

CHAIRMAN'S LETTER



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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 2022 was HK\$143.6 million, a decrease of HK\$101.4 million compared to 2021. The decline was mainly due to a drop in the number of citizens and tourists travelling caused by the fifth wave of COVID-19 epidemic in Hong Kong.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share to be paid on 30 June 2023. The total dividend for the year amounted to HK\$0.50 per share.

Financial Performance in 2022

The Kowloon Motor Bus Company (1933) Limited (“KMB”) recorded a loss after taxation of HK\$4.7 million, representing an unfavourable variance of HK\$106.1 million compared to 2021.

As for Long Win Bus Company Limited (“LWB”), the loss after taxation for 2022 was HK\$27.8 million, representing a favourable variance of HK\$7.2 million compared to 2021. Strict border control measures were still in effect amid virus worries in the first half of 2022. It was not until late September 2022, when the Hong Kong SAR Government relaxed quarantine arrangements for inbound travellers, that the number of visitor arrivals and departures showed improvements despite the fact that the patronage of LWB still recorded a very significant decline.

The Group's non-franchised Transport Operations Division, with Sun Bus Limited (“Sun Bus”) as its flagship company, recorded a profit after taxation of HK\$3.5 million, representing a decrease of HK\$5.3 million compared with the profit after taxation of HK\$8.8 million for 2021.

Mid- and Long-term Targets Laid Down to Achieve Sustainable Development

The Group dedicates itself to promoting and incorporating the value of Environmental, Social and Governance (“ESG”) management into the daily operations of every department. It has appointed an ESG Task Force to audit and monitor its sustainable development performance and risks in climate, environment and social responsibility-related issues. The ESG Task Force also puts forward constructive opinions on ESG work, and implements various strategies and measures on sustainable development.

The Group has set six key Environmental Performance Indicators for three years. All of them were in progress in the year of 2022 with remarkable results. It is believed the targets can be met by 2023. The Board of Directors is also formulating interim and long-term targets of the Group for 2030 and 2040 respectively, with a focus on promoting and implementing the policy of carbon neutrality, and fostering ESG management as a powerful driving force in the high-quality development of the Group.

In 2022, KMB entered into five-year sustainability development performance-linked loan facilities totalling HK\$1.6 billion with two banks. Through these green financing facilities, the Group can show its determination in promoting sustainable development. According to the agreement, KMB is laying down a number of key environmental performance targets for sustainable development around ESG-related areas, which include reducing greenhouse gas emissions of buses, and increasing green procurement and the average training hours for employees.

EBuses: Road to Green Transport in the Future

Cities around the world are developing clean energy transport. As the largest franchised bus operator in Hong Kong, the Group actively echoes the development and makes complementary efforts to tie in with the National 14th Five-Year Plan and the policies of the Hong Kong SAR Government. We have drawn up a clear blueprint for development in emission reduction and energy conservation by fully upgrading our entire fleet to new energy buses by 2040 to achieve zero emissions.

When choosing electric buses, the Group makes careful consideration before coming to a decision. The batch of 16 single-deck electric buses currently deployed has been operating smoothly. The mature technology and application of the batteries and wide support from the general public have boosted the Group's confidence in developing electric buses and establishing an indispensable role for these buses on Hong Kong's path to carbon neutrality.

The Group is pleased to announce the arrival of the first double-deck electric bus in Hong Kong. We expect that there will be over 50 electric double-deckers serving members of the public by the second half of 2023. To cater for the development of electric buses, charging facilities have been installed at four major bus depots, about a dozen satellite depots and some bus termini of KMB to meet the demand. KMB has also invested in resources to build two new electric bus depots in Tai Po and Tuen Mun to provide 850 charging and parking spaces, with completion expected in four to five years.

Installation of Solar Devices to Achieve the Vision for Sustainable Development

The Group deeply understands that a wider application of renewable energy helps speed up the pace to reduce carbon emissions. KMB is one of the enterprises in Hong Kong that owns the greatest number of solar panels, which are installed at bus depots and bus termini, and on bus stop shelters, poles and bus roofs. The number of solar panels installed at KMB facilities is expected to reach 30,000, generating 13.5 million kWh of green energy annually, equivalent to a year's consumption of 4,100 three-member households in Hong Kong.

In order to achieve carbon neutrality as early as possible, KMB took the lead in launching the “Decarbonisation Partnership Programme” by inviting the business sector to take action to show their support for protecting the environment. The Programme received an overwhelming response and attracted nearly 50 enterprises of different industries to join. The 89 solar buses sponsored by these enterprises can help reduce the carbon emissions by a total of 534 tonnes per year, which is equal to planting over 500 thousand trees.

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Improving the Interchange Network to Elevate Riding Experience

Providing a high-quality riding experience is an effective way to encourage the public to choose our bus services. The Group has been actively investing in resources to improve its bus network, so that passengers can enjoy KMB's and LWB's route networks with an extensive coverage across Hong Kong, along with interchange discounts offered. By the end of 2022, KMB has set up a total of 23 Bus-bus Interchanges ("BBIs"). To further elevate the passenger riding experience, KMB has been conducting renovation works on a number of BBIs in phases, including the provision of clearer signage, and the addition of route information for BBIs available at bus stops and on the mobile application App1933. We are also dedicated to encouraging the public to use the interchange network.

As we are entering the new era of 5G, KMB also advances with the times to kick start the 5G upgrading project by providing free 5G Wi-Fi service with no time limit every day, so passengers can enjoy the ultra-fast network anytime anywhere. KMB has also paid special attention to the design of bus compartments by providing four face-to-face seats on the upper deck to increase the legroom. A foldable armrest is also added to the wheelchair space to give extra protection to wheelchair passengers.

Connecting with the Greater Bay Area by Enabling Cross-boundary Payments

The development of the Guangdong-Hong Kong-Macao Greater Bay Area accords with the key strategic planning of the national development blueprint. Seizing the opportunity to integrate into the Greater Bay Area to foster economic development and strengthen transport connections, the Group has signed a memorandum of strategic cooperation with the Shenzhen Bus Group to increase synergies and cooperation. Plans are formulated to promote intermodal transportation projects and facilitate cross-boundary payments, so as to realise integration between Hong Kong and the Mainland in both payment methods and route information. To cope with the overall development, KMB and LWB have installed in advance an e-payment system that supports a total of 11 payment methods, the most among all transportation in Hong Kong, on their bus fleets comprising over 4,000 buses.

Attaching Great Importance to New Development Areas by Adding New Routes

New development areas are the main source of land and housing supply in Hong Kong in the mid- and long-run. The demand for transport increases as the population expands. Whether it is transitional residential housing or a newly established housing estate, the Group devotes its resources

to providing comfortable and safe bus services for the local residents. In 2022, KMB repeatedly strengthened its services for those living in Queen's Hill, Fanling to cater for the demand of residents commuting to work and school every day. To build a sense of belonging among the residents, primary students in North District were invited to participate in Queen's Hill Bus Drawing Competition, bringing arts to this new development area. Furthermore, KMB has launched a new route plying between Yuen Long and Tin Shui Wai to provide a new travel option for those living in the United Court, Yuen Long.

Nurturing Future Talents and Raising Industry Safety Standards

Safety has always been the Group's top priority. We are committed to raising the professionalism and safety standards for Hong Kong's bus industry by combining technology with training. KMB established the KMB Academy in 2022 not only to provide professional training accredited under the Qualification Framework in Hong Kong for franchised bus maintenance personnel and bus captains, but also actively build partnerships with tertiary institutions and offer short-term career-oriented courses and workshops to let teenagers know more about the bus industry. The KMB Academy also collaborates with secondary schools to promote STEM (Science, Technology, Engineering and Mathematics) and sustainable development through buses so that the safety and professional culture of the bus industry can take root in the next generation, making the KMB Academy an important base for cultivating talents in the transportation industry.

Promoting Equality and Inclusion to Build a Friendlier Society

The Group cares about the community and makes use of its own advantages and expertise to help the needy in society through resources allocation, business-school collaboration and participation in voluntary services. KMB and LWB have hired a number of non-Chinese staff to form a diverse team, unleashing their potentials in different positions and helping them integrate into the community. In 2022, KMB held its first open day cum career talk at Kowloon Mosque to offer a stable job opportunity for non-Chinese people, encouraging them to join the KMB family. In the meantime, KMB and the Hong Chi Association fostered a business-school collaboration. Other than the internship opportunities in the catering and retail sectors offered by Café1933, a staff café, and Customer Service Centres, KMB also provides a venue for students to show their art installations. Among these art pieces are creations with the theme of buses by students with special educational needs, which are displayed on bus stop poles at Tuen Mun Road BBI to create an artistic atmosphere.

KMB recognises the past contributions of senior citizens to society. As many elderly people prefer to take buses, we do our best to give back to them so that they can enjoy their golden years. Among the many initiatives is KMB's "Finding Missing Elderly" programme, which helps families find their missing seniors suffering from dementia by inputting relevant Octopus Card numbers into KMB's information system. Tailor-made bus stop poles were donated to local and overseas care homes to assist nursing staff in providing treatments for those with dementia, reducing the chance of them wandering away. Our volunteer club, FRIENDS OF KMB ("FRN"), also paid regular visits to older people living alone, and made constant caring phone calls to convey love to them amid the epidemic.

Caring about Our Staff and Promoting Physical and Mental Health

Excellent talents are the key to keeping the vitality of an enterprise. During the fifth wave of the epidemic, the Group attached great importance to the health of our staff members. Other than ensuring a safe working environment for frontline staff by providing rapid antigen test kits to all bus captains, outdoor operations staff and maintenance personnel, we also formed a special team to deliver in person anti-epidemic kits to staff who tested positive for COVID-19.

The Group cares about the physical and mental health of its staff. During the year, "Health Awareness Month" activities were organised to encourage staff to maintain a healthy lifestyle. KMB also designated every August as the "Appreciation Month", during which period various activities were held to appreciate all coworkers who performed their duties with dedication and devotion. The Management also visited various KMB workplaces to keep up the morale of staff members, and participated in video-shooting to thank all team members for their contribution and support for the Group.

Challenges and Opportunities

The pandemic has lasted for three years. Amid an uncertain global economic outlook, an expansion of the local railway network, changing public travel patterns and volatile international oil prices, the bus industry is presented with profound challenges. Nevertheless, following the relaxation of anti-pandemic measures and the reopening of borders announced by the Hong Kong SAR Government, the Group expects the travelling demands of local citizens and visitors to bounce back, with bus patronage and income gradually recovering to pre-COVID levels. LWB was granted a 10-year franchise by the authority last year, which will come into effect on 1 May 2023. In addition, the Group will grasp the

opportunities brought by the Greater Bay Area development and the cooperation with the Shenzhen Bus Group, and actively respond to the future development plans of the Northern Metropolis and other new development areas. Given the flexible deployment and high capacity of the bus service, we believe there are exciting opportunities ahead for the Group.

The Millennity, our project on How Ming Street, Kwun Tong in the prime location of East Kowloon, comprises two buildings, each providing 20 storeys of grade-A offices, with a gross floor area of around 650,000 square feet, and a base comprising a 10-storey megamall of about 500,000 square feet, which has been pre-rented to a number of international brands and multinational corporations. The shopping mall is expected to commence operation by the end of this year. In addition, the Group is planning to make office and retail space leasing the core of our redevelopment property in Tuen Mun to provide a steady return for our shareholders, as well as long-term and continuous income for the Group.

The year 2023 marks the 90th anniversary of KMB. In its 90 years of growth journey in tandem with Hong Kong's society, KMB has always been maintaining its original aspiration of serving the public, come rain or come shine. Along with its valuable experience accumulated over the years and the generations of professional transportation talents that it has groomed, KMB will make unremitting efforts and continue to move forward to provide the public with safe, comfortable and value-for-money bus services in the future.

Acknowledgement

Last year, Hong Kong was hit by the fifth wave of the epidemic and the local society was not short of challenges. The Group's success in serving the public in a consistently professional manner while doing its part in the territory-wide anti-pandemic campaign hinged on the dedication and commitment of its staff 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 continued support.

Norman LEUNG Nai Pang

Chairman

23 March 2023