



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

2001 Final Results Announcement

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Other revenue	1	6,861,809
Other net income	141,817	171,851
Staff costs	10,059	2,832
Depreciation	(3,300,791)	(3,128,689)
Spare parts, stores and fuel oil consumed	(666,746)	(600,370)
Other operating expenses	(669,554)	(830,579)
	<u>(797,234)</u>	<u>(822,008)</u>
Profit from operations	1	1,579,360
Deemed profit on partial disposal of a subsidiary	2	349,569
Finance cost	(113,984)	(180,236)
Share of profit of associates	—	—
Share of (loss)/profit of jointly controlled entity	(682)	286
Profit from ordinary activities before taxation	3	1,814,263
Taxation	4	<u>(180,658)</u>
Profit from ordinary activities after taxation		855,100
Minority interests		(446)
Profit attributable to shareholders		<u>854,654</u>
Dividends attributable to the year:		
Interim dividend		161,456
Proposed final dividend		<u>504,549</u>
		<u>637,750</u>
Earnings per share	5	<u>\$3.95</u>
		<u>\$2.12</u>

Notes:

1 Segmental information

Turnover and contribution to the Group's profit from principal activities during the year, after elimination of all material intercompany transactions, are as follows:

	Turnover		Contribution to profit from operations	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Operation of franchised and non-franchised bus services	6,533,143	6,232,338	1,284,733	914,131
Media sales business	<u>328,666</u>	<u>91,054</u>	239,643	80,091
	<u>6,861,809</u>	<u>6,323,392</u>	1,524,376	994,222
Unallocated net operating income and expenses			54,984	122,207
			<u>1,579,360</u>	<u>1,116,429</u>

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

2 Deemed profit on partial disposal of a subsidiary

Deemed profit on partial disposal of a subsidiary represents profit arising from the spin-off of 26.7% of the shares of RoadShow Holdings Limited ("RoadShow") from the Group during the year. The initial public offering in Hong Kong and international placing on 28 June 2001, together with the over-allotment option exercised by the underwriters in July 2001, raised approximately HK\$588.8 million (before issuing expenses). At 31 December 2001, the Group had an equity interest of 73.3% in RoadShow.

3 Profit from ordinary activities before taxation

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank loans and overdrafts	113,984	180,719
Less: Interest capitalised into buses under construction	—	(483)
	113,984	180,236
Interest income from bank deposits	(89,990)	(138,842)
(Gain)/loss on disposal of fixed assets	<u>(10,735)</u>	<u>3,821</u>

4 Taxation

The provision for Hong Kong Profits Tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for the year ended 31 December 2001. Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

5 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,595,542,000 (2000: HK\$854,654,000) and 403,639,413 (2000: 403,639,413) shares in issue during the year.

Through New Hong Kong Bus Co. Ltd., the Division jointly operates a cross-boundary shuttle bus service between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen, together with its Shenzhen counterpart. This bus service has been well received by both regular cross-boundary commuters and holiday travellers. At present, the service deploys 17 air-conditioned single-deck buses.

In May 2001, Park Island Transport Company Limited, a 65% owned subsidiary of the Group, entered into an agreement with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW") for the provision of bus and ferry services to and from Ma Wan Island. SHKMW is a subsidiary of Sun Hung Kai Properties Limited, a substantial shareholder of the Company. These services are expected to begin in the last quarter of 2002.

Media Sales Business

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

RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Group, was separately listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Exchange") on 28 June 2001. 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 issuing expenses) for the RoadShow Group. A deemed profit of HK\$349.6 million resulting from the spin-off of approximately 26.7% of the shares of RoadShow was recorded by the Group in 2001.

In 2001, RoadShow Group reported total operating revenue of HK\$301.3 million (2000: HK\$53.3 million) and profit attributable to shareholders of HK\$175.1 million (2000: HK\$30.7 million), both representing an increase of approximately 4.7 times over 2000. The RoadShow Group's revenue was derived principally from its media sales services, media sales management and administrative services and merchandising businesses, with each accounting for approximately 86.8% (2000: 49.8%), 6.6% (2000: 33.7%) and 2.6% (2000: 15.4%), respectively, of the RoadShow Group's total operating revenue for 2001.

The RoadShow Group's strong performance during 2001 was due mainly to the expansion of the Multi-media on-board (MMOB) system installation on bus fleet from 100 franchised buses at the end of 2000 to 2,400 franchised buses and 200 public light buses at the end of 2001 and the installation of additional advertising spaces in bus waiting shelters. Its merchandising businesses of selling commemorative items also performed well during 2001.

Further information relating to the RoadShow Group is available in its 2001 final results announcement and annual report.

Mainland Operations

Dalian and Tianjin Operations

At 31 December 2001, the Group's total interest in associate and jointly controlled entities amounted to HK\$6.3 million (2000: HK\$9.9 million). The investments were in respect of the operation of passenger bus services in Dalian and Tianjin. The co-operative joint venture ("CJV") in Dalian, established in 1997, between a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company in Liaoning Province continued to make steady progress during 2001. The other CJV in Tianjin formed between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company Limited in Tianjin began operation in January 2001. This CJV made satisfactory progress during its initial year of operation. The contributions from these bus operations to the Group were insignificant in 2001.

FINANCIAL LIQUIDITY AND RESOURCES

The Group's policy is to maintain a healthy financial position that net cash inflow from operating activities together with undrawn committed banking facilities should meet the requirements of loan repayments and capital expenditure. Further, a sufficient amount of cash is maintained to meet potential business expansion and development. The Group was mainly financed by shareholders' funds, bank loans and overdrafts in 2001.

The gearing ratio, representing the ratio of net borrowings to the total share capital and reserves of the Group; and the liquidity ratio, given by the ratio of current assets to current liabilities, are shown below.

	2001	2000
Gearing ratio at year-end	0.05	0.18
Liquidity ratio at year-end	1.56	1.57

At 31 December 2001, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$225.8 million (2000: HK\$502.4 million), representing a decrease of HK\$276.6 million as compared with 2000. An analysis of the Group's net borrowings by currency at 31 December 2001 is shown below:

Currency	2001		2000	
	Net borrowings/ (cash) in foreign currency <i>(million)</i>	Net borrowings/ (cash) in HK\$ <i>(million)</i>	Net borrowings/ (cash) in foreign currency <i>(million)</i>	Net borrowings/ (cash) in HK\$ <i>(million)</i>
Hong Kong Dollar		739.1		499.6
United States Dollar	(43.1)	(336.1)	22.7	176.6
British Pound Sterling	(15.7)	<u>(177.2)</u>	(14.9)	<u>(173.8)</u>
Total		<u>225.8</u>		<u>502.4</u>

Bank loans and overdrafts at 31 December 2001 amounted to HK\$2,345.7 million (2000: HK\$2,744.1 million). All bank loans and overdrafts were unsecured at 31 December 2001 and 2000. The maturity profile of the bank loans and overdrafts of the Group at 31 December 2001 and 2000 is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within 1 year or on demand	602,919	568,429
After 1 year but within 2 years	475,037	589,524
After 2 years but within 5 years	985,916	1,406,486
After 5 years	281,788	179,704
	<u>1,742,741</u>	<u>2,175,714</u>
Total	<u>2,345,660</u>	<u>2,744,143</u>

At 31 December 2001, the Group had stand-by banking facilities totalling HK\$381.5 million (2000: HK\$15.0 million).

Due mainly to the reduction in interest rates and the average amount of borrowings during 2001, the total finance cost incurred by the Group reduced from HK\$180.2 million in 2000 to HK\$114.0 million in 2001. Interest cover, representing the ratio of profit from ordinary activities before taxation to net finance charges (total finance costs including amount being capitalised less interest income), increased from 22.5 times in 2000 to 76.1 times in 2001.

At 31 December 2001, the Group's cash and deposits at banks amounted to HK\$2,119.8 million (2000: HK\$2,241.7 million), and they were mainly denominated in Hong Kong Dollar, US Dollar and British Pound Sterling.

FUNDING AND TREASURY POLICIES

The major operating companies of the Group, KMB, LWB and RoadShow arrange their own financing to meet specific requirements. Financing for the other subsidiaries of the Group is mainly provided by the holding company from its capital base. Small stand-by banking facilities and overdrafts are maintained to facilitate routine treasury operations.

The Group's major revenue sources are fare receipts from the franchised bus services and revenue from non-franchised transport operations and the media sales business, all denominated in Hong Kong Dollar. Financing in Hong Kong Dollar provides a natural currency hedge for the Group. At 31 December 2001, the Group's total borrowings were substantially denominated in Hong Kong Dollar and on a floating rate basis. This had enabled the Group to take full advantage of the interest rate cuts in 2001. However, it is the Group's policy to review its interest rate hedging strategy in light of the prevailing market conditions from time to time.

Foreign currency exposure did not pose significant risk for the Group as the levels of foreign currency assets and liabilities at the end of 2001 were relatively low when compared to its total asset base. The Group's bus purchases made up a substantial portion of its capital expenditure and capital commitments in 2001 and were mainly paid in British Pound Sterling and Euro. As these two foreign currencies have generally weakened against the Hong Kong Dollar since early 2001, the Group has not entered into any hedging arrangements. However, the Group continues to closely monitor foreign exchange movements in formulating its hedging strategy on an ongoing basis.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure incurred by the Group during the year amounted to HK\$1,337.5 million (2000: HK\$1,047.2 million).

Capital commitment outstanding and not provided for in the accounts of the Group as at 31 December 2001 amounted to HK\$617.8 million (2000: HK\$1,163.0 million). The commitments are mainly for the purchase of buses and other motor vehicles, construction of new bus depots, project management, improvement of depot facilities and the purchase of other fixed assets. The commitments are to be financed by borrowings and the Group's working capital.

At 31 December 2001, the Group had 208 (2000: 260) air-conditioned double-deck buses on order for delivery in 2002, of which 70 (2000: 89) were in various stages of construction.

CONTINGENT LIABILITIES

At 31 December 2001, the Company had undertaken to guarantee certain bank loans granted to certain subsidiaries to the extent of HK\$582.3 million (2000: HK\$807.7 million).

EMPLOYEES AND REMUNERATION POLICIES

The provision of both franchised and non-franchised bus services is a labour intensive business. Staff costs represent a substantial portion of the Group's bus operating costs. The Group closely monitors the number and remuneration of its employees against productivity and market trends. The number and remuneration of employees of the Group over the past five years are tabulated below:

	Number of employees <i>(at year-end)</i>	Total Remuneration <i>(in HK\$ million)</i>	Remuneration as % of total operating costs
2001	14,144	3,301	61
2000	13,773	3,129	58
1999	13,421	3,049	61
1998	13,437	3,108	65
1997	12,599	2,670	62

PUBLICATION OF DETAILED ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001 ON THE EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Exchange will be published on the Exchange's website in due course.

Hong Kong, 11 March 2002

This announcement is also available on websites:

<http://www.kmb.com.hk>

<http://www.irasia.com/listco/hk/kmb>

By order of the Board
S.Y. CHUNG
Chairman

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Kowloon Motor Bus Holdings Limited (“the Company”) will be held at the Royal Plaza Hotel, Ballroom, 193 Prince Edward Road West, Kowloon, Hong Kong on Thursday, 16 May 2002 at 3:00 p.m. to transact the following business:—

1. to receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2001;
2. to declare a final dividend;
3. to re-elect Directors and fix their remuneration;
4. to appoint Auditors and to authorise the Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolution as Ordinary Resolution:—

5. “THAT:—

- (A) (i) subject to paragraph A(iii) of this Resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph A(i) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the expiry of the Relevant Period;
- (iii) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph A(i) of this Resolution, otherwise than pursuant to:—
- (a) a Rights Issue (as hereinafter defined), or
 - (b) an issue of shares of the Company upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to Directors and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or
 - (c) an issue of shares of the Company in lieu of the whole or part of the dividend on shares of the Company in accordance with the bye-laws of the Company,

shall not exceed 20 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(iv) for the purposes of this paragraph (A):—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any applicable laws to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).

(B) (i) subject to paragraph B(ii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal value of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph B(i) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution and the authority pursuant to paragraph B(i) of this Resolution shall be limited accordingly; and

(iii) for the purposes of this paragraph (B):—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any applicable laws to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting;

(C) the general unconditional mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to paragraph (A) of this Resolution be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the general unconditional mandate to repurchase shares referred in paragraph (B) of this Resolution provided that such extended amount shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution.”

By Order of the Board

Lana Woo

Company Secretary

Hong Kong, 11 March 2002

Notes:—

- (1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote on behalf of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (2) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of authority must be lodged with the Company’s principal office at No. 1, Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (3) The Register of Members will be closed from Monday, 6 May 2002 to Thursday, 16 May 2002 both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrars, Central Registration Hong Kong Limited of 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Friday, 3 May 2002.