

Cash Flow and Liquidity Risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure and dividend payments as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

Employees and Remuneration Policies

Running a transport operation is a labour intensive business, and staff costs accounted for about 55% (2021: 56%) of the total operating expenses of the Group in 2022. 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 2022 amounted to HK\$3,805.6 million (2021: HK\$3,832.1 million). As at 31 December 2022, the Group employed over 13,000 staff (2021: over 13,000 staff).

Individual Business Units

Franchised Public Bus Operations

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

	Unit	2022	2021
Revenue	HK\$ million	6,035.4	6,613.5
Other income	HK\$ million	572.6	132.0
Total operating expenses	HK\$ million	(6,669.4)	(6,610.2)
(Loss)/profit from operations	HK\$ million	(61.4)	135.3
Finance costs	HK\$ million	(34.0)	(12.7)
(Loss)/profit before taxation	HK\$ million	(95.4)	122.6
Income tax credit/(expense)	HK\$ million	90.7	(21.2)
(Loss)/profit after taxation	HK\$ million	(4.7)	101.4
Net (loss)/profit margin		(0.1)%	1.5%
Passenger volume	Million passenger trips	805.4	891.3
Kilometres operated	Million km	253.1	268.1
Staff number at year-end	Number of staff	12,114	12,336
Fleet size at year-end	Number of buses	4,036	4,013
Total assets	HK\$ million	10,607.0	10,219.0

KMB recorded a loss after taxation of HK\$4.7 million for 2022, representing an unfavourable variance of HK\$106.1 million compared with the profit after taxation of HK\$101.4 million for 2021.

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Fare revenue for 2022 was HK\$5,774.9 million, a decrease of HK\$514.8 million or 8.2% compared with HK\$6,289.7 million for 2021. The decrease was mainly due to the outbreak of the fifth wave of COVID-19, which resulted in a significant drop in bus patronage. KMB's total ridership decreased by 9.6% to 805.4 million passenger trips (a daily average of 2.21 million passenger trips) as compared with 891.3 million passenger trips (a daily average of 2.44 million passenger trips) for 2021.

Government subsidies of HK\$452.7 million (2021: HK\$2.2 million) from various support schemes were recorded in 2022.

Total operating expenses for 2022 amounted to HK\$6,669.4 million, an increase of HK\$59.2 million compared with HK\$6,610.2 million for 2021. The increase was mainly attributable to the increase in depreciation and other operating expenses as a result of bus replacement and inflation.

Long Win Bus Company Limited ("LWB")

	Unit	2022	2021
Revenue	HK\$ million	323.8	332.2
Other income	HK\$ million	46.9	53.8
Total operating expenses	HK\$ million	(409.4)	(426.4)
Loss from operations	HK\$ million	(38.7)	(40.4)
Finance costs	HK\$ million	(3.6)	(1.7)
Loss before taxation	HK\$ million	(42.3)	(42.1)
Income tax credit	HK\$ million	14.5	7.1
Loss after taxation	HK\$ million	(27.8)	(35.0)
Net loss margin		(8.6)%	(10.5)%
Passenger volume	Million passenger trips	28.6	28.9
Kilometres operated	Million km	25.4	26.4
Staff number at year-end	Number of staff	723	733
Fleet size at year-end	Number of buses	265	256
Total assets	HK\$ million	668.6	714.6

The loss after taxation of LWB for 2022 was HK\$27.8 million, representing a favourable variance of HK\$7.2 million compared with the loss after taxation of HK\$35.0 million for 2021.

LWB's fare revenue for 2022 was HK\$316.5 million, a decrease of HK\$3.9 million compared with HK\$320.4 million for 2021. The decline was mainly due to the decrease in ridership as a result of the implementation of various anti-epidemic measures since 2021. LWB recorded a total ridership of 28.6 million passenger trips (a daily average of 78,000 passenger trips) for 2022, as compared with 28.9 million passenger trips (a daily average of 79,000 passenger trips) for 2021.

Government subsidies of HK\$45.6 million (2021: HK\$0.1 million) from various support schemes were recorded in 2022.

Total operating expenses for 2022 amounted to HK\$409.4 million, a decrease of HK\$17.0 million or 4.0% compared with HK\$426.4 million for 2021. 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\$3.5 million for 2022, representing a decrease of HK\$5.3 million compared with the profit after taxation of HK\$8.8 million for 2021. 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 2022 decreased by 8.0% compared with 2021. The decrease was mainly due to the decline in local business as a result of the outbreak of the fifth wave of COVID-19. Total operating expenses for 2022 increased by 3.1% compared with 2021 mainly due to the increase in fuel costs as a result of the increase in international fuel prices.

In 2022, the SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2022, the SBH Group had a fleet of 396 buses (2021: 397 buses).

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New Hong Kong Bus Company Limited (“NHKB”)

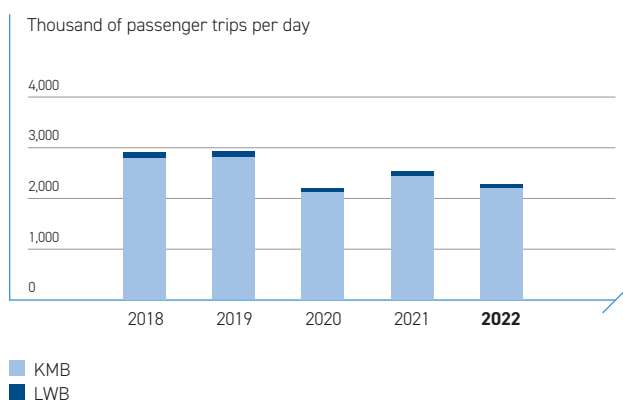
NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

Huang Bus service was suspended on 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 2022, NHKB had a fleet of 15 buses (2021: 15 buses).

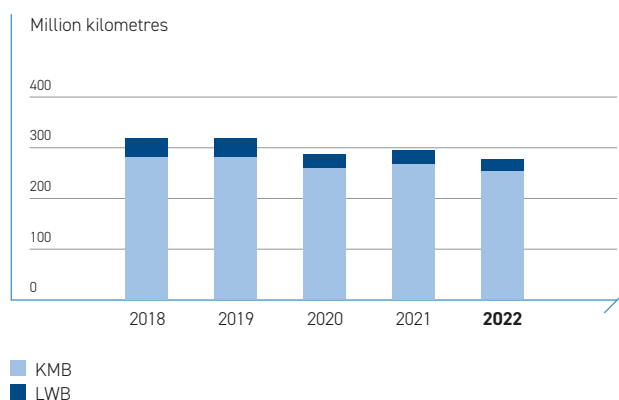
Average Number of Passenger Trips per Day

(Franchised public bus operations)

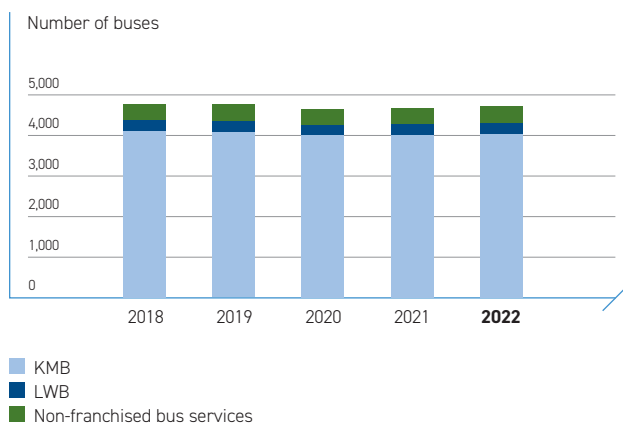


Bus Kilometres Operated

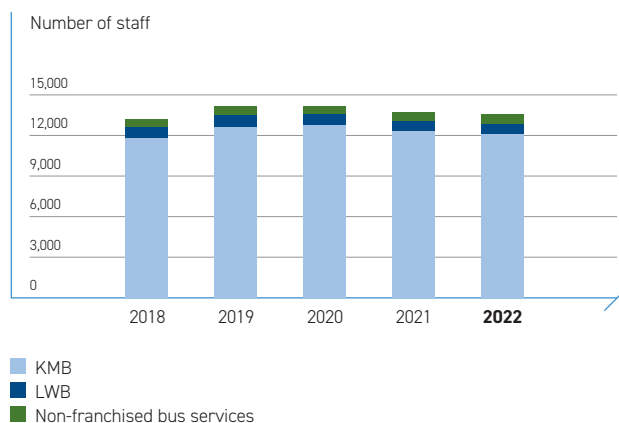
(Franchised public bus operations)



Number of Licensed Buses at 31 December



Number of Staff at 31 December



Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$52.4 million for 2022, representing an increase of HK\$4.3 million or 8.9% compared with the profit after taxation of HK\$48.1 million for 2021. A review of the Group's investment properties is set out as follows:

KTRE 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 The Millennity situated at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong in equal shares as tenants in common for long-term investment purpose.

The Millennity, a premium integrated commercial project strategically located in the heart of Kwun Tong, is close to Kwun Tong and Ngau Tau Kok MTR stations. An occupation permit was obtained in November 2022.

The Millennity will provide Grade-A offices with a total gross floor area of approximately 650,000 square feet in two 20-storey towers and a large shopping mall in a 10-storey podium covering leisurely retail space of approximately 500,000 square feet. Nearly 400 parking spaces will be provided in a 4-storey parking garage in the basement, a number of which will be equipped with electric vehicle charging systems.

In December 2022, Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited and Kai Shing Management Services Limited, both subsidiaries of SHKP, were appointed as the marketing and leasing agent and the property manager for The Millennity, respectively.

Preleasing of the office towers is progressing smoothly and some tenants will begin to move in over the next few months. The preparation for the grand opening of the podium mall in the second half of this year is also making good progress.

As at 31 December 2022, the carrying value of The Millennity (classified as investment property under development in the consolidated statement of financial position) amounted to HK\$4,465.2 million (2021: HK\$3,844.6 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. The building is situated next to Manhattan Hill. A portion of the lettable area is used by the Group as headquarters with the remaining lettable area leased out to offices, shops and restaurants.

As at 31 December 2022, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK\$19.5 million (2021: HK\$23.1 million).

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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 2022, 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 2022, the carrying value of the shopping mall (classified as investment property in the consolidated statement of financial position), stated at cost less accumulated depreciation, amounted to HK\$69.1 million (2021: HK\$71.0 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 in 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 a change of use from the existing industrial use to office, shop and services uses, subject to the grant of relevant government approvals. As at 31 December 2022, 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 loss after taxation of HK\$6.9 million for 2022, representing an unfavourable variance of HK\$26.5 million compared with the profit after taxation of HK\$19.6 million for 2021.

As at 31 December 2022, the Group's total interest in associates within the China Mainland Transport Operations Division amounted to HK\$599.8 million (2021: HK\$681.7 million). Such investments are mainly related to the operation of public transport services in Shenzhen, as well as taxi and car rental services in Beijing.

Summary of Investments in China Mainland Transport Operations as at 31 December 2022

	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 2022 (Number of vehicles)	11,145	4,012
Bus passenger volume (Million trips)	292	N/A
Bus kilometres travelled (Million km)	303	N/A
Staff number at year-end 2022	24,413	2,319

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, minibuses and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of over 5,600 buses running on more than 320 routes and over 4,800 taxis. As a result of the outbreak of COVID-19 in China, the number of patronage of SZBG, including that of its bus and taxi operations decreased by 28.3% to 389.9 million in 2022 as compared to 544.1 million in 2021.

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 2022, BBKT had a fleet of over 3,700 taxis and 2,300 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. Being ISO 9001:2008 certified for its Quality Management Systems in the provision of 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 2022, BBF had over 900 vehicles available for charter mainly in Beijing and Tianjin.