
載通國際
Transport International


TRANSPORT INTERNATIONAL HOLDINGS LIMITED

# 2016 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 2016 was HK$388.4 million (six months ended 30 June 2015: HK$330.1 million), representing an increase of HK$58.3 million or 17.7% compared with the corresponding period in 2015. The increase in profit was mainly attributable to the continuous improvement in the financial performance of KMB as a result of a growth in ridership and a reduction in operating costs. Earnings per share for the six months ended 30 June 2016 were HK$0.96 per share (six months ended 30 June 2015: HK$0.82 per share), representing an increase of HK$0.14 per share compared with the corresponding period in 2015.

## INTERIM DIVIDEND

The Board has declared that an interim dividend of HK$0.35 per share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$0.30 per share), totalling HK$143.2 million (six months ended 30 June 2015: HK$121.1 million), be paid to shareholders whose names are on the Register of Members at the close of business on 6 September 2016. The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid interim dividend, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders in mid-September 2016.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The interim dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 18 October 2016.

The Register will be closed on 6 September 2016. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 5 September 2016.

## MANAGEMENT REVIEW AND OUTLOOK

### REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNITS

#### Franchised Public Bus Operations

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

- KMB recorded a profit after taxation of HK$343.8 million for the first half of 2016 (first half of 2015: HK$238.3 million), representing an increase of HK$105.5 million compared with the corresponding period in 2015.

- Fare revenue for the first half of 2016 was HK$3,277.0 million, an increase of HK$77.6 million or 2.4% compared with HK$3,199.4 million for the corresponding period in 2015. The increase was primarily due to the year-on-year growth in ridership of 2.1% as a result of the enhancement of service levels and of the competitiveness of the bus network, as well as the improvement in bus service reliability. Advertising revenue for the first half of 2016 increased by HK$7.6 million to HK$83.2 million from HK$75.6 million for the first half of 2015.

- Total operating expenses for the first half of 2016 amounted to HK$2,988.3 million, a decrease of HK$47.7 million compared with HK$3,036.0 million for the corresponding period in 2015. During the period under review, staff costs and depreciation charges increased by HK$55.0 million and HK$26.1 million respectively as a result of the annual pay rise and the licensing of new buses for fleet replacement and service enhancement. However, these increases were fully offset by the reduction in fuel costs of HK$110.4 million resulting from the decline in international fuel prices and the continued improvement in operating efficiency as a result of closely monitoring headcount to align with service provision and improving productivity through better resource allocation.

- As at 30 June 2016, KMB operated a total of 384 routes (31 December 2015: 377 routes) covering Kowloon, the New Territories and Hong Kong Island. 138 Octopus Bus-bus Interchange ("BBI") schemes covering 313 bus routes operated both within the KMB route network and on joint schemes run with other public transport operators. These BBI schemes not only provide fare discounts to passengers on the second leg of journeys and broaden KMB's network coverage without the need to operate extra buses, but they also contribute towards a cleaner environment by improving bus utilisation and reducing traffic congestion on busy corridors.

- During the first half of 2016, a total of 263 Euro V super-low floor double-deck buses with the latest safety, environmental and design features were added to the fleet. As at 30 June 2016, KMB operated 3,806 buses (31 December 2015: 3,889 buses), comprising 3,638 double-deck and 168 single-deck buses. In addition, a total of 279 new Euro V double-deck buses, five supercapacitor single-deck buses and eight electric single-deck buses were awaiting licensing or delivery in the second half of 2016 and 2017.

*Long Win Bus Company Limited ("LWB")*

- The profit after taxation of LWB for the six months ended 30 June 2016 was HK$20.5 million, representing a decrease of HK$8.9 million compared with HK$29.4 million for the first half of 2015.

- Fare revenue for the first half of 2016 increased by 4.1% to HK$221.5 million compared with HK$212.7 million for the corresponding period in 2015. This increase was mainly due to the increase in ridership of 1.4% over the corresponding period last year, in particular on the Airbus routes due to increased transport demand from international travellers and from employees working at the Airport.

- Total operating expenses for the period under review amounted to HK$200.7 million, an increase of HK$18.8 million compared with HK$181.9 million for the corresponding period in 2015. The increase was mainly due to the rise in operating costs associated with the annual pay rise, the increase in the number of bus captains and new buses for service enhancement, and the hike in toll charges and other operating expenses due to inflation. However, these increases were partly offset by the reduction in fuel costs resulting from lower international fuel prices.

- As at 30 June 2016, LWB had 18 BBI schemes covering 15 bus routes, operating both within LWB's bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.

- In the first half of 2016, LWB introduced 33 new Euro V super-low floor double-deck buses to its fleet to enhance the level of service on Airbus routes. As at 30 June 2016, LWB operated 23 routes with a fleet of 193 super-low floor double-deck buses. In addition, a total of 68 new Euro V double-deck buses and three electric single-deck buses were awaiting licensing or on order.

## Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$29.7 million for the first half of 2016, representing an increase of HK$6.9 million or 30.3% compared with HK$22.8 million for the corresponding period in 2015. A review of the operations of the principal business units in this Division is set out as follows:

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

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

- The revenue of the SBH Group for the first half of 2016 decreased by 5.4% compared with the corresponding period in 2015. The decrease was mainly due to the sluggish demand for coach services as a result of the decline in the tourist market, as well as intensified competition in the sector. Total operating expenses for the period under review decreased as a result of stringent cost control measures and the reduction in fuel costs, which fully offset the negative impact of the decrease in revenue, leading to an increase in profit after taxation.

- As at 30 June 2016, the SBH Group had a fleet of 386 licensed buses, the same number as at 31 December 2015. During the first half of 2016, 15 new coaches were purchased for fleet replacement and service enhancement purposes.

*New Hong Kong Bus Company Limited ("NHKB")*

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

- Due mainly to the decline in the number of mainland visitors in the first half of 2016, NHKB's total patronage for the first half of 2016 decreased by 10.9% to 2.12 million passenger-trips (an average monthly ridership of 352,500 passenger-trips) from 2.38 million passenger-trips (an average monthly ridership of 396,000 passenger trips) for the corresponding period last year. However, there was only a slight decrease in revenue due to the full-period effect of the increase in bus fares from HK$9 per trip to HK$10 per trip that took effect on 19 October 2015.

- As at 30 June 2016, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2015.

## Property Holdings and Development

*LCK Commercial Properties Limited ("LCKCP")*

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2016, about 99% of the lettable area of the shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring income for the Group.

- As at 30 June 2016, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$84.0 million (31 December 2015: HK$85.4 million).

*LCK Real Estate Limited ("LCKRE")*

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

- As at 30 June 2016, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK$28.8 million (31 December 2015: HK$29.9 million).

*KT Real Estate Limited ("KTRE")*

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

- As at 30 June 2016, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position), which was stated at cost, amounted to HK$17.9 million (31 December 2015: HK$24.9 million).

*TM Properties Investment Limited ("TMPI")*

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

- As at 30 June 2016, the carrying value of the industrial property (classified under investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK$4.2 million (31 December 2015: HK$4.8 million).

## Media Sales Business

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

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

- For the six months ended 30 June 2016, RoadShow reported a loss attributable to equity shareholders of HK$11.8 million (six months ended 30 June 2015: loss attributable to equity shareholders of HK$13.0 million).

- Further information regarding the RoadShow Group is available in its 2016 interim results announcement and interim report.

## China Mainland Transport Operations

As at 30 June 2016, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$586.1 million (31 December 2015: HK$634.4 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. For the first half of 2016, the Group's China Mainland Transport Operations Division reported an after-tax loss of HK$39.0 million compared to an after-tax profit of HK$20.7 million for the corresponding period in 2015.

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

- BBKT, a Sino-foreign joint stock company, was established in Beijing in 2003. The Group has invested RMB80.0 million (equivalent to HK$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus on the business opportunities in the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司). As at 30 June 2016, BBKT had a fleet of 3,773 taxis and recorded a profit in the first half of 2016.

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

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF had 1,154 vehicles available for hire as at 30 June 2016 and recorded a profit in the first half of 2016.

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

- SZBG, which commenced operations in 2005, is a Sino-foreign joint stock company formed by a wholly-owned subsidiary of the Company and four other Mainland investors. The Group has invested RMB387.1 million (equivalent to HK$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus and taxi services in Shenzhen City. Due mainly to keen competition from the Shenzhen underground railway system and increasing operating costs from salary increments, SZBG recorded a loss in the first half of 2016. SZBG is currently seeking additional subsidies from the Shenzhen Government to overcome its operational challenges. At 30 June 2016, it had 1,402 taxis (including 848 electric taxis, which are operated by an associate) and 5,393 buses serving some 264 routes.

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## FINANCIAL POSITION

### Capital Expenditure

As at 30 June 2016, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK$6,648.3 million (31 December 2015: HK$6,133.4 million), none of which was pledged or charged.

During the first half of 2016, the Group incurred capital expenditure of HK$949.6 million (six months ended 30 June 2015: HK$937.5 million), which was mainly used for the purchase of new buses.

## FUNDING AND FINANCING

### Liquidity and financial resources

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

As at 30 June 2016, the Group was in a net cash position (i.e. cash and deposits at banks less total borrowings) of HK$685.8 million (31 December 2015: HK$1,665.6 million). The details of the Group's net cash by currency are set out below:

| **Currency** | **Cash and deposits at bank in foreign currency million** | **Cash and deposits at bank HK$ million** | **Bank loans HK$ million** | **Net cash HK$ million** |
|---|---|---|---|---|
| *At 30 June 2016* | | | | |
| Hong Kong dollars | | **1,292.6** | **(1,026.7)** | **265.9** |
| Renminbi | **184.8** | **215.4** | **–** | **215.4** |
| United States dollars | **16.0** | **124.8** | **–** | **124.8** |
| British Pounds Sterling | **7.0** | **72.0** | **–** | **72.0** |
| Other currencies | | **7.7** | **–** | **7.7** |
| Total | | **1,712.5** | **(1,026.7)** | **685.8** |
| *At 31 December 2015* | | | | |
| Hong Kong dollars | | 2,384.4 | (1,048.9) | 1,335.5 |
| Renminbi | 156.2 | 184.3 | – | 184.3 |
| United States dollars | 15.9 | 123.6 | – | 123.6 |
| British Pounds Sterling | 1.2 | 13.8 | – | 13.8 |
| Other currencies | | 8.4 | – | 8.4 |
| Total | | 2,714.5 | (1,048.9) | 1,665.6 |

As at 30 June 2016, bank loans, all unsecured, amounted to HK$1,026.7 million (31 December 2015: HK$1,048.9 million). The maturity profile of the bank loans of the Group is set out below:

| | **At 30 June 2016 HK$'million** | At 31 December 2015 HK$'million |
|---|---|---|
| Within 1 year or on demand | **–** | 459.9 |
| After 2 years but within 5 years | **1,026.7** | 589.0 |
| Total | **1,026.7** | 1,048.9 |

As at 30 June 2016, the Group had undrawn banking facilities totalling HK$1,195.0 million (31 December 2015: HK$1,980.0 million), of which HK$1,185.0 million (31 December 2015: HK$1,970.0 million) was of a committed nature.

The finance costs incurred by the Group for the six months ended 30 June 2016 were HK$8.2 million (six months ended 30 June 2015: HK$2.9 million). The average interest rate in respect of the Group's borrowings for the period under review was 1.56% per annum (six months ended 30 June 2015: 1.00% per annum).

As at 30 June 2016, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and Renminbi) amounted to HK$1,712.5 million (31 December 2015: HK$2,714.5 million).

## FUNDING AND TREASURY POLICIES

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

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

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

The Group closely monitors market conditions and devises suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps are used when appropriate. As at 30 June 2016, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions.

## CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2016 amounted to HK$420.4 million (31 December 2015: HK$936.3 million). These commitments were mainly in respect of the purchases of buses and other motor vehicles, which are to be financed by borrowings and from the Group's working capital.

## EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2016, total remuneration amounted to HK$1,938.2 million (first half of 2015: HK$1,871.8 million), accounting for about 57% of the total operating costs of the Group. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. Employee compensation, including salaries and retirement and medical benefits, is determined based on the principles of performance, fairness, transparency and market competitiveness. As at 30 June 2016, the Group employed about 13,400 employees (31 December 2015: 13,400 employees).

## OUTLOOK

Looking to the future, with the construction of large-scale infrastructure projects in Hong Kong such as the Hong Kong-Zhuhai-Macao Bridge and the third runway at the Airport in progress, and new towns such as Hung Shui Kiu and the Lantau being developed, the outlook is bright for both Hong Kong and the Group. We will therefore continue to seek to identify development opportunities in different spheres that contribute to the growth of our business.

In respect of our franchised bus operations, KMB is in talks with the Government regarding its ten-year franchise renewal. We are confident that we will obtain the approval that will enable us to continue to provide service excellence based on our rich experience and continuous innovation. KMB will continue to invest in bus fleet upgrade with the emphasis on safety, comfort and environmental protection. More bus stops will be equipped with display panels showing estimated time of arrival ("ETA") so that passengers can manage their journeys more efficiently. KMB will continue to tailor bus service arrangements within its network according to the daily habits and travelling needs of its passengers with the aim of providing them with a 24-hour personalised choice.

In the light of the impending opening of new railway projects and to cater for the resulting changes in the transport mode of passengers, KMB is in discussions with the Transport Department and the local community on service adjustment for affected bus routes and allocation of resources to routes with increased patronage. With their edge in terms of flexibility and point-to-point service, combined with the ETA facility, we believe that bus services will continue to play an important role in the public transport market.

As for LWB, the new bus fleet and new compartment design of Airbus routes have been well received, especially the comfortable and luxurious environment which mirrors the experience of flying, and the USB chargers and free Wi-Fi service. With the combined effort of the local community and the Government, the Airbus route network in the New Territories is being reorganised on the one-hour journey principle to provide Hong Kong residents and visitors with a more direct and manageable premium Airbus service.

Turning to our non-franchised bus operations, the SBH Group will leverage on the Group's extensive resources and continue to improve its service quality as well as explore viable business opportunities. To this end, we have already started providing the ETA service on some of the routes.

In terms of property holdings, we have come to an agreement with the Government on the premium for the modification of land use at the Kwun Tong Site, in which the Group has a 50% stake, from industrial to non-residential (excluding hotel, petrol filling station and residential care home). The site will be developed into office and retail properties as a long-term investment which is expected to generate steady and sustainable revenue for the Group.

The success of all our divisions depends on the professionalism and diligence of our team. We extend our gratitude to all Group members for their contribution, and will not cease in our efforts to improve staff benefits and enhance the work environment as we look forward to a bright future together.

By Order of the Board

**Norman LEUNG Nai Pang**
*Chairman*

Hong Kong, 18 August 2016

# SUPPLEMENTARY INFORMATION

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details since the date of the 2015 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

**Dr Norman LEUNG Nai Pang*** GBS, JP, LLD, BA
Dr Leung was the Pro-Chancellor of the City University of Hong Kong from 2005 to June 2016. He was appointed to serve as Council Chairman of The Chinese University of Hong Kong from May 2016.

**Winnie NG**^ BA, MBA(Chicago), MPA(Harvard), FCIM,CMILT, MHKIoD
Ms Ng is a member of Town Planning Board.

**Professor LIU Pak Wai*** SBS, JP
Professor Liu retired as an independent non-executive director of Hang Lung Properties Limited and ceased to be a member of the Products Advisory Committee of the Securities and Futures Commission.

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

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

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

The Directors of the Company who held office as at 30 June 2016 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO:

### I. Interests in Issued Shares

*(a) The Company*

| | Ordinary shares of HK$1 each | | | | | |
|---|---|---|---|---|---|---|
| | **Personal interests** | **Family interests** | **Corporate interests** | **Trustee interests** | **Total number of shares held** | **Percentage of total issued shares** |
| Dr Norman LEUNG Nai Pang* | – | – | – | – | – | – |
| Dr John CHAN Cho Chak* | 2,000 | – | – | – | 2,000 | – |
| Raymond KWOK Ping Luen | 411,015 *(Note 1)* | – | – | – | 411,015 | 0.102% |
| NG Siu Chan | – | 21,000,609 | – | – | 21,000,609 | 5.203% |
| William LOUEY Lai Kuen | 6,251,416 | – | – | – | 6,251,416 | 1.549% |
| Charles LUI Chung Yuen | 12,427 | – | – | 2,651,750 *(Note 2)* | 2,664,177 | 0.660% |
| Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan) | 181,416 | – | – | 21,000,609 *(Note 3)* | 21,182,025 | 5.248% |
| Dr Eric LI Ka Cheung* | – | – | – | – | – | – |
| Edmond HO Tat Man | – | – | – | – | – | – |
| Gordon SIU Kwing Chue* | – | – | – | – | – | – |
| John Anthony MILLER | – | – | – | – | – | – |
| Professor LIU Pak Wai* | – | – | – | – | – | – |
| Allen FUNG Yuk Lun | – | – | – | – | – | – |
| Roger LEE Chak Cheong | – | – | – | – | – | – |
| Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen) | – | – | – | – | – | – |

* *Independent Non-executive Director*

*Notes:*

1. Of these shares in the Company, Mr Raymond Kwok Ping Luen held 407,750 shares jointly with his spouse.

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

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

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

| | Ordinary shares of HK$0.10 each | | | | | |
|---|---|---|---|---|---|---|
| | Personal interests | Family interests | Corporate interests | Trustee interests | Total number of shares held | Percentage of total issued shares |
| Dr Norman LEUNG Nai Pang* | – | – | – | – | – | – |
| Dr John CHAN Cho Chak* | – | – | – | – | – | – |
| Raymond KWOK Ping Luen | 37,400 *(Note 1)* | – | – | – | 37,400 | 0.004% |
| NG Siu Chan | – | 123,743 | – | – | 123,743 | 0.012% |
| William LOUEY Lai Kuen | 412,371 | – | – | – | 412,371 | 0.041% |
| Charles LUI Chung Yuen | – | – | – | 209,131 *(Note 2)* | 209,131 | 0.021% |
| Winnie NG (Non-executive Director and Alternate Director to Mr NG Siu Chan) | 1,000,000 | – | – | 123,743 *(Note 3)* | 1,123,743 | 0.113% |
| Dr Eric LI Ka Cheung* | – | – | – | – | – | – |
| Edmond HO Tat Man | – | – | – | – | – | – |
| Gordon SIU Kwing Chue * | – | – | – | – | – | – |
| John Anthony MILLER | – | – | – | – | – | – |
| Professor LIU Pak Wai* | – | – | – | – | – | – |
| Allen FUNG Yuk Lun | – | – | – | – | – | – |
| Roger LEE Chak Cheong | – | – | – | – | – | – |
| Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen) | – | – | – | – | – | – |

* *Independent Non-executive Director*

*Notes:*

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

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

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

As at 30 June 2016, none of the Directors had any non-beneficial interest in the share capital of the Company.

### II. Interests in Underlying Shares

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

Save as disclosed above, no contract of significance to which the Company, its subsidiaries or fellow subsidiaries were a party and in which a Director of the Company had a material interest, subsisted at 30 June 2016 or at any time during the six months ended 30 June 2016.

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

As at 30 June 2016, 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)* | – | 145,358,564 | 145,358,564 | 36.0% |
| Arklake Limited *(Note 1)* | 79,476,754 | – | 79,476,754 | 19.7% |
| Hung Fat (Hop Kee) General Contractors Limited *(Note 1)* | 24,185,179 | – | 24,185,179 | 6.0% |
| Wister Investment Limited *(Note 1)* | 21,454,743 | – | 21,454,743 | 5.3% |
| HSBC International Trustee Limited | 37,805,269 | – | 37,805,269 | 9.4% |
| Kwong Tai Holdings (PTC) Limited *(Note 3)* | 21,000,609 | – | 21,000,609 | 5.2% |

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 125,116,676 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.

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

3. 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.

## ISSUE OF SHARES

On 8 July 2016, the Company issued 5,412,095 shares in lieu of the final dividend for the year ended 31 December 2015 at an issue price of HK$20.04 per share under the scrip dividend scheme as set out in the circular of the Company dated 13 June 2016.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 8 July 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## CORPORATE GOVERNANCE

The Company complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules in the six months ended 30 June 2016, except that one of the Non-executive Directors of the Company was unable to attend the Annual General Meeting of the Company held on 26 May 2016 as provided for in code provision A.6.7 due to another engagement. In respect of including the amendments to the Corporate Governance Code that arose from the conclusions of Hong Kong Exchanges and Clearing Limited's consultation exercise on "Risk Management and Internal Control", the Company has developed and implemented an enterprise-wide risk management framework. Enterprise-wide risk assessment was performed, in which key risks were identified, prioritised and reported to the Audit and Risk Management Committee for discussion.

## REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2016 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor* of the Entity, issued by the Hong Kong Institute of Certified Public Accountants, by the Company's external auditors, KPMG, whose review report is set out on page 39 of this interim report.

The Audit and Risk Management Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2016.

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Note | Six months ended 30 June<br>2016<br>$'million | <br>2015<br>$'million |
|---|---|---|---|
| **Revenue** | 3 & 4 | **3,892.1** | 3,807.5 |
| Other net income | 5 | **49.7** | 72.6 |
| Staff costs | 6(b) | **(1,938.2)** | (1,871.8) |
| Depreciation and amortisation | | **(432.1)** | (424.1) |
| Fuel and oil | | **(309.6)** | (430.7) |
| Spare parts and stores | | **(119.7)** | (119.7) |
| Toll charges | | **(213.0)** | (203.5) |
| Other operating expenses | | **(413.8)** | (454.8) |
| **Profit from operations** | | **515.4** | 375.5 |
| Finance costs | 6(a) | **(8.2)** | (2.9) |
| Share of (losses)/profits of associates | | **(39.0)** | 20.7 |
| **Profit before taxation** | 6 | **468.2** | 393.3 |
| Income tax | 7 | **(81.2)** | (64.3) |
| **Profit for the period** | | **387.0** | 329.0 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **388.4** | 330.1 |
| Non-controlling interests | | **(1.4)** | (1.1) |
| **Profit for the period** | | **387.0** | 329.0 |
| **Earnings per share:** | 8 | | |
| Basic and diluted | | **$0.96** | $0.82 |

The notes on pages 26 to 38 form part of this interim financial report. Details of dividends paid and payable to equity shareholders of the Company are set out in note 9.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| **Profit for the period** | **387.0** | 329.0 |
| **Other comprehensive income for the period (after tax):** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| — exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax | **(10.1)** | 1.2 |
| — available-for-sale debt securities: net movement in fair value reserve, net of nil tax: | | |
| — changes in fair value recognised during the period | **29.6** | (0.1) |
| — reclassification adjustments for amounts transferred to profit or loss: other net income | **–** | 0.1 |
| **Other comprehensive income for the period** | **19.5** | 1.2 |
| **Total comprehensive income for the period** | **406.5** | 330.2 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **407.9** | 331.3 |
| Non-controlling interests | **(1.4)** | (1.1) |
| **Total comprehensive income for the period** | **406.5** | 330.2 |

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

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 30 JUNE 2016 — UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Note | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **116.3** | 106.8 |
| Investment property under development | | **17.9** | 24.9 |
| Interest in leasehold land | | **62.4** | 63.4 |
| Other property, plant and equipment | 10 | **6,451.7** | 5,938.3 |
| | | **6,648.3** | 6,133.4 |
| Intangible assets | | **132.4** | 132.3 |
| Goodwill | | **84.1** | 84.1 |
| Non-current prepayments | | **5.1** | 14.5 |
| Interest in associates | | **586.1** | 634.4 |
| Other financial assets | 11 | **1,235.6** | 112.4 |
| Employee benefit assets | | **529.3** | 577.3 |
| Deferred tax assets | | **4.8** | 5.5 |
| | | **9,225.7** | 7,693.9 |
| **Current assets** | | | |
| Spare parts and stores | | **64.2** | 69.2 |
| Accounts receivable | 12 | **451.5** | 435.6 |
| Other financial assets | 11 | **96.5** | 67.2 |
| Deposits and prepayments | | **30.3** | 85.1 |
| Current tax recoverable | | **3.4** | 4.2 |
| Pledged and restricted bank deposits | | **153.5** | 84.7 |
| Cash and cash equivalents | 13 | **1,559.0** | 2,629.8 |
| | | **2,358.4** | 3,375.8 |
| **Current liabilities** | | | |
| Bank loans | | **–** | 459.9 |
| Accounts payable and accruals | 14 | **1,830.6** | 1,402.2 |
| Contingency provision — insurance | | **181.4** | 183.1 |
| Current tax payable | | **17.5** | 9.7 |
| | | **2,029.5** | 2,054.9 |
| **Net current assets** | | **328.9** | 1,320.9 |
| **Total assets less current liabilities** | | **9,554.6** | 9,014.8 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AT 30 JUNE 2016 — UNAUDITED *(continued)*

*(Expressed in Hong Kong dollars)*

| | Note | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | | **1,026.7** | 589.0 |
| Deferred tax liabilities | | **864.7** | 794.4 |
| Contingency provision — insurance | | **241.0** | 251.3 |
| Employee benefit liabilities | | **10.9** | 9.1 |
| Provision for long service payments | | **8.1** | 9.4 |
| | | **2,151.4** | 1,653.2 |
| **Net assets** | | **7,403.2** | 7,361.6 |
| **Capital and reserves** | | | |
| Share capital | | **403.6** | 403.6 |
| Reserves | | **6,848.7** | 6,804.1 |
| **Total equity attributable to equity shareholders of the Company** | | **7,252.3** | 7,207.7 |
| **Non-controlling interests** | | **150.9** | 153.9 |
| **Total equity** | | **7,403.2** | 7,361.6 |

Approved and authorised for issue by the Board of Directors on 18 August 2016

**Norman LEUNG Nai Pang**
*Chairman*

**Roger LEE Chak Cheong**
*Managing Director*

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

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Note | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital $'million | Other reserves $'million | Exchange reserve $'million | Fair value reserve $'million | Retained profits $'million | Total $'million | Non-controlling interests $'million | Total equity $'million |
| **Balance at 1 January 2015** | | 403.6 | 1,102.6 | 166.7 | 2.3 | 5,522.0 | 7,197.2 | 189.9 | 7,387.1 |
| **Changes in equity for the six months ended 30 June 2015:** | | | | | | | | | |
| Profit/(loss) for the period | | – | – | – | – | 330.1 | 330.1 | (1.1) | 329.0 |
| Other comprehensive income for the period | | – | – | 1.2 | – | – | 1.2 | – | 1.2 |
| Total comprehensive income for the period | | – | – | 1.2 | – | 330.1 | 331.3 | (1.1) | 330.2 |
| Dividends approved in respect of the previous year | 9(b) | – | – | – | – | (302.7) | (302.7) | – | (302.7) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | – | (26.2) | (26.2) |
| | | – | – | – | – | (302.7) | (302.7) | (26.2) | (328.9) |
| **Balance at 30 June 2015 and 1 July 2015** | | 403.6 | 1,102.6 | 167.9 | 2.3 | 5,549.4 | 7,225.8 | 162.6 | 7,388.4 |
| **Changes in equity for the six months ended 31 December 2015:** | | | | | | | | | |
| Profit/(loss) for the period | | – | – | – | – | 298.6 | 298.6 | (8.7) | 289.9 |
| Other comprehensive income for the period | | – | – | (35.6) | (1.4) | (158.6) | (195.6) | – | (195.6) |
| Total comprehensive income for the period | | – | – | (35.6) | (1.4) | 140.0 | 103.0 | (8.7) | 94.3 |
| Dividends approved in respect of the current period | 9(a) | – | – | – | – | (121.1) | (121.1) | – | (121.1) |
| | | – | – | – | – | (121.1) | (121.1) | – | (121.1) |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED *(continued)*

*(Expressed in Hong Kong dollars)*

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital $'million | Other reserves $'million | Exchange reserve $'million | Fair value reserve $'million | Retained profits $'million | Total $'million | Non-controlling interests $'million | Total equity $'million |
| **Balance at 31 December 2015 and 1 January 2016** | | **403.6** | **1,102.6** | **132.3** | **0.9** | **5,568.3** | **7,207.7** | **153.9** | **7,361.6** |
| **Changes in equity for the six months ended 30 June 2016:** | | | | | | | | | |
| Profit/(loss) for the period | | **–** | **–** | **–** | **–** | **388.4** | **388.4** | **(1.4)** | **387.0** |
| Other comprehensive income for the period | | **–** | **–** | **(10.1)** | **29.6** | **–** | **19.5** | **–** | **19.5** |
| Total comprehensive income for the period | | **–** | **–** | **(10.1)** | **29.6** | **388.4** | **407.9** | **(1.4)** | **406.5** |
| Dividends approved in respect of the previous year | 9(b) | **–** | **–** | **–** | **–** | **(363.3)** | **(363.3)** | **–** | **(363.3)** |
| Dividends paid to non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **–** | **(1.6)** | **(1.6)** |
| | | **–** | **–** | **–** | **–** | **(363.3)** | **(363.3)** | **(1.6)** | **(364.9)** |
| **Balance at 30 June 2016** | | **403.6** | **1,102.6** | **122.2** | **30.5** | **5,593.4** | **7,252.3** | **150.9** | **7,403.2** |

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED

*(Expressed in Hong Kong dollars)*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2016** | 2015 |
| | | **$'million** | $'million |
| **Cash generated from operations** | | **976.3** | 775.6 |
| Tax (paid)/refunded | | | |
| — Hong Kong Profits Tax | | **(1.3)** | 0.5 |
| — Income tax in the People's Republic of China (the "PRC") | | **(0.3)** | (0.5) |
| — PRC withholding tax | | **–** | (0.3) |
| **Net cash generated from operating activities** | | **974.7** | 775.3 |
| **Investing activities** | | | |
| Increase in pledged and restricted bank deposits | | **(68.8)** | (16.9) |
| Decrease in bank deposits with original maturities of over three months | | **1,486.4** | 744.7 |
| Payment for the purchase of investment properties | | **(2.4)** | (0.8) |
| Payment for the purchase of investment property under development | | **(1.4)** | (1.5) |
| Payment for the purchase of other property, plant and equipment | | **(832.2)** | (856.2) |
| Payment for the purchase of intangible assets | | **(0.1)** | (1.2) |
| Receipt of government grant for the disposal of other property, plant and equipment | | **2.9** | 0.8 |
| Payment for the purchase of available-for-sale debt securities | | **(1,200.0)** | – |
| Proceeds on maturity of available-for-sale debt securities | | **66.8** | 34.9 |
| Proceeds from disposal of other property, plant and equipment | | **8.4** | 7.5 |
| Dividends received from associates | | **–** | 4.5 |
| **Net cash used in investing activities** | | **(540.4)** | (84.2) |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2016 — UNAUDITED *(continued)*

*(Expressed in Hong Kong dollars)*

| | Note | Six months ended 30 June 2016 $'million | Six months ended 30 June 2015 $'million |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from new bank loans | | **1,245.0** | 1,070.0 |
| Repayment of bank loans | | **(1,260.0)** | (975.0) |
| Dividends paid to equity shareholders of the Company | | **–** | (302.7) |
| Dividends paid to non-controlling interests | | **(1.6)** | (26.2) |
| **Net cash used in financing activities** | | **(16.6)** | (233.9) |
| **Net increase in cash and cash equivalents** | | **417.7** | 457.2 |
| Cash and cash equivalents at 1 January | | **721.6** | 1,389.5 |
| Effect of foreign exchange rate changes | | **(2.1)** | 1.5 |
| **Cash and cash equivalents at 30 June** | | **1,137.2** | 1,848.2 |
| **Analysis of cash and cash equivalents:** | | | |
| Cash and cash equivalents in the consolidated statement of financial position | 13 | **1,559.0** | 2,349.3 |
| Less: bank deposits with original maturities of over three months | | **(421.8)** | (501.1) |
| Cash and cash equivalents in the condensed consolidated cash flow statement | | **1,137.2** | 1,848.2 |

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars)*

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 18 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

— *Annual Improvements to HKFRSs 2012–2014 Cycle*

— Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

### *Annual Improvements to HKFRSs 2012–2014 Cycle*

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

## 3 SEGMENT REPORTING

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

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

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

## 3 SEGMENT REPORTING *(continued)*

### (a) Segment results

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

| | Franchised bus operation Six months ended 30 June | | Media sales business Six months ended 30 June | | All other segments Six months ended 30 June | | Total Six months ended 30 June | |
|---|---|---|---|---|---|---|---|---|
| | **2016 $'million** | 2015 $'million | **2016 $'million** | 2015 $'million | **2016 $'million** | 2015 $'million | **2016 $'million** | 2015 $'million |
| Revenue from external customers | **3,507.7** | 3,416.0 | **191.3** | 198.1 | **193.1** | 193.4 | **3,892.1** | 3,807.5 |
| Inter-segment revenue | **79.9** | 73.0 | **–** | – | **35.8** | 35.8 | **115.7** | 108.8 |
| **Reportable segment revenue** | **3,587.6** | 3,489.0 | **191.3** | 198.1 | **228.9** | 229.2 | **4,007.8** | 3,916.3 |
| **Reportable segment profit/(loss)** | **364.3** | 267.2 | **(10.0)** | (11.8) | **12.1** | 39.3 | **366.4** | 294.7 |

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

## 3 SEGMENT REPORTING *(continued)*

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

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| **Revenue** | | |
| Reportable segment revenue | **3,778.9** | 3,687.1 |
| Revenue from all other segments | **228.9** | 229.2 |
| Elimination of inter-segment revenue | **(115.7)** | (108.8) |
| Consolidated revenue | **3,892.1** | 3,807.5 |
| **Profit** | | |
| Reportable segment profit | **354.3** | 255.4 |
| Profit from all other segments | **12.1** | 39.3 |
| Unallocated profits | **20.6** | 34.3 |
| Consolidated profit for the period | **387.0** | 329.0 |

## 4 REVENUE

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| Fare revenue from franchised public bus services | **3,498.4** | 3,412.1 |
| Revenue from non-franchised transport services | **170.3** | 175.6 |
| Media sales revenue | **195.8** | 201.5 |
| Gross rentals from investment properties | **27.6** | 18.3 |
| | **3,892.1** | 3,807.5 |

## 5 OTHER NET INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| Interest income on other financial assets not at fair value through profit or loss | **28.9** | 34.3 |
| Net movement in balance of passenger rewards | **(13.9)** | 1.2 |
| Claims received | **19.4** | 16.8 |
| Net miscellaneous business receipts | **1.9** | 4.2 |
| Net gain on disposal of other property, plant and equipment | **5.8** | 6.0 |
| Government subsidies | **2.9** | 0.8 |
| Net foreign exchange (loss)/gain | **(5.7)** | 2.0 |
| Sundry revenue | **10.4** | 7.3 |
| | **49.7** | 72.6 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| **(a) Finance costs** | | |
| Interest on bank loans not at fair value through profit or loss | **8.2** | 2.9 |
| **(b) Staff costs** | | |
| Defined benefit retirement plan expense | **49.8** | 48.2 |
| Contributions to defined contribution retirement plans | **57.5** | 52.9 |
| Movements in provision for long service payments | **0.1** | – |
| Salaries, wages and other benefits | **1,830.8** | 1,770.7 |
| | **1,938.2** | 1,871.8 |

## 7 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **$'million** | $'million |
| **Current tax — Hong Kong Profits Tax** | | |
| Provision for the period | **10.0** | 11.1 |
| **PRC withholding tax** | **0.2** | (0.3) |
| | **10.2** | 10.8 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **71.0** | 53.5 |
| | **81.2** | 64.3 |

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 2016 (six months ended 30 June 2015: 16.5%). Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $388.4 million (six months ended 30 June 2015: $330.1 million) and 403.6 million (six months ended 30 June 2015: 403.6 million) shares in issue during the periods presented.

### (b) Diluted earnings per share

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

## 9 DIVIDENDS

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| | **Per share** | | Per share | |
| | **$** | **$'million** | $ | $'million |
| Interim dividend declared after the interim period end | **0.35** | **143.2** | 0.30 | 121.1 |

The interim dividend declared after the end of the reporting period has not been recognised as liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2016** | | 2015 | |
| | **Per share** | | Per share | |
| | **$** | **$'million** | $ | $'million |
| Final dividend in respect of the previous financial year, approved during the period | **0.90** | **363.3** | 0.75 | 302.7 |

Subsequent to 30 June 2016, the final dividend with a scrip dividend alternative in respect of the year ended 31 December 2015 was paid on 8 July 2016, of which $108.5 million was settled by the issue of 5,412,095 shares at an issue price of $20.04 per share under the scrip dividend scheme. Final dividend in respect of the year ended 31 December 2014 was paid during the six months ended 30 June 2015.

## 10 OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of other property, plant and equipment with a cost of $945.8 million (six months ended 30 June 2015: $936.3 million). Certain items of plant and equipment with a net book value of $2.6 million (six months ended 30 June 2015: $1.5 million) were disposed of during the six months ended 30 June 2016, resulting in a net gain on disposal of $5.8 million (six months ended 30 June 2015: $6.0 million).

## 11 OTHER FINANCIAL ASSETS

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Unlisted equity securities, at cost | **15.3** | 15.3 |
| Available-for-sale debt securities listed outside Hong Kong *(note)* | **1,316.8** | 164.3 |
| | **1,332.1** | 179.6 |
| Less: available-for-sale debt securities listed outside Hong Kong classified as current assets | **(96.5)** | (67.2) |
| Other financial assets classified as non-current assets | **1,235.6** | 112.4 |

*Note*: Debt securities at 30 June 2016 are issued by 14 corporate entities (31 December 2015: 4 corporate entities) with credit rating ranging from A to B+. At 30 June 2016 and 31 December 2015, the Group's available-for-sale debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

## 12 ACCOUNTS RECEIVABLE

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Trade and other receivables | **440.4** | 443.8 |
| Interest receivable | **26.4** | 5.2 |
| Less: allowance for doubtful debts | **(15.3)** | (13.4) |
| | **451.5** | 435.6 |

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

## 12 ACCOUNTS RECEIVABLE *(continued)*

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

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Current | **152.2** | 174.3 |
| 1 to 3 months past due | **26.6** | 27.5 |
| More than 3 months past due | **23.8** | 26.7 |
| | **202.6** | 228.5 |

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

## 13 CASH AND CASH EQUIVALENTS

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Cash at bank and in hand | **350.6** | 383.6 |
| Bank deposits | **1,361.9** | 2,330.9 |
| | **1,712.5** | 2,714.5 |
| Less: pledged and restricted deposits | **(153.5)** | (84.7) |
| | **1,559.0** | 2,629.8 |

## 14 ACCOUNTS PAYABLE AND ACCRUALS

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

| | At 30 June 2016 $'million | At 31 December 2015 $'million |
|---|---|---|
| Due within 1 month or on demand | **36.7** | 80.6 |
| Due after 1 month but within 3 months | **0.3** | 4.9 |
| Due after more than 3 months | **3.3** | 2.8 |
| Trade payables | **40.3** | 88.3 |
| Balance of passenger rewards | **90.1** | 76.2 |
| Dividends payable | **404.6** | 41.5 |
| Other payables and accruals | **1,295.6** | 1,196.2 |
| | **1,830.6** | 1,402.2 |

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

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

## 15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

As 30 June 2016, the only financial instruments of the Group carried at fair value were available-for-sale debt securities of $1,316.8 million (31 December 2015: $164.3 million) (see note 11). Recurring fair value measurements of these instruments are categorised into Level 1 of the fair value hierarchy described above.

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 30 June 2016 and 31 December 2015 except as follows:

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

(2) Unlisted equity securities of $15.3 million (31 December 2015: $15.3 million) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less accumulated impairment losses at the end of the reporting period.

## 16 CAPITAL COMMITMENTS

(a) At 30 June 2016, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the interim financial report:

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Contracted for | **398.1** | 914.0 |

(b) At 30 June 2016, the Group's share of capital commitments of a joint operation in respect of investment property under development not provided for in the interim financial report is as follows:

| | **At 30 June 2016 $'million** | At 31 December 2015 $'million |
|---|---|---|
| Contracted for | **22.3** | 22.3 |

## 17 TRANSACTIONS WITH RELATED COMPANIES

| | Notes | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2016 $'million** | 2015 $'million |
| **Nature of transactions** | | | |
| Service fees for provision of coach services | (a) & (b) | **23.3** | 25.6 |
| Insurance premium paid | (c) | **46.0** | 43.0 |
| Amount paid and accrued for building management services | (d) | **2.4** | 2.4 |
| Amount paid and accrued for project management service and lease modification | (e) | **–** | – |

*Notes:*

(a) During the period, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to $5.2 million (six months ended 30 June 2015: $4.3 million). Outstanding balances due from these companies at 30 June 2016 amounted to $2.3 million (31 December 2015: $3.1 million).

## 17 TRANSACTIONS WITH RELATED COMPANIES *(continued)*

*Notes: (continued)*

(b) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $18.1 million (six months ended 30 June 2015: $21.3 million). Outstanding balances due from these companies at 30 June 2016 amounted to $6.1 million (31 December 2015: $9.2 million).

(c) In 2015, 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 for the period from 1 July 2015 to 31 December 2016 (the "2015/16 Insurance Arrangements"). The amount paid and payable under the 2015/16 Insurance Arrangements amounted to $46.0 million (six months ended 30 June 2015: $43.0 million). Outstanding balances payable under this contract at 30 June 2016 amounted to $Nil (31 December 2015: $2.4 million).

(d) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the six months ended 30 June 2016 amounted to $2.4 million (six months ended 30 June 2015: $2.4 million). There was no outstanding balance payable for this contract at 30 June 2016 (31 December 2015: $Nil).

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

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

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

Outstanding balance payable for this contract at 30 June 2016 amounted to $2.0 million (31 December 2015: $2.0 million).

## 18 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, KTRE and TRL accepted the offer from the Lands Department of Hong Kong for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of $4,305.0 million (the Group's share of the land premium being $2,152.5 million), 10% of which was paid by KTRE and TRL on 4 August 2016. The balance will be payable within 28 days from the receipt of formal documentation from the Lands Department or within 3 months from 4 August 2016, whichever is the earlier. The Group's share of land premium paid and payable will form part of the Group's cost of investment property under development. The development will be financed by the Group's working capital and bank borrowings.

KPMG

## INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF

## TRANSPORT INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 38 which comprises the consolidated statement of financial position of Transport International Holdings Limited as of 30 June 2016 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 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 August 2016

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

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

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

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

## BOARD COMMITTEES

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Gordon SIU Kwing Chue
John Anthony MILLER

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Dr Eric LI Ka Cheung
Gordon SIU Kwing Chue

**Remuneration Committee**
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Winnie NG
Roger LEE Chak Cheong

(# Committee Chairman)

## COMPANY SECRETARY

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

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Hong Kong

## REGISTER OF MEMBERS

Book closed on 6 September 2016

## DIVIDEND

**Interim**
HK$0.35 per share,
payable on 18 October 2016

## STOCK CODE

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

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

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Stock Code : 62

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