At KMB Group's Annual General Meeting today (Thursday, 20 May 2004), the Group's Chairman, Sir Sze-yuen Chung, reported the financial results for 2003. Profit attributable to shareholders for 2003 was HK$597.0 million and earnings per share for 2003 were HK$1.48, both representing a decrease of 36.5% compared with 2002.

Despite the profit decline, the Board has recommended a final dividend of HK$1.58 per share for 2003, the same level as 2002. Together with the interim dividend of HK$0.45 per share already paid in last October, the total dividend for 2003 will amount to HK$2.03 per share, same as the amount for 2002.

"2003 was a challenging year for the Group. During the first half of the year, the SARS outbreak had a serious impact on our business. However, during the second half of the year, the local economy began to recover and the Group's performance steadily improved," said the Group's Chairman, Sir Sze-yuen Chung.

"The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a decline in patronage in 2003. The decline was attributable to the impact of SARS and the loss of passengers to the expanded railways. Long Win Bus Company Limited ("LWB") also saw a significant decrease in ridership due to the substantial drop in the number of tourists during the SARS outbreak. Despite the impact of SARS and the increase in operating costs as a result of the escalated oil prices, insurance premiums and toll charges, etc., KMB and LWB continued to support the community during times of economic difficulty. We expanded the coverage of our Bus-bus Interchange ("BBI") schemes and offered fare concessions for passengers travelling on relatively long distance routes. These concessions were made possible by productivity enhancement and stringent cost control measures."

The Kowloon-Canton Railway West Rail commissioned in December 2003 and the Ma On Shan Extension to be commissioned in the fourth quarter of this year are bound to have an adverse impact on KMB's patronage. However, the improved economy and the surge of Mainland tourists should generate some passenger growth to partially offset the loss of patronage to those new railways. The Group will need to rationalise its bus network and re-deploy resources from those affected areas to locations in need of bus services. Excess resources will be disposed of through natural attrition. Over the longer term, the Group anticipates steady growth in patronage when more new towns are developed to accommodate the expected population growth.

The Group's strategy is to diversify its business by continuing to explore new growth opportunities that can be leveraged on its core competencies.

During 2003, the Group concluded three large-scale joint venture projects in Beijing, Shenzhen and Wuxi. Whilst the Shenzhen project awaits final approval by the relevant government authorities on the Mainland, the Beijing and Wuxi projects commenced operations in March 2003 and February 2004, respectively. The Group anticipates that these operations will make an increasing contribution to its earnings in the years ahead.

The Group will also continue to develop its non-franchised transport business in Hong Kong by meeting its customers' specific needs, whether for prestige premium services or value-for-money services. The Group anticipates that its media sales business will strengthen in 2004 in line with the economic recovery. The redevelopment of the former Lai Chi Kok Depot site into a residential and commercial complex is scheduled for completion by mid 2006 and this project will generate new income and be a potential source of new customers for KMB.

Sir Sze-yuen Chung said, "We recognise the importance of good corporate governance and transparency and will continue to improve our internal controls and corporate governance practices and channels of communication."

At KMB Group’s Annual General Meeting, the Group’s Chairman, Sir Sze-yuen Chung (eight from the left), reported the financial results for 2003.