



# THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

## 2002 FINAL RESULTS ANNOUNCEMENT

### CONDENSED CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2002

	<i>Note</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i> <i>restated</i>
<b>Turnover</b>	1	6,843,394	6,861,809
Other revenue		76,337	141,817
Other net income		1,891	10,059
Staff costs		(3,319,752)	(3,305,344)
Depreciation and amortisation		(850,994)	(666,746)
Spare parts, stores and fuel oil consumed		(705,999)	(669,554)
Other operating expenses		<u>(856,978)</u>	<u>(797,234)</u>
Profit from operations	1	1,187,899	1,574,807
Deemed profit on partial disposal of a subsidiary	2	2,724	349,569
Finance costs		(49,858)	(113,984)
Share of profit of associates		1,081	—
Share of profit/(loss) of jointly controlled entity		<u>342</u>	<u>(682)</u>
<b>Profit from ordinary activities before tax</b>	3	1,142,188	1,809,710
Income tax expense	4	<u>(174,859)</u>	<u>(236,685)</u>
<b>Profit from ordinary activities after tax</b>		967,329	1,573,025
Minority interests		<u>(27,726)</u>	<u>(33,584)</u>
<b>Profit attributable to shareholders</b>		<u><u>939,603</u></u>	<u><u>1,539,441</u></u>
<b>Dividends:</b>			
Interim dividend of HK\$0.45 per share declared and paid during the year (2001: HK\$0.40 per share)		181,638	161,456
Final dividend of HK\$1.58 per share proposed after the balance sheet date (2001: HK\$1.46 per share)		<u>637,750</u>	<u>589,314</u>
		<u><u>819,388</u></u>	<u><u>750,770</u></u>
<b>Earnings per share</b>	5	<u><u>\$ 2.33</u></u>	<u><u>\$ 3.81</u></u>

Notes:

### 1 Segmental information

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

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000 <i>restated</i>
Operation of franchised bus services and non-franchised transport services	6,639,933	6,533,143	1,056,314	1,280,180
Media sales business	<u>203,461</u>	<u>328,666</u>	<u>117,810</u>	<u>239,643</u>
	<u>6,843,394</u>	<u>6,861,809</u>	1,174,124	1,519,823
Unallocated net operating income and expenses			<u>13,775</u>	<u>54,984</u>
Profit from operations			<u>1,187,899</u>	<u>1,574,807</u>

The Group's turnover and operating profit derived from activities outside Hong Kong were insignificant. Accordingly, no analysis by geographical segment is provided.

### 2 Deemed profit on partial disposal of a subsidiary

Deemed profit on partial disposal of a subsidiary during the year represents the profit arising from the reduction of the Group's shareholding in RoadShow Holdings Limited ("RoadShow") from 73.3% at the preceding financial year-end to 73.0% at 31 December 2002, as a result of the transfer of RoadShow shares by the Group to the loyal shareholders under RoadShow's Loyalty Share Bonus Scheme and the exercise of RoadShow share options by the option grantees during the year. The comparative figure represents the deemed profit arising from the spin-off and over-allotment of 26.7% of the issued shares of RoadShow from the Group pursuant to RoadShow's listing on the Main Board of The Stock Exchange of Hong Kong Limited ("the Exchange") and International Placing in 2001.

### 3 Profit from ordinary activities before tax

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

	2002 HK\$'000	2001 HK\$'000
Finance costs:		
Interest on bank loans and overdrafts, and other unsecured loans	<u>49,858</u>	<u>113,984</u>
Interest income from bank deposits	(33,240)	(89,990)
Gain on disposal of fixed assets	<u>2,519</u>	<u>(10,735)</u>

#### 4 Income tax expense

	2002 HK\$'000	2001 HK\$'000 <i>restated</i>
Current tax expense	104,614	150,658
Deferred tax expense	<u>70,245</u>	<u>86,027</u>
Total income tax expense in income statement	<u>174,859</u>	<u>236,685</u>

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rate of 16% (2001: 16%) ruling at the balance sheet date, and any under- or over-provision adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. When the initial recognition of assets or liabilities affects neither accounting profit nor taxable profit or loss, no deferred tax is provided for.

#### 5 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$939,603,000 (2001: restated HK\$1,539,441,000) and 403,639,413 (2001: 403,639,413) shares in issue during the year.

#### 6 Changes in accounting policies

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practices (“SSAPs”) and Interpretations issued by the Hong Kong Society of Accountants, and accounting principles generally accepted in Hong Kong. Certain new or revised SSAPs which affect the Group are highlighted below.

##### *SSAP 12 “Income taxes”*

In prior years, deferred taxation was 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 that were expected with reasonable probability to crystallise in the foreseeable future. The Group has elected to adopt SSAP 12 “Income taxes” in place of SSAP12 “Accounting for deferred tax” issued in 1987, for the preparation of its financial statements for the year ended 31 December 2002. The Directors considered that the new accounting policy would be able to fully and fairly recognise the tax consequences of transactions and other events effected by the Group. As a result of the adoption of this new accounting policy, the profit for the year has been decreased by HK\$70.4 million (2001: HK\$51.5 million). The new accounting policy has been adopted retrospectively with the opening balance of retained profits and the comparative figures restated accordingly.

##### *SSAP 34 “Employee benefits”*

With the adoption of SSAP 34 “Employee benefits”, the Group’s defined benefit retirement assets, short term employee benefits and lump sum long service payments payable on cessation of the employees’ services were recognised by the Group. As a result of the adoption of this new accounting policy, the profit for the year has been increased by HK\$22.8 million (2001: decreased by HK\$4.6 million). The new accounting policy has been adopted retrospectively for short term employee benefits with the opening

balance of retained profits and the comparative figures restated accordingly. However, with the adoption of the new accounting policy for the defined benefit assets and lump sum long service payments of the Group, the opening balance of retained profits has been adjusted but no restatement of the comparative figure has been made.

## 7 Comparative figures

Certain comparative figures in the financial statements have been restated as a result of the changes in accounting policies for deferred taxation and short term employee benefits, details of which are set out in note 6 above.

## RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2002 was HK\$939.6 million. This represents a decrease of 39.0% compared with HK\$1,539.4 million (restated) for the previous year, which included a non-recurrent deemed profit of HK\$349.6 million arising from the partial disposal of the shares of RoadShow Holdings Limited ("RoadShow"). Earnings per share for the year were HK\$2.33 compared with HK\$3.81 (restated) for 2001.

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 shares for comparison purpose, the Group's profit attributable to shareholders for the year ended 31 December 2002 represents a decrease of 21.3% compared with that for 2001.

## PROPOSED FINAL DIVIDEND

On 20 March 2003, the Board of Directors recommended the payment to shareholders registered on 15 May 2003 a final dividend of HK\$1.58 per share (2001: HK\$1.46 per share), totalling HK\$637.8 million (2001: HK\$589.3 million), for the year ended 31 December 2002. Together with the interim dividend of HK\$0.45 per share (2001: HK\$0.40 per share) paid on 10 October 2002, the total dividend for the year ended 31 December 2002 will amount to HK\$2.03 per share (2001: HK\$1.86 per share), totalling HK\$819.4 million (2001: HK\$750.8 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 15 May 2003, the final dividend will be payable on 16 May 2003.

The Transfer Books of the Company will be closed from 5 May 2003 to 15 May 2003, both dates inclusive. To qualify for the proposed final dividend, transfers must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 2 May 2003.

## REVIEW OF OPERATIONS AND RESULTS

### Franchised Public Bus Operations

*The Kowloon Motor Bus Company (1933) Limited (“KMB”)*

Profit from franchised bus operations after tax of KMB for 2002 amounted to HK\$872.3 million (2001: restated HK\$1,014.8 million), representing a decrease of 14.0% compared with that of the previous year.

KMB's fare revenue for the year increased by 1.1% to HK\$6,234.0 million from HK\$6,169.5 million for 2001. A total of 1,134.4 million passenger trips (a daily average of 3.11 million) were made on KMB buses in 2002, an increase of 2.1% compared with 1,111.2 million passenger trips (a daily average of 3.04 million) in 2001. These modest growth trends were due mainly to the demand generated by population growth and KMB's strategy of providing quality service to retain its customers and attract new passengers which were, however, offset by more intense competition from the expanded railways and generally reduced spending in a weak economy.

The actual distance travelled by KMB's buses increased to 349.9 million kilometres in 2002 from 349.1 million kilometres in 2001. The slight increase in distance travelled was primarily due to the introduction of additional routes and improved frequencies on certain routes but offset by the rationalisation of some routes.

KMB's advertising revenue amounted to HK\$71.4 million (2001: HK\$71.2 million) in 2002, a slight increase of 0.3% compared with that in 2001.

Total operating cost for 2002 increased by 2.4% compared with that for 2001. Such increase was due mainly to increase in depreciation charge as a result of the capital investment made in 2002. Tunnel tolls, insurance, fuel and other operating costs also increased both in themselves and in line with the enhanced activity level.

KMB added 356 new air-conditioned double-deck buses equipped with Euro III engines to its fleet in 2002. During the year, the total number of air-conditioned buses increased from 2,963 to 3,327, comprising 3,084 double-deck and 243 single-deck buses. At 31 December 2002, KMB had a total of 4,441 buses, of which 75% was air-conditioned. Also, KMB had on order 134 new buses for delivery by 2003 and 60 buses under construction which will also be put into service in 2003.

Seven new KMB bus routes were launched in 2002: three serving the overnight demand, one serving the Hong Kong Science Park and three serving the New Territories. KMB operated 405 bus routes at the end of 2002. Upon the opening of the MTR Tseung Kwan O Extension in August 2002, KMB reorganised its Tseung Kwan O and Yau Tong bus service network to adapt to changing market conditions. Certain bus routes were cancelled and bus frequency in areas with low demand was reduced. The rationalised resources were redeployed to serve areas with high demand. The reorganisation is an ongoing process to enhance operational efficiency.

The construction of KMB's new permanent depot in West Kowloon was completed in April 2002. The new depot was commissioned on 11 May 2002 and renamed as New Lai Chi Kok Depot. The depot provides 400 parking spaces and maintenance services for about 1,000 buses serving the West Kowloon and South-west New Territories regions. The former Lai Chi Kok Depot is being redeveloped into a residential and commercial complex by the Group's Property Holdings Division.

#### *Long Win Bus Company Limited ("LWB")*

In October 2002, LWB was granted a new franchise by the HKSAR Government ("the Government") for nine years and eleven months commencing 1 June 2003, the day immediately following the expiry of its current franchise on 31 May 2003. This demonstrates that LWB has been providing a service that meets the expectations of its customers and the Government. The market environment for North Lantau and the Hong Kong International Airport (the "Airport") has been positive due to the ongoing development of Tung Chung new town, particularly the growing population intake into Yat Tung Estate.

Profit from franchised bus operations after tax of LWB for 2002 amounted to HK\$4.6 million (2001: restated a loss of HK\$0.4 million). The turnaround was mainly attributable to the increase in patronage during the year.

LWB's fare revenue for the year was HK\$232.1 million, representing an increase of 5.4% compared with HK\$220.3 million for 2001. The total ridership of LWB in 2002 was 20.3 million passenger trips (a daily average of 55,616), an increase of 6.9% compared with 19.0 million passenger trips (a daily average of 52,052) in the previous year. Total mileage operated for the year was 23.1 million kilometres, an increase of 1.3% over that for 2001.

LWB upgraded three air-conditioned double-deck buses to Airbus configuration with moquette seating and enlarged luggage spaces for operation on the new Airbus route no. A33. At the end of the year, LWB had 136 air-conditioned double-deck buses and nine air-conditioned single-deck buses serving Tung Chung and the Airport on 15 bus routes.

#### **Non-Franchised Transport Operations**

The Group's Non-Franchised Transport Operations Division reported a profit after tax of HK\$12.7 million for 2002 (2001: restated HK\$8.2 million), representing an increase of 54.9% compared with that for the previous year. Turnover increased by 21.4 % from HK\$143.0 million in 2001 to HK\$173.6 million in 2002. This was primarily due to the growth in residential, commercial and contract hiring businesses, whilst the employee, student and tourist sectors remained stable.

#### *Sun Bus Holdings Limited and its subsidiaries ("SBH Group")*

SBH Group comprises six business units, with Sun Bus Limited as its flagship. Since operation commenced in 1998, SBH Group has provided bus services to large residential

estates, shopping malls, major employers and schools. Despite being faced with greater competition, SBH Group is well positioned for growth. Our quality service culture and fast responsiveness to market needs are our competitive advantages to ensure total customer satisfaction.

At the end of 2002, SBH Group had a fleet size of 207 buses compared with 205 at the previous year-end. Although the operations of its different business units may differ, some major expenses such as fuel, spare parts and administration costs are pooled to benefit from the economies of scale.

As a result of a continual vehicle replacement programme, 99% (95% in 2001) of the fleet was equipped with environment-friendly engines at the end of 2002, of which over 4% are equipped with the latest commercially available Euro III engines.

*Park Island Transport Company Limited (“PITC”)*

PITC, a 65% owned subsidiary of the Group, has commenced its shuttle bus and ferry services for Ma Wan Island since 14 December 2002.

PITC’s ferry fleet comprises four 38-metre 412-seat catamarans, one 28-metre 380-seat catamaran and one 20-metre 170-seat catamaran. Its initial bus fleet comprises six 10-metre Dennis Dart super-low floor air-conditioned single-deck buses. Three diesel-electric hybrid air-conditioned single-deck buses have been ordered and are scheduled to commence service by mid 2003.

PITC currently operates two ferry routes and one bus route. One of the ferry routes plies between Ma Wan and Central on a 24-hour basis, whilst the other one operates between Ma Wan and the Tsuen Wan Public Pier from 6:40 a.m. to 11:55 p.m. daily. The bus service runs 24-hour a day between Ma Wan (Tung Wan Bus Terminus) and Tsing Yi Airport Railway Station.

*New Hong Kong Bus Company Limited (“NHKB”)*

NHKB jointly operates the popular cross-boundary shuttle bus service, popularly known as the “Huang Bus” service, with its Shenzhen counterpart. Plying between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen, the Huang Bus provides a direct and economical cross-boundary transportation service for the general public.

NHKB introduced five additional air-conditioned single-deck buses during the year, bringing the total number to 20 as at the end of 2002. In addition, the two termini at Lok Ma Chau and Huanggang were renovated and more terminus staff were employed for customer service enhancement during the year.

Following the implementation of the round-the-clock boundary crossing arrangements at the Lok Ma Chau and Huanggang checkpoints, NHKB has been providing 24-hour shuttle bus services since 27 January 2003.

## **Property Holdings**

### *Lai Chi Kok Properties Investment Limited (“LCKPI”)*

The obsolete Lai Chi Kok Depot building was demolished in 2002 after its depot function was taken over by the new permanent depot situated at West Kowloon Reclamation in May 2002.

LCKPI, a wholly owned subsidiary of the Group, will develop the old depot site into a residential and commercial complex with a total gross floor area of about one million square feet and a retail podium area of about 50,000 square feet. The current plan is to build four 44-storey prestigious residential blocks with some 1,300 residential units for sale in due course.

As the owner and developer of the site, LCKPI has engaged Sun Hung Kai Real Estate Agency Limited for the provision of project management services relating to this property redevelopment. Piling work of the redevelopment project has been scheduled for completion by September 2003. It is expected that the whole project will be completed by the end of 2005. LCKPI will closely monitor the property market conditions with a view to drawing up an appropriate timetable for marketing the residential property.

## **Mainland Operations**

### *Dalian Project*

This co-operative PRC joint venture (“Dalian CJV”) was established in 1997 between a 60% owned subsidiary of the Group and Dalian City No. 1 Bus Company in Liaoning Province. The Dalian CJV had 46 double-deck buses and 30 single-deck buses at the end of 2002, serving Dalian City with an average daily ridership of about 88,000. It continued to make steady progress during 2002.

### *Tianjin Project*

This co-operative PRC joint venture (“Tianjin CJV”) was established in January 2000 between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company. During 2002, the Tianjin CJV operated seven bus routes with 110 single-deck buses in Tianjin City. It made satisfactory progress and became profitable in 2002.

## **Media Sales Business**

### *RoadShow Holdings Limited and its subsidiaries (the “RoadShow Group”)*

The RoadShow Group reported a total operating revenue of HK\$173.4 million (2001: HK\$301.3 million) and a profit attributable to shareholders of HK\$55.0 million (2001 restated: HK\$158.3 million) for the year ended 31 December 2002, representing a decrease of 42.4% and 65.3% respectively compared with the previous year. The RoadShow Group’s revenue was derived principally from its media sales services, and media sales management and administrative services.

During 2002, the RoadShow Group established a number of joint venture companies for developing media sales businesses in Beijing, Shanghai, Guangzhou and other major cities on the Mainland of China. Further information relating to the RoadShow Group is available in its 2002 final results announcement and annual report.

## FINANCIAL LIQUIDITY AND RESOURCES

The Group's policy is to maintain a healthy financial position such that net cash inflow from operating activities together with undrawn committed and uncommitted banking facilities should meet the requirements for loan repayments and capital expenditure. Furthermore, sufficient cash balances are maintained to meet potential business expansion and development from time to time. The Group's operations were mainly financed by shareholders' funds, bank loans and overdrafts in 2002.

The gearing ratio and the liquidity ratio of the Group are shown below:

	<b>2002</b>	<b>2001 restated</b>
Gearing ratio at year-end (the ratio of net borrowings to the total share capital and reserves)	0.15	0.05
Liquidity ratio at year-end (the ratio of current assets to current liabilities)	1.27	1.47

### Net borrowings

At 31 December 2002, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$689.5 million (2001: HK\$225.8 million), representing an increase of HK\$463.7 million as compared with 2001. An analysis of the Group's net borrowings by currency at 31 December 2002 is shown below:

Currency	<b>2002</b>		<b>2001</b>	
	Net borrowings/ (cash) in foreign currency million	Net borrowings/ (cash) in HK\$ million	Net borrowings/ (cash) in foreign currency million	Net borrowings/ (cash) in HK\$ million
Hong Kong Dollar		993.9		739.1
United States Dollar	(28.3)	(221.2)	(43.1)	(336.1)
British Pound Sterling	(6.7)	(83.2)	(15.7)	(177.2)
Total		<u>689.5</u>		<u>225.8</u>

## Bank loans and overdrafts

Bank loans and overdrafts at 31 December 2002 amounted to HK\$2,268.0 million (2001: HK\$2,345.7 million). Except for a bank loan of HK\$100.0 million (2001: HK\$ Nil) which was secured by a pledged bank deposit of the same amount, all bank loans and overdrafts were unsecured at 31 December 2002 and 31 December 2001. The maturity profile of the bank loans and overdrafts of the Group at 31 December 2002 and 2001 is as follows:

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Within 1 year or on demand	438,311	602,919
After 1 year but within 2 years	277,083	475,037
After 2 years but within 5 years	1,140,121	985,916
After 5 years	412,500	281,788
	<u>1,829,704</u>	<u>1,742,741</u>
Total	<u>2,268,015</u>	<u>2,345,660</u>

At 31 December 2002, the Group had stand-by banking facilities totalling HK\$549.5 million (2001: HK\$381.5 million).

Due mainly to the reduction in interest rates and the average amount of borrowings during 2002, the total finance costs incurred by the Group reduced from HK\$114.0 million in 2001 to HK\$49.9 million in 2002. The average interest rate in respect of the Group's borrowings for 2002 was 2.6%, representing a decrease of 190 basis points compared with 4.5% for 2001.

Interest cover, representing the ratio of profit from ordinary activities before tax to net finance charges (i.e. total finance costs less interest income), increased from 75.9 times in 2001 to 87.2 times in 2002.

## Funding and Treasury Policies

The major operating companies of the Group (i.e. KMB, LWB, the RoadShow Group and PITC) arrange their own financing to meet specific requirements. The main sources of financing for these companies are proceeds from operations, and unsecured long-term bank loans. Uncommitted stand-by banking facilities and overdrafts are also maintained to facilitate routine treasury operations. Financing for the other subsidiaries of the Group is mainly provided by the holding company from its capital base. The Group reviews its strategy from time to time with a view to selecting the financing methods that provide the lowest finance costs with the required maturity and flexibility.

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 dollars. Financing in Hong Kong dollars provides a natural currency hedge for the Group. As at 31 December 2002, the Group's total borrowings were

substantially denominated in Hong Kong dollars and on a floating rate basis. This has enabled the Group to take full advantage of the interest rate cuts in 2002. 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 the year were relatively low when compared to its total asset base. Certain expenditures such as purchase of new buses and motor vehicle components require payments in foreign currencies. It has been the Group's policy to closely monitor its exposure to foreign exchange movements in formulating its hedging strategy on an ongoing basis.

At 31 December 2002, the Group's cash and deposits at banks amounted to HK\$1,595.2 million (2001: HK\$2,119.8 million), and they were mainly denominated in Hong Kong Dollars, US Dollars and British Pound Sterling.

## **CAPITAL EXPENDITURE AND COMMITMENT**

Capital expenditure incurred by the Group during 2002 amounted to HK\$1,340.1 million (2001: HK\$1,337.5 million).

Commitments outstanding and not provided for in the financial statements of the Group as at 31 December 2002 amounted to HK\$890.6 million (2001: HK\$790.6 million). A summary of the nature of the commitments is set out below:

	<b>2002</b>	<b>2001</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Purchase of buses and other motor vehicles	255.4	296.8
Construction of depots and other depot facilities	5.1	221.6
Re-development of the old Lai Chi Kok Depot site	127.7	—
Purchase of other fixed assets	<u>502.4</u>	<u>272.2</u>
Total	<u><u>890.6</u></u>	<u><u>790.6</u></u>

The commitments are to be financed by borrowings and working capital of the Group.

At 31 December 2002, the Group had 134 (2001: 138) air-conditioned double-deck buses on order for delivery in 2003 and 60 (2001: 70) buses under various stages of construction.

## EMPLOYEES

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 two years are tabulated below:

	<b>Number of employees</b>	<b>Total remuneration in HK\$ million</b>	<b>Remuneration as % of total operating costs</b>
2002	14,208	3,320	56
2001	14,144	3,305 (restated)	57 (restated)

## CONTINGENT LIABILITIES

At 31 December 2002, the Company had undertaken to guarantee certain bank loans granted to certain wholly-owned subsidiaries to the extent of HK\$275.0 million (2001: HK\$582.3 million). Additionally, together with an external party, the Company had undertaken to guarantee jointly and severally a bank loan granted to a subsidiary of the Group to the extent of HK\$75.0 million (2001: HK\$5.0 million).

## PUBLICATION OF DETAILED ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002 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.

By order of the Board  
**S.Y. CHUNG**  
*Chairman*

Hong Kong, 20 March 2003

*This announcement is also available on websites:*

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

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

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## 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, 15 May 2003 at 2:30 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 2002;
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, 20 March 2003

*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 instead 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, 5 May 2003 to Thursday, 15 May 2003 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, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 2 May 2003.

Please also refer to the published version of this announcement in South China Morning Post.