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Dear Shareholders,

On behalf of the Board of Directors, I hereby report that the Group’s profit attributable to equity shareholders for the year ended 31 December 2021 was HK\$245.0 million, a decrease of HK\$1,659.1 million compared to 2020. The decline was mainly due to the one-off non-recurring net gain of HK\$1,495.5 million in 2020.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share to be paid on 30 June 2022. The total dividend for the year amounted to HK\$0.50 per share.

Financial Performance in 2021

The Kowloon Motor Bus Company (1933) Limited (“KMB”) recorded a profit after taxation of HK\$101.4 million, representing a decrease of HK\$101.9 million compared to 2020. Amid the stable COVID-19 epidemic situation in 2021, bus patronage rose by 14.6% compared to 2020.

As for Long Win Bus Company Limited (“LWB”), loss after taxation for 2021 was HK\$35.0 million, representing a decrease of HK\$35.6 million compared to 2020. With strict border control measures still in effect amid virus worries, visitor arrivals and the number of departures showed no improvement. Passenger numbers of LWB were still far below pre-COVID-19 levels.

The Group's non-franchised Transport Division, with Sun Bus Limited ("Sun Bus") as its flagship company, recorded a profit after taxation of HK\$8.8 million, representing a decrease of HK\$32.7 million compared to 2020. Our Mainland Transport Operations Division continued to record positive overall results in 2021.

Good Corporate Governance to Achieve Sustainable Development

The Group has continued to apply the principles of accountability, people-orientation, and integrity when dealing with business, with an aim to drive growth and create sustainable long-term value for all stakeholders. TIH expects to widely incorporate Environmental, Social and Governance ("ESG") concepts and values into its development strategies and operating philosophy, leveraging the Group's role as a responsible corporate citizen, when addressing environmental and social challenges. Members of the Board and myself fully understand the critical part the Board plays in implementing ESG management policies. Our corporate governance structure is regularly reviewed to keep up with evolving regulations, so that a thorough internal audit and monitoring system is in place to prevent operating risks brought by social change and climate-related issues. The Group has appointed an ESG Task Force to put forward strategies and measures of sustainable development formulated by the Board.

The Group actively seeks opportunities to integrate the concept of sustainable development into its financing activities. KMB and Bank of China (Hong Kong) Limited signed a 5-year HK\$500 million green loan in 2021, the first green finance arrangement of KMB. The loan will be earmarked for financing ESG related initiatives.

Promoting Zero Emission by Developing Electric Buses

To cope with frequent and unusual extreme weather caused by global climate change, the Mainland and Hong Kong have set targets for achieving carbon neutrality in 2060 and before 2050 respectively. As the largest franchised public bus service operator in Hong Kong, the Group actively supports the National 14th Five-Year Plan and policies of the HKSAR Government. We have drawn up a blueprint for carbon and emission reduction, which sets a long-term goal to upgrade our entire fleet to new energy buses by 2050 and employs six key Environmental Performance Indicators to guide the Group towards zero emission.

Our electric bus plan is carried out in full swing, with 16 electric single-deck buses and over 50 electric double-deckers purchased, among others. Together with the electric single-deck buses currently in operation, over 80 electric buses will be in service in 2022. TIH will purchase an additional 500 electric buses in the next five years, accounting for one-eighth of the current bus fleet of over 4,000 buses maintained by KMB and LWB. To cope with the development of electric buses, charging facilities have been installed at four major bus depots, about ten satellite depots and some bus termini of KMB to meet the electricity demand. KMB is also building two new electric bus depots in Tai Po and Tuen Mun with completion expected in three to four years, moving one step forward towards carbon neutrality.

Committed to be a franchised bus company boasting the largest solar power generation system in Hong Kong, the Group aspires to lead the city's public transport industry to move into a new green era. About 22,000 solar panels are gradually installed at bus depots and bus termini, and on bus stop poles and bus roofs, which are expected to generate more than ten million kWh of renewable energy and reduce 5,400 tonnes of carbon emission per year in Hong Kong.

Establishing KMB Academy to Reinforce Safety Culture

Safety has always been the Group's top priority. We are committed to setting new standards of professionalism and safety for Hong Kong's bus industry by combining technology with training. To this end, KMB has set up the KMB Academy with the motto "Mission Safety • Act with Self-discipline". The Academy emphasises the pivotal role of safety and discipline in the industry and continues to foster a culture of professionalism in the Bus Captain Training School and the Technical Training School. Both the "Certificate in Bus Maintenance" and the "Certificate in Public Bus (Franchised) Driving" offered by the KMB Academy are accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications at level two and level three respectively under the qualification framework in Hong Kong. KMB believes the courses will attract talents who are keen to serve the public in a safe and professional manner.

CHAIRMAN'S LETTER

The bus captain driving feedback system “GreenRoad” has effectively strengthened bus captains’ safe driving techniques. Over 80% of bus captains received excellent results in “GreenRoad Outstanding Award on Safety and Eco-driving Performance”. The KMB Safety Bus with the theme “Stop, Look, Listen and Give Way” made its way to serve at a school campus, for the first time this year, to do its part to enhance road safety awareness by helping our future pillars of society to develop good bus riding and road using habits.

Building a Caring Community and Fostering Social Inclusion

The COVID-19 epidemic situation has remained volatile. As one of the major enterprises in Hong Kong, TIH has undertaken its social responsibility by making good use of resources and actively working together with people from all walks of life to overcome difficulties presented by the pandemic. In 2021, KMB offered free bus rides to eligible seniors, allowing them to travel for free on Cross-harbour Routes operated by KMB and all Recreational “R” Routes on weekends, so as to encourage them to go out and relax. Furthermore, KMB has strengthened a series of elderly care initiatives. Other than donating bus stop poles to care homes and setting up a hotline to help look for missing seniors, KMB also produced videos that contain health care information for the aged. These videos are shown on the Information Panels on buses and at bus stops as part of our effort to build an age-friendly society.

The Group cares about the underprivileged and actively promotes an inclusive society. Under the business-school collaboration with Hong Chi Association, Café1933, a staff café, provided internship opportunities in catering and retail for students with special educational needs. After this successful experience, students were invited to show their talents by producing animated shorts on bus etiquette and creating art installations at Tuen Mun Road Interchange.

Through video and web technologies, KMB’s volunteer club FRIENDS OF KMB (“FRN”) connected with the elderly and the needy who were impacted by reduced social contact due to the pandemic. When the epidemic situation slightly eased last year, the FRN also participated in various social services, such as taking the initiative to explain to the non-Chinese population how to take buses easily and supporting recycling programmes, which earned positive feedback from all sectors of the community.

2021 has been a fruitful year for Hong Kong sports. As a commendation for the can-do spirit of Hong Kong’s elite athletes and their outstanding achievements at the Tokyo 2020 Olympic and Paralympic Games, the Company offered “Bus Naming Rights” and one-year free rides to all athlete representatives of the Hong Kong Delegation.

Taking on Challenges with Innovation

Despite the challenging business environment, the Group will make unremitting efforts to provide high-quality travelling experience for passengers. KMB launched numerous fare concession schemes, including Hong Kong’s second “Regional Short-haul Two-way Section Fare Scheme” in Tseung Kwan O, and LWB’s Bus-Bus Interchange Discount Scheme which was extended to cover South Lantau Island for the first time. LWB also commenced the second phase of bus route diversion arrangements in Yuen Long and Tin Shui Wai, bringing to passengers a more favourable and convenient bus service.

KMB adjusted its fares on 4 April 2021, with an average increase of 5.8% and 8.5% on about 350 solely-operated routes and 51 jointly-operated routes respectively. Bus fares on all jointly-operated cross-harbour routes were adjusted again on 2 January 2022 with a rise of 3.2%. As an act to give back to passengers, the price of the KMB Monthly Pass has remained unchanged but with more exclusive privileges provided, including free micro-insurance and an upgraded bus service on any LWB “A” Routes or KMB New Long-haul Bus Routes by paying a “Fare for Upgraded Journey”. KMB also launched an all-new membership scheme, club1933, under which passengers can register on App1933 and travel by bus to earn points for a variety of exclusive rewards.

In full support of the development of a Smart City, KMB and LWB have installed an e-payment system on their bus fleets comprising over 4,000 buses, so that passengers can pay fares using cashless methods. KMB has also introduced “5G Buses” on which passengers can use ultra-fast 5G Wi-Fi services for free for a more enjoyable travel experience.

Caring for Staff Members' Health

Employees are the most valuable asset of the Group and the key to providing quality service. Frontline staff members had their uniforms changed recently for breathability and comfort. The new uniform does not only convey a dynamic and professional image, but also represents KMB's constant innovative spirit with a focus on environmental protection. The Group cares about staff members' physical and mental health, and organised "Health Month" activities to support staff well-being. Through a series of events, employees are encouraged to maintain a healthy lifestyle. Our efforts in promoting health were recognised by the industry as one of the best practices of the year. Arrangements with the Government's outreach COVID-19 vaccination team and designated clinics were made to administer vaccines to our staff members and their relatives. Disinfections are carried out regularly; rapid antigen test kits and personal hygiene and anti-epidemic items are also provided to ensure a safe working environment.

Challenges and Opportunities

Vaccination programmes have been rolled out in countries worldwide. Meanwhile, the HKSAR Government has adopted the "Vaccine Pass" as a condition for easing pandemic measures. However, with the emergence of a new COVID-19 variant, public travel patterns have changed, creating an uncertain business environment. It is anticipated that bus patronage and revenue will hardly return to pre-COVID-19 levels soon. In the face of an expanding local railway network and surging international oil prices, the bus industry is presented with profound challenges.

Anticipating a far from optimistic economic outlook, the Group has made a timely response by taking multi-pronged measures to save cost and resources. We will continue to adopt a flexible approach in bus deployment to ensure business sustainability. We believe the development of residential areas in Kwu Tung North, Hung Shui Kiu, and Yuen Long South will bring new opportunities to the future growth of the Group.

The superstructure work at the How Ming Street site in Kwun Tong is expected to be completed in 2023. Preliminary marketing of grade-A office towers at the site has commenced while a premium mall featuring modern lifestyle is expected to be opened in 2024 to provide a steady return for our shareholders.

The Group will continue to promote long-term strategic development, strengthen the governance work on sustainable development, and deliver our commitment to ESG issues. At the same time, we will explore and grasp new business opportunities to create value for our shareholders.

Acknowledgement

The epidemic has still plagued Hong Kong society over the past year. Our success in serving the public in a consistent professional manner while we do our part in the territory-wide anti-pandemic campaign hinged on our staff members' strong commitment to providing passengers with safe and quality bus services. I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, bus suppliers and all our passengers for their continuous support.

Norman LEUNG Nai Pang

Chairman

17 March 2022