



Notes on the unaudited interim financial report

1(a) 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 13.

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 except that comparative figures for the cash flow statement have not been prepared as the Group has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the financial year ended 31 December 2000, on which auditors have expressed an unqualified opinion in their report dated 15 March 2001, are available from the Company’s registered office.

This interim financial report is prepared on a basis consistent with the accounting policy adopted in the 2000 annual financial statements, except as disclosed under note 1(b), 1(c) and 1(d) below.

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 2000 annual accounts.

(b) Dividends

In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting period were recognised as a liability at the balance sheet date. With effect from 1 January 2001, in order to comply with SSAP 9 (revised) “Events after the balance sheet date”, issued by the HKSA, the Group recognises a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders.

As a result of this new accounting policy, the Group’s net assets at 30 June 2001 have been increased by HK\$161.5 million (31 December 2000: HK\$504.5 million). There is no impact on the Group’s profit attributable to shareholders for the periods presented. This new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.



(c) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event and, it is probable that an outflow of economic benefits will be required to settle the obligation for which a reliable estimate can be made. Where the time value of money is material, provisions are stated at present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

In previous years, the Group maintained provisions for loss in bus fire damage and for the staff retirement funds. With effect from 1 January 2001, the Group adopted SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the HKSA. As a result, the Group's net assets at 30 June 2001 have increased by HK\$1,125.1 million (31 December 2000: HK\$ Nil). The effect of adopting this new Statement has been adjusted to the opening balance of retained profits for the period. No restatement of other comparative information has been made.

(d) Goodwill

In prior years, goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, was charged to revenue reserves in the year in which it arose. With effect from 1 January 2001, the Group adopted the new policy of stating the positive goodwill at cost less any accumulated amortisation and any impairment losses in order to comply with the SSAP 30 "Business combinations" issued by the HKSA. Amortisation of positive goodwill is on a straight-line basis over an estimated useful life of 20 years.

As a result of the adoption of this new accounting policy, the profit for the period has decreased by HK\$0.6 million (2000: HK\$ Nil) and the net assets have increased by HK\$21.2 million (31 December 2000: HK\$21.8 million). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods.



2 Turnover

Turnover of the operations of the Group during the financial periods, after elimination of all material intercompany transactions, is as follows:

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2001 | 2000 |
| | HK\$ million | HK\$ million |
| | (Unaudited) | (Unaudited) |
| Operation of franchised bus services | 3,137.1 | 2,976.6 |
| Operation of non-franchised bus services | 67.7 | 42.1 |
| Media sales business | 121.1 | 32.9 |
| | <u>3,325.9</u> | <u>3,051.6</u> |

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

3 Deemed profit on partial disposal of a subsidiary

Deemed profit on partial disposal of a subsidiary represents profit arising from the spin-off of the RoadShow Holdings Limited ("RoadShow") from the Group on 28 June 2001 by issuing new shares to third parties, pursuant to RoadShow's listing on the Hong Kong Stock Exchange and International Placing. As a result, the Group's shareholding in RoadShow reduced from 100% of the issued share capital before the spin-off to 75% of the issued share capital as enlarged by the issue of new shares to third parties.

4 Profit from ordinary activities before taxation

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

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|--------------|
| | 2001 | 2000 |
| | HK\$ million | HK\$ million |
| | (Unaudited) | (Unaudited) |
| Interest on bank loans and overdrafts | 72.4 | 88.2 |
| Interest income | (55.1) | (66.0) |
| Gain on disposal of fixed assets | (0.7) | (0.1) |
| | <u></u> | <u></u> |



5 Taxation

The provision for Hong Kong Profits Tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for the six months ended 30 June 2001.

6 Dividends

(a) Dividends attributable to the interim period:

| | Six months ended 30 June | |
|--|-----------------------------|-----------------------------|
| | 2001 | 2000 |
| | HK\$ million (Unaudited) | HK\$ million (Unaudited) |
| Interim dividend declared after the interim period end of 40 cents per share (2000: 33 cents per share) | <u>161.5</u> | <u>133.2</u> |

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

| | Six months ended 30 June | |
|--|-----------------------------|-----------------------------|
| | 2001 | 2000 |
| | HK\$ million (Unaudited) | HK\$ million (Unaudited) |
| Final dividends in respect of the previous year, approved and paid during the interim period, of HK\$1.25 per share (2000: HK\$1.07 per share) | <u>504.5</u> | <u>431.9</u> |

7 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$884.7 million (2000: HK\$363.5 million) and 403.6 million (2000: 403.6 million) shares in issue during the period.



8 Accounts receivable

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|-----------------------------|--|--|
| Trade and other receivables | 175.2 | 143.4 |
| Interest receivable | 6.2 | 23.5 |
| | <u>181.4</u> | <u>166.9</u> |

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

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|----------------------------|--|--|
| Current | 98.6 | 68.6 |
| 1 to 3 months overdue | 15.0 | 8.8 |
| More than 3 months overdue | 10.4 | 4.4 |
| | <u>124.0</u> | <u>81.8</u> |

Debts are normally due within 30 to 90 days from the date of billing.

9 Cash and cash equivalents

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|--------------------------|--|--|
| Deposits with banks | 2,112.9 | 2,051.8 |
| Cash at bank and in hand | 31.3 | 39.4 |
| | <u>2,144.2</u> | <u>2,091.2</u> |



10 Accounts payable and accruals

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|-----------------------------|--|--|
| Trade payables | 143.1 | 186.2 |
| Other payables and accruals | 438.9 | 611.6 |
| | <u>582.0</u> | <u>797.8</u> |

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

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|---|--|--|
| Due within 1 month or on demand | 141.6 | 181.5 |
| Due after 1 month but within 3 months | 1.0 | 4.3 |
| Due after 3 months but within 12 months | 0.5 | 0.4 |
| | <u>143.1</u> | <u>186.2</u> |



11 Reserves

| | HK\$ million |
|---|--------------|
| (a) Capital reserve | |
| At 1 January 2001 and 30 June 2001 | 2.4 |
| (b) General reserve | |
| At 1 January 2001 and 30 June 2001 | 17.6 |
| (c) Retained profits | |
| At 1 January 2001 | |
| – As previously reported | 1,794.6 |
| – Change in accounting policy with respect to dividends (note 1(b)) | 504.5 |
| – Prior period adjustment in respect of goodwill (note 1(d)) | 21.8 |
| As restated | 2,320.9 |
| Adjustment in respect of provisions for loss in bus fire damage (note 1(c)) | 42.5 |
| Adjustment in respect of provisions for staff retirement funds (note 1(c)) | 1,082.6 |
| | 3,446.0 |
| Profit for the period | 884.7 |
| Dividends approved in respect of the previous financial year (note 6(b)) | (504.5) |
| Transfer to staff retirement fund reserve | (1,082.6) |
| At 30 June 2001 | 2,743.6 |
| (d) Staff retirement fund reserve | |
| At 1 January 2001 | – |
| Transfer from retained profits | 1,082.6 |
| At 30 June 2001 | 1,082.6 |
| Total reserves | |
| At 30 June 2001 | 3,846.2 |
| At 31 December 2000 | 2,340.9 |

Retained earnings arising from the adjustment in respect of provision for staff retirement funds has been transferred to a staff retirement fund reserve for future utilisation.



12 Commitments

Capital commitments of the Group outstanding at 30 June 2001 not provided for in the accounts are as follows:

| | 30 June 2001 HK\$ million (Unaudited) | 31 December 2000 HK\$ million (Audited) |
|-----------------------------------|--|--|
| Contracted for | 679.9 | 515.2 |
| Authorised but not contracted for | 124.9 | 647.8 |
| | <u>804.8</u> | <u>1,163.0</u> |

13 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).

14 Material related parties transactions

- (a) During the period, 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. This company entered into the contract with 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\$23.0 million during the period (2000: HK\$22.4 million). The amount due from/(to) this company at 30 June 2001 amounted to HK\$0.1 million (31 December 2000: HK\$(0.1 million)).
- (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 services fees received by the Group amounted to HK\$20.7 million during the period (2000: HK\$13.6 million). The amounts due from these companies at 30 June 2001 amounted to HK\$10.2 million (31 December 2000: HK\$10.3 million).
- (c) The Group entered into a contract with a subsidiary of SHKP for the provision of project consultancy services relating to the construction of a new bus depot of the Group. The contract sum of the project consultancy services is HK\$15.8 million or 3.2% of the total construction cost of the new bus depot, whichever is the higher. During the period, the payment for these project consultancy services made by the Group to this company amounted to HK\$1.6 million (2000: HK\$7.3 million). There were no outstanding amounts due to this company at 30 June 2001 and 31 December 2000. The Group's capital commitment outstanding at 30 June 2001 under this contract amounted to HK\$3.1 million (31 December 2000: HK\$4.7 million).



- (d) The Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to the proposed 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 the higher. During the period, no payment for these project management services was made by the Group to this company (2000: HK\$3.0 million). There were no outstanding amounts due to this company at 30 June 2001 and 31 December 2000. The Group's capital commitment outstanding at 30 June 2001 under this contract amounted to HK\$17 million (31 December 2000: HK\$17 million).
- (e) The Group entered into a contract with a subsidiary of SHKP for the provision of the transportation services for Ma Wan Island in the Hong Kong SAR. The service has not commenced during the period. Park Island Transport Company Limited ("PITC"), a subsidiary of the Group, 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 year concerned. Further, Sun Hung Kai (Ma Wan) Transport Company Limited, a wholly-owned subsidiary of SHKP, shall make and advance to PITC every calendar month, commencing from 1 January 2002, an unsecured loan in the sum of HK\$2 million for a period of 26 calendar months at the interest rate of one per cent per annum above HIBOR, which together with interest is to be repaid upon expiration or early termination of the contract.

15 Comparative figures

Comparative figures have been restated based on the change in accounting policies as set out in note 1(b) and 1(d) in the interim financial report.

16 Post balance sheet event

On 18 July 2001, the underwriters of the Global offering in RoadShow, a subsidiary of the Group, exercised an over-allotment option for the issuance of additional 21,694,000 shares at an issue price of HK\$2.25 per share in accordance with the International Placing Agreement dated 18 June 2001. The over-allotment shares represent approximately 2.26% of the existing issued share capital of the subsidiary. As a result, the Group's shareholding in RoadShow reduced, by way of dilution, from 75% to approximately 73.3% immediately after the issue of the over-allotment shares.

17 Approval of interim financial report

The interim financial report was approved by the Board of Directors on 13 September 2001.