

## Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2000.

### Principal activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the operation of both franchised and non-franchised public buses in Hong Kong. Particulars of the Company's principal subsidiaries are set out in note 12 on the accounts.

The Group's turnover and profit are almost entirely attributable to bus operations. Accordingly, no analysis by principal activity is provided. Turnover and contribution to the Group's profit from non-Hong Kong activities are insignificant.

### Accounts

The profit of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 74 to 100 of this Annual Report.

An analysis of the results and financial position of the Group is set out on pages 52 to 57 of this Annual Report.

### Dividends

An interim dividend of 33 cents per share was paid to the shareholders on 10 October 2000. The Directors now recommend that a final dividend of HK\$1.25 per share in respect of the year ended 31 December 2000 be paid to the shareholders on 18 May 2001.

### Charitable donations

Donations made by the Group during the year amounted to HK\$2,597,000 (1999: HK\$1,943,000).

### Fixed assets

During the year, major additions of the Group were buses under construction with a total cost of HK\$698,678,000 (1999: HK\$424,386,000). During the year, buses under construction with a total cost of HK\$698,189,000 (1999: HK\$559,747,000) were licensed and transferred to buses.

Details of other movements in fixed assets during the year are set out in note 11 on the accounts.

### Directors

The Directors during the financial year and up to the date of this report were:

<b>The Hon Sir Sze-yuen CHUNG</b> , GBM, GBE, PhD, FREng, JP*	(Chairman)
<b>Raymond KWOK Ping Luen</b>	(Deputy Chairman)
<b>Dr the Hon WOO Pak Chuen</b> , JP*	
<b>YU Shu Chuen</b>	
<b>Walter KWOK Ping Sheung</b> , JP	
<b>NG Siu Chan</b>	
<b>William LOUEY Lai Kuen</b>	
<b>John CHAN Cho Chak</b> , GBS, JP	(Managing Director)
<b>Charles LUI Chung Yuen</b> , MH	
<b>Winnie J NG</b>	
<b>Dr KUNG Ziang Mien, James</b> , OBE*	
<b>George CHIEN Yuan Hwei</b>	
<b>The Hon Eric LI Ka Cheung</b> , OBE, JP*	
<b>Norman LEUNG Nai Pang</b> , GBS, JP	(appointed on 18 March 2000)
<b>LUI Pochiu</b>	(appointed on 1 January 2001)

## Directors (continued)

<b>Edmond HO Tat Man</b>	(appointed on 1 January 2001)
<b>TSIM Tak Po</b>	(Alternate Director to Mr Raymond KWOK Ping Luen)
<b>Lana WOO</b>	(Alternate Director to Dr the Hon WOO Pak Chuen, JP)
<b>Patrick CHAN Kai Lung</b>	(Alternate Director to Mr Walter KWOK Ping Sheung, JP)
(* Independent Non-executive Director)	

In accordance with Bye-Law 87, Messrs YU Shu Chuen, George CHIEN Yuan Hwei, Dr KUNG Ziang Mien, James, and The Hon Eric LI Ka Cheung retire from the Board by rotation and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 60 to 65 of this Annual Report.

## Directors' interests in shares

At 31 December 2000, the Directors had the following interests in the issued share capital of the Company as recorded in the register of Directors' interests in shares:

	Shares of HK\$1 each				
	Personal interests	Family interests	Corporate interests	Other interests	
<b>The Hon Sir Sze-yuen CHUNG</b> , GBM, GBE, PhD, FEng, JP	18,821	-	-	-	(Note 1)
<b>Raymond KWOK Ping Luen</b>	393,350	-	-	-	
<b>Dr the Hon WOO Pak Chuen</b> , JP	210,047	-	-	-	
<b>YU Shu Chuen</b>	2,943	70,803	-	5,768,281	
<b>Walter KWOK Ping Sheung</b> , JP	61,522	-	-	-	
<b>NG Siu Chan</b>	-	11,196,877	-	-	(Note 2)
<b>William LOUEY Lai Kuen</b>	1,058,465	-	-	-	
<b>John CHAN Cho Chak</b> , GBS, JP	2,000	-	-	-	
<b>Charles LUI Chung Yuen</b> , MH	11,779	-	-	2,379,590	
<b>Winnie J NG</b>	25,200	-	-	11,196,877	
<b>Dr KUNG Ziang Mien</b> , James, OBE	-	-	-	-	(Note 3)
<b>George CHIEN Yuan Hwei</b>	2,000	-	-	-	
<b>The Hon Eric LI Ka Cheung</b> , OBE, JP	-	-	-	-	
<b>Norman LEUNG Nai Pang</b> , GBS, JP	-	-	-	-	
<b>TSIM Tak Po</b> (Alternate Director to Mr Raymond KWOK Ping Luen)	10,000	-	-	-	
<b>Lana WOO</b> (Alternate Director to Dr the Hon WOO Pak Chuen, JP)	9,475	-	-	-	(Note 3)
<b>Patrick CHAN Kai Lung</b> (Alternate Director to Mr Walter KWOK Ping Sheung, JP)	-	-	-	-	

### Notes:

- 1 HSBC International Trustee Ltd held 5,768,281 shares in the Company as trustee of a discretionary trust. Mr YU Shu Chuen is deemed to have interest in the discretionary trust.
- 2 Mr Charles LUI Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,379,590 shares in the Company.
- 3 Miss Winnie J NG has interest in certain private trusts which beneficially held 11,196,877 shares in the Company.

As at 31 December 2000, none of the Directors had any non-beneficial interest in the share capital of the Company.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**Directors' service contracts**

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

**Directors' interests in contracts**

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

**Substantial interests in the share capital of the Company**

The Company has been notified of the following interests in the Company's issued shares at 31 December 2000 amounting to 10% or more of the shares in issue:

	Shares held	Percentage of total issued shares
Sun Hung Kai Properties Limited	137,192,373	33.99%
Arklake Limited	68,615,552	17.00%
Kowloon Development Company Limited	52,473,320	13.00%

The register of substantial shareholders indicates that the interest disclosed by Sun Hung Kai Properties Limited includes the 68,615,552 shares disclosed by Arklake Limited.

**Purchase, sale or redemption of the Company's shares**

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's own shares.

**Senior management profiles**

Brief biographical details of the members of senior management of the Company are set out on pages 66 to 67 of this Annual Report.

**Staff retirement schemes**

The Group operates two separate non-contributory defined benefit retirement schemes, namely "The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme" and "The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme" and a defined contribution retirement scheme.

**Defined benefit retirement schemes**

The assets of the defined benefit retirement schemes are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals, usually triennially, and are charged to the profit and loss account.

The most recent actuarial valuations of the two schemes were at 31 December 2000 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

### Staff retirement schemes (continued)

#### The KMB Monthly Rated Employees Provident Fund Scheme

- i) The scheme was established with effect from 15 February 1978.
- ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used. Other major assumptions used in the valuation were: Investment Return and Salary Escalation at 8% per annum; Mortality Rates 1991 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age 65.
- iii) The market value of the scheme assets at 31 December 2000 was HK\$764.8 million.
- iv) The minimum level of funding commencing from 1 January 2001 recommended by the actuary is 10.1% of pay.
- v) The ongoing funding surplus in the scheme was HK\$157.0 million and the solvency surplus was HK\$218.1 million at 31 December 2000.

#### The KMB Daily Rated Employees Retirement Fund Scheme

- i) The scheme was established with effect from 1 July 1983.
- ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used. Other major assumptions used in the valuation were: Investment Return and Salary Escalation at 8% per annum; Mortality Rates 1991 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age 60.
- iii) The market value of the scheme assets at 31 December 2000 was HK\$1,947.9 million.
- iv) The minimum level of funding commencing from 1 January 2001 recommended by the actuary is 6.8% of pay.
- v) The ongoing funding surplus in the scheme was HK\$280.2 million and the solvency surplus was HK\$770.3 million at 31 December 2000.

### Defined contribution retirement scheme

The Group also operates a defined contribution retirement scheme whereby the Group is required to make contributions to the scheme at rates ranging from 5% to 12% of the relevant employees' salaries which are dependent on their length of service with the Group. The assets of the defined contribution scheme are held separately from those of the Group in independently administered fund. Contributions to the defined contribution scheme during the year are charged to the profit and loss account. For forfeited amount due to resignation prior to vesting of the benefits, the amount will be used to reduce the Group's contribution made in that corresponding financial year.

### Bank loans and overdrafts

Particulars of bank loans and overdrafts of the Company and the Group as at 31 December 2000 are set out in note 20 on the accounts.

### Major customers and suppliers

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

### Financial summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 58 and 59 of this Annual Report.

**Compliance with the Code of Best Practice**

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules, except for the paragraph 7 that the independent Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company.

**Auditors**

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**S.Y. CHUNG**

Chairman

Hong Kong, 15 March 2001