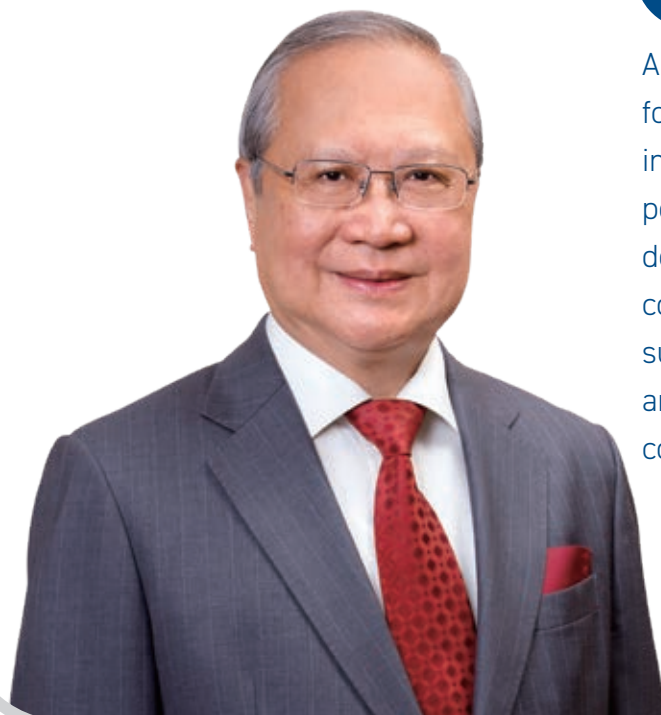


## CHAIRMAN'S LETTER



All environmental targets for key performance indicators were achieved positive results in 2023, demonstrating the Group's commitment to promoting sustainable development and the effectiveness of the corresponding strategies.



### 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 2023 was HK\$401.7 million (2022 (restated): HK\$549.0 million). Excluding the effect of fair value changes on investment properties and investment property under development, the profit attributable to equity shareholders of the Company for 2023 and 2022 would have been HK\$114.3 million and HK\$100.4 million respectively.

The Group's net profit in 2023 was primarily contributed from its investment income from equity investments and rental income from its investment properties. Nevertheless, these profits were partly offset by expected credit losses on certain listed debt securities.

### Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share for 2023. The dividend will be payable on 30 June 2024. Together with the interim dividend of HK\$0.30 per share, the total dividend for the year will amount to HK\$0.80 per share, compared to HK\$0.50 per share last year.

### Financial Performance in 2023

The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$11.5 million for 2023 (2022 (restated): loss after taxation of HK\$49.9 million).

As for Long Win Bus Company Limited ("LWB"), the profit after taxation for 2023 was HK\$23.1 million (2022 (restated): loss after taxation of HK\$30.8 million).

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\$13.9 million (2022 (restated): HK\$1.4 million). Our Mainland Transport Operations Division recorded positive overall results in 2023.

### 90 Years of Travelling Alongside Our Customers

Established in 1933, KMB celebrated its 90<sup>th</sup> anniversary through various large-scale events last year, garnering support from the government, business partners, and the general public. On behalf of the Board of Directors, I would like to express my sincere gratitude to the esteemed members of society and the general public for their unwavering support.

Come rain or shine, all employees of KMB have been resolute in their commitment and remained dedicated to their positions over the past 90 years, providing the citizens of Hong Kong and visitors alike with safe, reliable, comfortable, environmentally friendly, innovative, and cost-effective bus services. KMB will continue to uphold our commitment to serving the public by investing resources to drive the development of the transportation industry in Hong Kong, especially the introduction of eco-friendly double-deckers, advanced safety equipment, innovative passenger facilities, and an expanding service network. Also, we will align with the policies of the National and Hong Kong SAR Governments, injecting a continuous stream of energy into Hong Kong's economy and bolstering its international status, including that within the Greater Bay Area.



## Environmental Performance Achievements Drive Sustainable Development

While propelling business development, companies must also be accountable to society, employees, and shareholders. An enterprise can ensure its sustainable development only by implementing good governance practices. TIH was commended in the Best Corporate Governance Awards organised by the Hong Kong Institute of Certified Public Accountants, an industry recognition for the Group's governance policies characterised by transparency, accountability, and a people-oriented approach.

To further promote the sustainable development of both the Group and Hong Kong, we established an Environmental, Social, and Governance ("ESG") Task Force some years ago and set a three-year environmental target for key performance indicators, which include reducing our bus carbon footprint, fuel consumption, electricity usage, and water consumption. All related indicators were achieved positive results in 2023, demonstrating the Group's commitment to promoting sustainable development and the effectiveness of the corresponding strategies. After conducting in-depth research and analyses, and considering market data, the Group has set six five-year environmental performance targets for the financial years from 2024 to 2028. The Board of Directors is committed to their responsibility to sustainability. It has mandated each department to strictly adhere to sustainable development strategies and measures, and focus on advancing and implementing carbon neutrality policies.

The Group is actively pursuing additional opportunities for green financing. Among them, LWB signed the first three-year sustainability development performance-linked loan facility totalling HK\$200 million with the Bank of China (Hong Kong) in 2023. According to the agreement, LWB is laying down a number of key environmental performance targets for sustainable development around ESG-related areas, which include reducing the greenhouse gas emissions of buses, and increasing green procurement and average training hours for employees.

## Electric Bus Advancements Enable Zero Emission Achievements

To align with the carbon neutrality policies of both the National and Hong Kong SAR Governments, KMB has taken the lead in introducing 82 electric buses, including electric double-deckers that have been progressively put into service since July last year, accelerating the journey towards zero emission. Currently, KMB has expanded its electric bus operations to nearly 40 routes across Hong Kong. The operation of these electric buses has been smooth and well received by various sectors of society. The electric bus fleet has travelled over 2.2 million kilometers, which is equivalent to reducing 3,000 tonnes of carbon emissions. The deployment of electric buses has provided a strong impetus for zero emissions in Hong Kong, making significant contributions to improving roadside air quality.

## CHAIRMAN'S LETTER

KMB's electric double-deck buses are supplied by electric bus manufacturers from China and the United Kingdom. Thanks to the maturity of electric bus technology, these buses can be adapted and adjusted to meet the operational requirements of double-deckers in Hong Kong. Additionally, battery and charging technologies compatible with local electric buses are anticipated to evolve further in the foreseeable future. This advancement is expected to significantly improve battery efficiency and reduce charging time, providing substantial support for the Group's development of electric bus services. Moreover, KMB is preparing to construct two multi-storey electric bus depots in Tai Po and Tuen Mun, with an expected completion date within the next three to five years. These depots will provide 850 bus charging bays to accommodate the expanding operational needs of the electric bus fleet.

### Elevating Customer Experience Through Enhanced Smart Travel

KMB and LWB have consistently considered meeting the needs of customers as their responsibility while actively promoting smart travel. With 31 bus-bus interchanges established throughout Hong Kong, our service network has greatly improved along with the offer of various transit incentives. On top of these initiatives, KMB also cares about improving the waiting experience of passengers, such as by including a convenience store at the Tuen Mun Road Bus-Bus Interchange last year. This allows passengers to conveniently purchase food and drinks when interchanging, catering to the daily needs of busy commuters who perhaps prefer grabbing their breakfast on the go.

Additionally, KMB has designated 70 bus stops located near public housing estates or hospitals as "Age-Friendly Bus Stops", featuring additional seating for the elderly and people in need. At these bus stops, slogans are displayed to promote care for the elderly. Meanwhile, a thousand "Priority Seats" have been added to the bus fleet to accommodate more individuals in need.

Online shopping has become a popular trend. Recognising the significance of self-service lockers in modern life, KMB took the initiative to collaborate with a logistics company, pioneering the installation of self-service lockers at 35 bus termini in Hong Kong. This enables passengers to conveniently collect packages before or after taking the bus, and reclaim items left behind on buses at the 24-hour self-service lockers, saving their time and hassle. With meticulous attention to detail, these customer-oriented services have not only elevated the quality of life and overall ride experience for customers, but also bolstered the Group's non-farebox revenue and expanded its customer base.

### Fusing Technology and Talent to Establish Safety Standards in the Bus Industry

Bus safety is a top priority for the Group. KMB introduced the latest Preventive Maintenance System which utilises technology to remotely monitor buses and key components, enabling efficient resource allocation in maintenance and upkeep. The Preventive Maintenance System was launched in 2023. The number of mechanical failures for KMB and LWB fleets in December 2023 decreased by over 20% compared to the same period in 2022. This once again demonstrates how KMB has successfully leveraged technology to enhance the safety and reliability of its bus fleet.

On the training front, the KMB Academy has recently launched two certified courses, namely "Professional Certificate for Instructors in Franchised Bus Industry" and "Certificate in Continuing Development for In-service Bus Captains". These courses have been assessed and recognised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and have been incorporated into the Qualifications Framework ("HKQF") at Level Four and Level Three respectively. These courses not only provide ongoing learning opportunities for current employees but also establish new standards of professionalism, safety, and systematic training within the bus industry. Including the two other courses, "Certificate in Bus Maintenance" and "Certificate in Public Bus (Franchised) Driving", the KMB Academy now offers four HKQF-accredited programmes, making it a pioneering leader in the industry.

### Driving Cultural Diversity for a Coherent Society

The Group has always cared for different strata of society and has taken practical actions to build a caring and inclusive community. After becoming aware that a group of secondary school students with special educational needs dream of becoming bus captains, KMB invited the students to participate in a bus captain experience programme at the KMB Academy. With explanations and guidance from experienced bus captain driving instructors, these young people have gained insight into the daily work routines and duties of a bus captain. This experience helped them recognise their own interests and talents while savouring the fulfillment of their dreams coming true.

KMB is dedicated to serving every customer and has introduced various barrier-free facilities to assist individuals with special needs in their travels. To take care of visually impaired seniors with cognitive impairment, KMB partnered with The Hong Kong Society for the Blind and the Department of Rehabilitation Sciences of The Hong Kong Polytechnic University ("PolyU") in installing a "Smart Bus Stop" at residential care facilities. This initiative facilitates effective assessments and cognitive stimulation training for visually impaired elderly individuals.

In addition, KMB donated a "Caring Bus Stop Pole" to those institutions. This pole with route information printed in Braille, coupled with bus headboards, body panels, handrails, stop buttons on the bus, and onboard announcements, create a lifelike and familiar boarding environment for visually impaired elderly individuals under treatment. The immersive setting enhances the effectiveness of their training and therapy. With this setup, more than ten occupational therapy students from PolyU were offered the opportunity to engage in experiential learning. They created therapy blueprints centred around the theme of buses, embodying the concept of "drawing inspiration from daily life" in occupational therapy practice.

## Putting People First and Focusing on Employee Needs

The Group upholds a people-oriented value system and is committed to providing a favourable working environment that allows employees to maintain a balance between work and family. To meet labour market demands, KMB and LWB have increased job flexibility by offering a five-day workweek for full-time bus captains and continually improving salaries and benefits. All employees received a 4.2% salary increase, and new bus captains recruited during the Chinese New Year period were eligible for a welcoming bonus of up to HK\$30,000.

Employees' health is always a top priority. While the pandemic has subsided, seasonal flu remains rampant. To enhance employee protection, the Group has arranged for medical institutions to offer free vaccination outreach services. Additionally, the distribution of face masks to frontline staff continues, while other measures are also taken to ensure the health and well-being of employees.

## Challenges and Opportunities

The bus operating environment is filled with challenges stemming from the tense geopolitical situation, volatile international oil prices, continuous expansion of the local railway network, and post-pandemic changes in travel patterns. Despite these challenges, the bus industry has benefited from various economic stimulus measures introduced by the Hong Kong SAR Government, as well as other effective initiatives aimed at attracting tourists. As a result, travel demand from local residents and tourists continues to recover. This has led to a corresponding increase in bus passenger volume and fare-box revenue, particularly during weekends and public holidays when land boundary crossings are heavily frequented.

Looking ahead, the Group will seize the opportunities presented by the Greater Bay Area integration and strengthen transportation connectivity within the region. The Group has signed a strategic cooperation agreement with Shenzhen Bus Group Co. Limited to promote cross-boundary transportation and interconnectivity, leveraging their respective resource advantages to advance the integration of transport between Shenzhen and Hong Kong. In addition, the Group has signed a memorandum of understanding for cooperation with the Integrated Transport Centre of Abu Dhabi, United Arab Emirates. Drawing on KMB's extensive experience in operating local public transport for over ninety years, the Group aims to contribute to the transformation of public transport in Abu Dhabi. This involves actively promoting and participating in the development of green transportation in the region, aligning with the national "Belt and Road" initiative.

The Northern Metropolis is one of the key development areas in Hong Kong and, upon completion, it is expected to add 500,000 housing units. Given the rising demand for transportation services to and from the Mainland, the Group is fully committed to providing convenient bus services and favourable interchange options for both locals and visitors, ensuring a comfortable bus journey experience for all passengers.

The Millennity, located in the prime area of Kwun Tong in East Kowloon, has achieved LEED Platinum pre-certification and WELL Platinum pre-certification. It has also been awarded a Platinum pre-certification for new buildings under BEAM Plus by the Hong Kong Green Building Council. These certifications recognise The Millennity's outstanding performance in energy efficiency, environmental sustainability, and emissions reduction, among other aspects. The project consists of two buildings, including two 20-storey Grade-A office towers and a 10-storey large-scale shopping mall at the podium level. The office towers have already been occupied by several major corporations and, with the opening of the large-scale shopping mall in 2024, The Millennity is expected to generate long-term, sustainable, and stable income for the Group.

## Acknowledgement

Over the past year, the Hong Kong economy has gradually recovered, and the Group's business has continued to rebound. This can be attributed to the collective efforts of the entire company, as we closely monitor market trends and respond to evolving needs. We remain steadfast in delivering safe and high-quality transportation services for both locals and visitors. I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, bus suppliers, and all our customers for their continued support.

## Norman LEUNG Nai Pang

Chairman  
21 March 2024