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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 2022

FINANCIAL HIGHLIGHTS

- The Group's unaudited loss attributable to equity shareholders of the Company for the six months ended 30 June 2022 was HK\$94.5 million (six months ended 30 June 2021: profit attributable to equity shareholders of HK\$20.2 million), representing an unfavourable variance of HK\$114.7 million compared with the corresponding period of 2021. Such unfavourable variance was mainly due to the outbreak of the fifth wave of coronavirus disease ("COVID-19").
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a loss after taxation of HK\$139.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: loss after taxation of HK\$36.9 million), representing a decline of HK\$102.2 million compared with the corresponding period of 2021. Such decline was primarily due to the significant drop in bus patronage as a result of the outbreak of the fifth wave of COVID-19.
- Loss per share for the six months ended 30 June 2022 was HK\$0.20 per share (six months ended 30 June 2021: earnings per share of HK\$0.04 per share).
- The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022 - UNAUDITED**

	Note	Six months ended 30 June	
		2022 HK\$ million	2021 HK\$ million
Revenue	2 & 3	2,946.7	3,408.8
Other income	4	359.6	135.1
Staff costs	5(a)	(1,973.2)	(2,043.1)
Depreciation		(543.0)	(501.4)
Fuel and oil		(342.7)	(358.8)
Spare parts		(98.9)	(104.6)
Toll charges		(126.2)	(134.7)
Other operating expenses	5(b)	(395.8)	(384.3)
(Loss)/profit from operations		(173.5)	17.0
Finance costs	6	(9.0)	(8.5)
Share of profits of associates		2.9	6.4
Share of profit of a joint venture		3.3	4.0
(Loss)/profit before taxation		(176.3)	18.9
Income tax credit	7	81.8	1.3
(Loss)/profit for the period		(94.5)	20.2
(Loss)/earnings per share - Basic and diluted	9	HK\$ (0.20)	HK\$ 0.04

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022 - UNAUDITED**

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
(Loss)/profit for the period	(94.5)	20.2
Other comprehensive income for the period (after tax and reclassification adjustments):		
<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	-	60.9
<i>Items that are or 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	(31.0)	4.3
- Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	(297.1)	(10.6)
- Share of other comprehensive income of an associate, net of nil tax	-	3.1
Other comprehensive income for the period	(328.1)	57.7
Total comprehensive income for the period	(422.6)	77.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022 - UNAUDITED

	Note	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Non-current assets			
Investment properties		92.2	95.4
Investment property under development		4,163.5	3,844.6
Interest in leasehold land		49.5	50.5
Other property, plant and equipment		7,799.7	7,985.6
		<u>12,104.9</u>	<u>11,976.1</u>
Intangible assets		465.2	419.7
Goodwill		84.1	84.1
Interest in associates		652.8	681.7
Interest in a joint venture		749.2	750.8
Other financial assets		1,454.9	1,353.7
Employee benefit assets		1,947.4	1,959.5
Deferred tax assets		0.9	0.5
		<u>17,459.4</u>	<u>17,226.1</u>
Current assets			
Spare parts		109.9	103.4
Accounts receivable	10	689.7	605.1
Other financial assets		337.9	741.1
Deposits and prepayments		104.7	26.9
Current tax recoverable		5.8	5.9
Restricted bank deposits		422.0	411.7
Bank deposits and cash		960.2	825.8
		<u>2,630.2</u>	<u>2,719.9</u>
Current liabilities			
Accounts payable and accruals	11	1,454.0	1,665.5
Contingency provision – insurance		90.0	93.8
Bank loans		799.2	994.0
Lease liabilities		4.2	3.5
Current tax payable		6.9	2.7
		<u>2,354.3</u>	<u>2,759.5</u>
Net current assets/(liabilities)		<u>275.9</u>	<u>(39.6)</u>
Total assets less current liabilities		<u>17,735.3</u>	<u>17,186.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022 - UNAUDITED

(continued)

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Non-current liabilities		
Bank loans	3,322.1	2,138.5
Lease liabilities	4.0	3.3
Deferred tax liabilities	1,100.7	1,187.5
Contingency provision – insurance	164.6	177.6
Provision for long service payments	3.9	0.9
	4,595.3	3,507.8
Net assets	13,140.0	13,678.7
Capital and reserves		
Share capital	474.9	465.4
Reserves	12,665.1	13,213.3
Total equity	13,140.0	13,678.7

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 2022 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 18 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue from external customers	2,832.0	3,287.0	25.4	23.8	89.3	98.0	2,946.7	3,408.8
Inter-segment revenue	0.4	3.9	2.7	2.7	1.4	1.8	4.5	8.4
Reportable segment revenue	2,832.4	3,290.9	28.1	26.5	90.7	99.8	2,951.2	3,417.2
Reportable segment (loss)/profit	(164.8)	(34.4)	26.6	23.4	3.3	0.0	(134.9)	(11.0)
As at 30 June/31 December								
Reportable segment assets	11,002.0	10,931.7	5,016.4	4,698.8	1,865.7	1,847.1	17,884.1	17,477.6
Reportable segment liabilities	4,684.1	4,382.0	2,116.6	1,758.5	95.2	83.0	6,895.9	6,223.5

Note: Results of all other segments arose mainly from the provision of non-franchised transport services and interest in associates. The share of profits of associates for the period amounted to HK\$2.9 million (six months ended 30 June 2021: share of profits of HK\$6.4 million).

3 Revenue

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Fare revenue from franchised public bus services	2,711.3	3,133.0
Revenue from non-franchised transport services	89.5	97.8
Licence fee income	97.0	125.5
Media sales revenue	21.3	28.0
Gross rentals from investment properties	27.6	24.5
	<u>2,946.7</u>	<u>3,408.8</u>

4 Other income

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Interest income	41.7	30.0
Claims received	5.8	13.9
Net miscellaneous business receipts	5.9	4.7
Net gain on disposal of other property, plant and equipment	2.3	6.0
Net loss on derecognition of investments in debt securities	-	(3.1)
Net foreign exchange gain	3.1	3.0
Government subsidies (note)	280.3	-
Drawdown from toll exemption fund (note 5(b))	-	49.4
Sundry income	20.5	31.2
	<u>359.6</u>	<u>135.1</u>

Note: This mainly represented subsidies from the Government of the Hong Kong Special Administrative Region (“HKSAR”) to relieve operating pressure on corporates, including franchised and non-franchised bus operators, as a result of the prolonged COVID-19.

5 (Loss)/profit before taxation

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

(a) Staff costs

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Defined benefit retirement plan expense	12.1	26.3
Contributions to defined contribution retirement plan	80.2	73.6
Movements in provision for long service payments	8.7	0.2
Equity-settled share-based payment expenses	0.7	2.4
Salaries, wages and other benefits	<u>1,872.6</u>	<u>1,941.9</u>
	1,974.3	2,044.4
Less: staff costs included in cost of mask production	<u>(1.1)</u>	<u>(1.3)</u>
	<u>1,973.2</u>	<u>2,043.1</u>
(b) Provision for toll exemption fund (note)	<u>61.8</u>	<u>77.2</u>

Note: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying tolls 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” which will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of 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 the Toll Exemption Fund of the Group as at 30 June 2022, included in accounts payable and accruals (note 11), was HK\$429.0 million (31 December 2021: HK\$417.3 million). The drawdown from the Toll Exemption Fund of HK\$49.4 million was recognised in the consolidated statement of profit or loss in 2021.

6 Finance costs

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Interest on bank loans	19.2	14.8
Interest on lease liabilities	0.1	0.1
Total interest expense on financial liabilities not at fair value through profit or loss	19.3	14.9
Less: interest expense capitalised	(10.3)	(6.4)
	<u>9.0</u>	<u>8.5</u>

7 Income tax

	Six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Current tax – Hong Kong Profits Tax		
Provision for the period	4.5	6.0
The People's Republic of China withholding tax		
	0.9	-
	<u>5.4</u>	<u>6.0</u>
Deferred tax		
Origination and reversal of temporary differences	(87.2)	(7.3)
Income tax credit	<u>(81.8)</u>	<u>(1.3)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, 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 2021.

8 Dividends

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

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

- (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			
	2022		2021	
	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	0.50	232.6	0.50	228.9

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2021 was paid on 30 June 2022, of which HK\$115.8 million was settled by the issuance of 9,470,661 shares at an issue price of HK\$12.23 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2020 was paid on 30 June 2021, of which HK\$119.5 million was settled by the issuance of 7,648,718 shares at an issue price of HK\$15.62 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\$94.5 million (six months ended 30 June 2021: profit attributable to equity shareholders of the Company of HK\$20.2 million) and the weighted average number of shares in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2022	2021
Issued ordinary shares at 1 January	465,469,414	457,820,696
Effect of shares issued in respect of scrip dividend	52,324	42,026
Weighted average number of ordinary shares at 30 June	465,521,738	457,862,722

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

The diluted (loss)/earnings per share for both the six months ended 30 June 2022 and 2021 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

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Trade and other receivables	671.1	584.1
Interest receivable	19.0	21.4
Less: loss allowance	<u>(0.4)</u>	<u>(0.4)</u>
	<u>689.7</u>	<u>605.1</u>

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:

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Current	46.5	62.7
Less than 1 month past due	107.3	60.3
1 to 3 months past due	37.8	52.1
More than 3 months past due	<u>79.0</u>	<u>89.4</u>
	<u>270.6</u>	<u>264.5</u>

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

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:

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Due within 1 month or on demand	146.9	190.0
Due after 1 month but within 3 months	0.4	8.8
Due after more than 3 months	1.3	1.3
Trade payables	148.6	200.1
Balance of toll exemption fund (note 5(b))	429.0	417.3
Other payables and accruals	871.5	1,043.2
Amount due to an associate	4.9	4.9
	<u>1,454.0</u>	<u>1,665.5</u>

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.

INTERIM RESULTS

The Group's unaudited loss attributable to equity shareholders of the Company for the six months ended 30 June 2022 was HK\$94.5 million, representing an unfavourable variance of HK\$114.7 million compared to the profit attributable to equity shareholders of HK\$20.2 million for the six months ended 30 June 2021. Such unfavourable variance was mainly due to the outbreak of the fifth wave of COVID-19. Loss per share for the six months ended 30 June 2022 was HK\$0.20 per share (six months ended 30 June 2021: earnings per share of HK\$0.04 per share), representing an unfavourable variance of HK\$0.24 per share compared with the corresponding period in 2021.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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\$139.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: loss after taxation of HK\$36.9 million), representing an unfavourable variance of HK\$102.2 million compared with the corresponding period in 2021.
- Fare revenue for the six months ended 30 June 2022 was HK\$2,572.3 million, a decrease of HK\$403.8 million or 13.6% compared with HK\$2,976.1 million for the corresponding period in 2021. The decrease was mainly due to the outbreak of the fifth wave of COVID-19, which resulted in a significant drop in bus patronage. Non-fare revenue for the six months ended 30 June 2022 decreased by HK\$32.3 million to HK\$117.5 million from HK\$149.8 million for the six months ended 30 June 2021. Government subsidies of HK\$236.6 million from various support schemes under the Anti-epidemic Fund were recorded in the first half of 2022.
- Total operating expenses for the six months ended 30 June 2022 amounted to HK\$3,182.9 million, a decrease of 1.7% compared with HK\$3,237.4 million for the corresponding period in 2021.
- As at 30 June 2022, KMB operated a total of 422 routes (31 December 2021: 423 routes) covering Kowloon, the New Territories and Hong Kong Island. 287 Bus-bus Interchange ("BBI") schemes covering 422 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 2022, a total of 118 Euro VI buses and 16 electric buses, all with the latest safety, environmental and design features, were added to the fleet. As at 30 June 2022, KMB operated 4,030 buses (31 December 2021: 4,013 buses), comprising 3,879 double-deck and 151 single-deck buses. In addition, a total of 208 Euro VI double-deck buses were awaiting licensing in the second half of 2022.

Long Win Bus Company Limited ("LWB")

- The loss after taxation of LWB for the six months ended 30 June 2022 was HK\$25.4 million, representing an unfavourable variance of HK\$28.1 million compared with profit after taxation of HK\$2.7 million for the six months ended 30 June 2021.
- Fare revenue for the six months ended 30 June 2022 decreased by HK\$17.9 million or 11.4% to HK\$139.4 million compared with HK\$157.3 million for the corresponding period in 2021. The decline was mainly due to the decrease in ridership as a result of the outbreak of the fifth wave of COVID-19.
- Total operating expenses for the six months ended 30 June 2022 amounted to HK\$203.9 million, a decrease of HK\$18.4 million or 8.3% compared with HK\$222.3 million for the corresponding period in 2021. The decrease was primarily due to the improvement in operating efficiencies.
- As at 30 June 2022, LWB had 44 BBI schemes covering 40 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 2022, LWB operated 40 regular routes with a fleet of 259 buses (31 December 2021: 256 buses), comprising 255 double-deck buses and 4 single-deck electric buses.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$2.7 million for the six months ended 30 June 2022 (six months ended 30 June 2021: profit after taxation of HK\$2.2 million). A review of the operations of the principal business units in this Division is set out as follows:

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

- The SBH Group is one of the leading non-franchised bus operators in Hong Kong, 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 six months ended 30 June 2022 decreased by 7.7% compared with the corresponding period in 2021. The decrease was mainly due to the decline in local business as a result of the outbreak of the fifth wave of COVID-19. Total operating expenses for the period under review increased by 12.2% compared with the first half of 2021 was mainly due to the increase in fuel cost as a result of the increase in international fuel price. The unfavourable variance was partly offset by government subsidies.
- As at 30 June 2022, the SBH Group had a fleet of 399 licensed buses (31 December 2021: 397 buses). During the first half of 2022, 2 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 in Hong Kong and Huanggang (皇崗) in Shenzhen.
- Huang Bus service has been suspended since 4 February 2020 as the immigration clearance service for passengers at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.
- As at 30 June 2022, NHKB had a fleet of 15 super-low floor single-deck buses, the same number as at 31 December 2021.

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$26.6 million for the six months ended 30 June 2022, representing an increase of HK\$3.2 million or 13.7% compared with HK\$23.4 million for the corresponding period in 2021. 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. 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 2022, 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\$69.9 million (31 December 2021: HK\$71.0 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 2022, the building was stated on the consolidated statement of financial position at cost less accumulated depreciation in the amount of HK\$21.1 million (31 December 2021: HK\$23.1 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\$4,436.0 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 two office towers have been topped out and the occupation permit is expected to be obtained by end of 2022.

- As at 30 June 2022, 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\$4,163.5 million (31 December 2021: HK\$3,844.6 million).

TM Properties Investment Limited (“TMPI”)

- TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“MOL”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to MOL on 29 December 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of the Group.
- TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI has applied to the relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. As at 30 June 2022, the entire lettable area of the property has been leased out to generate rental income for the Group.

China Mainland Transport Operations

As at 30 June 2022, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$652.8 million (31 December 2021: HK\$681.7 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 six months ended 30 June 2022, the Group’s China Mainland Transport Operations Division reported an after-tax profit of HK\$2.9 million compared to an after-tax profit of HK\$6.4 million for the corresponding period in 2021.

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. As at 30 June 2022, it had 4,673 taxis (including 4,111 electric taxis, which are operated by an associate) and 5,686 buses serving some 330 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 2022, BBKT had a fleet of 3,147 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 1,073 vehicles available for hire as at 30 June 2022.

FINANCIAL POSITION

Capital Expenditure

As at 30 June 2022, 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\$12,104.9 million (31 December 2021: HK\$11,976.1 million), none of which was pledged or charged.

During the six months ended 30 June 2022, the Group incurred capital expenditure of HK\$668.7 million (six months ended 30 June 2021: HK\$978.4 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 2022, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$2,739.1 million (31 December 2021: HK\$1,895.0 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 2022</i>				
Hong Kong dollars		1,021.1	(4,121.3)	(3,100.2)
United States dollars	44.6	349.7	-	349.7
Other currencies		11.4	-	11.4
Total		<u>1,382.2</u>	<u>(4,121.3)</u>	<u>(2,739.1)</u>
<i>At 31 December 2021</i>				
Hong Kong dollars		1,004.7	(3,132.5)	(2,127.8)
United States dollars	29.0	226.3	-	226.3
Other currencies		6.5	-	6.5
Total		<u>1,237.5</u>	<u>(3,132.5)</u>	<u>(1,895.0)</u>

As at 30 June 2022, bank loans, all unsecured, amounted to HK\$4,121.3 million (31 December 2021: HK\$3,132.5 million). The maturity profile of the bank loans of the Group is set out below:

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Within 1 year	799.2	994.0
After 1 year but within 2 years	674.7	1,173.4
After 2 years but within 5 years	2,647.4	965.1
	<u>4,121.3</u>	<u>3,132.5</u>

As at 30 June 2022, the Group had undrawn banking facilities totalling HK\$865.0 million (31 December 2021: HK\$1,555.0 million).

The finance costs incurred by the Group for the six months ended 30 June 2022 were HK\$9.0 million, an increase of HK\$0.5 million compared with HK\$8.5 million for the six months ended 30 June 2021. The increase was mainly due to the increase in average bank

borrowings but was partly offset by the decrease in average interest rate in respect of the Group's borrowings from 0.97% per annum for the six months ended 30 June 2021 to 0.89% per annum for the six months ended 30 June 2022.

As at 30 June 2022, the Group's cash and deposits at banks (mainly denominated in Hong Kong dollars and United States dollars) amounted to HK\$1,382.2 million (31 December 2021: HK\$1,237.5 million).

FUNDING AND TREASURY POLICIES

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

The impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be 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. It is expected that the fuel price will continue to be volatile as a result of the Russia-Ukraine crisis. The management will continue to closely monitor fuel price movements and constantly review its strategy in respect of 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.

In view of the volatile financial markets and the prospect of interest rate hikes, the Group will continue to closely monitor the market conditions and devise 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 2022, 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 2022 amounted to HK\$1,251.4 million (31 December 2021: HK\$1,605.2 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 six months ended 30 June 2022, total remuneration excluding retirement costs and equity-settled share-based payment expenses amounted to HK\$1,872.6 million (six months ended 30 June 2021: HK\$1,941.9 million), accounting for about 54% 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 2022, the Group employed over 13,000 staff (31 December 2021: over 13,000 staff).

OUTLOOK

The bus patronage has yet to fully recover amid the unstable COVID-19 epidemic situation. In addition, the commencement of MTR Tuen Ma Line and Shatin to Central Link has caused some KMB routes to overlap with the railway, leading to a sharp drop in the passenger number. The soaring oil price has also caused the operational cost to increase dramatically and is a huge challenge to the Group's operation.

Under this challenging operating environment, the Group seizes every development opportunity by providing services in areas with no railway coverage, including new development areas and places with transitional housing to expand our service coverage. The inclusion of the Greater Bay Area also brings an enormous cross-border demand. KMB will strengthen its cooperation with Shenzhen Bus Group Company Limited to grasp new business opportunities.

The Group has laid out a clear roadmap for "zero-emission" to fulfil its commitment to environmental protection. KMB has purchased 52 double-deck electric buses. Together with single-deck electric buses put into service this year, over 80 electric buses of KMB and LWB will be put in service as early as late 2022, while one-eighth of the fleet will be electrified as soon as 2025. KMB has planned to build two new bus depots for electric buses that could substantially support the upgrading of a quarter of the fleet to electric buses. At the same time, the Group has also been installing solar photovoltaic panels since last year and targets to install 30,000 panels on bus depots, bus stops and bus roofs to promote the application of renewable energy by the end of 2023.

Safety has always been the Group's top priority. The establishment of the KMB Academy early this year has set new standards of professionalism and safety for Hong Kong's bus industry. With the motto "Mission Safety • Act with Self-discipline", the Academy is the first organisation providing bus captains and maintenance workers with professional training courses accredited under the Qualification Framework in Hong Kong. In addition, the Academy has also provided internship programmes for college students. Students of various

disciplines from local universities are able to join the short-term career-oriented courses and workshops with internship opportunities offered by the Academy this summer.

The Group is pleased to announce that the Government has granted a new ten-year bus franchise to LWB effective from 1 May 2023. LWB will continue to provide quality services to the public. The KMB Monthly Pass will be applicable to LWB routes under the new franchise to show the synergy of both franchised bus companies.

The COVID-19 pandemic has also brought impacts to the SBH Group, NHKB and even the Group's China Mainland Transport Operations. The Group is expecting that border control measures will be eased and patronage will recover when the epidemic situation in Hong Kong and Mainland China is defused.

The project in Kwun Tong is expected to be completed next year. Preliminary marketing of the two grade-A office towers at the site has commenced while a premium mall of over 500,000 square feet is expected to be launched in 2024 to provide a steady return for our shareholders. The Group had decided to redevelop the properties in Tuen Mun last year, which will create a long-term and continuous income through leasing office and retail spaces. The Group will continue to seek new recurrent income sources as its business strategy.

In the challenging operating environment, the Group relies on the professionalism and unity of staff members. We express our heartfelt gratitude for our employees' strong commitment. We also sincerely thank every passenger who chooses our bus service.

ISSUE OF SHARES

On 30 June 2022, the Company issued 9,470,661 shares in lieu of the final dividend for the year ended 31 December 2021 at an issue price of HK\$12.23 per share under the scrip dividend scheme as set out in the circular of the Company dated 2 June 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Except for the aforesaid issue of shares on 30 June 2022, 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 2022, except that two Directors of the Company were unable to attend the Annual General Meeting of the Company held on 19 May 2022 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 2022 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 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.tih.hk and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The 2022 interim report will be available at the Company's website and despatched to shareholders of the Company in mid-September 2022.

By Order of the Board

Norman LEUNG Nai Pang
Chairman

Hong Kong, 18 August 2022

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, *BBS, JP*
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

**For identification purpose only*