

Chairman's Letter



Staff members of the Group have demonstrated their commitment to their work, and this dedication has been acknowledged by the public.

Dear Shareholders,

On behalf of the Board of Directors, I would like to report that the Group's profit attributable to equity shareholders for the year ended 31 December 2019 was HK\$605.3 million, a decrease of 15.9% compared to HK\$720.1 million for 2018.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.70 per share to be paid on 30 June 2020. Together with the ordinary interim dividend of HK\$0.30 per share

paid on 15 October 2019, the total dividend for the year will be HK\$1.00 per share.

Financial Performance in 2019

The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$314.9 million, representing a decrease of HK\$119.4 million compared with HK\$434.3 million for 2018. The enhancement of staff remuneration and benefits led to an increase in staff costs, which together

with the additional investment in safety measures for the bus fleet, contributed to an increase in operational costs. In 2019, the Hong Kong Government launched the Public Transport Fare Subsidy Scheme to ease the financial burden on citizens and encourage them to commute. In the second half of 2019, even though Hong Kong's transport system was severely affected by social events, KMB did its best to maintain services. Passenger numbers remained stable and on a par with 2018.



As for Long Win Bus Company Limited ("LWB"), profit after taxation for 2019 was HK\$53.7 million, representing an increase of HK\$16.9 million compared with HK\$36.8 million for 2018. The continuous enhancement of bus services and the additional transport demand associated with the Hong Kong-Zhuhai-Macao Bridge, saw year-on-year passenger growth increase by 10.4% in 2019.

In order to enhance their customer service, KMB and LWB continued to make substantial investments in new buses with the latest safety, environmental and design features. In 2019, 217 Euro VI double-deck buses and five Euro V double-deck buses were added to the franchised bus fleet.

The Group's Non-franchised Transport Division, with Sun Bus Limited ("Sun Bus") as its flagship company, recorded a profit after taxation of HK\$39.8 million, representing a decrease in profit after taxation of HK\$8.5 million compared with HK\$48.3 million for 2018. Sun Bus tapped passenger sources proactively and set up a number of new service points. To meet market needs, Sun

Bus introduced double-deck buses into its fleet. Our China Mainland Transport Operations Division, which is comprised of our joint ventures in Shenzhen and Beijing, continued to record positive overall results in 2019.

Serving with Care, Keeping Pace with the Times

The Group continues to introduce innovations in operations, business promotions and service enhancements. KMB and LWB launched various fare concession schemes, including continuous expansion of the KMB Monthly Pass kiosk network and the new "Purchase Monthly Pass" button on the KMB and LWB mobile app, App1933, so that passengers can enjoy convenient, flexible and value-for-money bus services. Moreover, the KMB Fare Saver Scheme has been well received by teachers, students and passengers. Besides raising the number of Fare Saver kiosks to 17, we have also increased the total amount of fare discount that passengers enjoy. KMB continued to work with different banks on credit card rebate solutions, enabling more passengers to enjoy fare discounts.

Providing Safety First Professional Training

The Group has always put safety as its top priority. Although the Special Committee led by me has successfully completed its mission, the Group will continue to implement the suggestions made by the committee. Through bus captain recruitment, training, performance management and salary remuneration packages, the Group continues to enhance safety in services. All newly purchased Euro VI buses are equipped with the Electronic Stability Programme, a speed limiting retarder and seat belts on both decks. The Drowsiness Monitoring System and the Advanced Driver Assistance System have recently been introduced to the fleet. With the adoption of these advance technologies, driving safety has been further improved.

To further enhance the working environment of driving instructors and nurture more quality bus captains, the Bus Captain Training School has been refurbished. The school has a training fleet of 50 buses, mirroring the models used in the fleet. Trainees are able to receive training and learn

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how to drive a bus in real working conditions. This helps provide a more precise and target-oriented training in safety awareness and a good driving attitude among trainees.

To maintain high quality maintenance services and keep the fleet in tiptop shape, a professional team of engineering staff is essential. The newly introduced two-year "Technical Trainee Programme", includes both theories and practical skills. After completing this basic programme, graduates can continue their studies by joining an advanced programme. We aim to train well-rounded and professional engineering talents for our business development and operational needs.

Caring for Employees, Attaching Importance to Talents

Talents are valuable assets to the Group. Providing a quality working environment and career prospects is the responsibility of the Board of Directors and Executives. In 2019, the Group continued to improve

staff benefits, with eighty percent of frontline staff receiving a 5.5% salary increase. We have also launched a series of benefit enhancement measures for frontline staff, including improving the salary scale of monthly-paid maintenance staff.

To create a better working environment and boost the sense of belonging of employees, Club1933, a leisure area for staff members, was opened at Kowloon Bay and Lai Chi Kok depots. The related projects at Sha Tin and Tuen Mun depots will start soon. At Club1933, various facilities for leisure and gatherings are provided for employees and retired staff members. The Staff Relations & Welfare Services Department, established in April, is the bridge between the Company and its staff, both current and retired. By collecting opinions and advice from different channels and organising activities, we have built a close relationship between staff and the Company. Leveraging these advantages, we are looking for talents who are committed to delivering professional and reliable franchised bus services to join us.

Promoting Green Transport, Serving the Community

After winning awards in the Hong Kong Awards for Environmental Excellence (HKAEE) for the past two years, KMB's advanced green technologies and innovative ideas were again recognised in 2019 by the winning of the Gold Award in the Transport and Logistics Sector of the HKAEE.

We also supported various projects in the community to inspire students' learning and strengthen their bond with local neighbourhoods. KMB continues to donate buses to schools for renovation for educational purposes. Up to the end of 2019, 29 schools had benefited from the scheme.

KMB cares about the communities it serves. In April, we became a corporate partner of the Hong Kong Society for the Deaf and took the initiative to hire hearing-impaired people to help unleash their potential. FRIENDS OF KMB, our volunteer club, took part in a number of voluntary activities and reached a total of over 320,000 volunteering hours.

Challenges and Opportunities

The Group continues to allocate resources to enhance driving safety and staff members' remuneration packages and welfare. On the other hand, local and global economic uncertainties, in addition to volatility in fuel prices, continuous expansion of the local railway network and the pending fare application submitted to the government, continue to pose challenges to bus operators.

Since the middle of 2019, social incidents have been affecting the city. The outbreak of the COVID-19 pandemic has also cast a significant impact on the transport industry as well as the people of Hong Kong. To deal with this, KMB and LWB have taken a series of measures, including stepping up the cleaning of bus compartments, promoting public health and asking all bus captains to wear face masks when working to enhance protection for passengers and staff members. The suspension of schools, the work-from-home arrangements adopted by government departments and private companies, and the significant

contraction in the tourism, retail and banking sectors have led to a dramatic decrease in ridership since late January 2020 for KMB and LWB. In the face of such a difficult environment, the Group has responded by adjusting trip frequencies and saving resources. We will continue to deploy our buses in a flexible manner, while adopting appropriate measures to improve productivity to ensure the sustainability of our business.

The Group will also expand its service areas through the introduction of new routes and special routes. In respect of the Liantang Boundary Control Point, we have been granted the operating rights for a new bus route, which will carry passengers between Tuen Mun and Heung Yuen Wai Boundary Control Point. We believe this will bring the Group new business and development opportunities. Moreover, the superstructure work at the How Ming Street site in downtown Kwun Tong is expected to be completed in mid-2022, which will create a stable return for our shareholders.

Acknowledgements

2019 was a year full of challenges for Hong Kong. Staff members of the Group have demonstrated their commitment to their work and duties in serving passengers, and this dedication has been acknowledged by the public. In particular, I would like to praise the efforts of the team working day and night in the Command and Control Centre ("War Room") to ensure smooth operations, support for frontline staff members and the prompt release of route information, showcasing our commitment and professionalism as service providers. The Group will continue to serve the public in a professional spirit while delivering safe and quality bus services, relying on the unity of the whole team.

I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, our suppliers and all our passengers.

Norman LEUNG Nai Pang

Chairman

19 March 2020