 2007: HK\$410.0 million).

Employees and remuneration policies

As the provision of transport services is labour intensive, staff costs account for a substantial portion of the total operating costs of the Group. The Group has constantly closely monitored and aligned the number and remuneration of the employees against productivity and market trends. At 30 June 2008, the Group had 13,314 employees (2007: 13,338 employees) with total remuneration for the six months ended 30 June 2008 amounted to approximately HK\$1,421.2 million (2007: HK\$1,465.5 million).

Outlook

In the first half of 2008, the financial performance of the Group's franchised public bus business operated under KMB and LWB were adversely affected by soaring international fuel oil prices. Their total fuel cost surged to a record high of HK\$822.9 million, a significant increase of HK\$334.8 million or 68.6% compared with HK\$488.1 million for the first half of 2007. Although the price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the price of ultra low sulphur diesel used by our franchised public bus is based, has relented from its historical high of US\$180.5 per barrel in early July 2008, the current level of Gasoil price (as at 17 September 2008) of US\$113.1 per barrel is still 32.9% higher than the average Gasoil price of US\$85.1 per barrel for the whole year of 2007. Together with the increases in wages, tunnel toll charges and other operating costs due to inflationary pressure, we expect that the operating environment of KMB and LWB will continue to be extremely difficult in the second half of 2008.

To address the current problem faced by KMB and LWB, which is largely driven by high oil prices on the international market, we will further rationalise our bus network and resources to control operating costs as far as practicable. In addition, we will continue to discuss with the HKSAR Government to find ways to restore our financial viability. The recently implemented fare increase of 4.5% by KMB and LWB with effect from 8 June 2008 is grossly insufficient to offset the huge increase in fuel costs due to high oil prices, not to mention the inflationary pressure on other operating expenses. Whilst every effort has been made to reduce our operating costs, there is always a limit to the amount of cost saving that can be achieved without seriously jeopardising the quality of our bus services. If Gasoil prices remain at this high level, it is inevitable that our fares will have to be adjusted again unless the HKSAR Government will provide assistance to help relieve the financial burden of the franchised public bus industry.

The performance of our non-franchised transport operations in Hong Kong and joint venture transportation projects on the Mainland have also been suppressed by high oil prices and escalating costs. Management will continue to improve the service quality and efficiency of our non-franchised transport operations, and by working closely with our joint venture partners to increase income and step up cost control measures wherever possible. In line with the Group's business diversification strategy, we will explore new business opportunities both in Hong Kong and on the Mainland.

While the sales of the luxury residential flats at Manhattan Hill are nearly coming to a close, with only six residential units remaining available for sale, the renovation work of the retail podium is underway and scheduled to be completed by the end of 2008. We expect that this two-level retail podium with a total area of around 50,000 square feet will bring in additional income stream to the Group in the near future.

By Order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 18 September 2008

SUPPLEMENTARY INFORMATION

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The Directors of the Company who held office at 30 June 2008 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				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
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%
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	6,246,941	4,475	—	—	6,251,416	1.549%
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	41,416	—	—	21,000,609 (Note 2)	21,042,025	5.213%
Dr KUNG Ziang Mien, James*	—	—	172,000	—	172,000	0.043%
George CHIEN Yuan Hwei	2,000	—	—	—	2,000	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
KUNG Lin Cheng, Leo (Alternate Director to Dr KUNG Ziang Mien, James*)	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
WONG On Ning, Orlena (Alternate Director to Mr 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\$0.1 each				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests		
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%
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%
John CHAN Cho Chak	—	—	—	—	—	—
Charles LUI Chung Yuen	—	—	—	209,131	209,131	0.021%
				(Note 1)		
Winnie NG	1,000,000	—	—	123,743	1,123,743	0.113%
				(Note 2)		
Dr KUNG Ziang Mien, James*	—	—	500,000	—	500,000	0.050%
George CHIEN Yuan Hwei	—	—	—	—	—	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
John Anthony MILLER	—	—	—	—	—	—
KUNG Lin Cheng, Leo (Alternate Director to Dr KUNG Ziang Mien, James*)	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
WONG On Ning, Orlena (Alternate Director to Mr 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 2008, 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 Messrs. Kwok Ping-luen, Raymond and 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 2008 or at any time during the six months ended 30 June 2008.

Discloseable interests of shareholders in shares and short positions in shares, underlying shares and debentures

At 30 June 2008, 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 (the "Stock Exchange") 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			Percentage of total issued shares
	Registered shareholders	Corporate interests	Total number of shares held	
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)	183,757,886	—	183,757,886	45.5%
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 is deemed to be interested in 183,757,886 shares in the Company held on trust for its clients, of which 133,271,012 shares are held for SHKP.
4. The interest disclosed by Kwong Tai Holdings (PTC) Limited (formerly known as “Kwong Tai Holdings 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 2008, 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 Rules Governing the Listing of Securities on the Stock Exchange (“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 2008 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 reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2008. The review of the unaudited interim financial report was conducted with the Group’s external auditors, KPMG. The independent review report of the external auditors is set out on page 36 of this interim report.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Six months ended 30 June	
		2008 HK\$ million (Unaudited)	2007 HK\$ million (Unaudited)
Turnover	2, 9	3,878.4	7,716.1
Other net income	3	106.4	82.5
Cost of properties sold		(124.3)	(1,104.8)
Staff costs	4	(1,421.2)	(1,465.5)
Depreciation and amortisation		(458.5)	(446.8)
Fuel and oil		(887.5)	(532.3)
Toll charges		(174.8)	(162.5)
Spare parts and stores		(121.5)	(121.4)
Selling and marketing expenses for property sales		(21.0)	(293.4)
Other operating expenses		(325.0)	(328.2)
Profit from operations	9	451.0	3,343.7
Finance costs	5	(18.9)	(71.0)
Share of profits less losses of associates		20.7	7.4
Share of losses of jointly controlled entities		(1.8)	(1.0)
Profit before taxation		451.0	3,279.1
Income tax credit/(expense)	6	7.8	(133.6)
Profit for the period		458.8	3,145.5
Profit for the period attributable to:			
Equity shareholders of the Company	15	450.5	3,137.5
Minority interests	15	8.3	8.0
Profit for the period	15	458.8	3,145.5

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008 *(continued)*

	Note	Six months ended 30 June	
		2008 HK\$ million (Unaudited)	2007 HK\$ million (Unaudited)
Profit for the period attributable to equity shareholders of the Company:			
Arising from sales of Manhattan Hill properties		422.7	2,961.9
Arising from the Group's other operations		27.8	175.6
		<u>450.5</u>	<u>3,137.5</u>
Dividends attributable to the interim period:			
Ordinary	7(a)	121.1	181.6
Special		—	605.5
		<u>121.1</u>	<u>787.1</u>
Earnings per share (HK\$):			
Arising from sales of Manhattan Hill properties	8	HK\$1.05	HK\$7.34
Arising from the Group's other operations		HK\$0.07	HK\$0.43
		<u>HK\$1.12</u>	<u>HK\$7.77</u>
Dividends per share (HK\$):			
Ordinary	7(a)	HK\$0.30	HK\$0.45
Special		—	HK\$1.50
		<u>HK\$0.30</u>	<u>HK\$1.95</u>

The notes on pages 22 to 35 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET**AT 30 JUNE 2008**

	Note	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Non-current assets			
Fixed assets			
– Investment property under development		85.3	82.5
– Other property, plant and equipment	10	4,520.4	4,816.7
– Interest in leasehold land held for own use under operating leases		81.1	82.1
		<u>4,686.8</u>	<u>4,981.3</u>
Passenger service licences		14.6	13.9
Goodwill		62.9	51.6
Media assets		1.0	1.1
Non-current prepayments	11	33.5	38.3
Interest in associates		984.4	911.9
Interest in jointly controlled entities		19.8	23.0
Other financial assets		141.3	138.1
Employee benefit assets		691.4	602.2
Deferred tax assets		11.0	11.9
		<u>6,646.7</u>	<u>6,773.3</u>
Current assets			
Completed property held for sale		94.6	206.3
Spare parts and stores		77.6	76.8
Accounts receivable	12	894.0	1,707.6
Deposits and prepayments		67.9	30.5
Current taxation recoverable		2.6	5.9
Pledged bank deposit		—	38.0
Cash and cash equivalents	13	2,896.9	3,095.4
		<u>4,033.6</u>	<u>5,160.5</u>
Current liabilities			
Bank loans and overdrafts		782.0	436.9
Accounts payable and accruals	14	1,129.3	1,281.7
Third party claims payable		143.1	143.8
Current taxation payable		148.8	74.3
		<u>2,203.2</u>	<u>1,936.7</u>
Net current assets		<u>1,830.4</u>	<u>3,223.8</u>
Total assets less current liabilities		<u>8,477.1</u>	<u>9,997.1</u>

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008 (continued)

	Note	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Non-current liabilities			
Bank loans		739.7	1,154.7
Contingency provision - insurance		295.2	295.2
Deferred tax liabilities		564.3	701.5
Provision for long service payments		39.8	47.2
		<u>1,639.0</u>	<u>2,198.6</u>
Net assets		<u>6,838.1</u>	<u>7,798.5</u>
Capital and reserves			
Share capital		403.6	403.6
Reserves		6,200.0	7,145.3
Total equity attributable to equity shareholders of the Company	15	6,603.6	7,548.9
Minority interests	15	234.5	249.6
Total equity	15	<u>6,838.1</u>	<u>7,798.5</u>

Approved and authorised for issue by the Board of Directors on 18 September 2008

S.Y. CHUNG

Chairman

Edmond HO Tat Man

Managing Director

The notes on pages 22 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Six months ended 30 June 2008		Six months ended 30 June 2007	
		HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)
Total equity at 1 January:					
Attributable to equity					
shareholders of the Company	15	7,548.9		5,074.2	
Minority interests	15	249.6		244.7	
			7,798.5		5,318.9
Net income for the period recognised directly in equity:					
Exchange difference on translation of financial statements of entities outside Hong Kong	15		50.6		22.4
Change in fair value of available-for-sale securities	15		(1.4)		—
			49.2		22.4
Profit for the period:					
Attributable to equity					
shareholders of the Company	15	450.5		3,137.5	
Minority interests	15	8.3		8.0	
			458.8		3,145.5
Total recognised income for the period					
			508.0		3,167.9
Attributable to:					
Equity shareholders of the Company		499.7		3,159.9	
Minority interests		8.3		8.0	
		508.0		3,167.9	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008 *(continued)*

	Note	Six months ended 30 June 2008		Six months ended 30 June 2007	
		HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)
Dividend approved and paid in respect of the previous financial year	7(b), 15		<u>(1,445.0)</u>		<u>(637.8)</u>
Dividends paid to minority shareholders	15		<u>(23.4)</u>		<u>(14.7)</u>
Total equity at 30 June	15		<u>6,838.1</u>		<u>7,834.3</u>

The notes on pages 22 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Six months ended 30 June	
		2008	2007
		HK\$ million	HK\$ million
		(Unaudited)	(Unaudited)
Cash generated from operations		1,540.4	1,128.4
Tax paid		(50.7)	(20.2)
Net cash generated from operating activities		1,489.7	1,108.2
Net cash generated from/(used in) investing activities		355.7	(256.3)
Net cash used in financing activities		(1,521.4)	(892.2)
Net increase/(decrease) in cash and cash equivalents		324.0	(40.3)
Cash and cash equivalents at 1 January		1,802.5	1,196.5
Effect of foreign exchange rate changes		7.8	2.8
Cash and cash equivalents at 30 June	13	2,134.3	1,159.0

The notes on pages 22 to 35 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”).

The accounting policies adopted in the preparation of this interim financial report are consistent with those set out in the Group’s 2007 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 2007 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 (“HKFRS”).

This interim financial report is unaudited, but has been reviewed by the independent auditor, 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 36. 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 2007 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 2007 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 20 March 2008.

2 Turnover

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

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Fare revenue from franchised public bus services	2,985.1	2,986.6
Revenue from non-franchised transport services	203.0	183.0
Revenue from sales of properties	597.5	4,458.3
Media sales revenue	92.8	88.2
	<u>3,878.4</u>	<u>7,716.1</u>

3 Other net income

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Interest income on financial assets not at fair value		
through profit or loss	72.2	56.1
Claims received	14.9	10.3
Net exchange gain	7.0	3.7
Net (loss)/gain on disposal of fixed assets	(2.5)	3.2
Dividend income from unlisted securities	4.9	—
Net miscellaneous business receipts	3.9	2.7
Sundry revenue	6.0	6.5
	<u>106.4</u>	<u>82.5</u>

4 Staff costs

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Contributions to defined contribution retirement plans	28.5	26.3
Net income recognised in respect of defined benefit retirement plans	(89.2)	(41.7)
Movements in provision for long service payments	(4.3)	3.9
Net income recognised in respect of retirement benefits	(65.0)	(11.5)
Salaries, wages and other benefits	1,486.2	1,477.0
	<u>1,421.2</u>	<u>1,465.5</u>

5 Finance costs

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	18.9	71.0

6 Income tax

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax for the period	127.3	156.2
Provision for the People's Republic of China ("PRC") income tax for the period	1.2	0.3
	<u>128.5</u>	<u>156.5</u>
Deferred tax		
Origination and reversal of temporary differences	(97.3)	(22.9)
Effect of decrease in Hong Kong Profits Tax rate from 17.5% to 16.5%	(39.0)	—
	<u>(136.3)</u>	<u>(22.9)</u>
Income tax (credit)/expense	<u>(7.8)</u>	<u>133.6</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

7 Dividends

(a) *Dividends attributable to the interim period:*

	Six months ended 30 June			
	2008		2007	
	Per share		Per share	
	HK\$	HK\$ million	HK\$	HK\$ million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividends declared after the interim period end:				
Ordinary interim dividend	0.30	121.1	0.45	181.6
Special interim dividend	—	—	1.50	605.5
	<u>0.30</u>	<u>121.1</u>	<u>1.95</u>	<u>787.1</u>

The dividends have not been recognised as a liability at the balance sheet date.

7 Dividends (continued)

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

	Six months ended 30 June	
	2008	2007
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Ordinary final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK\$1.58 per share (year ended 31 December 2006: HK\$1.58 per share)	637.8	637.8
Special final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK\$2.00 per share (year ended 31 December 2006: Nil)	807.2	—
	<u>1,445.0</u>	<u>637.8</u>

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 HK\$450.5 million (six months ended 30 June 2007: HK\$3,137.5 million) and 403.6 million shares in issue during the periods presented. The calculation of basic earnings per share arising from sales of Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK\$422.7 million (six months ended 30 June 2007: HK\$2,961.9 million) and HK\$27.8 million (six months ended 30 June 2007: HK\$175.6 million) respectively and 403.6 million shares in issue during the periods presented.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2008 and 2007 are not presented as there are no dilutive potential ordinary shares during the periods.

9 Segment reporting

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents revenue from transport operations, revenue from sales of properties and media sales revenue.

	Transport operations		Media sales business		Property holdings and development		Inter-segment elimination		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	3,188.1	3,169.6	92.8	88.2	597.5	4,458.3	—	—	3,878.4	7,716.1
Inter-segment revenue	—	—	20.2	11.6	—	—	(20.2)	(11.6)	—	—
Other revenue from external customers	22.7	17.4	0.8	1.5	—	—	—	—	23.5	18.9
Total	3,210.8	3,187.0	113.8	101.3	597.5	4,458.3	(20.2)	(11.6)	3,901.9	7,735.0
Segment profit/(loss) (Note)	(105.4)	206.8	48.4	32.2	468.9	3,056.1	—	—	411.9	3,295.1
Unallocated net operating income									39.1	48.6
Profit from operations									451.0	3,343.7

Note:

The segment loss of transport operations for the six months ended 30 June 2008 shown above includes loss attributable to The Kowloon Motor Bus Company (1933) Limited's transport operations of HK\$150.9 million (2007: profit of HK\$135.5 million) and profit attributable to other transport operations subsidiaries of HK\$45.5 million (2007: HK\$71.3 million).

10 Other property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired property, plant and equipment with a cost of HK\$168.5 million (six months ended 30 June 2007: HK\$262.3 million). Certain items of plant and equipment with net book value of HK\$10.0 million (six months ended 30 June 2007: Nil) were disposed of during the six months ended 30 June 2008 resulting in a net loss on disposal of HK\$2.5 million (six months ended 30 June 2007: gain of HK\$3.2 million).

11 Non-current prepayments

Non-current prepayments consist of advance payments for concession and rights for advertising and media programme placement on transit vehicles and transit network furniture.

12 Accounts receivable

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Instalments receivable from sales of properties	655.3	1,433.8
Trade and other receivables	231.3	262.1
Interest receivable	7.4	11.7
	<u>894.0</u>	<u>1,707.6</u>

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

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

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Current	728.5	1,644.6
1 to 3 months past due	16.1	12.3
More than 3 months past due	12.1	6.5
	<u>756.7</u>	<u>1,663.4</u>

Trade receivables are normally due within 30 to 90 days from the date of billing. Consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. For instalments receivable from sales of properties, the properties sold serve as the collateral.

13 Cash and cash equivalents

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Cash at bank and in hand	117.6	134.5
Bank deposits	2,779.3	2,960.9
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated balance sheet	2,896.9	3,095.4
Less: Bank deposits with original maturities of over three months	(748.1)	(1,261.5)
Bank overdrafts	(14.5)	(31.4)
	<hr/>	<hr/>
Cash and cash equivalents in the condensed consolidated cash flow statement	2,134.3	1,802.5
	<hr/>	<hr/>

14 Accounts payable and accruals

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Trade payables	52.0	201.0
Other payables and accruals	1,077.3	1,080.7
	<hr/>	<hr/>
	1,129.3	1,281.7
	<hr/>	<hr/>

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 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Due within 1 month or on demand	43.3	116.0
Due after 1 month but within 3 months	7.0	85.0
Due after more than 3 months	1.7	—
	<hr/>	<hr/>
	52.0	201.0
	<hr/>	<hr/>

15 Capital and reserves

		(Unaudited)						
		Attributable to equity shareholders of the Company						
Note	Share capital	Exchange reserve	Fair value reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	403.6	40.6	—	1,102.8	3,527.2	5,074.2	244.7	5,318.9
Dividend approved in respect of the previous year	7(b)	—	—	—	(637.8)	(637.8)	—	(637.8)
Dividends paid to minority shareholders		—	—	—	—	—	(14.7)	(14.7)
Exchange difference on translation of financial statements of entities outside Hong Kong		—	22.4	—	—	22.4	—	22.4
Profit for the period		—	—	—	3,137.5	3,137.5	8.0	3,145.5
At 30 June 2007		403.6	63.0	—	1,102.8	6,026.9	238.0	7,834.3
At 1 July 2007		403.6	63.0	—	1,102.8	6,026.9	238.0	7,834.3
Dividends paid to minority shareholders		—	—	—	—	—	(1.3)	(1.3)
Exchange difference on translation of financial statements of entities outside Hong Kong		—	31.2	—	—	31.2	0.2	31.4
Deemed disposal of partial interest in associate		—	(1.8)	—	—	(1.8)	—	(1.8)
Profit for the period		—	—	—	710.3	710.3	12.7	723.0
Dividend approved in respect of the current year	7(a)	—	—	—	(787.1)	(787.1)	—	(787.1)
At 31 December 2007		403.6	92.4	—	1,102.8	5,950.1	249.6	7,798.5

15 Capital and reserves (continued)

		(Unaudited)						
		Attributable to equity shareholders of the Company						
Note	Share capital	Exchange reserve	Fair value reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2008	403.6	92.4	—	1,102.8	5,950.1	7,548.9	249.6	7,798.5
Dividend approved in respect of the previous year	7(b)	—	—	—	(1,445.0)	(1,445.0)	—	(1,445.0)
Dividends paid to minority shareholders		—	—	—	—	—	(23.4)	(23.4)
Exchange difference on translation of financial statements of entities outside Hong Kong		—	50.6	—	—	50.6	—	50.6
Available-for-sale securities: change in fair value		—	(1.4)	—	—	(1.4)	—	(1.4)
Profit for the period		—	—	—	450.5	450.5	8.3	458.8
At 30 June 2008	403.6	143.0	(1.4)	1,102.8	4,955.6	6,603.6	234.5	6,838.1

16 Acquisition of subsidiary

On 25 April 2008, the Company, via a wholly-owned subsidiary, acquired the entire equity interest in Hong Kong Campbell Tourist Transportation Co., Limited (“Campbell”) for HK\$12.2 million, satisfied in cash.

The principal activity of Campbell is the provision of cross-boundary transport services between Hong Kong and the PRC. The contribution to the Group’s revenue and profit for the period from Campbell since its date of acquisition is immaterial.

Details of net assets acquired and goodwill are as follows:

	Carrying amount HK\$ million (Unaudited)	Fair value HK\$ million (Unaudited)
Fixed assets	2.4	2.4
Passenger service licences	—	0.7
Deposits and prepayments	0.2	0.2
Accounts payable and accruals	(2.4)	(2.4)
Net assets acquired		0.9
Goodwill arising from acquisition		11.3
Total purchase price paid, satisfied in cash		12.2

17 Capital commitments

Capital commitments outstanding at 30 June 2008 but not provided for in the interim financial report were as follows:

	At 30 June 2008 HK\$ million (Unaudited)	At 31 December 2007 HK\$ million (Audited)
Contracted for	220.0	122.1
Authorised but not contracted for	173.0	239.8
	393.0	361.9

18 Material related party transactions

<i>Nature of transaction</i>	Note	Six months ended 30 June	
		2008 HK\$ million (Unaudited)	2007 HK\$ million (Unaudited)
Service fees for provision of coach services	(a)	14.8	13.2
Insurance service fee	(b)	37.2	35.1
Amount accrued for management contractor services fee for property under development	(c)	—	37.2
Amount paid and accrued for letting and sales agency fee	(d)	4.6	27.8
Amount paid and accrued for management agreement	(e)	2.9	—
Estimated Entitled Net Return for provision of transport services	(f)	4.0	4.1
Amount paid for management contractor services for investment property under development	(g)	1.1	—
Amount paid for project management and design services for investment property under development	(h)	0.8	—

Notes:

- (a) 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 other customers in the ordinary course of business. Amounts due from these companies at 30 June 2008 amounted to HK\$10.7 million (31 December 2007: HK\$7.5 million).
- (b) In 2007, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited (“SHKPI”), for the provision of insurance services to the Group. SHKPI entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. There was no outstanding balance due to SHKPI at 30 June 2008 and 31 December 2007.

18 Material related party transactions (continued)

Notes: (continued)

- (c) 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 (“Chun Fai”), 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 Chun Fai 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 Chun Fai should not exceed HK\$1,617.7 million. Outstanding balance payable for this contract at 30 June 2008 amounted to HK\$129.1 million (31 December 2007: HK\$163.9 million).
- (d) LCKPI entered into a Letting and Sales Agency Agreement (the “Original Agreement”) with Sun Hung Kai Real Estate Agency Limited (“SHKRE”), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and 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. The amount payable to SHKRE at 30 June 2008 was HK\$1.7 million (31 December 2007: Nil).
- (e) In 2003, LCKPI entered into the Management Agreement with Hong Yip Service Company Limited (“Hong Yip”), a subsidiary of SHKP, to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a completed unit of the property.
- In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited (“Royal Elite”), a fellow subsidiary of Hong Yip, to amend and supplement the management agreement (the “Supplemental Deed”). It is agreed among the three parties that Royal Elite 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. Outstanding balance payable for this contract at 30 June 2008 amounted to HK\$0.8 million (31 December 2007: HK\$2.1 million).
- (f) On 23 May 2001, an indirectly wholly-owned subsidiary of the Company, 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 six supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005, 28 November 2006 and 6 December 2007 (collectively, the “Supplemental Agreements”) with the operating term extended to 13 December 2008. Pursuant to terms of the Transport Agreement, the guaranteed return receivable from SHKMW at 30 June 2008 was HK\$35.1 million (31 December 2007: HK\$59.4 million).
- (g) On 16 April 2008, LCK Commercial Properties Limited (“LCKCP”), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement (“the Prime Cost Agreement”) with Chun Fai for the provision of management contractor services and be responsible for carrying out and complete the alteration and addition works to the retail podium of Manhattan Hill (“the Retail Podium”). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to Chun Fai should not exceed HK\$37.4 million. There was no outstanding balance due to Chun Fai at 30 June 2008 and 31 December 2007.

18 Material related party transactions *(continued)*

Notes: *(continued)*

- (h) 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 the Retail Podium. 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 the Retail Podium. There was no outstanding balance due to SHKAE at 30 June 2008 and 31 December 2007.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a material impact on the Group’s results of operations and financial position.

In addition, the following development may result in new or amended disclosures in the Group’s annual financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised)	Presentation of financial statements	1 January 2009

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

Introduction

We have reviewed the interim financial report set out on pages 15 to 35 which comprises the consolidated balance sheet of Transport International Holdings Limited and its subsidiaries as of 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and 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 2008 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

18 September 2008

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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GBM, GBE, PhD, FREng, JP
Chairman

Dr Norman LEUNG Nai Pang*

GBS, JP, LLD, BA
Deputy Chairman

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JP, MA(Cantab), MBA, Hon DBA, Hon LLD

KWOK Ping-sheung, Walter

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CCMI, FCILT, FHKIoD

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Executive Director

Winnie NG

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FCIM, CMILT, MHKIoD
Executive Director and
Alternate Director to Mr NG Siu Chan

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Managing Director

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John Anthony MILLER

SBS, OBE, MPA(Harvard), BA(Lond)

KUNG Lin Cheng, Leo

(Alternate Director to
Dr KUNG Ziang Mien, James*, GBS, OBE)

YUNG Wing Chung

(Alternate Director to
Mr KWOK Ping-luen, Raymond, JP)

WONG On Ning, Orlena

(Alternate Director to
Mr KWOK Ping-sheung, Walter, JP)

(* Independent Non-executive Directors
of the Company)

BOARD COMMITTEES

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Dr KUNG Ziang Mien, James
George CHIEN Yuan Hwei

Nomination Committee

Dr Norman LEUNG Nai Pang#
Dr KUNG Ziang Mien, James
Dr Eric LI Ka Cheung
SIU Kwing-chue, Gordon

Remuneration Committee

Dr Norman LEUNG Nai Pang#
John CHAN Cho Chak
Dr KUNG Ziang Mien, James
Dr Eric LI Ka Cheung

Standing Committee

Dr Norman LEUNG Nai Pang#
KWOK Ping-luen, Raymond
NG Siu Chan
John CHAN Cho Chak
Charles LUI Chung Yuen
Edmond HO Tat Man

(#Committee Chairman)

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Lana WOO

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REGISTER OF MEMBERS

Book closed from 6 October 2008 to
8 October 2008, both dates inclusive

DIVIDEND

Interim

HK\$0.30 per share,
payable on 16 October 2008

STOCK CODE

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Bloomberg: 62HK
Reuters: 0062.HK

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