

MANAGING DIRECTOR'S MESSAGE

“

We are engaging proactively with the Government to explore the establishment of a more effective system. This will be essential to maintaining industry stability, ensuring service quality, and meeting long-term societal needs, while enhancing overall returns for our shareholders.

”



Over the past few years, shifts in travel patterns and demographics, together with the continued expansion of the railway network, have posed challenges to the franchised bus business. Recent international volatility has driven up global oil prices, exerting direct pressure on operating costs. Given the high degree of uncertainty surrounding long-term fuel trends, the Group's financial position continues to face sustained pressure. To address these challenges proactively, while remaining steadfast in commitment to service quality, it is essential to enhance operational efficiency through strategic innovation and the application of technology, alongside optimising organisational structure and resource allocation. As public transport remains the primary mode of travel, accounting for over 90% of journeys, the Group will leverage this advantage to further elevate service quality and efficiency, with a view to increasing patronage, consolidating market share, and driving steady business growth.

The rapid advancement of artificial intelligence represents an irreversible global trend, and the Group has already integrated these technologies to enhance operational efficiency. In route planning, AI is deployed to analyse and forecast passenger demand with greater precision, enabling the optimisation of service frequency and scheduling. In maintenance, the adoption of AI on preventive maintenance accelerates fault diagnostics and repair processes, thus, reduces the chances of breakdown. On the customer service side, AI facilitates more precise analysis of passenger feedback, enabling the

timely implementation of targeted improvements to enhance customer satisfaction. The effective deployment of AI not only ensures more efficient use of resources but also creates strategic capacity for the Group to explore and develop new opportunities.

Building on the strong foundation of our franchised bus operations, we will continue to enhance customer experience and strengthen our competitive edge through more personalised and flexible service offerings. The Group remains agile in capturing emerging opportunities and actively expanding revenue streams to foster long-term sustainable development. Our key areas of expansion include:

- **Diversified service development:** In response to evolving demands in tourism, pet transport, and elderly mobility, the Group has introduced themed tourism routes, pet-friendly arrangements, and accessible community shuttle solutions.
- **Strategic alignment with technology:** In line with the Hong Kong SAR Government's Transport Strategy Blueprint, which advocates demand-responsive services, the Group leverages data and technology to gain a comprehensive understanding of travel patterns and unlock the full potential of its franchised bus network.
- **Network and infrastructure opportunities:** Actively captures growth opportunities arising from new development areas and the commissioning of road infrastructure and facilities



by launching new routes or enhancing existing services in a timely manner, as well as engages in new business sectors to diversify the Group's business.

- Cross-boundary and multi-party collaboration: Capitalising on national strategic planning and the development of the Northern Metropolis, the Group is strengthening feeder services to boundary control points and High Speed Rail Station. At the same time, the Group continues to explore deeper cross-boundary collaboration with stakeholders such as SZBG.

Non-farebox revenue remains a key pillar of the Group's income. In addition to consolidating traditional revenue from advertising, merchandising, brand collaborations and commercial facilities at bus stops, the Group is exploring the feasibility of "multi-use" depot developments to unlock the potential of depot resources. For instance, we have opened our depots to provide electric vehicle charging services, as backed by the Hong Kong SAR Government's policy, to generate new revenue streams. The Group will build on this experience to promote broader "multi-use" commercial models.

As a franchised bus operator in Hong Kong, we are committed to meeting societal expectations in Environmental, Social and Governance (ESG) performance. KMB operates the largest electric bus fleet in the city, and we will continue to expand its deployment to support the Government's carbon neutrality

goals. Through the expansion of tourism and experiential products, we contribute to the local economy and support the recovery of the tourism sector. We also advocate a pet-inclusive culture, fostering a more welcoming travel environment, and enhancing the safety and convenience of pet travel through dedicated services and facilities. In addition, we support the community through practical actions, including employing persons with disabilities, providing internships and training opportunities for students with special educational needs (SEN), and fostering a family-friendly workplace. The Group continues to embrace its vision of serving and giving back to the community. Harnessing its unique position as a franchised bus operator, the Group strives to contribute to the creation of a more sustainable, vibrant and liveable city.

KMB's franchise will expire in mid-2027. The current international volatility exerts significant pressure on our operating environment, while current social landscape underscores the need to review the franchised bus operating mechanism. We are engaging proactively with the Government to explore the establishment of a more effective system. This will be essential to maintaining industry stability, ensuring service quality, and meeting long-term societal needs, while enhancing overall returns for our shareholders.

Roger LEE Chak Cheong

Managing Director

19 March 2026