



## INTERIM RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2001 was HK\$884.7 million (2000: HK\$363.5 million). Earnings per share for the period amounted to HK\$2.19 (2000: HK\$0.9). These represent an increase of 143.4% over the same period of year 2000.

## INTERIM DIVIDEND

The Board has declared an interim dividend of 40 cents per share (2000: 33 cents per share), totalling HK\$161.5 million (2000: HK\$133.2 million), for the six months ended 30 June 2001. This interim dividend will be paid on 9 October 2001 to the shareholders who are on the Register of Members at the close of business on 5 October 2001. The Register will be closed from 3 October 2001 to 5 October 2001, 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, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 28 September 2001.

## REVIEW OF OPERATIONS AND RESULTS

### Franchised Public Bus Operations

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

- The profit from the franchised bus operations of KMB for the six months ended 30 June 2001 amounted to HK\$508.9 million (2000: HK\$363.5 million), representing an increase of 40% over the corresponding period of previous year.
- Revenue related to KMB's franchised bus operations for the first half of 2001 increased by 5.5% when compared with the same period last year. The increase was mainly due to the growth in fare revenue and media-sales income.

KMB's fare revenue for the period under review amounted to HK\$3,030.0 million, up by 5.2% compared with HK\$2,880.0 million for the same period last year. Such increase was mainly attributable to the growth in patronage and the introduction of more air-conditioned buses. During the six months ended 30 June 2001, KMB recorded 546.9 million passenger trips (or a daily average of 3.02 million) made on its buses. This represents an increase of 2.1% over the corresponding period of the previous year. The patronage growth was due mainly to introduction of new bus routes, improvement of frequencies on certain bus routes and enhanced marketing and promotional effort.

The advertising revenue of KMB amounted to HK\$41.8 million for the first half of 2001, which represented an increase of 31.9% over the corresponding period of the previous year. The growth in advertising revenue was attributed primarily to the marketing effort in promoting the effectiveness of bus body advertising and the refurbishment of advertising panels of bus waiting shelters.





- KMB's bus operating costs for the first half of 2001 increased by 0.6% over the same period last year. Such moderate increase was due mainly to various cost control measures counter balancing the rise in fuel costs and expenses incurred as a result of enhanced operating activity level.
- Six new routes were introduced during the first half of 2001 to serve the New Territories. Of these new routes, three were introduced as a result of winning the tender in November 1999 for operating the bus routes for the Tin Shui Wai North areas. KMB launched a further six packages of bus-bus interchange schemes to extend the network coverage. Together with packages introduced in previous years, including one operated jointly with other transport operators, the bus-bus interchange schemes have all been well received by the travelling public. KMB is studying the possibility of introducing more bus-bus interchange packages in other busy areas. Certain packages under consideration may involve co-operation with other franchised bus companies.
- 126 new air-conditioned double-deck buses were licensed during the period under review. At 30 June 2001, KMB had a fleet of 4,338 licensed buses, comprising 4,089 double-deckers and 249 single-deckers, of which a total of 2,778 or 64% were air-conditioned. In addition, there were 141 buses under construction and 100 buses on order.
- Ultra Low Sulphur Diesel was used throughout the entire bus fleet of KMB as from January 2001, making our operations more environment friendly.

*Long Win Bus Company Limited ("LWB")*

- LWB recorded a loss of HK\$6.4 million for the period (2000: a loss of HK\$20.2 million). The improvement was mainly attributable to increase in patronage during this period. The total ridership of LWB for the first six months of 2001 was 9.1 million passenger trips (a daily average of 50,199). This represents a growth of 12.0% over the corresponding period of the previous year. The increase was due mainly to increase in recreational demand and the population intake at Yat Tung Estate since March 2001. The growth in patronage is expected to be sustained in the second half of the year.
- The advertising revenue of LWB for the period amounted to HK\$1.1 million (2000: HK\$1.2 million) , a decrease of 8.3% as compared with the same period last year.
- The successive rationalisation measures implemented over the past years had consolidated the network of LWB. During the period, LWB operated 15 bus routes. Service enhancement was made to Airbus route no. A43. To cater for the population intake at Yat Tung Estate, two bus routes (viz. E31 and S64) were extended to terminate at this estate.
- As at 30 June 2001, LWB had 149 air-conditioned double-deck buses and 10 air-conditioned single-deck buses.
- Ultra Low Sulphur Diesel was also used throughout the LWB fleet as from January 2001.





## Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a turnover of HK\$67.8 million (2000: HK\$42.3 million) and a profit of HK\$5.9 million (2000: HK\$4.3 million) for the period under review. These represent increases of 60.3% and 37.2% respectively when compared to those of the corresponding period of the previous year. The improved results were mainly attributable to the further expansion of the non-franchised bus fleet resulting in better economies of scale. A review of principal business units of this Division is given as follows:

### *Sun Bus Holdings Limited ("SBH")*

- SBH's business mission is to stay ahead in Hong Kong's non-franchised bus sector by rendering quality bus services customised for target users' needs. In terms of turnover and vehicle fleet size, SBH has become one of the leading operators in the market. Its fleet size at 30 June 2001 increased to 197 buses, up from 177 buses at 31 December 2000.
- The four operating units of SBH, with Sun Bus Limited as the flagship, provide services targeted at residential and commercial clients as well as employees and students. SBH will strive to maintain its growth momentum and further enhance its economies of scale.

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

- NHKB jointly operates a cross-border shuttle bus service together with its Shenzhen counterpart serving regular commuters and holiday travellers between Lok Ma Chau and Huanggang. During the first half of 2001, the monthly patronage of this service averaged to approximately 424,000 passenger-trips, an increase of 5.5% over the corresponding period of 2000. To cater for the growing demand, new buses with larger carrying capacity and better accessibility will be deployed to replace the existing ones during the second half of 2001.

### *Park Island Transport Company Limited ("PITC")*

- PITC, a 65% subsidiary of the Group, entered into an agreement with Sun Hung Kai (Ma Wan) Transport Company Limited, a subsidiary of Sun Hung Kai Properties Limited (a substantial shareholder of the Company), to provide bus and ferry services to and from Ma Wan Island. These services are expected to commence in the last quarter of 2002.

## Media Sales Business

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

- The RoadShow Group is principally engaged in out-of-home media sales for marketing advertising spaces on the exterior and interior of transit vehicles and also in a merchandising business of selling commemorative items in Hong Kong.
- During the first half of 2001, RoadShow Group reported a turnover of HK\$94.7 million (2000: HK\$17.8 million) and a profit of HK\$55.7 million (2000: HK\$10.6 million). The RoadShow Group's revenue was principally derived from its multi-media on-board ("MMOB"), transit network media sales and merchandising businesses.





- The growth in revenue and profit was due primarily to the increase in the number of transit vehicles installed with MMOB equipment and the increase in advertising spaces at transit vehicle shelters. At 30 June 2001, 2,100 transit vehicles in Hong Kong were installed with MMOB equipment. With a daily viewership of approximately two million passengers, the MMOB system is perceived as an effective advertising medium which gives the RoadShow Group a significant competitive advantage over traditional media channels.
- RoadShow Holdings Limited (“RoadShow”) was separately listed on the Main Board of the Exchange on 28 June 2001. During the period under review, a deemed profit of HK\$319.5 million resulting from the spin-off of 25% of the shares of RoadShow was recorded by the Group. The initial public offering in Hong Kong and the international placing in June 2001 together with the over-allotment option exercised by the underwriters in July 2001 raised approximately HK\$588.8 million (before expenses) for the RoadShow Group.
- Further information relating to the RoadShow Group is available in its 2001 interim report.

## PRC Operations

### *Dalian and Tianjin Operations*

- At 30 June 2001, the Group’s total interest in associates and jointly controlled entity amounted to HK\$7.4 million (31 December 2000: HK\$9.9 million). The investments were in respect of the operations of passenger bus services in Dalian and Tianjin, Mainland China. They continued to make steady progress during the period.
- 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, China. The Dalian CJV operates three routes which deploy 46 double-deck and 40 single-deck buses. The CJV in Tianjin, formed at the end of 2000 between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company Limited in Tianjin, has been in operation since January 2001 with some 110 single-deck buses running on seven routes. The ridership of these projects was satisfactory during the first half of 2001.

## 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 of loan repayments and capital expenditure. Furthermore, sufficient amount of cash is maintained to meet proposed acquisitions and development of new businesses. The Group is mainly financed by shareholders’ funds and bank loans.

- The gearing ratio, representing the ratio of net borrowings to the total share capital and reserves of the Group, was 7% as at 30 June 2001 (31 December 2000: 18%).





- At 30 June 2001, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$314.2 million, representing a decrease of HK\$188.2 million as compared with the net borrowings of HK\$502.4 million at 31 December 2000. An analysis of the Group's net borrowings by currency at 30 June 2001 is shown below:

Currency	At 30 June 2001		At 31 December 2000	
	Net borrowings / (cash) in foreign currency	Net borrowings/ (cash)	Net borrowings/ (cash) in foreign currency	Net borrowings/ (cash)
	million	HK\$ million	million	HK\$ million
Hong Kong dollar		733.7		499.6
United States dollar	(32.2)	(251.7)	22.7	176.6
British Pound Sterling	(15.3)	(167.8)	(14.9)	(173.8)
Total		314.2		502.4

- Bank loans and overdrafts at 30 June 2001 amounted to HK\$2,508.4 million (31 December 2000: HK\$2,744.2 million). All bank loans and overdrafts were unsecured at 30 June 2001. The maturity profile of the bank loans and overdrafts of the Group was as follows:

	At 30 June 2001 HK\$ million	At 31 December 2000 HK\$ million
Within 1 year or on demand	686.2	568.4
After 1 year but within 2 years	513.0	589.6
After 2 years but within 5 years	1,163.0	1,406.5
After 5 years	146.2	179.7
	1,822.2	2,175.8
Total	2,508.4	2,744.2

- At 30 June 2001, the Group had stand-by banking facilities totalling HK\$15.0 million (31 December 2000: HK\$15.0 million).
- The finance charge for the period amounted to HK\$72.4 million (2000: HK\$88.2 million).





- Interest cover, representing the ratio of profit from ordinary activities before taxation to net finance charges, increased to 41.9 for the period under review from 23.5 for year 2000.
- At 30 June 2001, the Group's cash and deposits at banks amounted to HK\$2,194.2 million (31 December 2000: HK\$2,241.7 million), and they were mainly denominated in Hong Kong Dollars, US Dollars and British Pound Sterling.

## FUNDING AND TREASURY POLICIES

- KMB, LWB and the RoadShow Group arrange their own financing to meet specific requirements. Financing for the other subsidiaries of the Group is mainly provided by the Company or their own capital base. Small stand-by credit facilities and overdrafts are maintained to facilitate routine treasury operations.
- As fare revenue from the franchised bus and non-franchised transport operations denominated in Hong Kong Dollars is the Group's major revenue source, financing in Hong Kong Dollars provides a natural currency hedge. At 30 June 2001, the Group's total borrowings were substantially denominated in Hong Kong Dollars and on a floating rate basis.
- Foreign exchange exposure did not pose significant risk for the Group as the levels of US Dollar and British Pound Sterling assets and liabilities were relatively low when compared to its total asset base.
- Capital commitment outstanding and not provided for in the accounts of the Group as at 30 June 2001 amounted to HK\$804.8 million (31 December 2000: HK\$1,163.0 million). The commitments are mainly for the construction of new bus depots and the purchase of buses and other fixed assets. The commitments are to be financed by bank loans and the working capital of the Group.

## CONTINGENT LIABILITIES

At 30 June 2001, the Company has undertaken to guarantee certain bank loans granted to certain wholly-owned subsidiaries to the extent of HK\$687.8 million (31 December 2000: HK\$807.7 million).





## EMPLOYEES AND REMUNERATION POLICIES

Franchised and non-franchised bus services are labour intensive businesses. As a result, staff costs represent a substantial portion of bus operating costs. The Group closely monitors the number and remuneration of its employees against potential business growth and market trends. The number and remuneration of employees of the Group over the period under review and the corresponding period of last year were as follows:

Period	Number of Employees at period end	Total remuneration for the period (in HK\$ million)	Remuneration as % of total operating costs for the period
Jan – Jun 2001	14,163	1,618.5	57
Jan – Jun 2000	13,597	1,543.4	56

## PROSPECTS

We are confident that there will be steady growth in ridership and revenue for our franchised and non-franchised bus services. We expect that the RoadShow Group's business expansion will bring continued contribution to the Group. With the redevelopment of our Lai Chi Kok Depot site into residential property commencing in early 2002, we shall have a new income source from the property sector in the near future. We strongly believe that our professional management team and dedicated staff force will be able to make full use of our opportunities ahead for the continued success of the Group.