Individual Business Units

Franchised Public Bus Operations

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

	Unit	2020	2019
Revenue	HK$ million	**5,559.9**	7,092.6
Other income	HK$ million	**1,033.1**	299.3
Total operating expenses	HK$ million	**(6,541.7)**	(6,982.7)
Profit from operations	HK$ million	**51.3**	409.2
Finance costs	HK$ million	**(26.8)**	(32.1)
Profit before taxation	HK$ million	**24.5**	377.1
Income tax credit/(expense)	HK$ million	**178.8**	(62.2)
Profit after taxation	HK$ million	**203.3**	314.9
Net profit margin		**3.7%**	4.4%
Passenger volume	Million passenger trips	**777.5**	1,022.9
Kilometres operated	Million km	**258.6**	280.8
Staff number at year-end	Number of staff	**12,124**	12,123
Fleet size at year-end	Number of buses	**4,009**	4,081
Total assets	HK$ million	**9,678.1**	8,927.7

KMB recorded a profit after taxation of HK$203.3 million for 2020, representing a decrease of HK$111.6 million or 35.4% compared with HK$314.9 million for 2019. If government subsidies of HK$895.5 million (2019: HK$137.1 million) were excluded, KMB would record a loss after taxation of HK$692.2 million, representing a decline of HK$870.0 million compared with a profit after taxation of HK$177.8 million for 2019.

KMB's fare revenue for 2020 was HK$5,308.4 million, a decrease of HK$1,558.1 million or 22.7% compared with HK$6,866.5 million for 2019. The decrease was mainly due to the outbreak of COVID-19 and the corresponding anti-epidemic measures implemented by the Government, including suspension of schools, stringent border control measures and work from home arrangements, which resulted in a significant drop in bus patronage. As a result, KMB's total ridership decreased by 24.0% to 777.5 million passenger trips (a daily average of 2.12 million passenger trips) as compared with 1,022.9 million passenger trips (a daily average of 2.80 million passenger trips) for 2019. Other income for 2020 included subsidies in respect of actual expenditures incurred on fuel, wages, as well as regular repair and maintenance and insurance premium, amounting to HK$895.5 million from the Government (2019: HK$137.1 million).

Total operating expenses for 2020 amounted to HK$6,541.7 million, a decrease of HK$441.0 million or 6.3% compared with HK$6,982.7 million for 2019. The decrease was mainly attributable to the decrease in fuel costs of HK$259.3 million as a result of the fall in international fuel prices, the decrease in other operating expenses resulting from the implementation of a number of cost control measures, the decrease in provision for third party liabilities as a result of the implementation of various bus safety measures as well as regular trainings resulted in lower business risks associated with operations; but was partly offset by the increase in depreciation charges. The increase in depreciation charges was mainly attributable to the purchase of new buses for replacement but the impact was lessen following the review of the estimated useful lives of fixed assets to better reflect the actual usage experience.

Long Win Bus Company Limited ("LWB")

	Unit	2020	2019
Revenue	HK$ million	364.1	642.4
Other income	HK$ million	90.6	16.2
Total operating expenses	HK$ million	(470.9)	(594.1)
(Loss)/profit from operations	HK$ million	(16.2)	64.5
Finance costs	HK$ million	(0.1)	(0.1)
(Loss)/profit before taxation	HK$ million	(16.3)	64.4
Income tax credit/(expense)	HK$ million	16.9	(10.7)
Profit after taxation	HK$ million	0.6	53.7
Net profit margin		0.2%	8.4%
Passenger volume	Million passenger trips	28.2	45.8
Kilometres operated	Million km	28.2	37.7
Staff number at year-end	Number of staff	739	784
Fleet size at year-end	Number of buses	241	279
Total assets	HK$ million	798.7	655.8

The profit after taxation of LWB for 2020 was HK$0.6 million, representing a decrease of HK$53.1 million or 98.9% compared with HK$53.7 million for 2019. If government subsidies of HK$74.7 million (2019: HK$13.0 million) were excluded, LWB would record a loss after taxation of HK$74.1 million, representing a decline of HK$114.8 million compared with a profit after taxation of HK$40.7 million for 2019.

LWB's fare revenue for 2020 was HK$346.1 million, a decrease of HK$292.0 million or 45.8% compared with HK$638.1 million for 2019. The decline was mainly due to decrease in ridership as a result of the outbreak of COVID-19 which cause the significant decrease in transport demand, in particular for the A-route network, resulting from various anti-epidemic measures implemented by the Government at several boundary control points including the airport as well as the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge. LWB recorded a total ridership of 28.2 million passenger trips (a daily average of 77,000 passenger trips) for 2020, as compared with 45.8 million passenger trips (a daily average of 125,500 passenger trips) for 2019. Other income for 2020 included subsidies in respect of actual expenditures incurred on fuel, wages, as well as regular repair and maintenance and insurance premium, amounting to HK$74.7 million from the Government (2019: HK$13.0 million).

Total operating expenses for 2020 amounted to HK$470.9 million, a decrease of HK$123.2 million or 20.7% compared with HK$594.1 million for 2019. The decrease in operating expenses was primarily due to the decrease in fuel costs as a result of reduction in international fuel prices and fuel consumption, and the decrease in other operating expenses through service reductions and cost control measures.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK$41.5 million for 2020, representing an increase of HK$1.7 million or 4.3% compared with HK$39.8 million for 2019. 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 2020 decreased by 23.6% compared with 2019. The decrease was mainly attributable to the decline in both local business and cross-boundary services as a result of the outbreak of COVID-19. Total operating expenses for 2020 decreased by 14.0% compared with 2019 as management implemented various cost control measures to streamline its business.

In 2020, SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2020, the SBH Group had a fleet of 390 buses (2019: 390 buses).

New Hong Kong Bus Company Limited (“NHKB”)

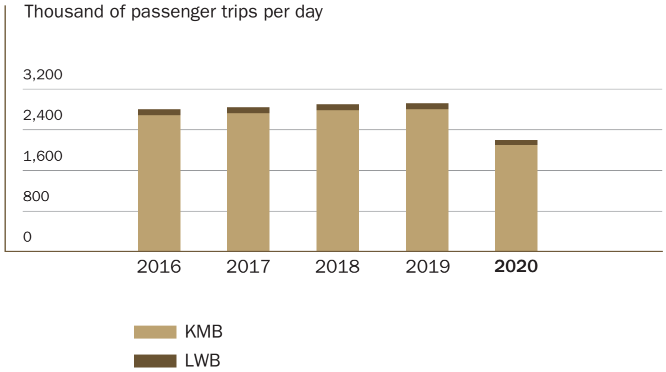
NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

The revenue of NHKB for 2020 decreased by 92.7% compared with 2019. The decrease was primarily attributable to the suspension of Huang Bus service with effect from 4 February 2020 as the immigration clearance service for passenger at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.

As at 31 December 2020, NHKB had a fleet of 15 buses (2019: 15 buses).

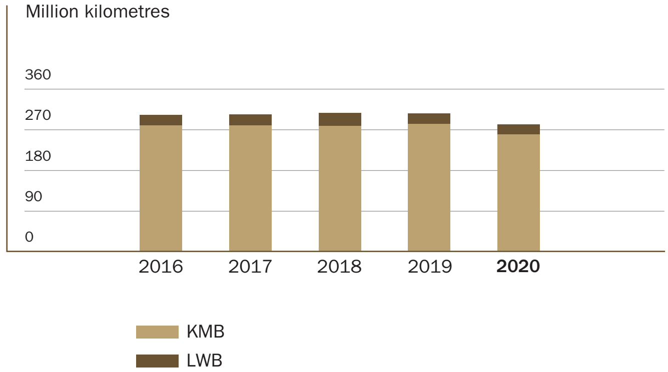
Average Number of Passenger Trips per Day

(Franchised public bus operations)

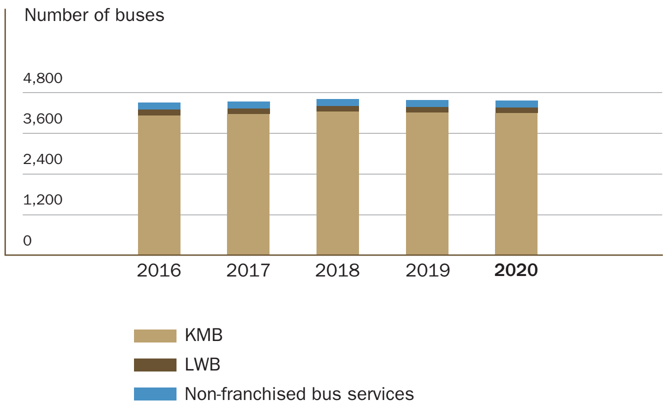


Bus Kilometres Operated

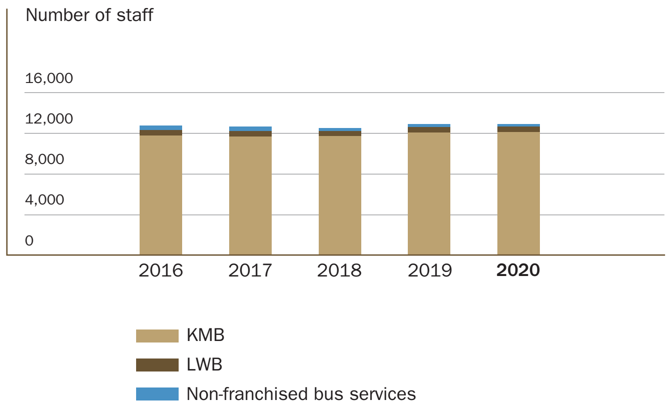
(Franchised public bus operations)



Number of Licensed Buses at 31 December



Number of Staff at 31 December



Property Holdings and Development

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, the Group's Property Holdings and Development Division reported a profit after taxation of HK$52.8 million for 2020, representing a decrease of HK$2.0 million or 3.6% compared with HK$54.8 million for 2019. 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 2020, 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 2020, 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$73.5 million (2019: HK$76.0 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. 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 2020, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK$26.5 million (2019: HK$29.4 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 basement, superstructure and office tower construction works are underway. The occupation permit is expected to be obtained in 2022.

As at 31 December 2020, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK$3,005.4 million (2019: HK$2,531.6 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 ("Mega Odyssey"), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH's 50% equity interest in TMPI to Mega Odyssey which completed on 29 December 2020. Upon completion, TMPI becomes a 50%-owned joint venture of the Group.

TMPI 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 105,364 square feet, has been leased out to generate rental income for the Group since March 2011.

China Mainland Transport Operations

The Group's China Mainland Transport Operations Division reported a profit after taxation of HK$6.5 million for 2020, representing a decrease of HK$15.0 million or 69.8% compared with HK$21.5 million for 2019.

As at 31 December 2020, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK$656.6 million (2019: HK$611.9 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

Summary of Investments in China Mainland Transport Operations as at 31 December 2020

	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 2020 (Number of vehicles)	11,681	4,947
Bus passenger volume (Million trips)	375	N/A
Bus kilometres travelled (Million km)	336	N/A
Staff number at year-end 2020	26,047	3,135

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 5,000 buses running on around 300 routes and over 5,000 taxis. Due to the outbreak of COVID-19 in early 2020, the number of patronage of SZBG including its bus and taxi operation decreased by 31.7% to 487.0 million in 2020 as compared to 713.3 million in 2019. The number of patronage has been improving gradually since July 2020 as a result of the effective containment of COVID-19.