

CHAIRMAN'S LETTER



Dear Shareholders,

On behalf of the Board of Directors, I hereby report that the Group's underlying profit attributable to equity shareholders for the year ended 31 December 2024, excluding the effect of the change in fair value of investment properties and investment property under development, amounted to HK\$265.5 million, compared to HK\$114.3 million last year. Underlying earnings per share was HK\$0.53, compared to HK\$0.24 last year. The increase in underlying profit was mainly attributable to the improvement in the financial performance of the franchised public bus operations, but partly offset by expected credit losses on certain listed debt securities.

Reported profit and reported earnings per share attributable to equity shareholders were HK\$187.3 million and HK\$0.37 respectively, compared to HK\$401.7 million and HK\$0.83 last year. The 2024 reported profit included a decrease in fair value of investment properties and investment property under development of HK\$78.2 million, compared to an increase of HK\$287.4 million last year.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share for 2024. The dividend will be payable on 26 June 2025. The total dividend for the year will amount to HK\$0.50 per share, compared to HK\$0.80 per share last year.

Financial Performance in 2024

The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$126.8 million for 2024 (2023: HK\$11.5 million).

As for Long Win Bus Company Limited ("LWB"), the profit after taxation for 2024 was HK\$41.7 million (2023: HK\$23.1 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\$20.6 million (2023: HK\$13.9 million). Our Mainland Transport Operations Division achieved positive overall results in 2024.

Development Driven by Innovation

Rooted in Hong Kong for more than 90 years, KMB has moved forward side by side with the public, honouring its commitment to serving Hong Kong while embracing its role as the "Heartbeat of the City". As our society enters a new phase of transformation, striving for advancement and evolution, economic activities are shifting towards innovation and diversification. Residents are travelling more frequently between Hong Kong and the Mainland, leading to a change in their living and travelling patterns. Given the nature of the Group's business, all the above present challenges to us. In response, the Group has taken the initiative to seek change, seizing the opportunities that arise.

Last year saw an upward trend in visitor arrivals. Although the number of visitors was not comparable to the peak, it still contributed to the growth of the Group's business. More visitors now prefer to explore Hong Kong in depth. To meet the demand for its services, the Group endeavoured to innovate by launching the "Tourist Day Pass". With the Pass, tourists could take unlimited trips on over 450 KMB and LWB routes within 24 hours, including routes to and from the control points and overnight routes. By providing a more convenient and cost-effective travelling option, the all-day

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“hop on, hop off” service enhances Hong Kong’s appeal as a tourist destination. Meanwhile, the Group also introduced new ideas to explore further possibilities in bus operations and passenger experience. During the reporting period, KMB launched “Tour @Kowloon” Recreation Route HK1, taking visitors to several famous sightseeing spots and unique attractions in Kowloon, for them to experience the charm of this vibrant city where the East meets the West.

In tandem with the further integration and development of the Greater Bay Area, the demand for transport services between the two regions increased. KMB and LWB closely monitored the operation of the control point routes to ensure that their services met the demand. In addition to the continuation of the interchange fare concession scheme for the relevant control point routes, an interchange fare concession scheme between KMB and the Lok Ma Chau – Huanggang Shuttle Bus was introduced to encourage passengers to use the bus service at different times of the day. This makes it easy and convenient for passengers to travel from different districts to the control points.

As a major public transport operator, we are committed to meeting all travel needs. Pet owners are eager to explore with their pets. Recognising the challenges of using public transport with pets, KMB launched the “Pet Bus” to address their travel needs. Pet owners could use the service on weekends and holidays to travel around the city with their pets and visit pet-friendly facilities. This demonstrates KMB’s innovative thinking and success in pioneering pet bus services, fostering a new “pet-related spending momentum” in the economy.

Advancing Towards Zero Emissions with Mature Electric Bus Applications

The Group continued to lead in the development of green transport, contributing to a better and more liveable city. Among the 82 electric buses introduced, the latest electric double-deck bus model – featuring the highest passenger capacity in Hong Kong – commenced service in May last year. KMB’s electric bus fleet performed well, with the new energy buses achieving towards “zero emissions”. During the year, the number of KMB routes operating electric buses in Hong Kong increased to 40, covering long-haul routes, busy urban streets, winding narrow roads, and both uphill and downhill paths. In terms of charging time, range and capacity, electric buses have proven to be well suited to the operating environment of public bus services in Hong Kong. KMB’s electric bus fleet has journeyed five million kilometres, which is equivalent to a reduction of 8,000 tonnes of carbon emissions, representing a significant step towards lowering such emissions.

In line with the carbon neutral vision of the country and the Hong Kong SAR Government, the Group is committed to adopting new energy buses across its entire fleet, with the goal of introducing more advanced electric bus models that offer better performance. KMB is preparing to construct two multi-storey electric bus depots in Tai Po and Tuen Mun. These depots will provide 850 bus charging bays to accommodate the expanding operational needs of the electric bus fleet.

CHAIRMAN'S LETTER

Promoting Sustainable Development for the Future

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. The Group's Environmental, Social and Governance ("ESG") Task Force has set six five-year environmental performance targets for the financial years from 2024 to 2028. Meanwhile, we are monitoring internal operations to ensure compliance, keeping all targets on track and performance in line with expectations. 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 to reduce the carbon footprint and fuel consumption of our operations, thereby advancing carbon neutrality on all fronts.

In terms of green financing, LWB signed a three-year sustainability development performance-linked loan facility totalling HK\$200 million with Bank of China (Hong Kong). Under the facility, LWB set a number of key environmental performance targets for sustainable development in ESG-related areas, including reducing greenhouse gas emissions of buses, and increasing green procurement and the average training hours for employees. These initiatives support the Group's efforts to further minimise the environmental impact of its operations.

Caring for the Community and Promoting Inclusion and Accessibility

We care about the community. Through ongoing engagement with different stakeholders to understand their needs, we endeavour to enhance their travel experience and strengthen community relations by leveraging the Group's expertise and strengths. Recognising the difficulties faced by visually impaired individuals in locating bus stops, we have chosen to enhance convenience for them by improving access to bus stops in Sham Shui Po. In collaboration with social welfare organisations experienced in serving the visually impaired in Sham Shui Po, 15 bus stops in the area were upgraded to "Audio Bus Stops" with audible devices installed. At these bus stops, route announcements are made to help the visually impaired locate bus stops more accurately and with greater peace of mind when travelling.

KMB buses are equipped with various barrier-free facilities, such as double wheelchair seats, continuous handrails and priority seats. KMB recognises that it can be a lengthy process for stroke patients to recover. To help them practise travelling on buses, KMB arranged for electric double-deck buses with double wheelchair seats to participate in the training. Patients can practise boarding procedures and skills, moving to their seats and sitting down, while familiarising themselves with the barrier-free facilities on the bus.

The Group has been taking practical actions to build a caring and inclusive society. Last year, through the Caring Bus Handrails Donation Programme, KMB donated handrails from retired buses, along with free on-site installation services, to economically disadvantaged elderly people in need, improving home safety by reducing the risk of falls and injuries.

KMB donated "Caring Bus Stop Poles" to residential care homes. With specially designed route information sheets, we created a realistic bus waiting environment for elderly individuals with cognitive impairment, helping to reduce their risk of wandering off. The treatment teams at the residential care homes can also use the bus stop poles to provide relevant treatment to the elderly. Since 2019, KMB has launched the "Finding Missing Elderly" Programme, enabling families to seek assistance from KMB by tracking the Octopus numbers of missing elderly people. In 2024, the programme played an active role in safeguarding the elderly, successfully locating 28 missing seniors.

Establishing Safety Standards through Technology and Nurturing Talents for the Industry

Bus safety has always been the Group's top priority. KMB's Preventive Maintenance System, which utilises technology to remotely monitor buses and key components, gives full play to the concept of "prevention is better than cure". It enables early targeted repair and maintenance, enhancing work efficiency. We also place great importance on the safe driving of our bus captains. KMB has been taking measures to enhance our bus captains' driving skills and performance by introducing the "GST Safe & Eco Driving System". The system provides real-time driving feedback to bus captains, helping them develop good driving habits and skills. During the year, more than 90% of our bus captains obtained the highest level of satisfactory driving.

On the training front, the KMB Academy launched new courses, namely the "Electric Vehicle Maintenance Safety Awareness Training Programme" ("EVE") and the "Electric Vehicle Maintenance Low Voltage Training Programme" ("EVL"). Certified by the Vehicle Maintenance Technical Advisory Committee of the Electrical and Mechanical Services Department, the two courses equip KMB's maintenance staff with knowledge of electric vehicle maintenance. They are also open to other professionals from the industry, thus increasing the number of qualified maintenance personnel for the local electric vehicle maintenance sector, with a view to joining hands with the industry to drive green transformation.

Expanding New Networks and Connecting People's Lives

The Group identifies and seizes development opportunities, seeking to provide bus services to the public in new development areas. During the year, we were pleased to be granted four new

route franchises for the Anderson Road Quarry by the Hong Kong SAR Government, further expanding KMB's service network. As residents gradually moved into Fu Tip Estate (Phase Two) and Yip Wong Estate in Tai Po and Tuen Mun, KMB introduced several new bus routes in these two districts and extended service areas and hours to provide more convenient and efficient bus services to meet the daily travel needs of the residents.

Putting People First and Caring for Staff

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 increased job flexibility by recruiting full-time bus captains and those working 5 days a week. Taking into account the operating conditions and salary trends, KMB and LWB have been upgrading their remuneration packages. All employees received a 3.52% 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, as part of the Company's efforts to attract and retain talent. The Group believes that the health of its employees is its greatest asset. To enhance employee protection, the Group has arranged for medical institutions to offer free vaccination outreach services to staff members.

The Group is committed to the well-being of its staff and is determined to provide them with a better working environment. For the first time, KMB introduced a dedicated route operated by female bus captains, demonstrating that women are equally capable of taking up the role of a bus captain. By enhancing the recognition of female bus captains, this initiative aims to attract more aspiring talent to join the bus captain profession. KMB set up the first "Female Staff Priority Rest Kiosk" in Hong Kong at the Tin Shui Wai Town Centre Bus Terminus, equipped with facilities tailor-made for women, to facilitate the work of female bus captains and field staff. This initiative has further promoted a female-friendly working environment, setting a pioneering example for the industry.

Challenges and Opportunities

In the face of uncertainties in the global and Hong Kong economies, coupled with the tense geopolitical situation, volatile international oil prices and continuous expansion of the local railway network, the bus operating environment is filled with challenges. With the Hong Kong SAR Government's implementation of various development blueprints and measures to boost the economy and people's livelihood, the demand for local travel is expected to rise steadily. Benefiting from the more frequent flow of people between Hong Kong and Mainland China, bus passenger volume and fare-box revenue will grow accordingly.

The Northern Metropolis is one of the key development areas in Hong Kong. The pilot development of three local districts will integrate private residential, industrial and public facilities,

with 60,000 residential units to be completed in the next five years. Upon completion, it is expected to add 500,000 housing units. The Group will endeavour to provide services in the new development area, offering residents convenient and comfortable bus trips while also providing momentum for economic development.

Located in the prime area of Kwun Tong in East Kowloon, The Millennity 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. Covering 1.15 million square feet, 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. The Group believes that The Millennity will generate long-term, sustainable, and stable income.

In addition to local bus services, with its professional experience in transportation, the Group signed a Letter of Intent for cooperation with the Integrated Transport Centre of Abu Dhabi, United Arab Emirates. Drawing on KMB's extensive experience in operating local public transport, the Group aims to contribute to the transformation of the public transport system in Abu Dhabi, while promoting and participating in the development of green transportation in the region, including diverse travel options, smart travel and green transportation, in alignment with the national "Belt and Road" initiative.

The Group will endeavour to drive long-term development, maintain a consistent focus on core business growth and maximise its development in a controlled environment, so as to bring value and sustainable returns to shareholders.

Acknowledgement

The past year has been a year of challenges and opportunities for the community as it seeks to define its direction for development in various areas. Thanks to the dedication and commitment of every employee to keeping abreast of the times, the Group was able to maintain its momentum in adapting to the changing environment and provide safe, high-quality transport services to passengers. 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

20 March 2025