

## Individual Business Units

### Franchised Public Bus Operations

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

	Unit	2019	2018
Revenue	HK\$ million	7,092.6	7,032.4
Other income	HK\$ million	299.3	106.1
Total operating expenses	HK\$ million	(6,982.7)	(6,595.1)
Profit from operations	HK\$ million	409.2	543.4
Finance costs	HK\$ million	(32.1)	(22.5)
Profit before taxation	HK\$ million	377.1	520.9
Income tax	HK\$ million	(62.2)	(86.6)
Profit after taxation	HK\$ million	314.9	434.3
Net profit margin		4.4%	6.2%
Passenger volume	Million passenger trips	1,022.9	1,022.3
Kilometres operated	Million km	280.8	281.3
Staff number at year-end	Number of staff	12,123	11,544
Fleet size at year-end	Number of buses	4,081	4,112
Total assets	HK\$ million	8,927.7	8,035.8

KMB recorded a profit after taxation of HK\$314.9 million for 2019, representing a decrease of HK\$119.4 million or 27.5% compared with HK\$434.3 million for 2018.

KMB's fare revenue for 2019 was HK\$6,866.5 million, an increase of HK\$41.2 million or 0.6% compared with HK\$6,825.3 million for 2018. The increase was mainly attributable to patronage growth in the first half of 2019 resulting from the enhancement of service on existing routes as well as the introduction of new services but was largely offset by the prolonged social unrest throughout the second half of 2019 which dampened patronage growth. As a result, KMB's total ridership for 2019 was 1,022.9 million passenger trips (a daily average of 2.80 million passenger

trips), which remained on par with 2018. Other income for 2019 included a fuel subsidy of HK\$137.2 million from the Government.

Total operating expenses for 2019 amounted to HK\$6,982.7 million, an increase of HK\$387.6 million or 5.9% compared with HK\$6,595.1 million for 2018. The increase was mainly attributable to the increase in staff costs of HK\$315.9 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK\$39.2 million resulting from continued investment in new buses with enhanced safety features.

#### Long Win Bus Company Limited ("LWB")

	Unit	2019	2018
Revenue	HK\$ million	642.4	563.1
Other income	HK\$ million	16.2	2.4
Total operating expenses	HK\$ million	(594.1)	(520.4)
Profit from operations	HK\$ million	64.5	45.1
Finance costs	HK\$ million	(0.1)	(1.2)
Profit before taxation	HK\$ million	64.4	43.9
Income tax	HK\$ million	(10.7)	(7.1)
Profit after taxation	HK\$ million	53.7	36.8
Net profit margin		8.4%	6.5%
Passenger volume	Million passenger trips	45.8	41.5
Kilometres operated	Million km	37.7	37.5
Staff number at year-end	Number of staff	784	713
Fleet size at year-end	Number of buses	279	262
Total assets	HK\$ million	655.8	552.2

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The profit after taxation of LWB for 2019 was HK\$53.7 million, representing an increase of HK\$16.9 million or 45.9% compared with HK\$36.8 million for 2018.

LWB's fare revenue for 2019 was HK\$638.1 million, an increase of HK\$78.3 million or 14.0% compared with HK\$559.8 million for 2018. The increase was mainly due to the continuous growth of A-route passengers in the first half of 2019 as a result of the increase in transport demand within the A-route network as well as the additional inflow of visitors following the opening of the Hong Kong-Zhuhai-Macao Bridge in late October 2018. However, such growth became stagnant in the second half of 2019 as a result of the social unrest. LWB recorded a total ridership of 45.8 million passenger trips (a daily average of 125,500 passenger trips) for 2019, as compared with 41.5 million passenger trips (a daily average of 113,700 passenger trips) for 2018. Other income for 2019 included a fuel subsidy of HK\$13.0 million from the Government.

Total operating expenses for 2019 amounted to HK\$594.1 million, an increase of HK\$73.7 million or 14.2% compared with HK\$520.4 million for 2018. The increase in operating expenses was mainly due to the increase in staff costs as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges resulting from continued investment in new buses with enhanced safety features.

### Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$39.8 million for 2019, representing a decrease of HK\$8.5 million or 17.6% compared with HK\$48.3 million for 2018. 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 a leading non-franchised bus operator in Hong Kong. With Sun Bus Limited as its flagship company, the SBH Group provides customised 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 2019 decreased by 8.2% compared with 2018 mainly due to the social unrest which affected the local transport services business. Total operating expenses for 2019 decreased by 8.1% compared with 2018, which was in line with the decline in revenue.

In 2019, the SBH Group purchased 16 (2018: 84) Euro VI buses for fleet replacement purposes. As at 31 December 2019, the SBH Group had a fleet of 390 buses (2018: 390 buses).

#### New Hong Kong Bus Company Limited ("NHKB")

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. The revenue of NHKB decreased by HK\$8.3 million or 17.3% from HK\$48.0 million in 2018 to HK\$39.7 million in 2019 mainly due to the increase in choices for cross-boundary services as well as the social unrest. As at 31 December 2019, NHKB had a fleet of 15 buses (2018: 15 buses).

### Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$54.8 million for 2019, representing an increase of HK\$0.9 million or 1.7% compared with HK\$53.9 million for 2018. 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 2019, 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 2019, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$76.0 million (2018: HK\$78.3 million).

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### 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. Approximately 12% 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 2019, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK\$29.4 million (2018: HK\$31.0 million).

### TM Properties Investment Limited ("TMPI")

TMPI, a wholly-owned subsidiary of the Group, is the owner of an industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, has been leased out to generate rental income for the Group since March 2011.

As at 31 December 2019, the carrying value of the industrial property (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$1.9 million (2018: HK\$2.0 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 ("SHKRE"), 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 basement and superstructure construction works are underway. The occupation permit is expected to be obtained in mid-2022.

As at 31 December 2019, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$2,531.6 million (2018: HK\$2,301.1 million).

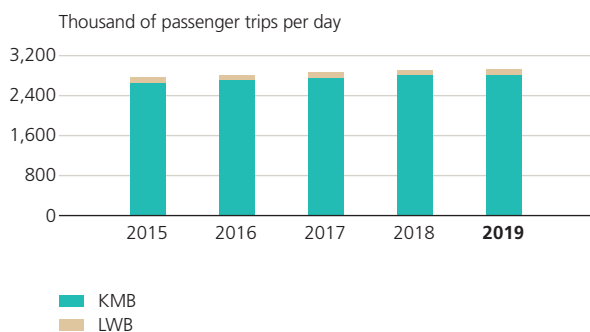
## Financial Review

### China Mainland Transport Operations

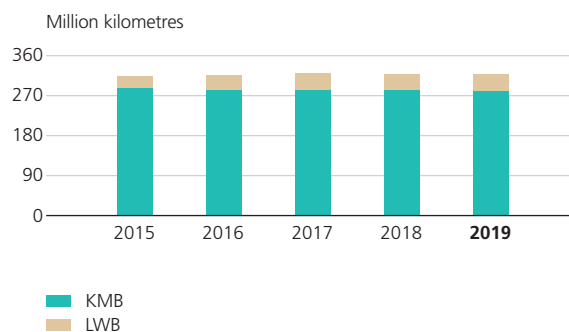
The Group's China Mainland Transport Operations Division reported a profit after taxation of HK\$21.5 million for 2019, representing a decrease of HK\$2.3 million or 9.7% compared with HK\$23.8 million for 2018.

As at 31 December 2019, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$606.9 million (2018: HK\$610.9 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

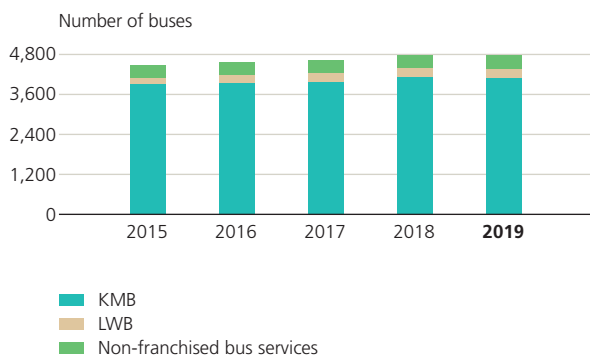
#### Average Number of Passenger Trips per Day (Franchised public bus operations)



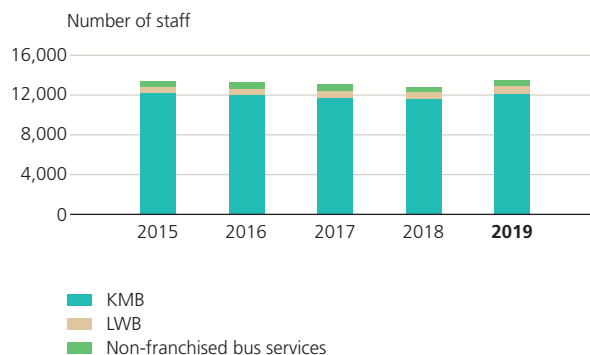
#### Bus Kilometres Operated (Franchised public bus operations)



#### Number of Licensed Buses at 31 December



#### Number of Staff at 31 December



### Summary of Investments in China Mainland Transport Operations as at 31 December 2019

	Shenzhen	Beijing
Nature of business	Bus and taxi hire services	Taxi and car rental services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	January 2005	April 2003
The Group's investment cost (RMB million)	387	80
The Group's effective interest	35%	31.38%
Fleet size at year-end 2019 (Number of vehicles)	11,599	4,956
Bus passenger volume (Million trips)	581	N/A
Bus kilometres travelled (Million km)	386	N/A
Staff number at year-end 2019	23,801	4,303