

In the face of such an extremely difficult operational environment, the Group strived for the best to safeguard stable employment for all staff members, especially frontline employees.



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 2020 was HK\$1,904.1 million, an increase of HK\$1,298.8 million compared to 2019, in which HK\$1,495.5 million was attributed to the recognition of non-recurring gains arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80. Excluding such non-recurring gains, the profit attributable to equity shareholders for 2020 would have been HK\$408.6 million, representing a decrease of HK\$196.7 million compared to that for 2019.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share to be paid on 30 June 2021. The total dividend for the year will be HK\$0.50 per share.

Financial Performance in 2020

The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$203.3 million, representing a decrease of HK\$111.6 million compared to 2019. Amid COVID-19, bus patronage experienced a drastic drop. In 2020, the passenger numbers decreased by 24.0% compared to 2019.

As for Long Win Bus Company Limited ("LWB"), profit after taxation for 2020 was HK\$0.6 million, representing a decrease of HK\$53.1 million compared to 2019. Both visitor arrivals to Hong Kong and the number of departures plunged as an unprecedented severe blow was inflicted on the tourism industry by the pandemic. The passenger numbers of LWB dropped significantly, resulting in a year-on-year passenger decrease of 38.4% compared to 2019.

The Group's non-franchised Transport Division, with Sun Bus Limited ("Sun Bus") as its flagship company, recorded a profit after taxation of HK\$41.5 million, representing an increase of HK\$1.7 million compared to 2019. The increase in profit was mainly due to government subsidies and a number of cost control measures implemented amidst the decline in business as a result of the outbreak of COVID-19. The pandemic led to a halt in the tourism industry, in addition to the anti-

pandemic measures such as school suspension and social gathering ban, causing a drastic drop in the passenger demand for the service of Sun Bus. Our China Mainland Transport Operations Division continued to record positive overall results in 2020.

Coronavirus Led to a Plunge in Passenger Numbers

In 2020, COVID-19 spread across the world and inflicted harm on every industry in Hong Kong. Ports were shut down by the HKSAR Government, permit issuance under the Individual Visit Scheme ceased and compulsory quarantine was implemented. The market has deteriorated apparently and the economic winter has arrived. Public demand for bus services remained low and all bus routes were affected. As more anti-pandemic measures were introduced, including the extension of school suspension and work-from-home arrangements for civil servants and corporations, passenger numbers on all routes in every district of Hong Kong dropped significantly.

In the face of such an extremely difficult operational environment, the Group strived for the best to safeguard stable employment for all staff members, especially frontline employees. Every unit of the Group immediately adopted multiple measures to save resources. With the approval of the Transport Department, KMB and LWB made temporary and necessary service adjustments in bus frequencies to ensure the sustainability of the Group. Meanwhile, we also deployed our manpower and buses in a flexible manner to provide corresponding services to meet passengers' demand.

In the meantime, the government successively launched two tranches of "Employment Support Scheme" in 2020 to various industries to provide employers with financial support for retaining employees. KMB and LWB have also received support to help the companies and employees tide over difficulties. The total amount of wage subsidies has been used to pay employees' salaries, and the companies express their gratitude to the government for its timely actions.

With TIH Masks We Fight Against COVID-19 Together

In the early stage of the COVID-19 outbreak, Hong Kong was in a severe shortage of masks. At TIH, there were more than 14,000 staff members, with most of them working on the frontline to deliver bus services to passengers. As early as last February, the Group decided to invest in setting up its own production line for masks to safeguard the health and safety of our employees. These TIH masks were also available to staff family members and passengers at a discounted price. TIH prided itself on being the first local public transport institution to set up its own production line for masks.

Hong Kong is our hometown and we are committed to fulfilling our corporate social responsibility. With the higher capacity of our mask production line, the Group took the initiative to donate masks to charitable organisations to assist subdivided unit households, the homeless, and the disabled to help ease their financial burden. By putting the spirit of community care into action, we will continue to stand firm with Hong Kong people in the fight against COVID-19.

Adopting Multiple Enhancement Measures to Safeguard Health

Since the outbreak of the pandemic, the Group has put in place stringent anti-pandemic measures and internal guidelines. All staff members were requested to measure their temperature before starting work and wear masks when they were on duty. Cleaning and sterilisation work were enhanced and implemented comprehensively in all workplaces, including bus termini, staff restrooms, and service facilities. The Group also encouraged staff members to receive free COVID-19 tests and established a notification mechanism for effective communication.

The Group adopted multiple measures for cleaning the bus compartments. TIH worked successively with a start-up and a local university to conduct long-lasting sterilisation across the whole fleet. Hand sanitiser gel and disinfection carpets were placed in the bus compartments, and some of the bus windows were retrofitted to enhance natural ventilation and reduce infection risk.

Striving Ahead with Caring Services

COVID-19 brought a severe impact to the business environment. In spite of this, the Group continued to enhance service quality and passengers' travelling experience with persevering efforts. KMB launched multiple fare discount programmes, including Hong Kong's first Regional Two-way Sectional Fare Scheme in Tuen Mun, Yuen Long, and Tin Shui Wai. Passengers were able to take the bus routes serving these communities at lower fares. To give back to passengers, KMB also launched various rewarding schemes including the KMB Monthly Pass Gift Redemption Plan and the KMB x LWB FUN Redemption Scheme. KMB Fare Savers were made available at large shopping malls to go in line with the schemes. All these initiatives allowed passengers to enjoy fruitful gifts and fare rebates.

Given the growing prevalence of e-payment, to cope with the development of smart city blueprint, LWB took the lead to install an e-payment system on its bus fleet, making LWB the first franchised bus company to provide diversified e-payment methods to passengers in Hong Kong. Since February 2021, KMB has installed an e-payment system on 500 buses to better meet the needs of passengers in terms of payment methods.

Introducing Advanced Technology to Enhance Safety

Safety has always been our top priority. KMB and LWB walk with the times and are on a relentless pursuit of enhancing their fleet safety equipment. The recent introduction of the bus captain driving feedback system "GreenRoad", equipped with a Global Positioning System and a patented programme, has strengthened bus captains' safe driving technique and nurtured their good driving habits by providing real-time feedback.

Attaching Great Importance to Talents with Caring Mentorship

The Group spares no efforts in attracting and nurturing talents. Through the Management Trainee Programme last year, KMB injected vibrancy into the Group by recruiting outstanding university graduates. The three-year rotation arrangement across major departments will equip these trainees with key techniques and knowledge of different aspects to form a solid foundation for their future promotion to managerial positions.

The Group also strives to nurture professional engineers and maintenance staff. Young talents who aspire to a career in mechanical engineering of the bus industry can join the 24-month Engineering Graduate Programme. By providing professional training, the programme helps talents to obtain professional qualifications and develop their administration skills, enabling these young engineers to continuously bring in new ideas of bus facilities and designs to meet passengers' needs. Meanwhile, we also run a two-year Technical Trainee Programme, under which both theoretical knowledge and practical skills are included to train professional maintenance staff members for the benefit of business development and operational needs.

Caring Community with Actions

KMB attaches great importance to community relations, and takes the initiative to participate in community development. In 2020, KMB donated tailor-made bus stop poles to residential care homes for the elderly, so as to help reduce the risk of Dementia patients wandering off on their own. These poles also played a role in the medical treatment given to elderly patients. Meanwhile, a shortcut key was also set up on the service hotline to help family members look for missing

elderly patients. When a patient goes missing, his or her family members can call the hotline for help. KMB staff members will then publish a tracing notice on App1933, with our frontline operational staff notified at the same time.

The Donation of Used and Retired Bus Programme, under which retired buses are retrofitted for educational purposes, has been well received by the education sector. These retrofitted buses have not only inspired students to learn but also strengthened our connection with the communities. As of the end of 2020, a total of 34 schools benefited from the programme.

Our dedication to environmental protection is a long-term commitment. Under the current subsidy scheme from the Environment Protection Department, 22 electric buses and supercapacitor electric buses from KMB and LWB are on trial. Given that the technology of electric buses had demonstrated higher maturity, the Board decided to make a private purchase of 15 electric single-deck buses in 2020. These buses are expected to be delivered during the second half of 2021. The company has also participated in another subsidy scheme from the government to test the feasibility of operating electric double-deck buses in Hong Kong.

Under the pandemic, KMB's volunteer club FRIENDS OF KMB ("FRN") remained active in delivering various social services, including offering masks to senior citizens and students and promoting recycling activities. Last year, FRN members contributed more than 340,000 accumulated hours of voluntary service.

Challenges and Opportunities

Affected by the volatile pandemic situation at home and abroad, the travel demand of both local residents and incoming tourists remained low. Coupled with a continuous downward economic trend, we believe the chance is slim to none that the patronage and income will return to the pre-COVID-19 levels in the short term. Besides, severe traffic congestion has affected the operational efficiency of the land transportation industry. All these have presented the bus industry with profound operational challenges.

Despite the pessimistic economic outlook, the Group made a timely response by adopting multiple approaches to save cost and resources. We will continue to deploy our buses in a flexible manner to strive to ensure the sustainability of our business. We believe the opening of the Tuen Mun-Chek Lap Kok Tunnel and the optimisation of the transport network of Tuen Mun as a whole, coupled with the successive soon-to-be-completed residential areas in North District and Kowloon East, will bring new opportunities to the Group's future development.

Last year, the Group initiated a redevelopment plan for its property in Tuen Mun with a view to generating long-term sustainable income by leasing office and retail space. The plan was in line with the Group's business strategy of seeking diversification to create recurring income sources. The superstructure work at the How Ming Street site in downtown Kwun Tong is expected to complete in 2022, which will provide a steady return for our shareholders.

Acknowledgment

2020 was a year full of challenges for Hong Kong. The success of the Group in serving the public in a professional manner while doing its part in Hong Kong's anti-pandemic campaign hinged on our staff members' strong commitment to providing passengers with safe and quality bus services. I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, bus suppliers, and all our passengers for their continuous support.

Norman LEUNG Nai Pang

Chairman

18 March 2021