

THE KOWLOON MOTOR BUS HOLDINGS LIMITED  
2001 ANNUAL GENERAL MEETING

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At KMB Group's Annual General Meeting held today (Thursday, 17 May 2001), the Group's Chairman, Sir Sze-yuen Chung, reported the financial results for 2000. Profit attributable to Shareholders for the financial year of 2000 was HK\$854.7 million, representing an increase of 15.7 per cent over that of 1999. Earnings per share for the year amounted to HK\$2.12. The Board has recommended a final dividend of HK\$1.25 per share. Together with the interim dividend of 33 cents per share paid last October, the total dividend for 2000 amounted to HK\$1.58 per share, compared to HK\$1.35 per share for 1999.

"The satisfactory results were attributable to several factors: the success in implementing aggressive strategy to retain our current customers and attract new patrons by providing total customer satisfaction; the population growth of new towns; and the recovery of the Hong Kong economy," said the Group's Chairman, Sir Sze-yuen Chung.

"Looking ahead, we remain confident in the future of the Group and the local public bus transportation industry."

There will be both challenges and opportunities over the next decade. On this point, a very significant development is the Government's highly aggressive rail development strategy that involves a series of rail projects.

In the short term, these developments will intensify competition for KMB and the bus transportation industry in general. However, the development of new towns made possible by the new rail infrastructure will create new demand for bus transportation. Further, people who live beyond walking distance from railway stations need feeder buses and other forms of transport to connect with the trains.

The likely impact of the new rail projects on KMB's operation has been factored into its forward planning. KMB actively participates in Government studies, including SCOPTS (Studies on coordination of Other Public Transport Services with new Railways), which was commissioned by the Transport Department, to coordinate Hong Kong's public transport services with new rail services. KMB will continue to contribute to these studies to ensure that its interests

coincide with those of the public.

While public transportation is a highly competitive business, the Group is developing co-operative arrangements with other transport operators that benefit all parties and result in a more integrated public transportation network. KMB's bus-bus interchange scheme is an example. The arrangement enables KMB's passengers to transfer not only between KMB buses to reach their destination, but also between KMB buses and buses of other companies and the railways. As the scheme allows better utilisation of KMB's bus fleet, environmental protection can be enhanced.

"Over the past three years, we have been successful in avoiding fare increases because of increased ridership and stringent cost controls, but there are costs which we cannot control. During 2000, for example, the average price per litre of diesel almost doubled from the price we paid in 1999. The continual upgrading of our bus fleet and the implementation of environmental protection measures also represent considerable investments of capital," said Sir Sze-yuen Chung.

"We strive to devote our resources towards improving our service and ensuring total customer satisfaction so as to attract more passengers and avoid the need for fare increases as far as possible. Our entire strategy is designed around this concept."

The Group will also continue to explore business diversification within the bus transportation sector. In 2000, the Group established a new joint venture in Tianjin, China, and it is building its non-franchised business through both organic growth and acquisitions in Hong Kong. The Group's new 'Multi-Media On Board' service provides opportunities for advertising revenue and other e-businesses. When the construction of the West Kowloon Depot is completed towards the end of 2001, the existing Lai Chi Kok Depot will be redeveloped into residential property.

Sir Sze-yuen Chung said, "Our franchise is the privilege to serve our community. By offering the best possible quality service, we will continue to earn the right to retain this privilege. We are especially proud of our efforts in the area of environmental protection. We recognize that bus operations can contribute to air and noise pollution. But we are doing our very best to improve the operations of our vehicles and depots and to minimize any impact on the environment."

"The Group has maintained a very good record in profit growth and dividend payouts to shareholders over the past years. We are dedicated to ensuring effective and efficient operations, and to doing

all we can for the betterment of our community. We will keep this momentum moving forward as we build upon our past achievements."