

Legislative Council Panel on Transport

Listing of RoadShow Holdings Ltd **- Implications on KMB (1933) Ltd**

Purpose

This paper explains the implications of the recent listing of RoadShow Holdings Ltd on KMB (1933) Ltd (“KMB (1933)”).

Regulation of Franchised Bus Operation

2. KMB (1933) is held by KMB Holdings Ltd (“KMB Holdings”), which is a listed company on the Stock Exchange of Hong Kong, through an intermediate holding company called KMB Public Bus Services Holdings Ltd.

3. The Administration monitors the operations of KMB (1933) to ensure that proper and efficient bus services are provided in accordance with the Public Bus Services Ordinance (“the Ordinance”) and KMB (1933)’s franchise. The main considerations in our financial monitoring are, inter alia :

- (a) financial benefits derived or arising from or connected with the business of operating franchised bus service should be accrued to the franchised account; and
- (b) appropriate arrangements should be in place for the procurement of goods and services in connection with franchised bus operation.

Listing of RoadShow Holdings Ltd

4. KMB (1933) has entered into commercial arrangements with the RoadShow Group with a view to generating additional non-fare income, developing enhanced passenger information and fleet management systems using Global Positioning System etc. We understand from KMB (1933) that

RoadShow Holdings Ltd is an outdoor media sales company which is engaged in the management and marketing of advertising on bus bodies, at passenger shelters and on TV panels inside buses. We also understand that prior to listing, RoadShow Holdings Ltd was a 100% held subsidiary of KMB Holdings. After the listing, KMB Holdings remains as the majority shareholder of RoadShow Holdings Ltd.

5. Concerns have been expressed as to whether the listing of RoadShow Holdings Ltd will have any adverse impact on the bus service and financial position of KMB (1933), in a number of areas such as advertising on bus bodies and bus shelters.

Implications on KMB (1933)

6. We have monitored the development closely. We have been assured by KMB (1933) that :

- (a) KMB (1933) will continue to adhere to the principles set out in paragraph 3 above; and
- (b) the listing of RoadShow Holdings Ltd will not have any adverse effects on KMB(1933)'s bus operations or fares.

7. According to the information provided by KMB (1933) as set out in its note at the Annex, the existing contractual arrangements made by KMB (1933) in relation to advertising on bus bodies and bus shelters, the provision of TV panels on buses, and the use of bus logo and trademarks on bus models and merchandise will not be affected by the listing of RoadShow Holdings Ltd, and the financial benefits to be accrued to KMB (1933) arising from these activities will not be affected either. KMB (1933)'s operation of franchised bus services will also not be affected by the listing.

8. We will continue to monitor KMB (1933)'s operation in accordance with the Ordinance and the relevant bus franchise.

Transport Department
July 2001

Annex

Implications of the Listing of RoadShow Holdings Ltd on KMB (1933) Ltd

Advertising on bus bodies

KMB (1933) Ltd (“KMB (1933)”) has a contract in respect of advertising on bus bodies with an advertising company independent of KMB Holdings Ltd (KMB Holdings) whereby KMB (1933) receives a royalty on a revenue sharing basis, subject to a minimum payment.

2. As part of the reorganisation arrangements related to the listing of RoadShow Holdings Ltd, KMB Public Bus Services Holdings Ltd (“KPBS”) and RoadShow Media Ltd (a 100% subsidiary of the RoadShow Group) entered into an agreement, whereby RoadShow Media Ltd would provide management and administrative services in relation to bus body advertising in return for a service charge to be paid by KPBS. KMB (1933) will not have to bear the service charge paid by KPBS to RoadShow Media Ltd, either directly or indirectly.

3. KMB (1933) has given assurance to the Government that the listing of RoadShow Holdings Ltd will not affect KMB (1933)’s contract mentioned in paragraph 1 above, nor the right and autonomy of KMB (1933) in the handling of its bus body advertising.

Advertising on bus shelters

4. KMB (1933) has a contract with Bus Focus Ltd (a 60% subsidiary of RoadShow Holdings Ltd) in respect of advertising on a number of bus shelters whereby KMB (1933) receives a royalty on a revenue sharing basis, subject to a minimum payment.

5. KMB (1933) has given assurance to the Government that following the listing of RoadShow Holdings Ltd, there will be no change to the above arrangements.

TV panels inside buses

6. KMB (1933) has formed a joint venture company (i.e. KM Vision Ltd) with RoadVision Holdings Ltd (a 100% subsidiary of the RoadShow Group) to provide and develop TV panels inside buses and interactive passenger information panels at bus stops and bus terminals. The panels are used as a platform for research into Global Positioning System (GPS)-type technology and communication systems, and the ultimate objective is to enhance passenger information and fleet management of KMB (1933) through bus tracking by application of GPS-type technology.

7. KMB (1933) intends to supply news, weather and passenger information on its TV panels when the communication system is set up. Other benefits to KMB (1933) will be in the form of better passenger information and fleet management through the application of GPS-type technology.

8. KMB (1933) has paid a nominal fee for a percentage of the shareholdings of KM Vision Ltd, and will be entitled to receive dividends but will not otherwise be exposed to any risk or liability. The capital cost of such GPS equipment and multi-media system mentioned above and the associated recurrent costs, as agreed in the contract, will be borne by RoadVision Holdings Ltd alone.

9. KMB (1933) has given assurance to the Government that the listing of RoadShow Holdings Ltd will not affect the above arrangements.

Use of bus logo and trademarks on bus models and other merchandise

10. Bus models and other merchandise bearing the KMB (1933) logo have in the past been produced and marketed by a separate company under KMB Holdings Ltd. At present, this business is carried out by RoadShow Creations Ltd (a 100% subsidiary of RoadShow Group).

11. The listing of RoadShow Holdings Ltd will not affect the above arrangements, although KMB (1933) is reviewing the financial terms with RoadShow Creations Ltd with a view to maximizing the financial benefits to be accrued to its franchised account. The discussions are ongoing.

Bus fares

12. The listing of RoadShow Holdings Ltd will not add pressure to fare increase by KMB (1933).