

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the Board is included on page 16.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The same accounting policies adopted in the accountants’ report as disclosed in the prospectus of the Company dated 19 June 2001 (“Prospectus”) have been applied to the interim financial report.

The Company was listed on the Main Board of the Stock Exchange on 28 June 2001. The Company was incorporated on 8 December 2000 and on 1 April 2001 the Company became the holding company of the Group pursuant to a group reorganisation (“Reorganisation”). Details of the Reorganisation are set out in the Prospectus. The Group resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the Reorganisation has been accounted for on the basis of merger accounting. The interim financial report has been prepared as if the current group structure had been in existence throughout the six month periods ended 30 June 2000 and 2001, rather than from the date on which the Reorganisation was completed. The consolidated balance sheet at 31 December 2000 is a combination of the balance sheets of the Company and its subsidiaries at 31 December 2000. The net difference between the value recorded for the shares issued and the nominal value of the issued share capital received in exchange is transferred to contributed surplus. Directors are of the opinion that the interim financial report prepared on this basis presents fairly the results of operations and the state of affairs of the Group as a whole.

### 2. Segmental information

The Company acts as an investment holding company and the Group is principally engaged in out-of-home media sales for marketing advertising spaces on the exterior and interior of transit vehicles and engaged in a merchandising business of selling commemorative items in Hong Kong.

The analysis of the principal activities of the operations of the Company and its subsidiaries during the financial period are as follows:

|                                      | Group turnover           |               | Contribution to profit from operations |               |
|--------------------------------------|--------------------------|---------------|--|---------------|
|                                      | Six months ended 30 June | 2000          | Six months ended 30 June               | 2000          |
|                                      | 2001                     | 2000          | 2001                                   | 2000          |
|                                      | \$'000                   | \$'000        | \$'000                                 | \$'000        |
| Multi-media on-board business        | 69,293                   | 3,840         | 47,275                                 | 3,368         |
| Transit network media sales business | 21,064                   | 10,719        | 13,058                                 | 8,281         |
| Merchandising business               | 4,374                    | 3,252         | 1,678                                  | 1,355         |
|                                      | <u>94,731</u>            | <u>17,811</u> | <u>62,011</u>                          | <u>13,004</u> |
| Other group income/(expenses)        |                          |               | 2,535                                  | (456)         |
|                                      |                          |               | <u>64,546</u>                          | <u>12,548</u> |

The Group’s turnover and operating profit are almost entirely derived from Hong Kong. Accordingly, no analysis by geographical segment is provided.

### 3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

|  | Six months ended 30 June |        |
|--|--------------------------|--------|
|  | 2001                     | 2000   |
|  | \$'000                   | \$'000 |
| Production cost                          | 4,540                    | —      |
| Retirement costs included in staff costs | 540                      | 135    |
| Auditors' remuneration                   | 168                      | 11     |
| Operating lease charges                  | 636                      | 168    |

### 4. Taxation

Taxation in the consolidated profit and loss account represents:

|                                     | Six months ended 30 June |        |
|-------------------------------------|--------------------------|--------|
|                                     | 2001                     | 2000   |
|                                     | \$'000                   | \$'000 |
| Provision for Hong Kong Profits Tax | 5,290                    | 1,918  |

The provision for Hong Kong Profits Tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for each period.

Deferred tax has not been provided as timing differences are not likely to reverse in the foreseeable future.

### 5. Dividend

As originally planned, the Board do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

### 6. Earnings per share

#### (i) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of \$55,730,000 for the six months ended 30 June 2001 (2000: \$10,630,000) and the 960,000,000 shares in issue during the period (2000: 960,000,000 shares), being the shares that would have been in issue throughout the period on the assumption that the Reorganisation as set out in the section headed "Corporate Reorganisation" in Appendix 6 of the Prospectus were completed at 1 January 2000.

#### (ii) Diluted earnings per share

The diluted earnings per share is based on the profit attributable to ordinary shareholders of \$55,730,000 (2000: \$10,630,000), assuming that all the outstanding share options had been exercised at the beginning of the period or at the date of grant of the options, if later and the weighted average number of 960,790,000 (2000: 960,000,000) shares issued and issuable. There were no dilutive potential ordinary shares in existence during 2000.

**7. Fixed assets**

|                            | At 30 June 2001    |                          |                | At 31 December 2000 |                          |                |
|----------------------------|--------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
|                            | <i>(unaudited)</i> |                          |                | <i>(audited)</i>    |                          |                |
|                            | Cost               | Accumulated depreciation | Net book value | Cost                | Accumulated depreciation | Net book value |
| <i>\$'000</i>              | <i>\$'000</i>      | <i>\$'000</i>            | <i>\$'000</i>  | <i>\$'000</i>       | <i>\$'000</i>            |                |
| Audio and visual equipment | 110,056            | (5,975)                  | 104,081        | 6,471               | (218)                    | 6,253          |
| Furniture and fixtures     | 376                | (26)                     | 350            | 209                 | (4)                      | 205            |
|                            | <u>110,432</u>     | <u>(6,001)</u>           | <u>104,431</u> | <u>6,680</u>        | <u>(222)</u>             | <u>6,458</u>   |

**8. Inventories**

Inventories, comprising of finished goods of bus models, are carried at cost.

**9. Amounts due from/to ultimate holding company**

The amounts are unsecured, interest-free, repayable on demand and represent normal trade receivables and payables.

**10. Accounts receivable**

Details of the ageing analysis of accounts receivable are as follows:

|                      | At 30 June 2001    | At 31 December 2000 |
|----------------------|--------------------|---------------------|
|                      | <i>(unaudited)</i> | <i>(audited)</i>    |
|                      | <i>\$'000</i>      | <i>\$'000</i>       |
| Current              | 16,876             | 12,076              |
| One to two months    | 23,100             | 2,015               |
| Two to three months  | 12,325             | 395                 |
| Three to six months  | 13,914             | 417                 |
| More than six months | 6,969              | 432                 |
|                      | <u>73,184</u>      | <u>15,335</u>       |

Customers of media sales business are generally granted with credit terms of 90 days. Customers of merchandising business either pay cash or are generally granted with credit terms of 30-90 days.

### 11. Cash and cash equivalents

|                          | <u>At 30 June 2001</u> | <u>At 31 December 2000</u> |
|--------------------------|------------------------|----------------------------|
|                          | <i>(unaudited)</i>     | <i>(audited)</i>           |
|                          | <u>\$'000</u>          | <u>\$'000</u>              |
| Deposits with banks      | 499,356                | 16,200                     |
| Cash at bank and in hand | 5,952                  | 917                        |
|                          | <u>505,308</u>         | <u>17,117</u>              |

### 12. Accounts payable

Details of the ageing analysis of accounts payable are as follows:

|         | <u>At 30 June 2001</u> | <u>At 31 December 2000</u> |
|---------|------------------------|----------------------------|
|         | <i>(unaudited)</i>     | <i>(audited)</i>           |
|         | <u>\$'000</u>          | <u>\$'000</u>              |
| Current | 3,851                  | 1,911                      |

### 13. Share capital

Issued and fully paid (\$0.10 each)

|   | <u>No. of shares</u> | <u>\$'000</u> |
|---|----------------------|---------------|
| At 1 January 2001                       | —                    | —             |
| Shares issued to KMB Holdings           | 97,000,000           | 9,700         |
| Shares issued under the Reorganisation  | 623,000,000          | 62,300        |
| Shares issued under the Global Offering | 240,000,000          | 24,000        |
|   | <u>960,000,000</u>   | <u>96,000</u> |

On 18 July 2001, the underwriters of the Global Offering exercised the over-allotment option for the issuance of 21,694,000 ordinary shares of the Company at \$2.25 per share in accordance with the International Placing Agreement entered into by it, the Company and others on 18 June 2001.

#### 14. Reserves

|                                      | <u>Share premium</u> | <u>Contributed surplus</u> | <u>Retained profits</u> | <u>Total</u>   |
|--------------------------------------|----------------------|----------------------------|-------------------------|----------------|
|                                      | \$'000               | \$'000                     | \$'000                  | \$'000         |
| At 1 January 2001                    | —                    | —                          | 57,036                  | 57,036         |
| Reorganisation adjustment            | —                    | (200)                      | (38,789)                | (38,989)       |
| Profit attributable to shareholders  | —                    | —                          | 55,730                  | 55,730         |
| Capital contribution by KMB Holdings | 85,500               | —                          | —                       | 85,500         |
| Proceeds from Global Offering        | 516,000              | —                          | —                       | 516,000        |
| Capitalisation issue                 | (62,300)             | —                          | —                       | (62,300)       |
| Global Offering expenses             | (52,587)             | —                          | —                       | (52,587)       |
|                                      | <u>486,613</u>       | <u>(200)</u>               | <u>73,977</u>           | <u>560,390</u> |

#### 15. Commitments

##### (a) Capital commitments

At 30 June 2001, the Group had the following capital commitments in relation to the purchase of visual equipment not provided for:

|                                   | <u>At 30 June 2001</u> | <u>At 31 December 2000</u> |
|-----------------------------------|------------------------|----------------------------|
|                                   | <i>(unaudited)</i>     | <i>(audited)</i>           |
|                                   | \$'000                 | \$'000                     |
| Contracted for                    | 107                    | 100,378                    |
| Authorised but not contracted for | <u>34,192</u>          | <u>—</u>                   |

##### (b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating lease are payable as follows:

|               | <u>At 30 June 2001</u> | <u>At 31 December 2000</u> |
|---------------|------------------------|----------------------------|
|               | <i>(unaudited)</i>     | <i>(audited)</i>           |
|               | \$'000                 | \$'000                     |
| Within 1 year | <u>636</u>             | <u>—</u>                   |

#### 16. Contingent liabilities

The Group did not have any significant contingent liabilities at 30 June 2001.

## 17. Material related party transactions

The Group is part of a larger group of companies under The Kowloon Motor Bus Holdings Limited ("KMB Holdings") and has significant transactions and relationships with members of the KMB Holdings Group. Related parties refer to enterprises over which KMB Holdings is able to exercise significant influence.

In connection with the Reorganisation, the Company and the KMB Holdings Group entered into a number of agreements under which the Group will provide media sales management services to the KMB Holdings Group, and the KMB Holdings Group will grant exclusive rights to the Group to carry out certain businesses. For the purposes of this report, the Group's consolidated profit and loss account and cash flow statements for the period and the Group's consolidated balance sheets at 30 June 2001 and 31 December 2000 have been prepared on the basis that these agreements have been in effect during the relevant period.

The principal recurring related party transactions with the KMB Holdings Group during the period, which were carried out in the ordinary course of business, are as follows:

|  | Note  | Six months ended 30 June |        |
|--|-------|--------------------------|--------|
|  |       | 2001                     | 2000   |
|  |       | \$'000                   | \$'000 |
| Management and administration fee income   | (i)   | 11,089                   | 8,189  |
| Licence and royalty fees paid for the right to sell advertising spaces on transit vehicle exteriors and shelters | (ii)  | 2,490                    | 1,331  |
| Rental expenses  | (iii) | 636                      | 168    |
| Management fee expense paid to the KMB Holdings Group  | (iv)  | —                        | 28     |
| Profit attributable to minority interests held by the KMB Holdings Group   | (v)   | 908                      | —      |

- (i) Fee income was earned for the provision of media sales management and administrative services to the KMB Holdings Group.
- (ii) Licence and royalty fees were paid for selling advertising spaces on certain transit vehicle exteriors and certain transit vehicle shelters owned by the KMB Holdings Group.
- (iii) The Group paid rental expense to the KMB Holdings Group for leasing properties, computer equipment and software system, furniture and fixtures.
- (iv) Management fee expense for office and administration services provided by the KMB Holdings Group is charged based on either the cost of providing such services or a percentage of the annual turnover of the Group.
- (v) The amount represents the KMB Holdings Group's share of equity interests in an equity joint venture of the Group.

Pursuant to an agreement entered into between KMB Holdings and RoadShow Creations Limited ("RoadShow Creations"), a wholly-owned subsidiary of the Company, RoadShow Creations will pay in terms of bus models in lieu of cash for the right granted by the KMB Holdings Group to use the intellectual property for the Group's merchandising business or as agreed by both parties.

## 18. Subsequent events

On 18 July 2001, the underwriters of the Global Offering exercised the over-allotment option for the issuance of 21,694,000 ordinary shares of the Company at \$2.25 per share in accordance with the International Placing Agreement entered into by it, the Company and others on 18 June 2001. The net proceeds from the issuance of 21,694,000 ordinary share amounted to \$47,591,000.

## 19. Ultimate holding company

The Directors consider the ultimate holding company at 30 June 2001 to be KMB Holdings, which is incorporated in Bermuda and listed in Hong Kong.