

## The Kowloon Motor Bus Holdings Limited 2003 Annual General Meeting

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At KMB Group's Annual General Meeting today (Thursday, 15 May 2003), the Group's Deputy Chairman, Mr. Norman Leung Nai Pang, JP, reported the financial results for 2002. Profit attributable to shareholders for 2002 was HK\$939.6 million, representing a decrease of 39% as compared with that of the previous year. Excluding the non-recurrent deemed profits of HK\$2.7 million for 2002 and HK\$349.6 million for 2001 arising from the partial disposal of RoadShow Holdings Limited shares for comparison purpose, the Group's profit for 2002 represents a decrease of 21.3% compared with that for 2001. Earnings per share for 2002 were HK\$2.33 compared with HK\$3.81 (restated) for 2001.

The Board has recommended a final dividend of HK\$1.58 per share. Together with the interim dividend of 45 cents per share paid in October 2002, the total dividend for 2002 amounted to HK\$2.03 per share, an increase of 9.1 percent compared with HK\$1.86 for 2001.

"2002 was a challenging year for the Group as well as for most enterprises in Hong Kong. Coupled with the weak economy, the launch of new Mass Transit Railway ("MTR") Tseung Kwan O Extension in 2002 had adverse impact on our franchised bus business," said the Group's Deputy Chairman, Mr. Norman Leung Nai Pang, JP.

"The year 2003 marks the 70th anniversary of The Kowloon Motor Bus Company (1933) Limited ("KMB"), the flagship company of the Group. We are confident that as one of the oldest public transportation companies in Hong Kong, KMB will stand the test of time as an industry leader by thinking and acting young. Our strategy of providing total customer satisfaction, coupled with cost control and productivity improvements, has enabled us to avoid fare increases over the past five years notwithstanding the increase in major operating costs, such as salaries, fuel costs, tunnel tolls and insurance premia. We have reinvested a considerable part of our income in new state-of-the-art buses, depot facilities and the latest environmental protection measures. We will continue these efforts while enabling our customers to continue to enjoy comfortable and reliable bus journeys at a reasonable fare."

In the short term, the Group anticipated bus service contraction because of the Government's rail development strategy, the weak

economic environment, and the recent outbreak of atypical pneumonia. With the opening of the MTR Tseung Kwan O Extension in August 2002, KMB experienced a loss of about 100,000 passenger trips daily. In this and the following year, the Group will see the opening of the Kowloon-Canton Railway ("KCR") West Rail, the KCR Ma On Shan Rail and the extension of the KCR East Rail to Tsim Sha Tsui. All of these developments mean intensified competition for the bus transport industry.

Over the long term, the Group will see new demand for bus transportation due to population growth in the New Territories, the development of new towns made possible by the new rail lines, and the flexibility of bus routes. KMB's involvement in studies commissioned by the Transport Department to coordinate public transport services with new rail services enables it smoothly adjust to new market conditions. KMB's bus-bus interchange schemes will further develop a more integrated public transportation network by continuing to build co-operative arrangements with other transport operators.

The Group's long term strategy is to explore growth opportunities that can be leveraged on its core competencies. For example, the Group's new 65% subsidiary, Park Island Transport Company Limited, provides shuttle bus and ferry services to and from Park Island; and the Group is redeveloping the former Lai Chi Kok Depot site into an upscale residential and commercial project that will generate income from property sale and create a population centre adjacent to its Mei Foo Bus Terminus that will be a potential source of new customers. The Group will also further develop its non-franchised businesses, such as our Multi-media On-board service that will continue to generate advertising revenue and be further developed in Hong Kong and on the Mainland. Additionally, the Group will continue to explore investment opportunities in public transportation in the Mainland.

Mr. Norman Leung Nai Pang, JP, said, "We note the importance of sound corporate governance and transparency and will continue to improve our internal controls and corporate governance practices and disclosure standards."



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