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## **Transport International Holdings Limited**

(載通國際控股有限公司) \*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 62)

### **Announcement of Interim Results For the Six Months ended 30 June 2020**

#### **FINANCIAL HIGHLIGHTS**

- 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 (six months ended 30 June 2019: profit attributable to equity shareholders of HK\$302.0 million), representing an unfavourable variance of HK\$353.8 million compared with the corresponding period of 2019.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("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 of 2019. Such unfavourable variance was primarily due to the decrease in fare revenue 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.
- The Group's China Mainland transport operations reported an after-tax loss of HK\$97.5 million for the first half of 2020 (first half of 2019: an after-tax profit of HK\$2.3 million). The loss was mainly because its associated company, Shenzhen Bus Group Company Limited ("SZBG"), in which the Group has a 35% interest, recorded a loss during the first half of 2020 as a result of the outbreak of COVID-19. SZBG is currently seeking additional subsidies from the Shenzhen Government to overcome its operational challenges.
- 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).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 - UNAUDITED**

	Note	Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Revenue</b>	2 & 3	<b>3,073.3</b>	4,073.5
Other income	4	<b>405.9</b>	105.3
Staff costs	5(a)	<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	5(b)	<b>(377.8)</b>	(419.1)
<b>(Loss)/profit from operations</b>		<b>(44.7)</b>	367.2
Finance costs	6	<b>(17.6)</b>	(14.6)
Share of (loss)/profit of associates		<b>(95.6)</b>	1.7
<b>(Loss)/profit before taxation</b>		<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 - Basic and diluted</b>	9	<b>HK\$ (0.12)</b>	HK\$ 0.69

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 - UNAUDITED**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
<b>(Loss)/profit for the period</b>	<b>(51.8)</b>	<b>302.0</b>
<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	(9.4)	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	(12.3)	(1.2)
- Cash flow hedge: net movement in hedging reserve, net of nil tax (2019: tax credit of HK\$45,000)	-	(0.2)
- Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	6.9	37.3
- Share of other comprehensive income of an associate, net of nil tax	36.3	11.7
<b>Other comprehensive income for the period</b>	<b>21.5</b>	<b>57.5</b>
<b>Total comprehensive income for the period</b>	<b>(30.3)</b>	<b>359.5</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020 - UNAUDITED**

	Note	At 30 June 2020 HK\$ million	At 31 December 2019 HK\$ 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		7,430.7	7,462.4
		<u>10,314.5</u>	<u>10,154.3</u>
Intangible assets		365.0	365.0
Goodwill		84.1	84.1
Interest in associates		513.8	606.9
Other financial assets		1,428.3	1,263.5
Employee benefit assets		1,285.1	1,306.9
Deferred tax assets		0.7	0.5
		<u>13,991.5</u>	<u>13,781.2</u>
<b>Current assets</b>			
Spare parts and stores		84.5	78.9
Accounts receivable	10	640.1	666.7
Other financial assets		248.5	702.4
Deposits and prepayments		104.0	26.9
Current tax recoverable		5.1	0.5
Restricted bank deposits		254.7	146.9
Bank deposits and cash		1,697.7	1,309.0
		<u>3,034.6</u>	<u>2,931.3</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	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
		<u>2,028.9</u>	<u>1,557.0</u>
<b>Net current assets</b>		<u>1,005.7</u>	<u>1,374.3</u>
<b>Total assets less current liabilities</b>		<u>14,997.2</u>	<u>15,155.5</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020 – UNAUDITED**

(continued)

	<b>At 30 June 2020 HK\$ million</b>	<b>At 31 December 2019 HK\$ million</b>
<b>Non-current liabilities</b>		
Bank loans	2,830.9	2,706.6
Lease liabilities	2.4	3.1
Deferred tax liabilities	1,139.5	1,227.2
Contingency provision – insurance	229.5	244.3
Provision for long service payments	2.7	2.6
	4,205.0	4,183.8
<b>Net assets</b>	<b>10,792.2</b>	<b>10,971.7</b>
<b>Capital and reserves</b>		
Share capital	457.8	446.9
Reserves	10,334.4	10,524.8
<b>Total equity</b>	<b>10,792.2</b>	<b>10,971.7</b>

Notes:

## **1 Basis of preparation**

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from that interim financial report.

The 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 20 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

The Group has applied the Amendment to Hong Kong Financial Reporting Standard ("HKFRS") 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

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. There is no impact on the opening balance of equity at 1 January 2020.

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

## 2 Segment information

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

### 3 Revenue

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

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

### 4 Other income

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ 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
	<u>405.9</u>	<u>105.3</u>

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.



## 5 (Loss)/profit before taxation

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

### (a) Staff costs

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Defined benefit retirement plan expense	25.7	26.8
Contributions to defined contribution retirement plan	78.2	76.7
Movements in provision for long service payments	0.3	0.5
Equity-settled share-based payment expenses	-	0.3
Salaries, wages and other benefits	2,016.7	2,078.6
	<u>2,120.9</u>	<u>2,182.9</u>

### (b) Provision for toll exemption fund (note)

	<u>94.7</u>	<u>84.2</u>
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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 11), was HK\$292.8 million (31 December 2019: HK\$196.4 million).

## 6 Finance costs

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
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	<u>33.8</u>	<u>34.2</u>
Less: interest expense capitalised into investment property under development	<u>(16.2)</u>	<u>(19.6)</u>
	<u>17.6</u>	<u>14.6</u>

## 7 Income tax

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

- (a) *Dividend payable to equity shareholders of the Company attributable to the interim period:*

	Six months ended 30 June			
	2020		2019	
	Per share HK\$	HK\$ million	Per share HK\$	HK\$ 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 HK\$63.7 million was settled by the issuance of 3,196,601 shares at an issue price of HK\$19.93 per share under the scrip dividend scheme.

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

	Six months ended 30 June			
	2020		2019	
	Per share HK\$	HK\$ million	Per share HK\$	HK\$ 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 HK\$163.7 million was settled by the issuance of 10,879,685 shares at an issue price of HK\$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 HK\$199.6 million was settled by the issuance of 8,764,283 shares at an issue price of HK\$22.79 per share under the scrip dividend scheme.

## 9 (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 HK\$51.8 million (six months ended 30 June 2019: profit attributable to equity shareholders of the Company of HK\$302.0 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	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.

## 10 Accounts receivable

	<b>At 30 June 2020 HK\$ million</b>	At 31 December 2019 HK\$ 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 HK\$ million</b>	At 31 December 2019 HK\$ 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.

## 11 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 HK\$ million</b>	At 31 December 2019 HK\$ 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 5(b))	<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.

## 12 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 4.

## **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 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 Midtown 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

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:

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

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:

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

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.

## **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.

## **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 included in the interim report to be sent to shareholders.

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.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.tih.hk](http://www.tih.hk) and the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2020 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2020.

By Order of the Board

**Norman LEUNG Nai Pang**  
Chairman

Hong Kong, 20 August 2020

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:

Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)  
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)  
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*  
Professor LIU Pak Wai, *SBS, JP*  
Mr. TSANG Wai Hung, *GBS, PDSM, JP*

Non-executive Directors:

Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)  
Mr. NG Siu Chan (Ms. Winnie NG, *JP* as his alternate)  
Mr. Charles LUI Chung Yuen, *M.H.*  
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)  
Ms. Winnie NG, *JP*  
Mr. Allen FUNG Yuk Lun  
Dr. CHEUNG Wing Yui, *BBS*  
Mr. LEE Luen Fai, *JP*  
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

*\*For identification purpose only*