

CONTENTS

INTERIM REVIEW

Interim Results	2
Interim Dividend	2
Review of Operations and Results	2
Financial Liquidity and Resources	7
Funding and Treasury Policies	8
Contingent Liabilities	9
Employees and Remuneration Policies	9
Outlook	9
Supplementary Information	10

INTERIM FINANCIAL REPORT

Condensed Consolidated Income Statement	16
Condensed Consolidated Balance Sheet	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Cash Flow Statement	20
Notes on the Unaudited Interim Financial Report	21
Independent Review Report to the Board of Directors	31

CORPORATE DIRECTORY	32
---------------------	----

INTERIM RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2003 was HK\$231.5 million. This represents a decrease of 57.5% compared with HK\$544.3 million (restated) for the same period in 2002. Earnings per share for the period amounted to HK\$0.57 compared with HK\$1.35 (restated) for the same period in 2002.

During the period under review, the Group's franchised public bus operations were adversely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in March 2003, resulting in an abrupt decline in ridership that persisted throughout most of the second quarter of the year, and by the loss of passengers to the Mass Transit Railway ("MTR") Tseung Kwan O Extension since August 2002. Our non-franchised transport business and media sales business were also impaired as a result of the subdued local economy and consumer spending.

The Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants with effect from 1 January 2002. In compliance with the SSAP 12, the Group provided for deferred tax in the amount of HK\$71.6 million during the period under review, of which HK\$61.4 million was due to the increase in corporate profits tax rate from 16% to 17.5% for the fiscal year 2003/04. Such deferred tax is of a non-cash nature.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.45 per share (2002: HK\$0.45 per share), totalling HK\$181.6 million (2002: HK\$181.6 million), for the six months ended 30 June 2003. This interim dividend will be paid on 15 October 2003 to the shareholders who are on the Register of Members at the close of business on 8 October 2003. The Register will be closed from 6 October 2003 to 8 October 2003, both dates inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 3 October 2003.

REVIEW OF OPERATIONS AND RESULTS

Franchised Public Bus Operations

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

- Profit after taxation for the six months ended 30 June 2003 amounted to HK\$249.7 million (2002 restated: HK\$477.3 million), representing a decrease of 47.7% as compared with that of the same period in 2002.
- In the first half of 2003, fare revenue and patronage amounted to HK\$2,856.3 million (2002: HK\$3,118.7 million) and 513.4 million passenger trips (2002: 568.6 million passenger trips) respectively. These represent decreases of 8.4% and 9.7% respectively compared with the corresponding period in 2002. Such decreases were mainly attributable to the impact of SARS and the reduction in KMB's patronage of around 100,000 passenger trips per day due to the opening of the MTR Tseung Kwan O Extension since August 2002. To illustrate the adverse impact of SARS, KMB's monthly patronage for January and February 2003 was respectively 1.8% and 2.7% less than that for the same month in 2002, whilst the monthly patronage for March to June 2003 was respectively 7.1%, 24.1%, 13.4% and 8.9% less than that for the corresponding month in 2002. However, the decline in patronage and fare revenue was slightly mitigated by the introduction of new bus routes and more air-conditioned buses, improvement of frequencies on certain bus routes, enhanced marketing and promotional efforts, and natural population growth.

Advertising revenue for the first half of 2003 amounted to HK\$37.9 million. This represents an increase of 8.3% when compared to HK\$35.0 million recorded in the same period in 2002. The increase was primarily due to the increase of the licence fee payment recovered from a third party advertising agent.

- During the period under review, bus operating costs slightly decreased by about 1.0% compared with the same period in 2002. Such decrease was due mainly to the implementation of more stringent cost control measures and the lower activity level during the SARS period. The decrease was, however, offset by the increase in depreciation, fuel costs and toll charges over the same period last year.
- KMB operated a total of 408 routes at the end of June 2003, compared with 405 at the end of 2002. During the period under review, five new routes were introduced. Two of these new routes provide overnight services that tie in with the round-the-clock cross-boundary arrangement at the Lok Ma Chau and Huanggang check-points. Another two routes provide cross-harbour services to meet overnight and recreational demand respectively. A special route was brought into operation in April 2003 to facilitate medical staff commuting between Princess Margaret Hospital and their temporary quarters at Tin Shui Wai (Tin Yan).

At the end of June 2003, there were 42 Octopus Bus-Bus Interchange Schemes covering over 200 bus routes. All the bus-bus interchange schemes introduced have been well received by our customers. KMB continues to explore the possibility of introducing more bus-bus interchange packages in other busy areas. Certain packages under consideration may involve co-operation with railway companies and other franchised bus operators.

- An additional 83 new air-conditioned double-deck buses were licensed during the period. At 30 June 2003, KMB had a fleet of 4,345 licensed buses, comprising 4,108 double-deckers and 237 single-deckers, of which a total of 3,403 or 78% were air-conditioned. In addition, there were 117 buses under construction and 110 buses on order.

Long Win Bus Company Limited ("LWB")

- LWB recorded a loss of HK\$4.4 million for the first half of 2003 compared with a profit of HK\$0.4 million (restated) for the same period last year.
- The total patronage of LWB for the first six months of 2003 amounted to 8.9 million passenger trips (or a daily average of 49,299), representing a decrease of 9.2% compared with the same period last year. The decrease was mainly due to the outbreak of SARS, which resulted in a substantial drop in the number of tourists travelling to and from Hong Kong. To illustrate the adverse impact of SARS, LWB's monthly patronage for January and February 2003 was respectively 4.6% and 2.9% more than that for the same month in 2002, whilst the monthly patronage for March to June 2003 was respectively 3.2%, 18.9%, 21.4% and 16.6% less than that for the corresponding month last year.
- LWB's advertising revenue decreased slightly to HK\$0.8 million for the first half of 2003, compared to HK\$0.9 million for the same period in 2002.
- LWB operated a total of 15 routes at 30 June 2003, same as at the end of 2002.
- As at 30 June 2003, LWB had 136 air-conditioned double-deck buses and nine air-conditioned single-deck buses.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division recorded a turnover of HK\$109.5 million (2002: HK\$83.0 million) and a profit after taxation of HK\$6.4 million (2002 restated: HK\$6.6 million) for the first half of 2003. The increase in turnover was mainly attributed to the full period operation of Park Island Transport Company Limited, which provided shuttle bus and ferry services for Ma Wan Island starting from December 2002. The weakened results were mainly attributable to the impact of SARS on the local non-franchised transport market. The decline in profit was, however, partly mitigated by the additional income generated from the shuttle bus and ferry service for Ma Wan Island and the patronage growth in the cross-boundary shuttle bus service. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited ("SBH")

- The turnover of the SBH Group decreased by 25.3% as compared to the same period in 2002. This was due mainly to the significant loss in patronage of student and local charter hire customers during the period of the SARS outbreak.
- By providing quality bus services tailored for target customers' needs, the SBH Group aims to maintain its leading position in Hong Kong's non-franchised bus sector. During the period, the SBH Group increased its fleet size from 207 buses at 31 December 2002 to 216 buses at 30 June 2003.
- The SBH Group's various strategic business units, with Sun Bus Limited as the flagship, provide bus services to different client groups ranging from residential and commercial ones to employees and students. The SBH Group will continue to improve its service quality and further leverage on its enhanced economies of scale.

New Hong Kong Bus Company Limited ("NHKB")

- NHKB jointly operates a cross-boundary shuttle bus service with its Shenzhen counterpart serving regular commuters and holiday travellers between Lok Ma Chau and Huanggang. Following the commencement of the round-the-clock cross-boundary arrangements at Lok Ma Chau and Huanggang check-points, NHKB has been providing 24-hour shuttle bus services since 27 January 2003. Despite the adverse impact of SARS, the average monthly ridership increased to 892,800 passenger trips for the first six months of 2003 from 637,800 passenger trips for the same period last year. As at 30 June 2003, five additional new buses were ordered by NHKB to meet the growth in travel demand.

Park Island Transport Company Limited ("PITC")

- PITC, a 65% owned subsidiary of the Company, commenced its shuttle bus and ferry services for Ma Wan Island in December 2002. A total of seven air-conditioned buses and six high-speed catamarans have been deployed to provide high quality services for the residents and visitors of Park Island, a prestige development on Ma Wan Island. PITC's patronage increased from an initial daily average of 4,900 passenger trips in December 2002 to 11,500 passenger trips in June 2003. It is expected that the patronage will further increase with the population intake into Park Island in the second half of 2003. At 30 June 2003, two new catamarans were on order and will be deployed to service in late 2003 to replace two of the six currently in service. Six new air-conditioned buses will also be deployed to service in late 2003 to augment the existing fleet.

Media Sales Business

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

- The RoadShow Group markets advertising aimed at passengers of transit vehicles through a proprietary Multi-media On-board ("MMOB") system, manages and markets display advertising spaces on bus shelters, billboards, panel light boxes, bus bodies and telephone booths. It has become a leading out-of-home media sales company in Hong Kong since its establishment in 2001.
- For the first half of 2003, the RoadShow Group reported a total operating revenue of HK\$71.6 million (2002: HK\$120.5 million) and loss attributable to shareholders of HK\$26.2 million (2002 restated: profit of HK\$61.4 million). These represent decreases of approximately 40.6% and 142.7% compared with the first half of 2002 respectively.
- Further information relating to the RoadShow Group is available in its 2003 interim report.

Mainland Transport Operations

Dalian, Tianjin and Beijing Operations

- At 30 June 2003, the Group's total interest in associates and jointly controlled entity on the Mainland transport operations totalled HK\$77.8 million (31 December 2002: HK\$5.7 million). Such investments are related to passenger bus services in Dalian and Tianjin and taxi and car rental services in Beijing. They continued to make steady progress during the period under review.
- The co-operative joint venture ("CJV") in Dalian was established in 1997 between a 60% owned subsidiary of the Company and Dalian City No.1 Bus Company in Liaoning Province. This CJV operates three routes deploying 46 double-deck and 30 single-deck buses.
- The CJV in Tianjin was formed at the end of 2000 between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company Limited. This CJV has been providing public bus services since January 2001, deploying 110 single-deck buses on seven routes.
- In March 2003, Beijing Beiqi Kowloon Taxi Company Limited, an equity joint venture company ("EJV"), was established in Beijing by a wholly-owned subsidiary of the Company, together with Beijing Beiqi Municipal Taxi Group Co. Limited, Beijing Bashi Co., Ltd. and certain Mainland investors. The EJV is principally engaged in taxi hire and car rental businesses in Beijing and it owned about 4,000 vehicles at the end of June 2003. The Group's investment cost was HK\$75.5 million, representing approximately 31% of the equity interest of the EJV.

Property Development

- The redevelopment of the former Lai Chi Kok depot site continued in the first half of 2003. The site will be redeveloped into a residential and commercial complex with a total gross floor area of about one million square feet and a retail podium area of about 50,000 square feet. It is intended that four high-rise residential blocks will be constructed with about 1,300 residential units for sale and/or letting. Piling work is currently in progress and has been scheduled for completion by September 2003. It is expected that the development will be completed by June 2006. We shall closely monitor the property market conditions with a view to drawing up an appropriate timetable for marketing the property.
- On 17 July 2003, Lai Chi Kok Properties Investment Limited (“LCKPI”), a wholly-owned subsidiary of the Company, entered into contracts with Chun Fai Construction Company Limited (“Chun Fai”) as the management contractor to construct and complete the sub-structure and super-structure of the above-mentioned development, Sun Hung Kai Real Estate Agency Limited (“SHKRE”) for the provision of exclusive sales and letting agency services, and Hong Yip Service Company Limited (“Hong Yip”) for the provision of property management services. All the three companies engaged by LCKPI are subsidiaries of Sun Hung Kai Properties Limited, a substantial shareholder of the Company. In particular, the contract entered into between LCKPI and Chun Fai was subject to the approval of the Company’s independent shareholders, as required under the Listing Rules. Shareholders’ approval for such transaction was obtained on 26 August 2003 at a Special General Meeting of the Company convened for the aforesaid purpose. The other two contracts entered into with SHKRE and Hong Yip are regarded as ongoing connected transactions under the Listing Rules and are subject to certain disclosure requirements.
- The total construction cost of the foregoing property development is estimated to be not more than HK\$1.4 billion, which will be financed by the Group’s working capital and bank loans.

FINANCIAL LIQUIDITY AND RESOURCES

The Group's policy is to maintain a healthy financial position such that cash inflow from operating activities together with undrawn committed banking facilities should meet the requirements for loan repayments and capital expenditures. Furthermore, a sufficient amount of cash is maintained to meet proposed service expansions and development of new businesses. The Group has been financed mainly by shareholders' funds and bank loans and overdrafts.

- The gearing ratio, representing the ratio of net borrowings to the total share capital and reserves of the Group, was 34% as at 30 June 2003 (31 December 2002: 15%).
- At 30 June 2003, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,404.0 million, representing an increase of HK\$714.5 million as compared with the net borrowings of HK\$689.5 million at 31 December 2002. An analysis of the Group's net borrowings by currency at 30 June 2003 is shown below:

Currency	At 30 June 2003		At 31 December 2002	
	Net borrowings/ (cash) in foreign currency million	Net borrowings/ (cash) HK\$ million	Net borrowings/ (cash) in foreign currency million	Net borrowings/ (cash) HK\$ million
Hong Kong Dollar		1,681.3		993.9
United States Dollar	(31.1)	(242.7)	(28.3)	(221.2)
British Pound Sterling	(1.3)	(17.3)	(6.7)	(83.2)
Renminbi	(18.3)	(17.3)	—	—
Total		1,404.0		689.5

- Bank loans and overdrafts at 30 June 2003 amounted to HK\$2,461.7 million (31 December 2002: HK\$2,268.0 million), of which HK\$100.0 million (31 December 2002: HK\$100.0 million) were secured by a fixed deposit placed with a bank. The maturity profile of the bank loans and overdrafts of the Group is as follows:

	At 30 June 2003 HK\$ million	At 31 December 2002 HK\$ million
Within 1 year or on demand	612.6	438.3
After 1 year but within 2 years	258.9	277.1
After 2 years but within 5 years	1,127.7	1,140.1
After 5 years	462.5	412.5
	1,849.1	1,829.7
Total	2,461.7	2,268.0

- At 30 June 2003, the Group had stand-by banking facilities totalling HK\$1,721.0 million (31 December 2002: HK\$549.5 million).
- The finance charges for the period under review amounted to HK\$21.4 million (2002: HK\$28.6 million). This represents an average interest rate of 1.7% per annum for the first half of 2003, down from 2.6% per annum for the same period last year.
- Interest cover for the period under review, representing the ratio of profit from ordinary activities before tax to net finance charges, was 40.4 times (2002 restated: 94.2 times).
- At 30 June 2003, the Group's cash and deposits at banks (mainly denominated in Hong Kong Dollars, US Dollars, British Pound Sterling and Renminbi) amounted to HK\$1,086.4 million (31 December 2002: HK\$1,595.2 million).

FUNDING AND TREASURY POLICIES

- Certain major operating companies of the Group such as KMB, LWB, the RoadShow Group, PITC and LCKPI arrange their own financing to meet specific requirements. Financing for the other subsidiaries of the Group has been mainly provided by the Company or their own capital base. Stand-by credit facilities and overdrafts have been maintained to facilitate routine treasury operations.
- The Group's major revenue sources have been fare revenue from the franchised bus services, revenue from non-franchised transport operations and the media sales business, mainly denominated in Hong Kong Dollars. Financing in Hong Kong Dollars has provided a natural currency hedge to the Group. At 30 June 2003, the Group's total borrowings were substantially denominated in Hong Kong Dollars and on a floating interest rate basis. This had enabled the Group to take full advantage of the low interest rates during the first half of 2003. However, it is the Group's policy to review its interest rate hedging strategy in light of prevailing market conditions from time to time.
- Foreign currency exposure did not pose significant risk for the Group as the levels of foreign currency assets and liabilities were relatively low compared to its total asset base at the end of the period under review. Certain expenditures such as purchase of new buses and motor vehicle components require payments by the Group in foreign currencies. It has been the Group's policy to closely monitor its exposure to foreign exchange movements in formulating its hedging strategy on an ongoing basis.
- Commitments outstanding and not provided for in the interim financial report of the Group as at 30 June 2003 amounted to HK\$583.3 million (31 December 2002: HK\$890.6 million). The commitments are mainly in respect of the redevelopment of the former Lai Chi Kok depot site, the construction of new bus depots, the capital contribution for investments and the purchase of buses, ferries and other fixed assets. The commitments are to be financed by bank borrowings and the Group's working capital.

CONTINGENT LIABILITIES

At 30 June 2003, the Company had undertaken to guarantee certain bank loans granted to certain wholly-owned subsidiaries to the extent of HK\$228.3 million (31 December 2002: HK\$275.0 million). Additionally, together with an external party, the Company had undertaken to guarantee jointly and severally a bank loan granted to a subsidiary to the extent of HK\$100.0 million (31 December 2002: HK\$75.0 million).

EMPLOYEES AND REMUNERATION POLICIES

Over 14,000 employees are employed by the Group for its franchised bus and non-franchised transportation services, and media sales businesses. Due to the labour intensive nature of the businesses, staff costs represent a substantial portion of the operating costs of the Group. The number and remuneration of the employees have been closely monitored to meet expansion or rationalisation plans and yet align with market trends. At 30 June 2003, the Group had 14,021 employees (2002: 13,999 employees), with total remuneration for the period amounting to approximately HK\$1,587.4 million (2002: HK\$1,636.9 million), representing 53% (2002: 56%) of the total operating costs for the corresponding period.

OUTLOOK

Whilst the businesses of the Group were adversely affected by SARS during the first half of the year, we believe that such impact would be of a short-term nature. With some improvement in the general economy, our ridership has seen signs of gradual recovery. KMB will face both challenges and opportunities upon the opening of the West Rail in the last quarter of 2003. We will continue to serve the travelling public with a user-friendly and efficient bus network with rationalised routes and new feeder services.

In view of the current economic conditions in Hong Kong and being responsible corporate citizens, both KMB and LWB have announced that they will implement bus fare concession schemes for twelve consecutive months commencing from 1 October 2003. Although these concession schemes will have an adverse effect on our fare revenue, we will strive to step up our efforts in increasing patronage and implementing more cost control measures in order to minimise the overall financial impact to the Group.

We anticipate that the redevelopment of our former depot site at Lai Chi Kok into a residential and commercial complex will provide a new income stream for the Group in the near future. The RoadShow Group will continue to expand its media sales business and bring contribution to the Group. Additionally, we are also expanding our transport and media sales businesses on the Mainland.

We believe that our professional management team and dedicated work force will be able to face challenges and materialise opportunities for the continued enhancement of value for our shareholders.

SUPPLEMENTARY INFORMATION

Directors' Interest in Shares

At 30 June 2003, the interest of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they are taken or deemed to have under such provisions of the SFO or were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or were to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

a) *The Kowloon Motor Bus Holdings Limited*

	Shares of HK\$1 each			
	Personal interests	Family interests	Corporate interests	Other interests
The Hon Sir Sze-yuen CHUNG, GBM, GBE, PhD, FREng, JP*	18,821	—	—	—
Norman LEUNG Nai Pang, GBS, JP	—	—	—	—
Dr the Hon WOO Pak Chuen, JP*	210,047	—	—	—
KWOK Ping-luen, Raymond	393,350	—	—	—
KWOK Ping-sheung, Walter, JP	61,522	—	—	—
YU Shu Chuen	2,943	70,803	—	6,909,481 (Note 1)
NG Siu Chan	—	21,000,609	—	—
William LOUEY Lai Kuen	6,222,926	4,475	—	—
John CHAN Cho Chak, GBS, JP	2,000	—	—	—
Charles LUI Chung Yuen, M.H.	12,427	—	—	2,651,750 (Note 2)
Winnie NG	41,416	—	—	21,000,609 (Note 3)
Dr KUNG Ziang Mien, James, GBS, OBE*	—	—	172,000	—
George CHIEN Yuan Hwei	2,000	—	—	—
Dr the Hon Eric LI Ka Cheung, GBS, OBE, JP*	—	—	—	—
LUI Pochiu	452,113	—	—	—
Edmond HO Tat Man	—	—	—	—
Lana WOO (Alternate Director to Dr the Hon WOO Pak Chuen, JP)	9,475	—	—	—
SHAM Yat Wah (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—
Susanna LAU Shung Oi (Alternate Director to Mr KWOK Ping-sheung, Walter, JP)	—	—	—	—

* Independent Non-executive Director of the Company

Notes:

1. HSBC International Trustee Limited held 6,909,481 shares in the Company as trustee of a discretionary trust. Mr YU Shu Chuen was deemed to have interests in the aforesaid block of shares.
2. Mr Charles LUI Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,651,750 shares in the Company.
3. Miss Winnie NG has interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

b) RoadShow Holdings Limited ("RoadShow")

	Shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate interests	Other interests
The Hon Sir Sze-yuen CHUNG, GBM, GBE, PhD, FREng, JP*	4,000	—	—	—
Norman LEUNG Nai Pang, GBS, JP	—	—	—	—
Dr the Hon WOO Pak Chuen, JP*	19,253	—	—	—
KWOK Ping-luen, Raymond	37,400	—	—	—
KWOK Ping-sheung, Walter, JP	6,600	—	—	—
YU Shu Chuen	33,000	6,576	—	535,825 (Note 1)
NG Siu Chan	—	123,743	—	—
William LOUEY Lai Kuen	412,371	—	—	—
John CHAN Cho Chak, GBS, JP	—	—	—	—
Charles LUI Chung Yuen, M.H.	—	—	—	209,131 (Note 2)
Winnie NG	1,000,000	—	—	123,743 (Note 3)
Dr KUNG Ziang Mien, James, GBS, OBE*	—	—	164,000	—
George CHIEN Yuan Hwei	—	—	—	—
Dr the Hon Eric LI Ka Cheung, GBS, OBE, JP*	—	—	—	—
LUI Pochiu	24,863	—	—	—
Edmond HO Tat Man	—	—	—	—
Lana WOO (Alternate Director to Dr the Hon WOO Pak Chuen, JP)	2,000	—	—	—
SHAM Yat Wah (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—
Susanna LAU Shung Oi (Alternate Director to Mr KWOK Ping-sheung, Walter, JP)	—	—	—	—

* Independent Non-executive Director of the Company

Notes:

1. HSBC International Trustee Limited held 535,825 shares in RoadShow as trustee of a discretionary trust. Mr YU Shu Chuen was deemed to have interests in the aforesaid block of shares.
2. Mr Charles LUI Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.
3. Miss Winnie NG has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 30 June 2003, none of the Directors had any non-beneficial interest in the share capital of the Company.

Except as stated herein, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Option Schemes

Under two share option schemes of RoadShow, Pre-Listing Share Option Scheme and Share Option Scheme, options were granted to certain directors and employees of the Group to subscribe for shares in RoadShow.

The total number of securities available for issue under the Pre-Listing Share Option Scheme and the Share Option Scheme as at 30 June 2003 was 21,675,000 shares and 17,800,000 shares respectively, which together represented 4% of the issued share capital of RoadShow at 30 June 2003. In respect of the maximum entitlement of each participant under the schemes, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12 month period is limited to 1% of RoadShow's ordinary shares in issue.

At 30 June 2003, the Directors and employees of the Group had the following interests in options to subscribe for shares of RoadShow (market value per share at 30 June 2003 was HK\$0.85) granted for a consideration of HK\$1 under RoadShow's share option schemes. Each option gives the holder the right to subscribe for one share. The options granted are not recognised in the interim financial report until they are exercised.

(a) RoadShow Pre-Listing Share Option Scheme

	Number of options outstanding at 1 January 2003	Number of options outstanding at 30 June 2003	Number of shares acquired on exercise of option during the period	Exercise price per share	Market value per share at date of grant of options
<i>Directors of the Company</i>					
Norman LEUNG Nai Pang, GBS, JP	2,380,000	2,380,000	Nil	HK\$1.8	Note 2
KWOK Ping-uen, Raymond	338,000	338,000	Nil	HK\$1.8	Note 2
NG Siu Chan	338,000	338,000	Nil	HK\$1.8	Note 2
John CHAN Cho Chak, GBS, JP	2,380,000	2,380,000	Nil	HK\$1.8	Note 2
Charles LUI Chung Yuen, M.H.	338,000	338,000	Nil	HK\$1.8	Note 2
Winnie NG	3,380,000	3,380,000	Nil	HK\$1.8	Note 2
George CHIEN Yuan Hwei	168,000	168,000	Nil	HK\$1.8	Note 2
LUI Pochiu	188,000	188,000	Nil	HK\$1.8	Note 2
Edmond HO Tat Man	188,000	188,000	Nil	HK\$1.8	Note 2
Lana WOO (Alternate Director to Dr the Hon WOO Pak Chuen, JP)	168,000	168,000	Nil	HK\$1.8	Note 2
<i>Employees</i>	11,995,000	11,809,000	Nil	HK\$1.8	Note 2

The above options were granted on 26 June 2001 and are exercisable during the period from 28 December 2001 to 27 December 2003 (Note 1). During the period, 186,000 options have lapsed because the grantees ceased their employment with RoadShow.

Notes:

1. The exercise period of these options is two years commencing six months from 28 June 2001, except that for grantees who were granted 1,000,000 or more options, they could (a) during the period from the beginning of the seventh month up to the end of the twelfth month from 28 June 2001 exercise up to 50% of the number of options that they have been granted under the Pre-Listing Share Option Scheme, and (b) exercises the remaining unexercised options after the end of the twelfth month from 28 June 2001 up to the end of the exercise period.
2. The exercise price is HK\$1.80 per share representing 80% of the issue price of HK\$2.25 per share pursuant to the Hong Kong Offering and the International Placing of RoadShow's shares.

(b) RoadShow Share Option Scheme

	Number of options outstanding at 1 January 2003	Number of options outstanding at 30 June 2003	Number of shares acquired on exercise of option during the period	Exercise price per share	Market value per share at date of grant of options
<i>Director of the Company</i>					
Winnie NG	3,800,000	3,800,000	Nil	HK\$2.25	HK\$2.25
<i>Employees</i>	14,440,000	14,000,000	Nil	HK\$2.25	HK\$2.25

The above options were granted on 11 March 2002 and are exercisable during the period from 12 March 2002 to 11 March 2005. During the period, 440,000 options have lapsed because the grantees ceased their employment with RoadShow.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interest in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at 30 June 2003 or at any time during the six months ended 30 June 2003.

Substantial Interest in the Share Capital of the Company

At 30 June 2003, the interest or short position of the persons (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Shares held	Percentage of total issued shares
Sun Hung Kai Properties Limited (Notes 1 and 2)	133,271,012	33.0%
Arklake Limited (Note 1)	68,600,352	17.0%
HSBC International Trustee Limited (Note 3)	175,216,949	43.4%
Kwong Tai Holdings Limited (Note 4)	21,000,609	5.2%

Notes:

1. The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 68,600,352 shares disclosed by Arklake Limited.
2. In accordance with the Codes on Takeovers and Mergers and Share Repurchases (the "Codes"), a person becomes obliged to make a mandatory offer if the person's voting rights in a listed company exceeds a threshold. With effect from 19 October 2001, the threshold for triggering a mandatory offer obligation under the Codes has been reduced from 35% to 30%. However, transitional provisions will be applied where a person holds 30% or more of the voting rights of a listed company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Codes shall be interpreted and applied as if the 30% trigger was 35% for such person. For avoidance of doubt, where such person continues to hold 30% or more but less than 35% of the voting rights of the company at the end of the 10-year period, it will not be necessary for such person to sell his/her voting rights to take his/her holding below 30% in order not to trigger a mandatory offer obligation. In this regard, the transitional provisions are applicable to SHKP.
3. HSBC International Trustee Limited is deemed to be interested in 175,216,949 shares in the Company held on trust for its clients, of which 133,271,012 shares are held for SHKP.
4. The interest disclosed by Kwong Tai Holdings Limited includes 21,000,609 shares disclosed by Mr NG Siu Chan and Miss Winnie NG, both are Directors of the Company.

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

Corporate Governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules, except that the independent Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2003. The review of the unaudited interim financial report was conducted with the Group's external auditors, KPMG. The independent review report of the external auditors is set out on page 31 of this interim report.

By order of the Board

S.Y. CHUNG
Chairman

Hong Kong, 18 September 2003

Condensed consolidated income statement for the six months ended 30 June 2003

	Note	Six months ended 30 June	
		2003 HK\$ million (Unaudited)	2002 HK\$ million (Unaudited) restated
Turnover	2	3,155.3	3,450.3
Other revenue		37.0	38.8
Other net income		5.2	2.1
Staff costs		(1,587.4)	(1,636.9)
Depreciation and amortisation		(429.2)	(388.9)
Spare parts, stores and fuel oil consumed		(350.8)	(323.5)
Other operating expenses		(452.2)	(447.2)
Profit from operations		377.9	694.7
Deemed profit on partial disposal of a subsidiary		—	2.7
Finance costs		(21.4)	(28.6)
Share of profit less loss of associates		(1.2)	—
Share of profit of jointly controlled entity		0.6	0.1
Profit from ordinary activities before tax	3	355.9	668.9
Income tax expense	4	(127.4)	(104.6)
Profit from ordinary activities after tax		228.5	564.3
Minority interests		3.0	(20.0)
Profit attributable to shareholders		231.5	544.3
Dividend attributable to the interim period	5(a)	181.6	181.6
Earnings per share	6	\$0.57	\$1.35

The notes on pages 21 to 30 form part of this interim financial report.

Condensed consolidated balance sheet at 30 June 2003

	Note	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Non-current assets			
Fixed assets		6,541.1	6,496.7
Goodwill		51.2	52.8
Non-current prepayments		132.1	101.0
Interest in associates		140.0	61.4
Interest in jointly controlled entity		1.1	2.0
Investment securities		15.4	15.4
Employee benefit assets		253.0	277.7
		<u>7,133.9</u>	<u>7,007.0</u>
Current assets			
Other investments		82.4	82.0
Property under development		78.6	39.1
Spare parts and stores		83.6	82.9
Accounts receivable	8	264.2	265.4
Deposits and prepayments		121.7	63.0
Tax recoverable		—	28.5
Pledged bank deposit		100.0	100.0
Deposits with banks		—	12.9
Cash and cash equivalents	9	986.4	1,482.3
		<u>1,716.9</u>	<u>2,156.1</u>
Current liabilities			
Bank loans and overdrafts		612.6	438.3
Accounts payable and accruals	10	772.3	981.5
Third party claims payable		275.0	271.4
Tax payable		22.5	—
		<u>1,682.4</u>	<u>1,691.2</u>
Net current assets		<u>34.5</u>	<u>464.9</u>
Total assets less current liabilities		<u>7,168.4</u>	<u>7,471.9</u>

Condensed consolidated balance sheet at 30 June 2003 *(continued)*

	Note	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Non-current liabilities			
Bank loans		1,849.1	1,829.7
Other unsecured loans		28.7	16.7
Contingency provision - insurance		100.4	117.2
Deferred tax liabilities		726.6	655.0
Provision for long service payments		48.7	48.2
		<u>2,753.5</u>	<u>2,666.8</u>
Minority interests		<u>260.3</u>	<u>244.2</u>
NET ASSETS		<u>4,154.6</u>	<u>4,560.9</u>
CAPITAL AND RESERVES			
Share capital		403.6	403.6
Reserves	11	<u>3,751.0</u>	<u>4,157.3</u>
		<u>4,154.6</u>	<u>4,560.9</u>

Approved and authorised for issue by the Board of Directors on 18 September 2003

S.Y. CHUNG

Chairman

John CHAN Cho Chak

Managing Director

The notes on pages 21 to 30 form part of this interim financial report.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2003

	Note	Six months ended 30 June	
		2003 HK\$ million (Unaudited)	2002 HK\$ million (Unaudited) restated
Shareholders' equity at 1 January			
As previously reported		4,560.9	4,799.1
Prior period adjustments arising from changes in accounting policies for:			
- deferred tax assets and liabilities	1(a)		(522.0)
- short term employee benefits	1(b)		(97.4)
As restated			<u>4,179.7</u>
Adjustments in respect of changes in accounting policies for:			
- long service payments	1(c)		(39.9)
- defined benefit plans	1(d)		252.5
			<u>4,392.3</u>
Profit for the period:			
As previously reported			572.1
Prior period adjustment arising from change in accounting policy for deferred tax assets and liabilities	1(a)		(27.8)
Profit for the period (2002: as restated)		231.5	<u>544.3</u>
Dividend approved and paid in respect of the previous financial year	5(b)	(637.8)	<u>(589.3)</u>
Shareholders' equity at 30 June		4,154.6	<u>4,347.3</u>

The notes on pages 21 to 30 form part of this interim financial report.

Condensed consolidated cash flow statement for the six months ended 30 June 2003

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Net cash from operating activities	524.7	228.4
Net cash used in investing activities	(584.7)	(562.8)
	(60.0)	(334.4)
Net cash used in financing activities	(384.8)	(258.4)
Net decrease in cash and cash equivalents	(444.8)	(592.8)
Cash and cash equivalents at 1 January	1,425.8	2,086.3
Effect of foreign exchange rates	(1.9)	8.8
Cash and cash equivalents at 30 June	979.1	1,502.3
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	51.7	51.2
Deposits with bank maturing within three months	934.7	1,469.2
Bank overdrafts	(7.3)	(18.1)
Cash and cash equivalents at 30 June	979.1	1,502.3

The notes on pages 21 to 30 form part of this interim financial report.

Notes on the unaudited interim financial report

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 (the “HKSA”). KPMG’s independent review report to the board of directors is included on page 31. The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Exchange”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the financial year ended 31 December 2002, on which auditors have expressed an unqualified opinion in their report dated 20 March 2003, are available from the Company’s registered office.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2002 annual financial statements.

This interim financial report is prepared on a basis consistent with the accounting policies adopted in the 2002 annual financial statements.

In 2002, the Group adopted, for the first time, new accounting policies on deferred taxation, short term employee benefits, long service payments and defined benefit plans, details of which are set out below:

(a) *Deferred tax assets and liabilities*

In the 2002 Interim Report and previous years, deferred taxation was provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future.

In the financial statements for the year ended 31 December 2002, the Group has adopted SSAP 12 “Income taxes” with effect from 1 January 2002. Accordingly, deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

As a result of the adoption of this accounting policy, the profit for the period ended 30 June 2002 has been decreased by HK\$27.8 million. The new accounting policy has been adopted retrospectively, with the balance of retained profits at 1 January 2002 and the comparative information adjusted for the amounts relating to prior periods as disclosed in the unaudited consolidated statement of changes in equity.

(b) Short term employee benefits

In the 2002 Interim Report and previous years, the Group did not make provision for paid annual leave of their employees in return of services rendered to the Group.

In the financial statements for the year ended 31 December 2002, the Group adopted a new accounting policy for short term employee benefits under SSAP 34 "Employee benefits" with effect from 1 January 2002. However, adoption of this new accounting policy has no impact on the profit for the period ended 30 June 2002. The new accounting policy has been adopted retrospectively, with the balance of retained profits at 1 January 2002 adjusted for the amounts relating to prior periods as disclosed in the unaudited consolidated statement of changes in equity.

(c) Long service payments

In the 2002 Interim Report and previous years, long service payments to employees under the Hong Kong Employment Ordinance in return for services rendered to the Group were charged to the income statement as incurred.

In the financial statements for the year ended 31 December 2002, the Group adopted a new accounting policy for long service payments under SSAP 34 "Employee benefits" with effect from 1 January 2002. However, adoption of this new accounting policy has no impact on the profit for the period ended 30 June 2002. The effect of adopting this new accounting policy has been adjusted to the balance of retained profits at 1 January 2002.

(d) Defined benefit plans

Before 2002, annual contributions to the defined benefit retirement schemes were charged to the income statement as incurred. In the 2002 Interim Report, the Group has adopted a new accounting policy for defined benefit schemes under SSAP 34 "Employee benefits" with effect from 1 January 2002. As a result of the adoption of this new accounting policy, the net profit for the period ended 30 June 2002 has been decreased by HK\$45.7 million. The effect of adopting this new accounting policy has been adjusted to the balance of retained profits at 1 January 2002.

2 Turnover

Turnover comprises fare revenue from the operation of franchised bus and non-franchised transportation services and media sales revenue during the period analysed as follows:

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Operation of franchised bus services	2,957.3	3,230.7
Operation of non-franchised transportation services	109.5	83.0
Media sales business	88.5	136.6
	3,155.3	3,450.3

3 Profit from ordinary activities before tax

Profit from ordinary activities before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other unsecured loans	21.4	28.6
Interest income	(12.6)	(21.5)
Gain on disposal of fixed assets	(1.9)	(1.5)
	—————	—————

4 Income tax expense

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
		restated
<i>(a) Current tax expenses</i>		
Provision for Hong Kong Profits Tax for the period	54.9	75.6
Provision for PRC income tax	0.9	1.2
	—————	—————
	55.8	76.8
	-----	-----
<i>(b) Deferred tax expenses</i>		
Origination and reversal of temporary differences and benefit of tax losses recognised	10.2	27.8
Deferred tax expense resulting from increment in Hong Kong Profits Tax rate	61.4	—
	—————	—————
	71.6	27.8
	-----	-----
	127.4	104.6
	—————	—————

The provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC.

5 Dividends

(a) *Dividend attributable to the interim period:*

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Interim dividend declared after the interim period end of HK\$0.45 per share (2002: HK\$0.45 per share)	181.6	181.6

(b) *Dividend attributable to previous financial year, approved and paid during the interim period:*

	Six months ended 30 June	
	2003	2002
	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$1.58 per share (2002: HK\$1.46 per share)	637.8	589.3

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$231.5 million (2002: restated HK\$544.3 million) and 403.6 million (2002: 403.6 million) shares in issue during the period.

7 Segmental information

Turnover and contribution to the Group's profit from principal activities during the period, after elimination of all material intercompany transactions, are as follows:

	Turnover		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operation of franchised bus and non-franchised transportation services	3,066.8	3,313.7	369.8	571.5
Media sales business	88.5	136.6	2.5	100.9
	<u>3,155.3</u>	<u>3,450.3</u>	<u>372.3</u>	<u>672.4</u>
Unallocated net operating income and expenses			<u>5.6</u>	<u>22.3</u>
Profit from operations			<u>377.9</u>	<u>694.7</u>

Turnover and contribution to the Group's profit from activities outside Hong Kong are insignificant. Accordingly, no analysis by geographical location is presented.

8 Accounts receivable

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Trade and other receivables	262.2	263.0
Interest receivable	2.0	2.4
	264.2	265.4

Included in accounts receivable are trade receivables (net of provisions for doubtful debts) with the following ageing analysis:

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Current	49.3	46.9
Less than 3 months overdue	11.9	12.1
More than 3 months overdue	11.8	82.0
	73.0	141.0

Debts are normally due within 30 to 90 days from the date of billing. All the accounts receivable are expected to be recoverable within one year.

9 Cash and cash equivalents

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Cash at bank and in hand	51.7	59.7
Deposits with banks maturing within three months	934.7	1,422.6
	986.4	1,482.3

10 Accounts payable and accruals

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Trade payables	90.5	107.9
Other payables and accruals	681.8	873.6
	772.3	981.5

Included in accounts payable and accruals are trade payables with the following ageing analysis:

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Due within 1 month or on demand	67.5	96.3
Due after 1 month but within 3 months	23.0	11.6
	90.5	107.9

11 Reserves

(a) <i>Capital reserve</i>	HK\$ million (Unaudited)
At 1 January and 30 June 2003	<u>2.4</u>
(b) <i>General reserve</i>	
At 1 January and 30 June 2003	<u>17.8</u>
(c) <i>Retained profits</i>	
At 1 January 2003	3,054.5
Profit for the period	231.5
Dividend approved and paid in respect of the previous financial year (note 5(b))	(637.8)
At 30 June 2003	<u>2,648.2</u>
(d) <i>Staff retirement fund reserve</i>	
At 1 January and 30 June 2003	<u>1,082.6</u>
Total reserves	
At 30 June 2003	<u>3,751.0</u>
At 31 December 2002	<u>4,157.3</u>

12 Commitments

Commitments outstanding at 30 June 2003 not provided for in the interim financial report are as follows:

	30 June 2003 HK\$ million (Unaudited)	31 December 2002 HK\$ million (Audited)
Contracted for	410.3	579.1
Authorised but not contracted for	173.0	311.5
	<u>583.3</u>	<u>890.6</u>

13 Material related parties transactions

- (a) The Group entered into a contract with a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), its substantial shareholder, for the provision of insurance services to the Group under the same terms as those available to other customers in the ordinary course of business. The insurance premium paid by the Group amounted to HK\$91.7 million (2002: HK\$72.6 million) during the period ended 30 June 2003. The amount due to/(from) this company at 30 June 2003 amounted to HK\$20,000 (31 December 2002: HK\$(5,000)).
- (b) During the period, the Group provided coach services to certain subsidiaries of SHKP under the same terms as those available to other customers in the ordinary course of business. The service fees received by the Group amounted to HK\$18.4 million (2002: HK\$30.5 million) during the period ended 30 June 2003. The amounts due from these companies at 30 June 2003 amounted to HK\$10.4 million (31 December 2002: HK\$13.8 million).
- (c) The Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to the property development of the Group. The contract sum of the project management services is HK\$15 million, or the lower of 1% of the project costs and HK\$20 million, whichever is higher. During the period, no payment for these project management services was made by the Group to this company (2002: HK\$Nil). There was no outstanding amount due to this company at 30 June 2003 and 31 December 2002. The Group’s commitment outstanding at 30 June 2003 under this contract amounted to HK\$14.0 million (31 December 2002: HK\$14.0 million).
- (d) A subsidiary of the Company, Park Island Transport Company Limited (“PITC”), entered into a contract with a subsidiary of SHKP for the provision of transportation services for Ma Wan Island in Hong Kong. Under the terms of the contract, PITC shall be entitled to a return lying within the range of 9% and 16% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of PITC’s fixed assets with respect to the accounting period concerned (the “Entitled Net Return”). The estimated Entitled Net Return recognised in the income statement for the period amounted to HK\$5.0 million (2002: HK\$Nil).

Further, from January 2002, Sun Hung Kai (Ma Wan) Transport Company Limited, a wholly-owned subsidiary of SHKP, advances to PITC an unsecured loan (the “Loan”) in the sum of HK\$2 million per month for a period of 26 calendar months and at an interest rate of 1% per annum above HIBOR, which together with interest is to be repaid upon expiration or early termination of the contract or be charged against by any shortfall between the minimum Entitled Net Return and operating profits or losses incurred by PITC at the end of each financial year. The amount of principal and interest of the Loan outstanding at the period end is HK\$28.7 million (31 December 2002: HK\$16.7 million).

The Directors of the Company are of the opinion that the above related parties transactions were conducted on normal commercial terms and in the ordinary course of business.

14 Post balance sheet event

On 17 July 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirect wholly-owned subsidiary of the Company, entered into contracts with certain subsidiaries of SHKP for the provision of management contractor services to construct and complete the property at the former Lai Chi Kok depot site, as well as the exclusive sales and letting agency services and property management services in respect of such property to LCKPI. The maximum total consideration payable by LCKPI under these contracts is expected to be HK\$1,267.6 million.

15 Comparative figures

Comparative figures have been adjusted as a result of changes in accounting policies for deferred taxation, short term employee benefits and long service payments, details of which are set out in notes 1(a), (b) and (c).

16 Approval of interim financial report

The interim financial report was approved by the Board of Directors on 18 September 2003.

Independent review report to the Board of Directors of The Kowloon Motor Bus Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 16 to 30.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

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

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

KPMG

Certified Public Accountants

Hong Kong, 18 September 2003

Corporate Directory

BOARD OF DIRECTORS

The Hon Sir Sze-yuen CHUNG*

GBM, GBE, PhD, FEng, JP
Chairman

Norman LEUNG Nai Pang

GBS, JP, BA
Deputy Chairman

Dr the Hon WOO Pak Chuen*

JP, LLD(Hon), LLB, PhD

KWOK Ping-luen, Raymond

MA(Cantab), MBA, Hon DBA

KWOK Ping-sheung, Walter

JP, MSc(Lond), DIC, MICE

YU Shu Chuen

Honorary Executive Director

NG Siu Chan

William LOUEY Lai Kuen

BSc(Econ)

John CHAN Cho Chak

GBS, JP, DBA(Hon), BA, DipMS,
MIMgt, FCILT, FHKIoD
Managing Director

Charles LUI Chung Yuen

M.H. BEc, AASA, FCILT
Executive Director

Winnie NG

BA, MBA(Chicago)
Executive Director

Dr KUNG Zieng Mien, James*

GBS, OBE, LLD

George CHIEN Yuan Hwei

MSc(Lond), BSc(Eng), DIC, FICE, CEng,
PEng, MITE

Dr the Hon Eric LI Ka Cheung*

GBS, OBE, JP, LLD, DSocSc, BA(Econ) Hon,
FHKSA, Hon HKAT, FCA, FCIS

LUI Pochiu

MCILT

Edmond HO Tat Man

MA(Cantab), MBA, MCILT, MHKIoD
Deputy Managing Director

Lana WOO

BA, AAT, CGA, ACIS, MIFC, CFC
(Alternate Director to
Dr the Hon WOO Pak Chuen, JP)

SHAM Yat Wah

BSc, MIMarE, CEng, MHKIE
(Alternate Director to
Mr KWOK Ping-luen, Raymond)

Susanna LAU Shung Oi

BA, ACA
(Alternate Director to
Mr KWOK Ping-sheung, Walter, JP)

(*Independent Non-Executive Director)

COMPANY SECRETARY

Lana WOO

BA, AAT, CGA, ACIS, MIFC, CFC

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

No. 1, Po Lun Street
Lai Chi Kok, Kowloon
Hong Kong

Telephone: (852) 2786 8888
Facsimile: (852) 2745 0300
Internet: <http://www.kmb.com.hk/>
E-mail: kowloonbus@kmb.com.hk

AUDITORS

KPMG

8/F, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTRARS

Hong Kong

Computershare Hong Kong Investor Services Limited

17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Bermuda

Butterfield Corporate Services Limited

11 Rosebank Centre
Bermudiana Road
Hamilton, Bermuda

REGISTER OF MEMBERS

Book closed from 6 October 2003 to
8 October 2003, both dates inclusive

DIVIDEND

Interim

HK\$0.45 per share,
payable on 15 October 2003

STOCK CODE

The Stock Exchange of Hong Kong: 00062
Bloomberg: 62HK
Reuters: 0062.HK