

Managing Director's Report

We have earned recognition both internationally and from various sectors of the Hong Kong community for our high quality standards and commitment to public service.





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

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. We attribute these modest growth trends to the demand generated by population growth and our strategy of providing quality service to retain our 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.

Long Win Bus Company Limited (“LWB”)

In October 2002, LWB was granted a new franchise by the HKSAR Government for nine years and eleven months commencing 1 June 2003, the day 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 Airport has been positive due to the ongoing development of Tung Chung new town, particularly the growing population intake into Yat Tung Estate.

LWB’s fare revenue for the year amounted to 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 travelled for the year was 23.1 million kilometres, an increase of 1.3% over that for 2001.

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.

SBH Group's turnover increased by 10.2% to HK\$136.2 million in 2002 from HK\$123.6 million in 2001. Its total mileage travelled in the year was 14.4 million kilometres, an increase of 9.1% over 13.2 million kilometres in 2001. This was mainly due to improvements in our non-franchised bus services for the residential, commercial and contract hiring businesses, while the employee, student and tourist sectors remained stable.

Park Island Transport Company Limited ("PITC")

For the first time, the Group is engaged in the ferry transport business. In December 2002, PITC, a 65% owned subsidiary of the Group, began providing shuttle bus and ferry services for Park Island, a prestigious residential development on Ma Wan Island. PITC's patronage will grow with more population intake at Park Island.

New Hong Kong Bus Company Limited ("NHKB")

NHKB, which jointly operates the cross-boundary shuttle service (popularly known as the "Huang Bus") with its Shenzhen counterpart, introduced five additional 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.

Mainland Operations

The Group's two co-operative joint ventures on the Mainland had another satisfactory year. The Dalian joint venture began its sixth year of operation and had an average daily ridership of about 88,000 in 2002. The joint venture in Tianjin, which began operations in January 2001, continues to build its customer base.

RoadShow Holdings Limited and its subsidiaries ("RoadShow")

To further improve infotainment programmes for our audience, we plan to introduce real-time news in MMOB service when bus tracking technology via Global Positioning System ("GPS") is ready to be used on MMOB transit vehicles and cyber bus stops.

RoadShow formed a number of joint venture companies to expand its media businesses in major cities on the Mainland during 2002. These new businesses will enable RoadShow to tap the fastest growing advertising markets in the Greater China region.

Lai Chi Kok Properties Investment Limited ("LCKPI")

The obsolete Lai Chi Kok Depot adjacent to the KMB Headquarters Building was demolished in December 2002. Piling work on the site has been commenced and is scheduled for completion by September 2003. Our current plan is to redevelop the old depot site into a residential and commercial complex with about one million square feet by the end of 2005. We shall monitor the property market conditions with a view to picking a suitable time for marketing the residential property.



ISO Certification

A major achievement during the year was the successful recertification and upgrading of all of KMB's ISO 9001 : 1994 certificates to the ISO 9001 : 2000 version, one full year ahead of the 2003 deadline. This involved new requirements and criteria in our five certified areas. We will work diligently to ensure that we continue to earn this quality rating.

Bus-bus Interchange Schemes ("BBI schemes")

We continued to expand our BBI schemes, which by the end of the year covered more than half of the KMB bus network on more than 200 routes, a significant step forward in deploying our resources more efficiently and serving new customers without having to bring in new routes. The BBI concept is a win-win solution for both the customers and KMB. The customers benefit through discounts, sometimes more than 50%, and in some cases the second leg of the journey is free of charge. We will continue to seek opportunities to expand the BBI schemes, including bus-rail interchanges.

Care for the Environment

The Group is dedicated to conducting its business in an environment-friendly manner. We were especially pleased that KMB received an award for "Innovation Towards a Better Environment" from the International Association of Public Transport (UITP). This recognised KMB's use of innovative technologies and management standards in environmental protection.



Recognition

KMB's high quality standards and commitment to public service continued to earn recognition during the year both internationally and from various sectors of the Hong Kong community in the areas of management, customer service, training, marketing, advertising, and many others.

Customer Facilities

Several new facilities were completed during the year for the comfort and convenience of passengers. Hong Kong's first air-conditioned bus waiting lounge came into service at Lam Tin Bus Terminus and Hong Kong's first cyber bus stop offering local bus route and other information was installed at the Star Ferry Bus Terminus. In addition, new customer service centres were set up and KMB's first outdoor all-weather customer self-service centre was built in Tsim Sha Tsui. Throughout the year, we implemented our programme of refurbishing bus shelters and termini.

Listening to Customers

To provide the best service possible, we need to know the needs and expectations of our customers. A number of tools have been developed and upgraded to accomplish this end. These include our redesigned website, the award winning hotline service, our multi-media bus termini, and the cyber bus stop. We also host community meetings to discuss public transport issues and organise passenger liaison group meetings.

Providing information to customers, as well as the general community, is part of our total commitment to openness and transparency. Our press information programme is an important element in this effort.

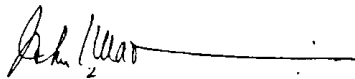
Fostering Quality Customer Service

KMB organised its first “Outstanding Service Award” to honour our staff who have demonstrated outstanding performances and initiatives. This is another step we have taken to reinforce positive attitudes towards both internal and external customers and encourage participation in community support activities.

Into the Future

Our dedicated professional workforce and loyal management team make us a strong, progressive company committed to constant improvement in our operations. As we mark the 70th anniversary of KMB, we can be proud of our accomplishments during both good times and bad. We have stood the test of time by acting and thinking young. This attitude and the dedication of our staff and management to top quality service position the Group for a bright future.

I want to thank all our staff for their dedication and contribution to the Group's achievements in 2002.

A handwritten signature in black ink, appearing to read 'John Chan', followed by a long horizontal line.

John CHAN Cho Chak
Managing Director

20 March 2003