



# 載通國際

Transport International



2020  
Interim Report

Transport International Holdings Limited



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## INTERIM RESULTS

The Group's unaudited loss attributable to equity shareholders of the Company for the six months ended 30 June 2020 was HK\$51.8 million, representing an unfavourable variance of HK\$353.8 million compared to the profit attributable to equity shareholders of HK\$302.0 million for the six months ended 30 June 2019. The decline in financial performance was primarily due to the decrease in revenue from the franchised and non-franchised bus operations as well as the Group's transport operations in China Mainland as a result of the outbreak of the coronavirus disease ("COVID-19"), while partially offset by government subsidies and decrease in fuel costs attributable to the fall in international fuel prices. Loss per share for the six months ended 30 June 2020 was HK\$0.12 per share (six months ended 30 June 2019: earnings per share of HK\$0.69 per share), representing an unfavourable variance of HK\$0.81 per share compared with the corresponding period in 2019.

## INTERIM DIVIDEND

The Board decided not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.30 per share).

## 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 loss after taxation of HK\$24.9 million for the first half of 2020 (first half of 2019: profit after taxation of HK\$167.7 million), representing an unfavourable variance of HK\$192.6 million compared with the corresponding period in 2019.
- Fare revenue for the first half of 2020 was HK\$2,627.4 million, a decrease of HK\$826.6 million or 23.9% compared with HK\$3,454.0 million for the corresponding period in 2019. The decrease was mainly due to the outbreak of COVID-19 and the corresponding anti-epidemic measures implemented by the Government, including suspension of schools, stringent border control measures and work from home arrangements, which resulted in a significant drop in bus patronage. Non-fare revenue for the first half of 2020 decreased by HK\$7.7 million to HK\$111.1 million from HK\$118.8 million for the first half of 2019. Government subsidies of HK\$279.1 million from various support schemes under the Anti-epidemic Fund were recorded in the first half of 2020.
- Total operating expenses for the first half of 2020 amounted to HK\$3,177.6 million, a decrease of HK\$235.3 million or 6.9% compared with HK\$3,412.9 million for the corresponding period in 2019. The decrease was attributable to the decrease in fuel costs as a result of the fall in international fuel prices and the decrease in other operating expenses resulting from the implementation of a number of cost control measures.

- As at 30 June 2020, KMB operated a total of 411 routes (31 December 2019: 411 routes) covering Kowloon, the New Territories and Hong Kong Island. 160 Bus-bus Interchange (“BBI”) schemes covering 411 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 2020, a total of 108 Euro VI buses with the latest safety, environmental and design features were added to the fleet. As at 30 June 2020, KMB operated 4,105 buses (31 December 2019: 4,081 buses), comprising 3,962 double-deck and 143 single-deck buses. In addition, a total of 233 Euro VI double-deck buses were awaiting licensing in the second half of 2020.

*Long Win Bus Company Limited (“LWB”)*

- The loss after taxation of LWB for the six months ended 30 June 2020 was HK\$13.1 million, representing a decline of HK\$54.2 million compared with profit after taxation of HK\$41.1 million for the first half of 2019.
- Fare revenue for the first half of 2020 decreased by HK\$129.3 million or 40.7% to HK\$188.3 million compared with HK\$317.6 million for the corresponding period in 2019. The decline was mainly due to decrease in ridership of 35.4% as a result of the outbreak of COVID-19 which cause the significant decrease in transport demand, in particular for the A-route network, resulting from various anti-epidemic measures implemented by the Government at several boundary control points including the airport as well as the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge.
- Total operating expenses for the first half of 2020 amounted to HK\$245.4 million, a decrease of HK\$29.0 million or 10.6% compared with HK\$274.4 million for the corresponding period in 2019. The decrease was primarily due to the decrease in fuel and oil costs as a result of reduction in international fuel prices and fuel consumption.
- As at 30 June 2020, LWB had 28 BBI schemes covering 28 regular bus routes, operating both within LWB’s bus network and on joint inter-modal schemes run with other public transport operators. These BBI schemes provide passengers with interchange fare discounts and allow LWB to deploy its resources more effectively.
- As at 30 June 2020, LWB operated 37 regular routes with a fleet of 259 buses (31 December 2019: 279 buses), comprising 255 super-low floor double-deck buses and four super-low floor single-deck electric buses.

## Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$19.9 million for the first half of 2020, representing a decrease of HK\$4.3 million or 17.8% compared with HK\$24.2 million for the corresponding period in 2019. A review of the operations of the principal business units in this Division is set out as follows:

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

- The SBH Group is a leading non-franchised bus operator in Hong Kong, providing customised, premium, safe, reliable, and value-for-money transport services to a wide range of customers, including large residential estates, shopping malls, major employers, travel agents and schools, as well as the general public through chartered hire services.
- The revenue of the SBH Group for the first half of 2020 decreased by 21.0% compared with the corresponding period in 2019. The decrease was mainly attributable to the decline in both local business and cross-boundary services as a result of outbreak of COVID-19. Total operating expenses for the period under review decreased by 7.7% compared with the first half of 2019 as management implemented certain cost control measures amidst the decline in business.
- As at 30 June 2020, the SBH Group had a fleet of 390 licensed buses (31 December 2019: 390 buses). During the first half of 2020, two new coaches were purchased for fleet replacement and service enhancement purposes.

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

- NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and leisure travellers between Lok Ma Chau and Huanggang (皇崗) in Shenzhen.
- The revenue of NHKB for the first half of 2020 decreased by 89.0% compared with the corresponding period in 2019. The decrease was primarily attributable to the suspension of Huang Bus service with effect from 4 February 2020 as the immigration clearance service for passenger at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.
- As at 30 June 2020, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2019.

## Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$29.0 million for the first half of 2020, representing an increase of HK\$1.4 million or 5.1% compared with HK\$27.6 million for the corresponding period in 2019. A review of the Group's investment properties is set out as follows:

### *LCK Commercial Properties Limited ("LCKCP")*

- LCKCP, a wholly-owned subsidiary of the Company, owns the upscale Manhattan Mid-town shopping mall, a two-level retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. As at 30 June 2020, the entire lettable area of the shopping mall was leased out to a mix of shops and restaurants, generating a stream of recurring income for the Group.
- As at 30 June 2020, 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\$74.8 million (31 December 2019: HK\$76.0 million).

### *LCK Real Estate Limited ("LCKRE")*

- LCKRE, a wholly-owned subsidiary of the Company, owns the 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet for office use and rental purposes. A portion of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to shops, offices and restaurants.
- As at 30 June 2020, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK\$28.4 million (31 December 2019: HK\$29.4 million).

### *TM Properties Investment Limited ("TMPI")*

- TMPI, a wholly-owned subsidiary of the Company, owns the industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, has been leased out to generate rental income for the Group.
- As at 30 June 2020, the carrying value of the industrial property (classified under investment property on the consolidated statement of financial position), which was stated at cost less accumulated depreciation, amounted to HK\$1.9 million (31 December 2019: HK\$1.9 million).

#### *KT Real Estate Limited ("KTRE")*

- KTRE, a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), own Kwun Tong Inland Lot No. 240 (the "Kwun Tong Site") at 98 How Ming Street, Kowloon, Hong Kong, as tenants in common in equal shares.
- Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the development of the Kwun Tong Site. In August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million. 50% of such land premium, which amounted to HK\$2,152.5 million, was borne by KTRE.
- In December 2018, KTRE, TRL and Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP (the "Contractor"), entered into a building contract (the "Building Contract") under which KTRE and TRL have engaged the Contractor to carry out and complete the construction works for the Kwun Tong Site at a contract sum of HK\$4,436.1 million (to be borne by KTRE and TRL in equal shares), subject to adjustments in accordance with the Building Contract, which was approved by independent shareholders in February 2019. The basement and superstructure construction works are underway. The occupation permit is expected to be obtained in mid-2022.
- As at 30 June 2020, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position), which was stated at cost, amounted to HK\$2,726.7 million (31 December 2019: HK\$2,531.6 million).

#### **China Mainland Transport Operations**

As at 30 June 2020, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$513.8 million (31 December 2019: HK\$606.9 million). Such investments are mainly related to the operation of passenger transport services in Shenzhen, and taxi and car rental services in Beijing. For the first half of 2020, the Group's China Mainland Transport Operations Division reported an after-tax loss of HK\$97.5 million compared to an after-tax profit of HK\$2.3 million for the corresponding period in 2019.

#### *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 the outbreak of COVID-19, SZBG recorded a loss in the first half of 2020. SZBG is currently seeking additional subsidies from the Shenzhen Government to overcome its operational challenges. As at 30 June 2020, it had 5,218 taxis (including 4,632 electric taxis, which are operated by an associate) and 5,927 buses serving some 323 routes.

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

- BBKT, a Sino-foreign joint stock company, was established in Beijing in 2003. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. Until April 2013, BBKT operated both taxi hire and car rental businesses in Beijing. To provide greater focus on the business opportunities in the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司). As at 30 June 2020, BBKT had a fleet of 3,818 taxis.

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

- BBF is a Sino-foreign joint stock company, which was established in April 2013 with the same shareholding structure as BBKT to carry on the car rental business formerly operated by BBKT. BBF had 1,198 vehicles available for hire as at 30 June 2020.

## FINANCIAL POSITION

### Capital Expenditure

As at 30 June 2020, 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\$10,314.5 million (31 December 2019: HK\$10,154.3 million), none of which was pledged or charged.

During the first half of 2020, the Group incurred capital expenditure of HK\$651.8 million (six months ended 30 June 2019: HK\$514.9 million), which was mainly used for the development of the Kwun Tong site and the purchase of new buses.

## FUNDING AND FINANCING

### Liquidity and financial resources

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





As at 30 June 2020, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,372.5 million (31 December 2019: HK\$1,250.7 million). The details of the Group's net cash/net borrowing position by currency are set out below:

<b>Currency</b>	<b>Cash and deposits at bank in foreign currency million</b>	<b>Cash and deposits at bank HK\$ million</b>	<b>Bank loans HK\$ million</b>	<b>Net cash/ (Net borrowing) HK\$ million</b>
<i>At 30 June 2020</i>				
Hong Kong dollars		<b>1,228.0</b>	<b>(3,324.9)</b>	<b>(2,096.9)</b>
United States dollars	<b>69.9</b>	<b>541.7</b>	–	<b>541.7</b>
British Pounds Sterling	<b>18.6</b>	<b>178.4</b>	–	<b>178.4</b>
Other currencies		<b>4.3</b>	–	<b>4.3</b>
<b>Total</b>		<b>1,952.4</b>	<b>(3,324.9)</b>	<b>(1,372.5)</b>
<i>At 31 December 2019</i>				
Hong Kong dollars		1,136.9	(2,706.6)	(1,569.7)
United States dollars	26.9	209.6	–	209.6
British Pounds Sterling	9.8	100.7	–	100.7
Other currencies		8.7	–	8.7
<b>Total</b>		<b>1,455.9</b>	<b>(2,706.6)</b>	<b>(1,250.7)</b>

As at 30 June 2020, bank loans, all unsecured, amounted to HK\$3,324.9 million (31 December 2019: HK\$2,706.6 million). The maturity profile of the bank loans of the Group is set out below:

	<b>At 30 June 2020 HK\$ million</b>	At 31 December 2019 HK\$ million
Within 1 year	<b>494.0</b>	–
After 1 year but within 2 years	<b>1,750.7</b>	1,394.7
After 2 years but within 5 years	<b>1,080.2</b>	1,311.9
	<b>3,324.9</b>	2,706.6

As at 30 June 2020, the Group had undrawn committed banking facilities totalling HK\$1,665.0 million (31 December 2019: HK\$2,280.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2020 were HK\$17.6 million, an increase of HK\$3.0 million compared with HK\$14.6 million for the six months ended 30 June 2019. The increase was mainly due to the increase in average bank borrowings but was partly offset by decrease in average interest rate in respect of the Group's borrowings from 2.44% per annum for the six months ended 30 June 2019 to 2.19% per annum for the six months ended 30 June 2020.

As at 30 June 2020, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars, United States dollars and British Pounds Sterling) amounted to HK\$1,952.4 million (31 December 2019: HK\$1,455.9 million).

### FUNDING AND TREASURY POLICIES

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

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

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



The Group closely monitors market conditions and devises suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps will be used when appropriate. As at 30 June 2020, 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 2020 amounted to HK\$2,750.0 million (31 December 2019: HK\$3,409.9 million). These commitments were mainly in respect of the development of the Kwun Tong site and the purchases of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources.

## EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive. For the first half of 2020, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK\$2,016.7 million (first half of 2019: HK\$2,078.6 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 2020, the Group employed over 13,000 staff (31 December 2019: over 13,000 staff).

## OUTLOOK

### Franchised Public Bus Operations

Since early 2020, the epidemic situation has had a significant impact on the transport industry as well as the people of Hong Kong. As the Government and different economic sectors have adopted various anti-epidemic measures, including work-from-home arrangements for civil servants and businesses, school suspensions and mandatory quarantine imposed at cross-boundary ports, the ridership of our bus routes in every district of the city has been severely affected. KMB and LWB have recorded a significant drop in ridership.

The continuous expansion of the rail network, including the phased opening of the Shatin-Central Link and the 20% fare reduction for railway travel launched in July, has dealt a further blow to the bus industry. Furthermore, with the processing of applications for a fare increase submitted by KMB and LWB two years ago having been suspended by the Government, it is expected that the companies' ridership and revenue will not return to pre-epidemic levels shortly. Continuous uncertainty in the global economic environment, together with the volatility of the Hong Kong economy and society, means that our operations are facing unprecedented challenges. Anticipating that our financial performance is of disappointment, the Group issued a profit warning in May.

Facing a drastic drop in ridership, KMB and LWB have responded by adjusting trip frequencies to ensure the sustainability of our business. We have also implemented resource-saving measures, including a pay freeze for all employees and applying for the Employment Support Scheme under the Anti-epidemic Fund and other related government schemes.

However, adhering to our people-orientated principle, the Group insisted on not making redundancies, not cutting pay and not forcing employees to take no paid leave to maintain a stable employment environment for all staff members. The Group has also set up its own face mask production line. Apart from maintaining a stable mask supply for on-duty staff members, and selling masks to our staff at discounted prices, we also offered free face masks to passengers who purchased or extended the KMB Monthly Pass, and set up Mask Vending Machines to address the health needs of our staff, their family members and passengers. To provide a safe work environment and riding experience to staff members and passengers, we continue to stay vigilant in our anti-epidemic measures, including taking the lead in adopting long-lasting smart coating technology for disinfecting bus compartments, installing sterilised carpets and hand sanitiser gel dispensers, and enhancing the frequency of cleaning the air-conditioning filters.

The Group has always put safety as its top priority. KMB and LWB keep pace with the times by strengthening their safety devices continuously. After the installation of various technological devices, such as the Drowsiness Monitoring System, the Advanced Driver Assistance System and the Electronic Stability Programme, we have recently introduced “GreenRoad” – the bus captain driving feedback system. Through the Global Positioning System with its patented event detection technology, “GreenRoad” provides real-time driving feedback to every bus captain and helps them develop good driving habits and safe driving culture.

Looking ahead, the Group will continue to focus on raising revenue by seizing the opportunity to launch new routes and special routes. We will also continue to cooperate with other public transport operators on interchange discount offers to expand our service network. To boost our operational efficiency, we will provide a 2-way section fare on 17 bus routes in the north-west New Territories and continue to encourage passengers to use the KMB Monthly Pass.

### Non-franchised Operations

The COVID-19 epidemic also had an adverse effect on the SBH Group, NHKB and our transport operations in China Mainland. School suspensions, economic stagnation and the implementation of quarantine at ports have led to a drastic decrease in ridership. Although Sun Bus and NHKB have applied for subsidies from the Government, the spread of the COVID-19 pandemic has put our non-franchised operations in a tough position.

The Kwun Tong Site, in which the Group has a 50% stake, is planned for development into a large-scale commercial and retail complex as a long-term investment for the Group. The basement and superstructure construction works are underway. The occupation permit is expected to be obtained in mid-2022. The development will generate a stable and sustainable income to the Group upon completion.



Hong Kong has been facing a new wave of COVID-19 since July 2020. The economic conditions are likely to be tougher in the second half of 2020. Since the outbreak of COVID-19, both franchised and non-franchised bus operations have recorded a significant drop in ridership. The Group has responded promptly by adjusting the trip frequencies and implementing a number of cost control measures to lessen the financial impact. Moreover, the Government has introduced a series of relief measures to relieve part of the financial burdens of the affected industries and the public. As passenger service providers, the Group is eligible, for a period of six months during the financial year ending 31 December 2020, to receive wage subsidies and fuel subsidies, as well as regular repair and maintenance costs and insurance premium subsidies. It is anticipated that the amount of Government subsidies to be recorded in the second half of 2020 will be larger than the amount recorded in the first half of 2020. However, the financial performance of the Group for the second half of 2020 would still highly depend on the development of COVID-19. The management would continue to closely monitor the situation of the COVID-19 and respond swiftly by adjusting the frequency of trip and allocation of resource.

In a difficult operational environment, the Group relies on every staff member demonstrating their commitment to their work and the unity of the whole team. We extend our gratitude to all Group members for their contributions, as we forge ever-closer ties with all our employees while seeking to improve staff benefits and enhance the work environment. We would also like to express our sincere thanks to the passengers who use our services.

By Order of the Board

**Norman LEUNG Nai Pang**  
*Chairman*

Hong Kong, 20 August 2020

## SUPPLEMENTARY INFORMATION

### CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details since the date of the 2019 Annual Report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

**Winnie NG**<sup>^</sup> JP, BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD

Ms Ng is currently the Director of CUHK Medical Centre and Supervisor of Mr & Mrs Chan Pak Keung Tsing Yi School. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020.

**Andy TSANG Wai Hung**<sup>\*</sup> GBS, PDSM, JP, MBA

Mr Tsang was appointed External Director of the China Tourism Group Corporation Limited with effect from 23 April 2020, and Non-executive Director of the China Travel International Investment Hong Kong Limited with effect from 19 June 2020.

**Dr CHEUNG Wing Yui**<sup>^</sup> BBS, BCom, Hon DBA, CPA(Aust.)

Dr Cheung held the positions of the chairman of Admissions, Budgets and Allocations Committee as well as a director of The Community Chest of Hong Kong Limited (until 30 June 2020).

(\* 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 2020 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 of 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	Other Interests		
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	–	2,000	–
Raymond KWOK Ping Luen	509,523	–	–	–	–	509,523	0.111%
	<i>(note 1)</i>						
NG Siu Chan	–	24,984,977	–	–	–	24,984,977	5.457%
William LOUEY Lai Kuen	7,784,097	–	–	–	26,386,838	34,170,935	7.464%
						<i>(note 2)</i>	
Charles LUI Chung Yuen	13,829	–	–	3,214,630	–	3,228,459	0.705%
				<i>(note 3)</i>			
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	–	–	24,984,977	–	25,166,393	5.497%
				<i>(note 4)</i>			
Dr Eric LI Ka Cheung*	–	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	128,029	–	–	–	–	128,029	0.028%
TSANG Wai Hung*	–	–	–	–	–	–	–
Dr CHEUNG Wing Yui	–	–	–	–	–	–	–
LEE Luen Fai	–	30,000	–	–	–	30,000	0.007%
LUNG Po Kwan	–	–	–	–	–	–	–
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	–	–	–	–	–	–	–
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	–	–	–	–	–	–	–

\* Independent Non-executive Director

*Notes:*

1. Of these shares in the Company, Mr Raymond Kwok Ping Luen held 505,479 shares jointly with his spouse.
2. Mr William Louey Lai Kuen, Ms Phyllis Louey and Ms Carol Wilma Louey entered into a shareholders voting agreement and together have interests in 34,170,935 shares of the Company.
3. Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 3,214,630 shares in the Company.
4. Ms Winnie Ng had an interest in 24,984,977 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 30 June 2020, none of the Directors had any non-beneficial interest in the share capital of the Company.

## II. Interests in Underlying Shares

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



## SHARE OPTION SCHEMES

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

During the six months ended 30 June 2020, no share options were granted under the Share Option Scheme. Particulars of the outstanding share options granted under the Share Option Scheme and the movements during the six months ended 30 June 2020 were as follows:

	Number of share option				Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*	Market value per share on exercise of options*
	Balance as at 1 January 2020	Exercised during the period	Forfeited during the period	Balance as at 30 June 2020					
<b>Director</b>									
Roger LEE Chak Cheong	860,000	-	-	860,000	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK\$23.45	HK\$23.45	-
<b>Employees</b>									
	1,453,200	-	(820,000)	633,200	31 October 2016	31 October 2017 to 30 October 2021 (Note)	HK\$23.45	HK\$23.45	-

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

Note:

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

Save as disclosed above, there were no outstanding share options granted under the Scheme during the six months ended 30 June 2020.

## DIRECTORS' INTERESTS IN CONTRACTS

As disclosed in note 17 to the interim financial report, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Certain Directors, namely Dr Norman Leung Nai Pang, Dr Eric Li Ka Cheung, Mr Raymond Kwok Ping Luen, Mr Allen Fung Yuk Lun and Dr Cheung Wing Yui are also directors of SHKP and/or Sun Hung Kai Properties Insurance Limited, and Mr Lee Luen Fai and Mr Lung Po Kwan are employees of SHKP. Among them, Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

Save as disclosed above, no contract of significance to which the Company, its subsidiaries or fellow subsidiaries were a party and in which a Director of the Company had a material interest, subsisted at 30 June 2020 or at any time during the six months ended 30 June 2020.

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

As at 30 June 2020, 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			Total number of shares held	Percentage of total issued shares
	Registered shareholders	Corporate interests	Trustee Interests		
HSBC Trustee (C.I.) Limited	–	–	181,296,153	181,296,153	39.6%
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	181,296,153	–	181,296,153	39.6%
Arklake Limited (Note 1)	99,623,586	–	–	99,623,586	21.8%
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	29,981,963	–	–	29,981,963	6.5%
Wister Investment Limited (Note 1)	26,597,086	–	–	26,597,086	5.8%
HSBC International Trustee Limited	37,805,269	–	–	37,805,269	8.3%
Kwong Tai Holdings (PTC) Limited (Note 3)	24,984,977	–	–	24,984,977	5.5%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited (“SHKP”) includes the 156,202,635 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.
2. Under The Code on Takeovers and Mergers (the “Takeovers Code”), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until ten years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rule 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rule 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of ten years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.
3. The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 24,984,977 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

## ISSUE OF SHARES

On 30 June 2020, the Company issued 10,879,685 shares in lieu of the final dividend for the year ended 31 December 2019 at an issue price of HK\$15.04 per share under the scrip dividend scheme as set out in the circular of the Company dated 4 June 2020.

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

Except for the aforesaid issue of shares on 30 June 2020, 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 2020, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 21 May 2020 as provided for in code provision A.6.7 due to other engagements.

## REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report for the six months ended 30 June 2020 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 43 of this interim report.

The Audit and Risk Management Committee of the Company, together with management and KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2020.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED**
*(Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June	
		2020 \$'million	2019 \$'million
<b>Revenue</b>	3 & 4	<b>3,073.3</b>	4,073.5
Other income	5	<b>405.9</b>	105.3
Staff costs	6(b)	<b>(2,120.9)</b>	(2,182.9)
Depreciation and amortisation		<b>(491.6)</b>	(473.0)
Fuel and oil		<b>(307.2)</b>	(453.9)
Spare parts and stores		<b>(95.1)</b>	(106.8)
Toll charges		<b>(131.3)</b>	(175.9)
Other operating expenses	6(c)	<b>(377.8)</b>	(419.1)
<b>(Loss)/profit from operations</b>		<b>(44.7)</b>	367.2
Finance costs	6(a)	<b>(17.6)</b>	(14.6)
Share of (loss)/profit of associates		<b>(95.6)</b>	1.7
<b>(Loss)/profit before taxation</b>	6	<b>(157.9)</b>	354.3
Income tax credit/(expense)	7	<b>106.1</b>	(52.3)
<b>(Loss)/profit for the period</b>		<b>(51.8)</b>	302.0
<b>(Loss)/earnings per share</b>	8		
Basic and diluted		<b>\$(0.12)</b>	\$0.69

The notes on pages 27 to 42 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 2020 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
<b>(Loss)/profit for the period</b>	<b>(51.8)</b>	302.0
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling), net of nil tax	<b>(9.4)</b>	9.9
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	<b>(12.3)</b>	(1.2)
Cash flow hedge: net movement in hedging reserve, net of nil tax (2019: net of tax credit of \$45,000)	–	(0.2)
Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	<b>6.9</b>	37.3
Share of other comprehensive income of an associate, net of nil tax	<b>36.3</b>	11.7
<b>Other comprehensive income for the period</b>	<b>21.5</b>	57.5
<b>Total comprehensive income for the period</b>	<b>(30.3)</b>	359.5

The notes on pages 27 to 42 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 30 JUNE 2020 – UNAUDITED**
*(Expressed in Hong Kong dollars)*

	Note	At 30 June 2020 \$'million	At 31 December 2019 \$'million
<b>Non-current assets</b>			
Investment properties		102.8	105.0
Investment property under development		2,726.7	2,531.6
Interest in leasehold land		54.3	55.3
Other property, plant and equipment	10	7,430.7	7,462.4
		<b>10,314.5</b>	10,154.3
Intangible assets		365.0	365.0
Goodwill		84.1	84.1
Interest in associates		513.8	606.9
Other financial assets	11	1,428.3	1,263.5
Employee benefit assets		1,285.1	1,306.9
Deferred tax assets		0.7	0.5
		<b>13,991.5</b>	13,781.2
<b>Current assets</b>			
Spare parts and stores		84.5	78.9
Accounts receivable	12	640.1	666.7
Other financial assets	11	248.5	702.4
Deposits and prepayments		104.0	26.9
Current tax recoverable		5.1	0.5
Restricted bank deposits	13	254.7	146.9
Bank deposits and cash	13	1,697.7	1,309.0
		<b>3,034.6</b>	2,931.3
<b>Current liabilities</b>			
Accounts payable and accruals	14	1,396.8	1,339.4
Bank loans		494.0	–
Contingency provision – insurance		117.8	126.4
Lease liabilities		4.0	3.9
Current tax payable		16.3	87.3
		<b>2,028.9</b>	1,557.0



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AT 30 JUNE 2020 – UNAUDITED** *(continued)*

*(Expressed in Hong Kong dollars)*

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
<b>Net current assets</b>	<b>1,005.7</b>	1,374.3
<b>Total assets less current liabilities</b>	<b>14,997.2</b>	15,155.5
<b>Non-current liabilities</b>		
Bank loans	<b>2,830.9</b>	2,706.6
Lease liabilities	<b>2.4</b>	3.1
Deferred tax liabilities	<b>1,139.5</b>	1,227.2
Contingency provision – insurance	<b>229.5</b>	244.3
Provision for long service payments	<b>2.7</b>	2.6
	<b>4,205.0</b>	4,183.8
<b>NET ASSETS</b>	<b>10,792.2</b>	10,971.7
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>457.8</b>	446.9
Reserves	<b>10,334.4</b>	10,524.8
<b>TOTAL EQUITY</b>	<b>10,792.2</b>	10,971.7

Approved and authorised for issue by the Board of Directors on 20 August 2020

**Norman LEUNG Nai Pang**  
*Chairman*

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

The notes on pages 27 to 42 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED**

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'million	Share premium \$'million	Capital reserve \$'million	Other reserves \$'million	Exchange reserve \$'million	Hedging reserve \$'million	Fair value reserve (recycling) \$'million	Fair value reserve (non-recycling) \$'million	Retained profits \$'million	Total equity \$'million
<b>Balance at 1 January 2019</b>		434.6	687.0	5.9	1,102.6	101.8	(1.1)	(37.7)	496.7	7,405.8	10,195.6
<b>Changes in equity for the six months ended 30 June 2019:</b>											
Profit for the period		-	-	-	-	-	-	-	-	302.0	302.0
Other comprehensive income		-	-	-	-	(1.2)	(0.2)	37.3	9.9	11.7	57.5
Total comprehensive income		-	-	-	-	(1.2)	(0.2)	37.3	9.9	313.7	359.5
Amounts transferred from hedging reserve to initial carrying amount of hedged items		-	-	-	-	-	1.1	-	-	-	1.1
Shares issued in respect of scrip dividend – 2018 final dividend	9(a)(ii)	8.7	190.9	-	-	-	-	-	-	-	199.6
Issuance of shares upon exercise of share options	9(b)	0.4	9.3	(0.7)	-	-	-	-	-	-	9.0
Forfeiture of share options		-	-	(0.4)	-	-	-	-	-	0.4	-
Equity-settled share-based transactions	6(b)	-	-	0.3	-	-	-	-	-	-	0.3
Dividends approved in respect of the previous year	9(a)(ii)	-	-	-	-	-	-	-	-	(391.5)	(391.5)
		9.1	200.2	(0.8)	-	-	1.1	-	-	(391.1)	(181.5)
<b>Balance at 30 June 2019 and 1 July 2019</b>		443.7	887.2	5.1	1,102.6	100.6	(0.2)	(0.4)	506.6	7,328.4	10,373.6
<b>Changes in equity for the six months ended 31 December 2019:</b>											
Profit for the period		-	-	-	-	-	-	-	-	303.3	303.3
Other comprehensive income		-	-	-	-	(9.5)	0.2	1.0	(6.0)	378.1	363.8
Total comprehensive income		-	-	-	-	(9.5)	0.2	1.0	(6.0)	681.4	667.1
Shares issued in respect of scrip dividend – 2019 interim dividend	9(a)(i)	3.2	60.5	-	-	-	-	-	-	-	63.7
Forfeiture of share options		-	-	(0.5)	-	-	-	-	-	0.5	-
Equity-settled share-based transactions		-	-	(0.3)	-	-	-	-	-	-	(0.3)
Unclaimed dividends forfeited		-	-	-	-	-	-	-	-	0.7	0.7
Dividends approved in respect of the current period	9(a)(i)	-	-	-	-	-	-	-	-	(133.1)	(133.1)
		3.2	60.5	(0.8)	-	-	-	-	-	(131.9)	(69.0)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED *(continued)*

*(Expressed in Hong Kong dollars)*

	Attributable to equity shareholders of the Company										
	Note	Share capital \$'million	Share premium \$'million	Capital reserve \$'million	Other reserves \$'million	Exchange reserve \$'million	Hedging reserve \$'million	Fair value reserve (recycling) \$'million	Fair value reserve (non-recycling) \$'million	Retained profits \$'million	Total equity \$'million
<b>Balance at 31 December 2019 and 1 January 2020</b>		446.9	947.7	4.3	1,102.6	91.1	-	0.6	500.6	7,877.9	10,971.7
<b>Changes in equity for the six months ended 30 June 2020:</b>											
Loss for the period		-	-	-	-	-	-	-	-	(51.8)	(51.8)
Other comprehensive income		-	-	-	-	(12.3)	-	6.9	26.9	-	21.5
Total comprehensive income		-	-	-	-	(12.3)	-	6.9	26.9	(51.8)	(30.3)
Shares issued in respect of scrip dividend – 2019 final dividend	9(a)(ii)	10.9	152.8	-	-	-	-	-	-	-	163.7
Forfeiture of share options		-	-	(1.5)	-	-	-	-	-	1.5	-
Dividends approved in respect of the previous year	9(a)(ii)	-	-	-	-	-	-	-	-	(312.9)	(312.9)
		10.9	152.8	(1.5)	-	-	-	-	-	(311.4)	(149.2)
<b>Balance at 30 June 2020</b>		457.8	1,100.5	2.8	1,102.6	78.8	-	7.5	527.5	7,514.7	10,792.2

The notes on pages 27 to 42 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED**
*(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
<b>Operating activities</b>		
Cash generated from operations	514.5	638.7
Tax paid		
– Hong Kong Profits Tax	(57.4)	(9.9)
<b>Net cash generated from operating activities</b>	<b>457.1</b>	<b>628.8</b>
<b>Investing activities</b>		
Increase in restricted bank deposits	(107.8)	(28.6)
(Increase)/decrease in bank deposits with original maturities of over three months	(282.1)	47.0
Increase in loan receivables	(34.6)	–
Payment for the purchase of investment properties	(0.9)	(2.4)
Payment for the purchase of investment property under development	(196.0)	(52.5)
Payment for the purchase of other property, plant and equipment	(507.2)	(392.6)
Receipt of government grant for the purchase of other property, plant and equipment	13.6	4.6
Receipt of government grant for the disposal of other property, plant and equipment	0.4	–
Proceeds from disposal of other property, plant and equipment	3.0	1.3
Finance costs paid and capitalised into investment property under development	(16.2)	(19.6)
Dividend received from associates	21.6	26.3
Payment for the purchase of debt securities	(244.7)	–
Proceeds on the maturity of debt securities	552.4	–
<b>Net cash used in investing activities</b>	<b>(798.5)</b>	<b>(416.5)</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### FOR THE SIX MONTHS ENDED 30 JUNE 2020 – UNAUDITED *(continued)*

*(Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June	
		2020 \$'million	2019 \$'million
<b>Financing activities</b>			
Proceeds from new bank loans		<b>1,440.0</b>	945.0
Repayment of bank loans		<b>(825.0)</b>	(870.0)
Issuance of shares upon exercise of share options		–	9.0
Capital element of lease rentals paid		<b>(1.6)</b>	(1.8)
Interest element of lease rentals paid		<b>(0.1)</b>	(0.1)
Dividends paid to equity shareholders of the Company		<b>(149.2)</b>	(191.7)
<b>Net cash generated from/(used in) financing activities</b>		<b>464.1</b>	(109.6)
<b>Net increase in cash and cash equivalents</b>		<b>122.7</b>	102.7
<b>Cash and cash equivalents at 1 January</b>		<b>542.4</b>	224.6
<b>Effect of foreign exchange rate changes</b>		<b>(16.1)</b>	(0.9)
<b>Cash and cash equivalents at 30 June</b>		<b>649.0</b>	326.4
<b>Analysis of cash and cash equivalents:</b>			
Cash and cash equivalents in the consolidated statement of financial position	13	<b>1,697.7</b>	1,229.0
Less: bank deposits with original maturities of over three months	13	<b>(1,048.7)</b>	(902.6)
Cash and cash equivalents in the condensed consolidated cash flow statement		<b>649.0</b>	326.4

The notes on pages 27 to 42 form part of this interim financial report.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 20 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 43. 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 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

## 2 Changes in accounting policies

The Group has applied the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions* issued by the HKICPA to these financial statements for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

### *Amendment to HKFRS 16, Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“Covid-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 10(a)). There is no impact on the opening balance of equity at 1 January 2020.

## 3 Segment reporting

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

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

### 3 Segment reporting (continued)

#### (a) Segment results, assets and liabilities

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

	Franchised bus operation		Property holdings and development		All other segments		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'million	\$'million	\$'million	\$'million	2020 (Note)	2019 (Note)	\$'million	\$'million
Revenue from external customers	2,929.8	3,880.0	37.2	31.0	106.3	162.5	3,073.3	4,073.5
Inter-segment revenue	1.6	0.2	2.9	2.8	6.2	4.4	10.7	7.4
<b>Reportable segment revenue</b>	<b>2,931.4</b>	<b>3,880.2</b>	<b>40.1</b>	<b>33.8</b>	<b>112.5</b>	<b>166.9</b>	<b>3,084.0</b>	<b>4,080.9</b>
<b>Reportable segment (loss)/profit</b>	<b>(38.3)</b>	<b>208.8</b>	<b>29.0</b>	<b>27.6</b>	<b>(78.4)</b>	<b>28.0</b>	<b>(87.7)</b>	<b>264.4</b>
As at 30 June/31 December								
Reportable segment assets	9,790.2	9,582.8	2,844.5	2,649.4	1,644.4	1,795.5	14,279.1	14,027.7
Reportable segment liabilities	4,324.6	4,035.4	1,755.5	1,555.6	102.7	116.3	6,182.8	5,707.3

*Note:* Results of all other segments arose mainly from the provision of non-franchised transport services and interest in associates. The share of loss of associates for the period amounted to \$95.6 million (six months ended 30 June 2019: share of profit of \$1.7 million).

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 (loss)/profit is net (loss)/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 (loss)/profit

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
<b>Revenue</b>		
Reportable segment revenue	<b>2,971.5</b>	3,914.0
Revenue from all other segments	<b>112.5</b>	166.9
Elimination of inter-segment revenue	<b>(10.7)</b>	(7.4)
Consolidated revenue	<b>3,073.3</b>	4,073.5
<b>(Loss)/profit</b>		
Reportable segment (loss)/profit	<b>(9.3)</b>	236.4
(Loss)/profit from all other segments	<b>(78.4)</b>	28.0
Unallocated profits	<b>35.9</b>	37.6
Consolidated (loss)/profit for the period	<b>(51.8)</b>	302.0

### 4 Revenue

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

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

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
Fare revenue from franchised public bus services	<b>2,815.4</b>	3,771.6
Revenue from non-franchised transport services	<b>106.1</b>	164.0
Licence fee income	<b>98.5</b>	92.7
Media sales revenue	<b>16.0</b>	14.2
Gross rentals from investment properties	<b>37.3</b>	31.0
	<b>3,073.3</b>	4,073.5

## 5 Other income

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
Interest income	43.6	43.3
Claims received	17.3	22.2
Net miscellaneous business receipts	3.1	5.4
Net gain on disposal of other property, plant and equipment	2.8	1.1
Net foreign exchange loss	(8.1)	(4.1)
Government subsidies (note)	328.4	–
Sundry income	18.8	37.4
	<b>405.9</b>	<b>105.3</b>

*Note:* This represented subsidies from the Hong Kong Special Administrative Region (“HKSAR”) Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of COVID-19. It mainly included wage subsidies and fuel subsidies, as well as regular repair and maintenance costs and insurance premium subsidies.

## 6 (Loss)/profit before taxation

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

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
<b>(a) Finance costs</b>		
Interest on bank loans	33.7	34.1
Interest on lease liabilities	0.1	0.1
Total interest expense on financial liabilities not at fair value through profit or loss	33.8	34.2
Less: interest expense capitalised into investment property under development	(16.2)	(19.6)
	<b>17.6</b>	<b>14.6</b>





## 6 (Loss)/profit before taxation *(continued)*

	<b>Six months ended 30 June</b>	
	<b>2020</b> \$'million	2019 \$'million
<b>(b) Staff costs</b>		
Defined benefit retirement plan expense	<b>25.7</b>	26.8
Contributions to defined contribution retirement plan	<b>78.2</b>	76.7
Movements in provision for long service payments	<b>0.3</b>	0.5
Total retirement cost	<b>104.2</b>	104.0
Equity-settled share-based payment expenses	–	0.3
Salaries, wages and other benefits	<b>2,016.7</b>	2,078.6
	<b>2,120.9</b>	2,182.9
<b>(c) Provision for toll exemption fund</b> (note)	<b>94.7</b>	84.2

*Note:* The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using the Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" in which the fund will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of the bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. The balance of Toll Exemption Fund of the Group as at 30 June 2020, included in accounts payable and accruals (note 14), was \$292.8 million (31 December 2019: \$196.4 million).

## 7 Income tax

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	5.6	35.1
Over-provision in respect of prior year	(24.8)	–
	(19.2)	35.1
<b>The People's Republic of China ("PRC") withholding tax</b>	1.0	0.9
	(18.2)	36.0
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(87.9)	16.3
Income tax (credit)/expense	(106.1)	52.3

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, except for a subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated using the same basis in 2019.

## 8 (Loss)/earnings per share

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of \$51.8 million (six months ended 30 June 2019: profit attributable to equity shareholders of the Company of \$302.0 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

#### (i) (Loss)/profit attributable to equity shareholders of the Company

	Six months ended 30 June	
	2020 \$'million	2019 \$'million
(Loss)/profit attributable to equity shareholders of the Company	<b>(51.8)</b>	302.0

#### (ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2020	2019
Issued ordinary shares at 1 January	<b>446,941,011</b>	434,597,327
Effect of shares issued in respect of scrip dividend	<b>59,778</b>	193,686
Effect of share options exercised	–	150,559
Weighted average number of ordinary shares at 30 June	<b>447,000,789</b>	434,941,572

### (b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for both the six months ended 30 June 2020 and 2019 are the same as basic (loss)/earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

## 9 Capital, reserves and dividends

### (a) Dividends

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

	Six months ended 30 June			
	2020		2019	
	Per share \$	\$'million	Per share \$	\$'million
Interim dividend declared after the interim period end	-	-	0.30	133.1

The Board decided not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.30 per share).

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2019 was paid on 15 October 2019, of which \$63.7 million was settled by the issuance of 3,196,601 shares at an issue price of \$19.93 per share under the scrip dividend scheme.

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

	Six months ended 30 June			
	2020		2019	
	Per share \$	\$'million	Per share \$	\$'million
Final dividend in respect of the previous financial year, approved and paid during the period	<b>0.70</b>	<b>312.9</b>	0.90	391.5

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which \$163.7 million was settled by the issuance of 10,879,685 shares at an issue price of 15.04 per share under the scrip dividend scheme.

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

### (b) Equity-settled share-based transactions

820,000 (six months ended 30 June 2019: 474,000) options were forfeited during the six months ended 30 June 2020. 383,000 options were exercised during the six months ended 30 June 2019 at a consideration of \$9.0 million, of which \$0.4 million was credited to the share capital account and the balance of \$8.6 million was credited to the share premium account. A balance of \$0.7 million has been transferred from the capital reserve to the share premium account.



## 10 Other property, plant and equipment

### (a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use as staff rest kiosks and bus regulators' office, and recognised additions to right-of-use assets of \$1.7 million (six months ended 30 June 2019: \$2.6 million).

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. During the six months ended 30 June 2020, Covid-19-related rent concessions of \$0.6 million was recognised in "Other income" accordingly.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of other property, plant and equipment with a cost of \$454.1 million (six months ended 30 June 2019: \$440.4 million). Items of plant and equipment with a net book value of \$0.2 million were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: \$0.2 million), resulting in a net gain on disposal of \$2.8 million (six months ended 30 June 2019: \$1.1 million).

## 11 Other financial assets

	At 30 June 2020 \$'million	At 31 December 2019 \$'million
Debt securities listed outside Hong Kong (note)	1,135.7	1,450.0
Loan receivables	34.6	–
Unlisted equity securities	506.5	515.9
	<b>1,676.8</b>	1,965.9
Less: debt securities listed outside Hong Kong classified as current assets	<b>(243.8)</b>	(702.4)
Loan receivables classified as current assets	<b>(4.7)</b>	–
	<b>(248.5)</b>	(702.4)
Other financial assets classified as non-current assets	<b>1,428.3</b>	1,263.5

*Note:* Debt securities are issued by corporate entities with credit rating ranging from BB- to A as at 30 June 2020. At 30 June 2020 and 31 December 2019, the Group's investments in debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

## 12 Accounts receivable

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Trade and other receivables	<b>622.0</b>	626.0
Interest receivable	<b>18.5</b>	41.1
Less: loss allowance	<b>(0.4)</b>	(0.4)
	<b>640.1</b>	666.7

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

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

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Current	<b>58.2</b>	49.9
Less than 1 month past due	<b>18.1</b>	41.2
1 to 3 months past due	<b>17.9</b>	17.6
More than 3 months past due	<b>5.5</b>	10.0
	<b>99.7</b>	118.7

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are current as disclosed above are within three months from the invoice date.

### 13 Bank deposits and cash

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Cash at bank and on hand	<b>347.9</b>	186.0
Bank deposits	<b>1,604.5</b>	1,269.9
	<b>1,952.4</b>	1,455.9
Less: restricted bank deposits	<b>(254.7)</b>	(146.9)
Cash and cash equivalents in the consolidated statement of financial position	<b>1,697.7</b>	1,309.0
Less: bank deposits with original maturities of over three months	<b>(1,048.7)</b>	(766.6)
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>649.0</b>	542.4

### 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:

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Due within 1 month or on demand	<b>131.1</b>	130.4
Due after 1 month but within 3 months	<b>0.5</b>	2.4
Due after more than 3 months	<b>2.6</b>	2.8
Trade payables	<b>134.2</b>	135.6
Balance of passenger rewards	<b>9.6</b>	12.4
Balance of toll exemption fund (note 6(c))	<b>292.8</b>	196.4
Other payables and accruals	<b>960.2</b>	995.0
	<b>1,396.8</b>	1,339.4

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 one month or on demand as disclosed above are within three months from the invoice date.

## 15 Fair value measurement of financial instruments

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

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	30 June 2020				31 December 2019			
	Fair value \$'million	Level 1 \$'million	Level 2 \$'million	Level 3 \$'million	Fair value \$'million	Level 1 \$'million	Level 2 \$'million	Level 3 \$'million
<b>Recurring fair value measurements</b>								
<i>Assets:</i>								
Investments in debt securities – listed	1,135.7	1,135.7	–	–	1,450.0	1,450.0	–	–
Unlisted equity securities	506.5	–	–	506.5	515.9	–	–	515.9

During the six months ended 30 June 2020, there was no transfer between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



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

### (b) Information about Level 3 fair value measurement

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Percentage</b>
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	35% (2019: 35%)

The fair value of unlisted equity instruments is determined using market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2020, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5 percentage points would have increased/decreased the Group's other comprehensive income by \$39.0 million (2019: \$40.1 million).

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

	<b>2020</b>	2019
	<b>\$'million</b>	\$'million
Unlisted equity securities:		
At 1 January	<b>515.9</b>	512.0
Net unrealised (losses)/gains recognised in other comprehensive income during the period	<b>(9.4)</b>	9.9
At 30 June	<b>506.5</b>	521.9

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

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

All financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019 except for the amounts due from/to associates of the Group which are unsecured, interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

## 16 Commitments

### Capital commitments

- (i) At 30 June 2020, 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:

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Contracted for	<b>730.8</b>	1,223.3

- (ii) At 30 June 2020, 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:

	<b>At 30 June 2020 \$'million</b>	At 31 December 2019 \$'million
Contracted for	<b>2,019.2</b>	2,186.6

## 17 Transactions with related companies

	Note	<b>Six months ended 30 June</b>	
		<b>2020 \$'million</b>	2019 \$'million
<b>Nature of transactions</b>			
Service fees for provision of coach services	(a) & (b)	<b>25.4</b>	27.2
Insurance premium paid	(c)	<b>59.2</b>	51.2
Amount paid and accrued for building management services	(d)	<b>0.6</b>	0.4
Amount paid and accrued for project management service and lease modification	(e)	–	–
Amount paid and accrued for a building contract	(f)	–	–
Advertising income	(g)	<b>0.3</b>	1.1

## 17 Transactions with related companies (continued)

*Notes:*

- (a) During the period, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited (“SHKP”), a substantial shareholder of the Company. The amounts received and receivable for these coach services amounted to \$3.5 million (six months ended 30 June 2019: \$6.0 million). Outstanding balances due from these companies at 30 June 2020 amounted to \$1.3 million (31 December 2019: \$3.5 million).
- (b) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries (“SHKP Group”) where the SHKP Group acts as agent for collection of the service fees (“Coach Service Arrangement”). The amounts received and receivable for these Coach Service Arrangements amounted to \$21.9 million (six months ended 30 June 2019: \$21.2 million). Outstanding balances due from these companies at 30 June 2020 amounted to \$9.5 million (31 December 2019: \$9.2 million).
- (c) In 2019 and 2018, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited (“SHKPI”), for the provision of insurance services to the Group for the period from 1 January 2020 to 31 December 2021 (the “2020/21 Medical and Dental Insurance Arrangement”) and for the period from 1 January 2019 to 31 December 2020 (the “2019/20 Insurance Arrangements”) respectively. The amount paid and payable under the 2020/21 Medical and Dental Insurance Arrangement and 2019/20 Insurance Arrangements for the six months ended 30 June 2020 amounted to \$59.2 million (six months ended 30 June 2019: \$51.2 million). There was no outstanding balances payable under these contracts at 30 June 2020 and 31 December 2019.
- (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 2020 amounted to \$0.6 million (six months ended 30 June 2019: \$0.4 million). Outstanding balance payable for this contract at 30 June 2020 amounted to \$0.1 million (31 December 2019: \$0.2 million).
- (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 2020 amounted to \$2.0 million (31 December 2019: \$2.0 million).

- (f) On 20 December 2018, KTRE, TRL and Yee Fai Construction Limited (“Yee Fai”) (a wholly-owned subsidiary of SHKP) entered into a building contract in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at the Kwun Tong Site (the “Building Contract”). KTRE and TRL shall pay to Yee Fai, in equal shares, the contract sum of \$4,436.1 million (i.e. \$2,218.0 million each), subject to adjustments in accordance with the Building Contract. Outstanding balance payable for this contract as at 30 June 2020 amounted to \$32.4 million (31 December 2019: \$16.1 million).
- (g) During the period, the Group provided advertising services to certain subsidiaries of SHKP, a substantial shareholder of the Company. The amounts received and receivable for these advertising services amounted to \$0.3 million (six months ended 30 June 2019: \$1.1 million). Outstanding balances due from these companies at 30 June 2020 amounted to \$0.1 million (31 December 2019: \$0.7 million).

## 18 Impacts of COVID-19 pandemic

The outbreak of COVID-19 in late January 2020 has adversely affected the Group’s daily operation and patronage of local and cross boundary transport. The Group has implemented a number of measures to lessen the impact and will continue to closely monitor further effect that could be caused by COVID-19 on the business operation and financial position of the Group.

Besides, the HKSAR Government has introduced a series of relief measures to provide financial support to the passenger transport sector which will relieve part of the financial burdens of the Group. Further details are disclosed in note 5.



## 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 19 to 42 which comprises the consolidated statement of financial position of Transport International Holdings Limited as of 30 June 2020 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 2020 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

20 August 2020



## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

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Chairman

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(Non-executive Director and Alternate  
Director to Mr NG Siu Chan^)

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Managing Director

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**Susanna WONG Sze Lai**

(Alternate Director to  
Mr Raymond KWOK Ping Luen, JP^)

**GAO Feng**

(Alternate Director to  
Mr William LOUEY Lai Kuen^)

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

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Professor LIU Pak Wai  
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Winnie NG  
Roger LEE Chak Cheong  
William LOUEY Lai Kuen  
TSANG Wai Hung

(# Committee Chairman)

### COMPANY SECRETARY

**Lana WOO**

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

### REGISTERED OFFICE

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Hamilton HM 11, Bermuda

### PRINCIPAL OFFICE

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Facsimile: (852) 2745 0300  
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### REGISTRARS

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**Bermuda**

**MUFG Fund Services (Bermuda) Limited**

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Bermuda

### AUDITOR

**KPMG**

Certified Public Accountants  
Public Interest Entity Auditor registered in  
accordance with the Financial Reporting  
Council Ordinance  
8/F, Prince's Building  
10 Chater Road Central  
Hong Kong

### 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](http://www.tih.hk)



**載通國際**  
Transport International

## **Transport International Holdings Limited**

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