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Transport International Holdings Limited

(載通國際控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock code: 62)

2021 Final Results Announcement

FINANCIAL HIGHLIGHTS

- The Group's profit attributable to equity shareholders for the year ended 31 December 2021 was HK\$245.0 million (2020: HK\$1,904.1 million), representing a decrease of HK\$1,659.1 million compared with 2020. The decline was mainly due to the one-off non-recurring net gain of HK\$1,495.5 million in 2020. Total revenue increased by 16.3% from HK\$6,190.9 million in 2020 to HK\$7,202.0 million in 2021 due to a rebound in patronage. Profit from operations improved by 4.7% from HK\$247.0 million in 2020 to HK\$258.6 million in 2021.
- The Group's flagship company, The Kowloon Motor Bus Company (1933) Limited ("KMB"), recorded a profit after taxation of HK\$101.4 million for 2021 (2020: HK\$203.3 million), representing a decrease of HK\$101.9 million compared with 2020. The decrease was primarily due to the fact that KMB received government subsidies in 2020. Moreover, the rise in international fuel prices led to increases in fuel costs during the year. However, these were partially offset by increases in fare revenue as a result of the rebound in patronage along with the fare increase which took effect on 4 April 2021.
- The Group's earnings per share for 2021 were HK\$0.53 (2020: HK\$4.21).
- An ordinary final dividend of HK\$0.50 per share for 2021 has been declared (2020: HK\$0.50 per share). The total dividend for the year amounted to HK\$0.50 per share (2020: HK\$0.50 per share).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fare revenue from franchised public bus services		6,609,291	5,653,807
Revenue from non-franchised transport services		212,458	208,204
Licence fee income		256,968	224,723
Media sales revenue		71,597	31,299
Gross rentals from investment properties		51,694	72,847
Revenue	3	7,202,008	6,190,880
Other income	4	253,985	1,249,571
Staff costs	5(a)	(4,054,179)	(4,339,974)
Depreciation		(1,018,161)	(993,019)
Fuel and oil		(815,870)	(619,612)
Spare parts		(216,248)	(197,468)
Toll charges		(275,427)	(272,388)
Other operating expenses	5(b)	(817,552)	(771,009)
Profit from operations		258,556	246,981
Finance costs	6	(14,350)	(26,933)
Gain on disposal of a subsidiary		-	1,495,548
Share of profits of associates		19,635	6,525
Share of profit of joint venture		8,252	35
Profit before taxation		272,093	1,722,156
Income tax (expense)/credit	8	(27,049)	181,958
Profit for the year		245,044	1,904,114
Earnings per share – basic and diluted	9	HK\$ 0.53	HK\$ 4.21

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	245,044	1,904,114
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
- Remeasurements of net defined benefit asset, net of tax expense of HK\$51,439,000 (2020: HK\$72,295,000)	260,314	365,857
- Equity investment at fair value through other comprehensive income ("FVOCI"): net movement in fair value reserve (non-recycling), net of nil tax	191,234	1,649
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax	18,459	39,151
- Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	(120,445)	9,409
- Share of other comprehensive income of an associate, net of nil tax	3,140	43,050
Other comprehensive income for the year	352,702	459,116
Total comprehensive income for the year	597,746	2,363,230

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		95,400	97,875
Investment property under development		3,844,604	3,005,416
Interest in leasehold land		50,491	53,318
Other property, plant and equipment		7,985,606	7,797,012
		11,976,101	10,953,621
Intangible assets		419,729	364,964
Goodwill		84,051	84,051
Interest in associates		681,749	656,610
Interest in joint venture		750,799	750,547
Other financial assets		1,353,662	1,473,574
Employee benefit assets		1,959,462	1,701,495
Deferred tax assets		528	456
		17,226,081	15,985,318
Current assets			
Spare parts		103,421	95,300
Accounts receivable	10	605,137	660,519
Other financial assets		741,095	234,198
Deposits and prepayments		26,924	27,422
Current tax recoverable		5,857	5,085
Restricted bank deposits		411,749	350,365
Bank deposits and cash		825,787	1,943,400
		2,719,970	3,316,289
Current liabilities			
Accounts payable and accruals	11	1,665,467	1,585,519
Contingency provision – insurance	12	93,800	90,323
Bank loans		994,032	1,398,257
Lease liabilities		3,513	3,615
Current tax payable		2,657	9,262
		2,759,469	3,086,976
Net current (liabilities)/assets		(39,499)	229,313
Total assets less current liabilities		17,186,582	16,214,631

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021
(continued)

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Bank loans		2,138,517	1,684,266
Lease liabilities		3,306	1,865
Deferred tax liabilities		1,187,522	1,123,423
Contingency provision – insurance	12	177,590	217,716
Provision for long service payments		919	1,049
		<u>3,507,854</u>	<u>3,028,319</u>
NET ASSETS		<u>13,678,728</u>	<u>13,186,312</u>
CAPITAL AND RESERVES			
Share capital		465,469	457,821
Reserves		13,213,259	12,728,491
TOTAL EQUITY		<u>13,678,728</u>	<u>13,186,312</u>

Notes:

1. Auditor's report

The Group's consolidated financial statements for the year ended 31 December 2021 have been audited in accordance with Hong Kong Standards on Auditing, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Group's auditor, KPMG, Certified Public Accountants, whose unmodified auditor's report is included in the annual report to be sent to shareholders. The results have also been reviewed by the Company's Audit and Risk Management Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this announcement.

2. Basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Of these, the Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* is relevant to the Group's financial statements.

Except for the Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*, none of these developments have had a material impact on how the Group's results and financial position for the current period have been prepared or presented.

The Group has applied the Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*, issued by the HKICPA to these financial statements for the current accounting period.

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the year.

Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

Other than the Amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

Information regarding the Group's reportable segments for the years ended 31 December 2021 and 2020 is set out below:

	Franchised bus operation		Property holdings and development		All other segments (Note)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,940,074	5,909,703	49,337	72,847	212,597	208,330	7,202,008	6,190,880
Inter-segment revenue	782	14,308	5,477	5,759	3,178	8,366	9,437	28,433
Reportable segment revenue	6,940,856	5,924,011	54,814	78,606	215,775	216,696	7,211,445	6,219,313
Reportable segment profit	65,852	203,285	48,103	1,548,289	22,415	47,310	136,370	1,798,884
Interest income	28	421	-	-	37	-	65	421
Interest expense	(14,350)	(26,933)	-	-	-	-	(14,350)	(26,933)
Depreciation	(972,112)	(944,057)	(7,053)	(6,744)	(38,996)	(42,218)	(1,018,161)	(993,019)
Staff costs	(3,951,690)	(4,233,612)	-	-	(91,838)	(95,921)	(4,043,528)	(4,329,533)
Share of profits of associates	-	-	-	-	19,635	6,525	19,635	6,525
Share of profit of joint venture	-	-	8,252	35	-	-	8,252	35
Gain on disposal of a subsidiary	-	-	-	1,495,548	-	-	-	1,495,548
Income tax (expense)/credit	(14,142)	195,651	(7,719)	(10,213)	(5,188)	(3,480)	(27,049)	181,958
Reportable segment assets	10,931,735	10,475,512	4,698,759	3,867,664	1,847,096	1,782,501	17,477,590	16,125,677
- including interest in associates	-	-	-	-	681,749	656,610	681,749	656,610
- including interest in joint venture	-	-	750,799	750,547	-	-	750,799	750,547
Additions to non-current segment assets during the year	1,177,921	1,312,179	840,027	474,769	26,363	7,688	2,044,311	1,794,636
Reportable segment liabilities	4,381,960	4,380,771	1,758,496	1,611,224	83,013	87,499	6,223,469	6,079,494

Note: Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

3. Segment reporting (continued)

Reconciliation of reportable segment revenue, profit, assets and liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	6,995,670	6,002,617
Revenue from all other segments	215,775	216,696
Elimination of inter-segment revenue	<u>(9,437)</u>	<u>(28,433)</u>
Consolidated revenue	<u>7,202,008</u>	<u>6,190,880</u>
<i>Profit</i>		
Reportable segment profit	113,955	1,751,574
Profit from all other segments	22,415	47,310
Unallocated profits	<u>108,674</u>	<u>105,230</u>
Consolidated profit after taxation	<u>245,044</u>	<u>1,904,114</u>
<i>Assets</i>		
Reportable segment assets	15,630,494	14,343,176
Assets from all other segments	1,847,096	1,782,501
Unallocated assets	<u>2,468,461</u>	<u>3,175,930</u>
Consolidated total assets	<u>19,946,051</u>	<u>19,301,607</u>
<i>Liabilities</i>		
Reportable segment liabilities	6,140,456	5,991,995
Liabilities from all other segments	83,013	87,499
Unallocated liabilities	<u>43,854</u>	<u>35,801</u>
Consolidated total liabilities	<u>6,267,323</u>	<u>6,115,295</u>

3. Segment reporting (continued)

Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's investment properties, investment property under development, interest in leasehold land, other property, plant and equipment, intangible assets, goodwill, interest in associates and interest in joint venture ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interest in associates and interest in joint venture.

	Specified non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	13,062,809	11,988,839
The People's Republic of China ("PRC")	849,620	820,954
	<u>13,912,429</u>	<u>12,809,793</u>

4. Other income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on financial assets measured at FVOCI (recycling)	54,483	51,313
Interest income on financial assets measured at amortised cost	6,683	25,311
Dividend income from unlisted equity securities	38,539	31,000
Claims received	24,963	30,956
Net miscellaneous business receipts	12,910	8,869
Net gain on disposal of other property, plant and equipment	9,233	8,833
Net loss on derecognition of investments in debt securities	(3,163)	(213)
Net foreign exchange gain/(loss)	12,772	(11,243)
Government subsidies (Note)	5,394	1,013,855
Drawdown from Toll Exemption Fund (Note 5(b))	49,428	-
Sundry income	42,743	90,890
	<u>253,985</u>	<u>1,249,571</u>

Note: This mainly represented subsidies from the Hong Kong Special Administrative Region (“HKSAR”) Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of COVID-19.

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Defined benefit retirement plan expense	53,786	43,508
Contributions to defined contribution retirement plans	163,327	173,862
Movements in provision for long service payments	<u>3,280</u>	<u>5,241</u>
Total retirement cost	220,393	222,611
Equity-settled share-based payment expenses	4,108	600
Salaries, wages and other benefits	<u>3,832,128</u>	<u>4,119,913</u>
	4,056,629	4,343,124
Less: staff costs included in cost of mask production	<u>(2,450)</u>	<u>(3,150)</u>
	<u><u>4,054,179</u></u>	<u><u>4,339,974</u></u>
 (b) Provision for toll exemption fund (Note)	 <u><u>149,559</u></u>	 <u><u>193,730</u></u>

Note: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying tolls when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the “Toll Exemption Fund” which will normally be used to lower the magnitude of future fare increase. In addition, any additional fare revenue resulting from the increase of the bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. The balance of the Toll Exemption Fund of the Group as at 31 December 2021, included in accounts payable and accruals (Note 11), was HK\$417,258,000 (2020: HK\$392,863,000). The drawdown from the Toll Exemption Fund was recognised in the consolidated statement of profit or loss for the year.

6. Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	28,932	51,588
Interest on lease liabilities	94	161
Total interest expense		
on financial liabilities not at fair value through profit or loss	29,026	51,749
Less: interest expense capitalised (Note)	(14,676)	(24,816)
	<u>14,350</u>	<u>26,933</u>

Note: The borrowing costs have been capitalised at the average interest rate of 0.85% per annum (2020: 1.45% per annum).

7. Dividends

(a) *Dividends paid/payable to equity shareholders of the Company attributable to the year*

	2021		2020	
	Per share <i>HK\$</i>	Total <i>HK\$'000</i>	Per share <i>HK\$</i>	Total <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period	<u>0.50</u>	<u>232,735</u>	<u>0.50</u>	<u>228,910</u>

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2021 and 2020.

At the Board meeting held on 17 March 2022, the Directors recommended a final dividend of HK\$0.50 per share for 2021 (2020: HK\$0.50 per share). Such dividend, which will be proposed at the Annual General Meeting of the Company to be held on 19 May 2022, has not been recognised as a liability at the end of the reporting period.

7. Dividends (continued)

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2021		2020	
	Per share	Total	Per share	Total
	HK\$	HK\$'000	HK\$	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	0.50	228,910	0.70	312,859

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2020 was paid on 30 June 2021, of which HK\$119,472,000 was settled by the issuance of 7,648,718 shares at an issue price of HK\$15.62 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which HK\$163,631,000 was settled by the issuance of 10,879,685 shares at an issue price of HK\$15.04 per share under the scrip dividend scheme.

8. Income tax expense/(credit)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Provision for the year	13,804	17,139
Over-provision in respect of prior years	<u>(148)</u>	<u>(24,244)</u>
	<u>13,656</u>	<u>(7,105)</u>
PRC withholding tax	<u>805</u>	<u>1,262</u>
	<u>14,461</u>	<u>(5,843)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>12,588</u>	<u>(176,115)</u>
	<u>27,049</u>	<u>(181,958)</u>

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tier profits tax rate regime.

For that subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

9. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$245,044,000 (2020: HK\$1,904,114,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2021	2020
Issued ordinary shares at 1 January	457,820,696	446,941,011
Effect of shares issued in respect of scrip dividend	3,876,747	5,499,294
Weighted average number of ordinary shares at 31 December	<u>461,697,443</u>	<u>452,440,305</u>

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

10. Accounts receivable

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and other receivables	584,076	643,978
Interest receivable	21,421	16,901
Less: loss allowance	(360)	(360)
	<u>605,137</u>	<u>660,519</u>

All of the accounts receivable are expected to be recovered within one year.

Included in accounts receivable are trade receivables (net of loss allowance) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	62,636	41,149
Less than 1 month past due	60,320	59,678
1 to 3 months past due	52,107	35,466
More than 3 months past due	89,425	28,988
	<u>264,488</u>	<u>165,281</u>

According to the Group's credit policy, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

11. Accounts payable and accruals

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	200,132	98,479
Balance of passenger reward	-	7,154
Balance of toll exemption fund (Note 5(b))	417,258	392,863
Other payables and accruals	1,043,155	1,082,101
Amount due to an associate	4,922	4,922
	<u>1,665,467</u>	<u>1,585,519</u>

All of the accounts payable and accruals are expected to be settled within one year.

Amount due to an associate is unsecured, interest-free and has no fixed terms of settlement.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due within 1 month or on demand	190,075	95,250
Due after 1 month but within 3 months	8,761	633
Due after more than 3 months	1,296	2,596
	<u>200,132</u>	<u>98,479</u>

The credit period granted to the Group is generally between 30 days and 90 days.

12. Contingency provision – insurance

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	308,039	370,677
Provision charged to profit and loss	46,776	19,796
Payments made during the year	<u>(83,425)</u>	<u>(82,434)</u>
At 31 December	<u>271,390</u>	<u>308,039</u>
Representing:		
Current portion	93,800	90,323
Non-current portion	<u>177,590</u>	<u>217,716</u>
	<u>271,390</u>	<u>308,039</u>

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the end of the reporting period in connection with the Group's bus operations.

RESULTS

The Group's profit attributable to equity shareholders for the year ended 31 December 2021 was HK\$245.0 million (2020: HK\$1,904.1 million), representing a decrease of HK\$1,659.1 million compared with 2020. The decline was mainly due to the one-off non-recurring net gain of HK\$1,495.5 million in 2020. Total revenue increased by 16.3% from HK\$6,190.9 million in 2020 to HK\$7,202.0 million in 2021 due to a rebound in patronage. Profit from operations improved by 4.7% from HK\$247.0 million in 2020 to HK\$258.6 million in 2021. Earnings per share decreased correspondingly from HK\$4.21 for 2020 to HK\$0.53 for 2021.

PROPOSED DIVIDEND

The Board has proposed the payment to shareholders registered as at 25 May 2022 an ordinary final dividend of HK\$0.50 per share (2020: HK\$0.50 per share) totalling HK\$232.7 million (2020: HK\$228.9 million). As the Board did not declare any interim dividend during 2021 and 2020, total dividends for the year will amount to HK\$0.50 per share (2020: HK\$0.50 per share) and the total dividend payout will amount to HK\$232.7 million (2020: HK\$228.9 million).

The ordinary final dividend will be payable in cash, with an option for the shareholders of the Company to receive new and fully paid ordinary shares in lieu of cash or partly in cash or partly in shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the aforesaid ordinary final dividend, but will rank *pari passu* in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the election form are expected to be sent to shareholders on or about 2 June 2022.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of ordinary final dividend at the forthcoming Annual General Meeting ("AGM") to be held on 19 May 2022 or at any adjournment thereof and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. The ordinary final dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on 30 June 2022.

The Transfer Books of the Company will be closed from 16 May 2022 to 19 May 2022, both dates inclusive. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 May 2022.

For the purpose of ascertaining shareholders' entitlement to the proposed ordinary final dividend of the Company for the year ended 31 December 2021, the Transfer Books of the Company will be closed on 25 May 2022. In order to qualify for the proposed ordinary final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars at the aforementioned address for registration not later than 4:30 p.m. on 24 May 2022.

MANAGEMENT REVIEW AND OUTLOOK

REVIEW OF OPERATIONS AND RESULTS OF INDIVIDUAL BUSINESS UNIT

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited ("KMB")

KMB recorded a profit after taxation of HK\$101.4 million for 2021, representing a decrease of HK\$101.9 million or 50.1% compared with HK\$203.3 million for 2020 (which included government subsidies of HK\$895.5 million). When excluding such subsidies, KMB would record a year-on-year improvement of HK\$793.6 million for 2021.

Fare revenue for 2021 was HK\$6,289.7 million, an increase of HK\$981.3 million or 18.5% compared with HK\$5,308.4 million for 2020. The increase was mainly attributable to the rebound in patronage along with the fare increase which took place on 4 April 2021. KMB's total ridership increased by 14.6% to 891.3 million passenger trips (a daily average of 2.44 million passenger trips) as compared with 777.5 million passenger trips (a daily average of 2.12 million passenger trips) for 2020.

Total operating expenses for 2021 amounted to HK\$6,610.2 million, an increase of HK\$68.5 million or 1.0% compared with HK\$6,541.7 million for 2020. The increase was mainly attributable to the increase in fuel costs as a result of the rise in international fuel prices.

Long Win Bus Company Limited (“LWB”)

The loss after taxation of LWB for 2021 was HK\$35.0 million, representing an unfavourable variance of HK\$35.6 million compared with profit after taxation of HK\$0.6 million for 2020.

LWB’s fare revenue for 2021 was HK\$320.4 million, a decrease of HK\$25.7 million or 7.4% compared with HK\$346.1 million for 2020. The decline was mainly due to the decrease in average fare as the impact of COVID-19 leading to global travel restrictions began to take effect from February 2020 but was partly offset by the increase in ridership. LWB recorded a total ridership of 28.9 million passenger trips (a daily average of 79,000 passenger trips) for 2021, as compared with 28.2 million passenger trips (a daily average of 77,000 passenger trips) for 2020.

Total operating expenses for 2021 amounted to HK\$426.4 million, a decrease of HK\$44.5 million or 9.4% compared with HK\$470.9 million for 2020. The decrease in operating expenses was largely due to the decrease in toll charges as a result of the reduction in number of trips resulting from service reductions as well as bus route diversion arrangements following the commissioning of the Tuen Mun-Chek Lap Kok Tunnel with effect from 20 June 2021.

Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$8.8 million for 2021, representing a decrease of HK\$32.7 million or 78.8% compared with HK\$41.5 million for 2020 (which included government subsidies of HK\$43.3 million). A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its Subsidiaries (the “SBH Group”)

The SBH Group is one of the leading non-franchised bus operators in Hong Kong, providing customised, premium, safe, reliable, and value-for-money transport services to a wide range of customers, including large residential estates, shopping

malls, major employers, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group for 2021 was at par with 2020. Total operating expenses for 2021 decreased compared with 2020 as management continued to implement various cost control measures to streamline its business.

In 2021, SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2021, the SBH Group had a fleet of 397 buses (2020: 390 buses).

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

The revenue of NHKB for 2021 decreased by 65.5% compared with 2020. The decrease was primarily attributable to the suspension of Huang Bus service with effect from 4 February 2020 as the immigration clearance service for passengers at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.

As at 31 December 2021, NHKB had a fleet of 15 buses (2020: 15 buses).

Property Holdings and Development

The Group’s Property Holdings and Development Division reported a profit after taxation of HK\$48.1 million for 2021, representing a decrease of HK\$4.7 million or 8.9% as compared with the profit after taxation (excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited) of HK\$52.8 million for 2020. A review of the Group’s investment properties is set out as follows:

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of the Group, is the owner of “Manhattan Mid-town”, the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high

quality retail facilities since its opening in March 2009. As at 31 December 2021, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.

As at 31 December 2021, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation, amounted to HK\$71.0 million (2020: HK\$73.5 million).

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. A portion of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to offices, shops and restaurants.

As at 31 December 2021, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK\$23.1 million (2020: HK\$26.5 million).

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited (“TRL”), a subsidiary of Sun Hung Kai Properties Limited (“SHKP”), owns Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes (the “Development”). Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the Development. The Group intends to hold the Development for long-term investment purposes.

On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million. 50% of such land premium, which amounted to HK\$2,152.5 million, was borne by KTRE.

On 20 December 2018, KTRE and TRL engaged Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP, to carry out and perform construction works for the Development at a contract sum of approximately HK\$4,436.0 million (i.e. approximately HK\$2,218.0 million by each of KTRE and TRL) (the “Building Contract”), subject to adjustments in accordance with the Building Contract. The Building Contract was approved by independent shareholders of the Group on 1 February 2019. The two office towers have been topped out and the occupation permit is expected to be obtained in 2022.

As at 31 December 2021, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$3,844.6 million (2020: HK\$3,005.4 million).

TM Properties Investment Limited (“TMPI”)

TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“MOL”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to MOL on 29 December 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of the Group.

TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI has applied to the relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. As at 31 December 2021, the entire lettable area of the property has been leased out to generate rental income for the Group.

China Mainland Transport Operations

The Group’s China Mainland Transport Operations Division reported a profit after taxation of HK\$19.6 million for 2021, representing an increase of HK\$13.1 million or 201.5% compared with HK\$6.5 million for 2020.

As at 31 December 2021, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$681.7 million (2020: HK\$656.6 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

Shenzhen Bus Group Company Limited
(深圳巴士集團股份有限公司) (“SZBG”)

SZBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB387.1 million (equivalent to HK\$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of over 5,500 buses running on around 320 routes and over 5,000 taxis. As a result of effective containment of the COVID-19 pandemic in China, the number of patronage of SZBG including its bus and taxi operation increased by 11.7% to 544.1 million in 2021 as compared to 487.0 million in 2020.

Beijing Beiqi Kowloon Taxi Company Limited
(北京北汽九龍出租汽車股份有限公司) (“BBKT”)

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT’s shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. BBKT operated both taxi hire and car rental businesses in Beijing until April 2013, when, to sharpen its focus on the business opportunities provided by the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), which has the same shareholding structure as BBKT. As at 31 December 2021, BBKT had a fleet of over 3,700 taxis and 2,872 employees.

Beijing Beiqi First Company Limited
(北京北汽福斯特股份有限公司) (“BBF”)

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. With ISO 9001:2008 certification for management systems in car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2021, BBF had over 1,100 vehicles available for charter mainly in Beijing and Tianjin.

FINANCIAL LIQUIDITY AND RESOURCES

The Group closely monitors its liquidity requirement and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with the Group’s reserves of cash and liquid assets and undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs and capital expenditure as well as potential business expansion and development. The Group’s operations are mainly financed by shareholders’ funds and bank loans. In general, major operating companies of the Group arrange their own financing to meet their operational and specific needs. The Group’s other subsidiaries are mainly financed by the Company’s capital base. The Group reviews its funding policy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary.

As at 31 December 2021, the Group’s net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,895.0 million (2020: HK\$788.8 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.0 (2020: 1.1).

As at 31 December 2021, the Group had undrawn committed banking facilities totalling HK\$1,555.0 million (2020: HK\$2,110.0 million).

The finance costs incurred by the Group for the year ended 31 December 2021 were HK\$14.4 million, a decrease of HK\$12.5 million compared with HK\$26.9 million for 2020. The decrease was mainly due to the decrease in the average

interest rate from 1.68% per annum for 2020 to 0.97% per annum for 2021 but was partly offset by the increase in average bank borrowings of the Group.

For the year ended 31 December 2021, the Group's interest income exceeded the total finance costs by HK\$46.8 million (2020: HK\$49.7 million).

CAPITAL EXPENDITURE

As at 31 December 2021, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK\$11,976.1 million (2020: HK\$10,953.6 million). The increase was mainly due to the development of the Kwun Tong Site and purchase of new buses by KMB and LWB for fleet replacement during the year. None of the assets was pledged or charged as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

Running a transport operation is a labour intensive business, and staff costs accounted for about 56% (2020: 60%) of the total operating expenses of the Group in 2021. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. The Group's total remuneration excluding retirement costs and equity-settled share-based payment expenses for 2021 amounted to HK\$3,832.1 million (2020: HK\$4,119.9 million), representing a decrease of 7.0%. As at 31 December 2021, the Group employed over 13,000 staff (2020: over 13,000 staff).

OUTLOOK

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 Kwun Tong 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 Environmental, Social and Governance issues. At the same time, we will explore and grasp new business opportunities to create value for our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021, except that two Directors of the Company were unable to attend the Annual General Meeting of the Company held on 20 May 2021 as provided for in code provision A.6.7 due to another engagement.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the financial results for the year ended 31 December 2021.

By Order of the Board
Norman LEUNG Nai Pang
Chairman

Hong Kong, 17 March 2022

The Directors of the Company as at the date of this announcement are:

Independent Non-executive Directors:

Dr. Norman LEUNG Nai Pang, *GBS, JP* (Chairman)
Dr. John CHAN Cho Chak, *GBS, JP* (Deputy Chairman)
Dr. Eric LI Ka Cheung, *GBS, OBE, JP*
Professor LIU Pak Wai, *SBS, JP*
Mr. TSANG Wai Hung, *GBS, PDSM, JP*

Non-executive Directors:

Mr. Raymond KWOK Ping Luen, *JP* (Ms. Susanna WONG Sze Lai as his alternate)
Mr. NG Siu Chan (Ms. Winnie NG, *JP* as his alternate)
Mr. Charles LUI Chung Yuen, *M.H.*
Mr. William LOUEY Lai Kuen (Mr. GAO Feng as his alternate)
Ms. Winnie NG, *JP*
Mr. Allen FUNG Yuk Lun
Dr. CHEUNG Wing Yui, *BBS*
Mr. LEE Luen Fai, *BBS, JP*
Mr. LUNG Po Kwan

Executive Director:

Mr. Roger LEE Chak Cheong (Managing Director)

** For identification purpose only*