

## FINANCIAL REVIEW

### The Group

#### Summary of Financial Performance

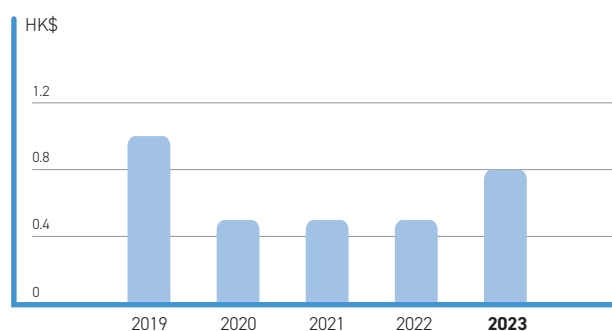
	2023	2022	Favourable/(Unfavourable) Change	
	HK\$ million		HK\$ million	HK\$ million
Revenue	<b>7,884.8</b>	6,607.2	1,277.6	19.3
Other income	<b>68.1</b>	705.8	(637.7)	(90.4)
Operating expenses	<b>(7,738.3)</b>	(7,274.4)	(463.9)	(6.4)
Profit from operations	<b>214.6</b>	38.6	176.0	456.0
Change in fair value of investment properties and investment property under development	<b>287.4</b>	448.7	(161.3)	(35.9)
Finance costs	<b>(110.1)</b>	(37.6)	(72.5)	(192.8)
Share of profits/(losses) of associates	<b>31.1</b>	(6.9)	38.0	550.7
Share of profit of joint venture	<b>8.1</b>	8.2	(0.1)	(1.2)
Profit before taxation	<b>431.1</b>	451.0	(19.9)	(4.4)
Income tax (expense)/credit	<b>(29.4)</b>	98.0	(127.4)	(130.0)
Profit for the year	<b>401.7</b>	549.0	(147.3)	(26.8)
Profit for the year, excluding the effect of fair value changes on investment properties and investment property under development ("Underlying Profit")	<b>114.3</b>	100.4	13.9	13.8
Earnings per share (HK\$)	<b>0.83</b>	1.17	(0.3)	(29.1)

### Review of 2023 Financial Performance

#### The Group's Results for the Year

The Group's profit attributable to equity shareholders for the year ended 31 December 2023 was HK\$401.7 million (2022 (restated): HK\$549.0 million). Excluding the effect of the fair value changes on investment properties and investment property under development, the Underlying Profit of the Company for 2023 and 2022 would have been HK\$114.3 million and HK\$100.4 million respectively.

#### Dividends per Share



The Group's net profit in 2023 was primarily contributed from its investment income from equity investments and rental income from its investment properties. Nevertheless, these profits were partly offset by expected credit losses on certain listed debt securities. Earnings per share for 2023 were HK\$0.83 (2022 (restated): HK\$1.17).

The revenue and profit generated by the Group's four Divisions for the year ended 31 December 2023 are shown below:

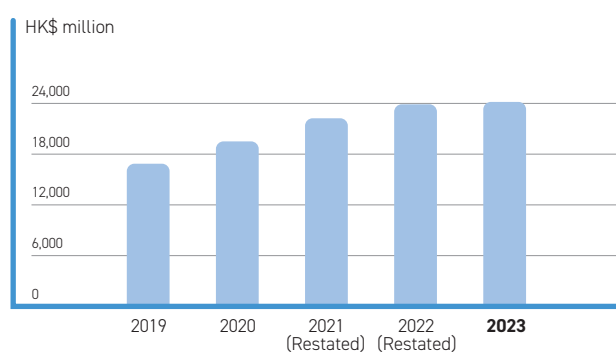
HK\$ million	Revenue		Profit/(loss) before taxation	
	2023	2022	2023	2022 (Restated)
Franchised Public Bus Operations Division	7,563.9	6,360.0	129.7	(158.5)
Non-franchised Transport Operations Division	238.0	195.7	17.2	(0.4)
Property Holdings and Development Division	82.9	51.5	364.6	514.7
China Mainland Transport Operations Division	-	-	31.1	(6.9)
	<b>7,884.8</b>	6,607.2	<b>542.6</b>	348.9
Finance costs			<b>(110.1)</b>	(37.6)
Unallocated net operating (expense)/income			<b>(1.4)</b>	139.7
Profit before taxation			<b>431.1</b>	451.0
Income tax (expense)/credit			<b>(29.4)</b>	98.0
Profit for the year			<b>401.7</b>	549.0

Segment information on the Group's main businesses is set out in note 12 to the financial statements on pages 229 to 231 of this Annual Report.

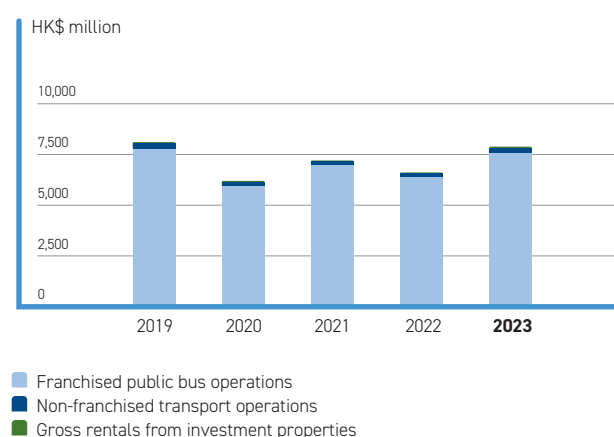
### Key Changes to the Group's Revenue, Other Income and Operating Expenses

Revenue for 2023 amounted to HK\$7,884.8 million, an increase of HK\$1,277.6 million or 19.3% compared with HK\$6,607.2 million for 2022. The increase was mainly due to the increase in revenue of HK\$1,203.9 million and HK\$42.3 million from the Group's franchised public bus operations and non-franchised transport operations, primarily driven by the rebound in bus patronage and the fare increase for KMB and LWB which took effect on 18 June 2023; and the increase in rental income arising from the Group's investment properties of HK\$31.4 million resulting from the completion of the office portion of The Millennity in 2023.

### Total Assets at 31 December



### Group Revenue



## FINANCIAL REVIEW

Other income decreased from HK\$705.8 million in 2022 to HK\$68.1 million in 2023. The decrease was mainly due to the decrease in government subsidies of HK\$517.8 million under various support schemes rolled out by the Government to provide financial support as a result of the outbreak of the fifth wave of COVID-19 to the public transport sector in 2022, and the expected credit losses on certain listed debt securities. The breakdown of other income is set out in note 4 to the financial statements on page 221 of this Annual Report.

Total operating expenses for 2023 amounted to HK\$7,738.3 million, an increase of HK\$463.9 million compared to HK\$7,274.4 million (restated) for 2022. The increase was mainly due to the increases in fuel costs, staff costs and depreciation resulting from high international fuel prices, pay rises and fleet replacement, respectively.

The Group's share of profits of associates for 2023 amounted to HK\$31.1 million, compared to the share of losses of associates of HK\$6.9 million for 2022.

Income tax expense for the year amounted to HK\$29.5 million (2022: restated income tax credit of HK\$98.0 million). The breakdown of the income tax (expense)/credit is set out in note 6 to the financial statements on page 224 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 121 to 125 of this Annual Report.

### Dividend

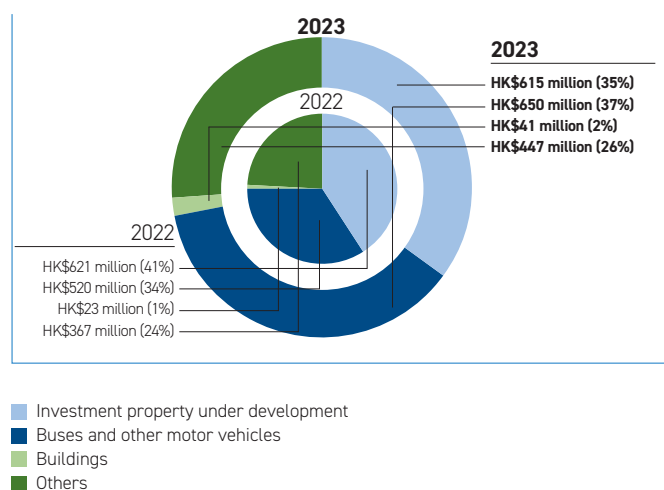
The Board has recommended an ordinary final dividend of HK\$0.50 per share (2022: HK\$0.50 per share). Together with the interim dividend of HK\$0.30 per share, total dividend for the year will be HK\$0.80 per share (2022: HK\$0.50 per share), subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 16 May 2024 or at any adjournment thereof. The Company's intention is to maintain stable returns to shareholders.

### Key Changes to Financial Position

#### Capital Expenditure

As at 31 December 2023, the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (comprising buildings, buses and other motor vehicles, buses under construction, tools and others) amounted to HK\$16,038.7 million (2022 (restated): HK\$15,136.6 million). The increase was mainly due to the development of The Millennity and purchase of new buses by the Group for fleet replacement during the year. None of the assets was pledged or charged as at 31 December 2023. The breakdown of the capital expenditure is shown in note 13 to the financial statements on pages 232 to 235 of this Annual Report.

#### Capital Expenditure



### Intangible Assets and Goodwill

As at 31 December 2023, the Group's intangible assets and goodwill amounted to HK\$529.1 million (2022: HK\$529.1 million) and HK\$84.1 million (2022: HK\$84.1 million) respectively. The intangible assets mainly comprise passenger service licences and transport operating rights of the Group's non-franchised transport operations.

### Current Assets and Current Liabilities

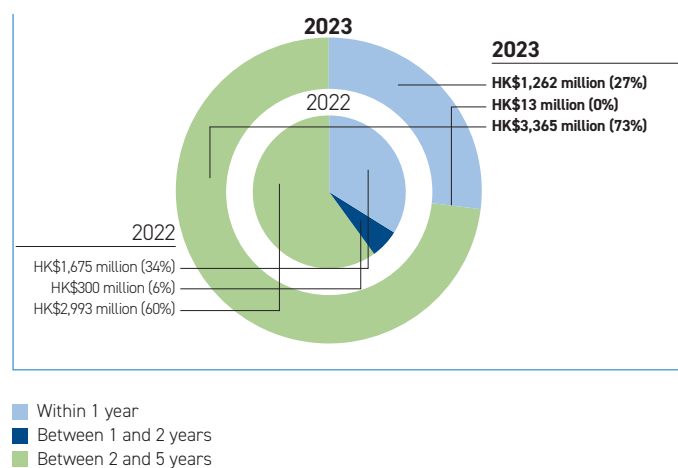
The Group's total current assets as at 31 December 2023 amounted to HK\$3,299.2 million (2022: HK\$3,545.7 million), mainly comprising liquid funds of HK\$1,655.3 million (2022: HK\$2,242.5 million) and accounts receivable of HK\$1,025.1 million (2022: HK\$957.2 million). The Group's liquid funds as at 31 December 2023 were mainly denominated in Hong Kong dollars.

Total current liabilities as at 31 December 2023 amounted to HK\$3,169.0 million (2022: HK\$3,311.8 million), which mainly included accounts payable and accruals, and the current portion of bank loans.

### Bank Loans

As at 31 December 2023, bank loans, all unsecured, amounted to HK\$4,639.6 million (2022: HK\$4,967.5 million). The maturity profile of the bank loans of the Group as at 31 December 2023 and 31 December 2022 is shown in the chart below:

**Debt Maturity Profile at 31 December**



As at 31 December 2023, the Group had undrawn banking facilities totalling HK\$2,450.0 million (2022: HK\$620.0 million).

### Capital Commitments

The Group's capital commitments as at 31 December 2023 amounted to HK\$343.2 million (2022: HK\$725.7 million). These commitments were mainly in respect of the development of The Millennity and the purchase of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources. A summary of the capital commitments is set out below:

	2023	2022
	HK\$ million	HK\$ million
Development of The Millennity	37.6	380.0
Purchase of buses and other motor vehicles	183.9	234.2
Purchase of other properties, plant and equipment	121.7	111.5
Total	343.2	725.7

As at 31 December 2023, the Group had 77 (2022: 172) new buses on order for delivery in 2024.

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### Funding and Financing

#### Financial Liquidity and Resources

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

#### Net Cash/(Net Borrowing) and Liquidity Ratio

As at 31 December 2023, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$2,984.3 million (2022: HK\$2,725.0 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.04 (2022: 1.07). The details of the Group's net cash/net borrowing position by currency are set out as follows:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK\$ million	Bank loans HK\$ million	Net cash/ (Net borrowing) HK\$ million
At 31 December 2023				
Hong Kong dollars		1,039.2	(4,639.6)	(3,600.4)
United States dollars	77.6	605.8	-	605.8
Other currencies		10.3	-	10.3
Total		1,655.3	(4,639.6)	(2,984.3)
At 31 December 2022				
Hong Kong dollars		1,693.7	(4,967.5)	(3,273.8)
United States dollars	69.2	540.4	-	540.4
Other currencies		8.4	-	8.4
Total		2,242.5	(4,967.5)	(2,725.0)

#### Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2023 were HK\$110.1 million, an increase of HK\$72.5 million compared with HK\$37.6 million for 2022. The increase was mainly due to the increase in average bank borrowings of the Group and the average interest rate from 1.78% per annum for 2022 to 4.24% per annum for 2023.

For the year ended 31 December 2023, the Group's interest income exceeded its total finance costs by HK\$3.3 million (2022: HK\$43.3 million).

## Net Cash Flow

For 2023, there was a net decrease of HK\$860.5 million (2022: net increase of HK\$530.4 million) in cash and cash equivalents. The sources are set out below:

	2023 HK\$ million	2022 HK\$ million
Net cash generated from/(used in):		
• Operating activities	1,366.8	849.6
• Investing activities	(1,714.7)	(2,041.4)
• Financing activities	(512.6)	1,722.2
Net cash (outflow)/inflow	<b>(860.5)</b>	530.4

The net cash generated from operating activities amounted to HK\$1,366.8 million, primarily attributable to the franchised public bus operations, which accounted for HK\$1,159.6 million (2022: HK\$617.6 million).

On the other hand, the net cash used in investing activities was primarily driven by the payment of capital expenditure totaling HK\$1,475.0 million. This expenditure mainly consisted of the purchase of new buses and development costs associated with The Millennity (2022: HK\$1,709.4 million).

Lastly, the net cash used in financing activities was primarily a result of the repayment of bank loans during 2023.

Details of the Group's cash flow movement for the year ended 31 December 2023 are set out in the consolidated cash flow statement on pages 196 and 197 of this Annual Report.

## Treasury Risk Management

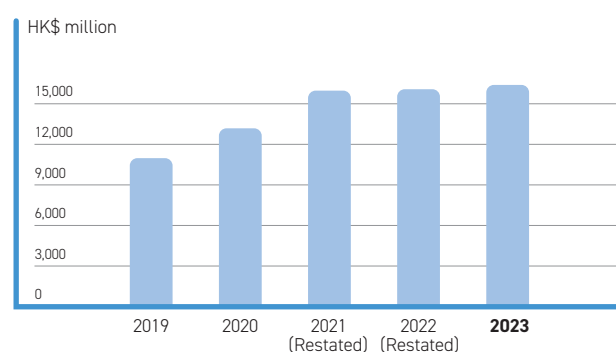
The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

### Foreign Currency Risk

The Group is exposed to foreign currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in financial assets measured at FVOCI (recycling) and deposits placed at banks that are denominated in a foreign currency. The currencies giving rise to this risk are primarily British Pounds Sterling (GBP) and United States dollars (USD). In respect of the exposure in GBP used for bus purchases, the Group's treasury team will enter into forward foreign exchange contracts in a strategic manner when appropriate.

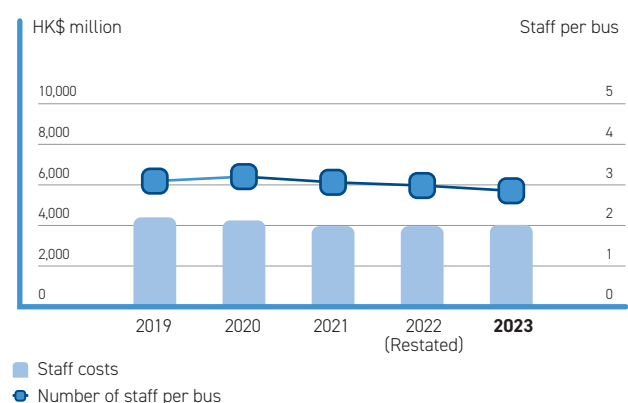
As at 31 December 2023, the Group had outstanding GBP forward contracts totalling GBP5.0 million (2022: GBP5.0 million), which had maturities of less than one year after the end of the reporting period.

## Shareholders' Fund at 31 December



## Staff Costs and Staff per Bus

(Franchised public bus operations)



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### **Interest Rate Risk**

In view of the volatile financial markets and the prospect of interest rate hikes, the Group will continue to closely monitor the market conditions and devise suitable strategies to manage its exposure to interest rate risk in a prudent manner with different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates. Derivative financial instruments such as interest rate swaps, will be used when appropriate. As at 31 December 2023, all of the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market conditions.

The Group's major subsidiary, KMB, has been assigned an "A" credit rating by Standard & Poor's since 14 January 2002. The credit rating agency viewed KMB as an integrated economic entity of Transport International Holdings Limited. Accordingly, the rating of KMB also reflects the Group's credit profile.

### **Fuel Price Risk**

The impact of fuel price movements on the results of the Group's core franchised public bus operations can be significant. Although exposure to fluctuations in the fuel price might be managed by the use of fuel derivatives, the Group has carefully evaluated the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be as risky as not hedging, and would not necessarily result in a better financial position for the Group in the long term. Alternatively, the Group enters into contracts with diesel suppliers from time to time for the supply of diesel. It is expected that the fuel price will continue to be volatile, and management will continue to closely monitor fuel price movements and constantly review its strategy in respect of fuel price risk management in the light of prevailing market conditions.

### **Credit Risk**

The Group's credit risk is primarily attributable to trade and other receivables and debt investments. Management has a credit policy in place under which exposure to credit risk is monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on major customers requiring credit over a certain amount. Regular reviews and any necessary follow-up action are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. The Group has established treasury management guidelines for investment of surplus cash reserves in debt securities for yield enhancement purposes. Limits are set for the total portfolio size and individual debt securities to minimise the overall risk as well as the concentration risk. The credit ratings of the debt issuers and market news relating to them, as available, are closely monitored over the life of the transactions. In addition, investment portfolio and investment strategies will be monitored and reviewed on a regular basis to minimise the risk of default on the investments in debt securities. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution. The Group does not provide guarantees to third parties which would expose the Group to credit risk.

### **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 54% (2022 (restated): 56%) of the total operating expenses of the Group in 2023. 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 2023 amounted to HK\$3,968.8 million (2022: HK\$3,805.6 million). As at 31 December 2023, the Group employed over 13,000 staff (2022: over 13,000 staff).

## Individual Business Units

### Franchised Public Bus Operations

#### The Kowloon Motor Bus Company (1933) Limited (“KMB”)

	Unit	2023	2022 (Restated)
Revenue	HK\$ million	<b>7,031.3</b>	6,035.4
Other income	HK\$ million	<b>133.0</b>	572.6
Total operating expenses	HK\$ million	<b>(7,070.3)</b>	(6,723.6)
Profit/(loss) from operations	HK\$ million	<b>94.0</b>	(115.6)
Finance costs	HK\$ million	<b>(78.8)</b>	(34.0)
Profit/(loss) before taxation	HK\$ million	<b>15.2</b>	(149.6)
Income tax (expense)/credit	HK\$ million	<b>(3.7)</b>	99.7
Profit/(loss) after taxation	HK\$ million	<b>11.5</b>	(49.9)
Net profit/(loss)margin		<b>0.2%</b>	(0.8%)
Passenger volume	Million passenger trips	<b>923.6</b>	805.4
Kilometres operated	Million km	<b>260.2</b>	253.1
Staff number at year-end	Number of staff	<b>11,598</b>	12,114
Fleet size at year-end	Number of buses	<b>4,055</b>	4,036
Total assets	HK\$ million	<b>10,012.5</b>	10,607.0

KMB recorded a profit after taxation of HK\$11.5 million for 2023, compared to the restated loss after taxation of HK\$49.9 million for 2022.

Fare revenue for 2023 was HK\$6,740.7 million, an increase of HK\$965.8 million or 16.7% compared with HK\$5,774.9 million for 2022. The increase was mainly due to the increase in fare revenue as a result of the rebound in patronage and the fare increase with effect from 18 June 2023. KMB's total ridership increased by 14.7% to 923.6 million passenger trips (a daily average of 2.53 million passenger trips) as compared with 805.4 million passenger trips (a daily average of 2.21 million passenger trips) for 2022.

Total operating expenses for 2023 amounted to HK\$7,070.3 million, an increase of HK\$346.7 million compared with HK\$6,723.6 million (restated) for 2022. The increase was mainly due to the increases in fuel costs, staff costs and depreciation resulting from high international fuel prices, pay rises and fleet replacement, respectively.



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### Long Win Bus Company Limited (“LWB”)

	Unit	2023	2022 (Restated)
Revenue	HK\$ million	<b>530.5</b>	323.8
Other income	HK\$ million	<b>1.7</b>	46.9
Total operating expenses	HK\$ million	<b>(496.5)</b>	(413.0)
Profit/(loss) from operations	HK\$ million	<b>35.7</b>	(42.3)
Finance costs	HK\$ million	<b>(8.1)</b>	(3.6)
Profit/(loss) before taxation	HK\$ million	<b>27.6</b>	(45.9)
Income tax (expense)/credit	HK\$ million	<b>(4.5)</b>	15.1
Profit/(loss) after taxation	HK\$ million	<b>23.1</b>	(30.8)
Net profit/(loss) margin		<b>4.4%</b>	(9.5)%
Passenger volume	Million passenger trips	<b>42.9</b>	28.6
Kilometres operated	Million km	<b>29.1</b>	25.4
Staff number at year-end	Number of staff	<b>757</b>	723
Fleet size at year-end	Number of buses	<b>285</b>	265
Total assets	HK\$ million	<b>649.9</b>	668.6

The profit after taxation of LWB for 2023 was HK\$23.1 million, compared to the restated loss after taxation of HK\$30.8 million for 2022.

LWB’s fare revenue for 2023 was HK\$526.7 million, an increase of HK\$210.2 million or 66.4% compared with HK\$316.5 million for 2022. The increase was mainly due to the significant increase in bus patronage resulting from the relaxation of travel restrictions, particularly with respect to visitor arrivals and departures and the fare increase with effect from 18 June 2023. LWB recorded a total ridership of 42.9 million passenger trips (a daily average of 118,000 passenger trips) for 2023, as compared with 28.6 million passenger trips (a daily average of 78,000 passenger trips) for 2022.

Total operating expenses for 2023 amounted to HK\$496.5 million, an increase of HK\$83.5 million or 20.2% compared with HK\$413.0 million (restated) for 2022. The increase in operating expenses was largely due to the rise in staff costs, fuel costs and toll charges as a result from the increasing service levels in response to the rebound in bus patronage.

### Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$13.9 million for 2023, compared to the restated profit after taxation of HK\$1.4 million for 2022. 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 2023 increased by 7.4% compared with 2022. The increase was mainly due to the increase in local business and the resumption of cross-boundary services. Total operating expenses for 2023 decreased by 4.1% compared with 2022 as management implemented various cost control measures to streamline its business.

In 2023, the SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2023, the SBH Group had a fleet of 421 buses (2022: 396 buses).

### New Hong Kong Bus Company Limited (“NHKB”)

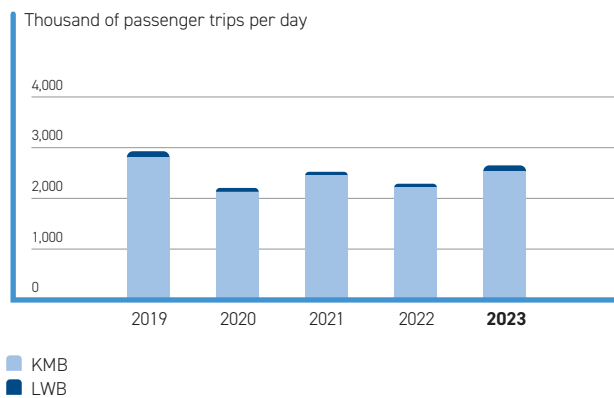
NHKB operates a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

The revenue of the NHKB rebounded significantly after the resumption of the Huang Bus service on 6 February 2023 as a result of full resumption of the immigration clearance service for passengers at the Lok Ma Chau Control Point. Total operating expenses for 2023 increased in response to the resumption of services compared with 2022.

As at 31 December 2023, NHKB had a fleet of 15 buses (2022: 15 buses).

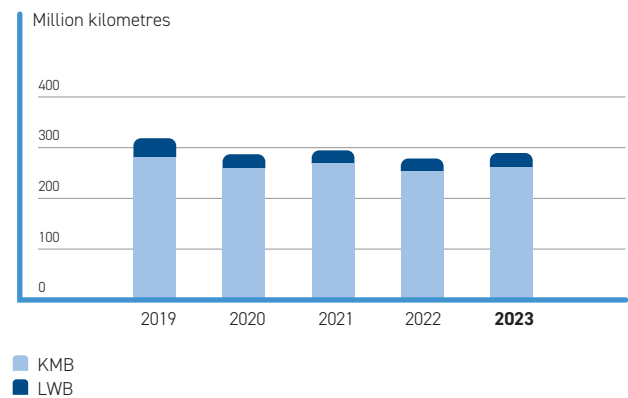
### Average Number of Passenger Trips per Day

(Franchised public bus operations)

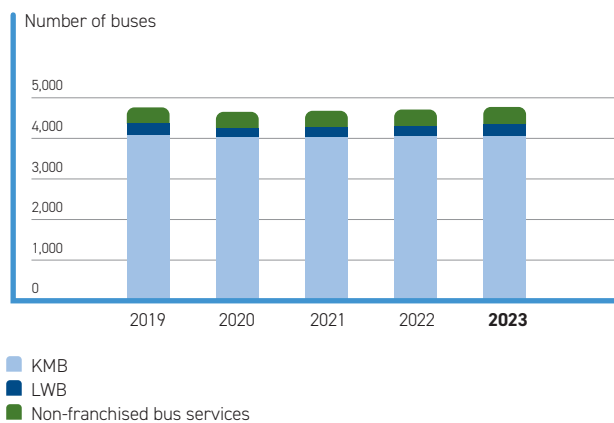


### Bus Kilometres Operated

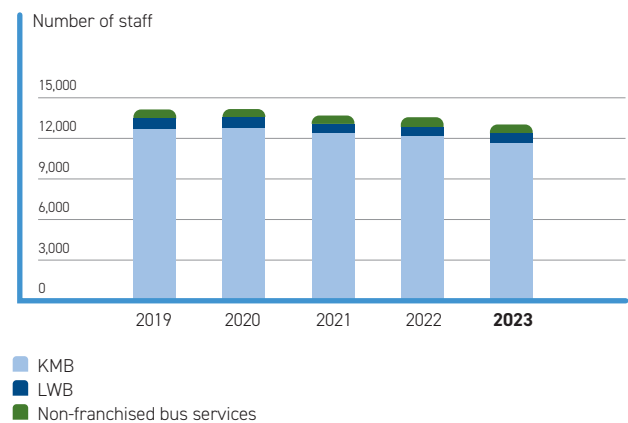
(Franchised public bus operations)



### Number of Licensed Buses at 31 December



### Number of Staff at 31 December



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### Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$334.0 million (including a fair value gain of HK\$287.4 million) for 2023, compared to the restated profit after taxation of HK\$507.7 million (including a fair value gain of HK\$448.7 million) for 2022. The decrease was primarily due to the lesser extent of HK\$161.3 million in the fair value gain on investment properties and investment property under development. A review of the Group's investment properties is set out as follows:

#### 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 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.

During the year, two office towers of The Millennity have been completed and certain tenants have moved in, commencing their operations. The podium mall beneath The Millennity is still under construction and scheduled to have its grand opening in 2024.

As at 31 December 2023, the office portion of The Millennity was classified as investment property, while the remaining portion was classified as investment property under development in the consolidated statement of financial position. As at 31 December 2022, the entire portion of The Millennity was classified as investment property under development in the consolidated statement of financial position.

#### 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, and classified as investment property in the consolidated statement of financial position.

#### 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 2023, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group, and classified as investment property in the consolidated statement of financial position.

#### 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 used for industrial use or godown purposes or both. On 23 June 2023, TMPI obtained approval from the Town Planning Board for a change of use from the existing industrial use to office, shop and services uses. As at 31 December 2023, 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 profit after taxation of HK\$31.1 million for 2023, compared to the loss after taxation of HK\$6.9 million for 2022.

As at 31 December 2023, the Group's total interest in associates within the China Mainland Transport Operations Division amounted to HK\$609.1 million (2022: HK\$599.8 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 2023

	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 2023 (Number of vehicles)	10,461	5,321
Bus passenger volume (Million trips)	335	N/A
Bus kilometres travelled (Million km)	286	N/A
Staff number at year-end 2023	23,126	1,967

#### 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 4,900 buses running on more than 330 routes and over 5,000 taxis. As a result of the cross-boundary reopening and the lifting of COVID-19 pandemic measures in 2023, the patronage of SZBG including its bus and taxi operations increased by 18.0% to 460.0 million in 2023 as compared to 389.9 million in 2022.

#### 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 2023, BBKT had a fleet of over 3,500 taxis and around 2,000 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 2023, BBF had over 1,000 vehicles available for charter mainly in Beijing and Tianjin.

## FINANCIAL REVIEW

### Connected Transaction and Continuing Connected Transactions

Particulars of the following connected transaction and continuing connected transactions of the Group are set out below in compliance with the reporting requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

#### 1. Connected Transaction

##### THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED ("KMB")

###### *Transaction with SmarTone Mobile Communications Limited ("SmarTone Mobile")*

On 25 May 2023, KMB, a wholly-owned subsidiary of the Company, as purchaser and SmarTone Mobile, a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), as vendor entered into a purchase contract (the "**Purchase Contract**"), pursuant to which KMB agreed to purchase and SmarTone Mobile agreed to supply the hardware, software and documentation for 2,500 units of people counting system ("**PCS**") and 2,300 units of the Wi-Fi system by 31 December 2023 and provide a suite of one-stop solutions for the design, management, implementation, installation, maintenance, training and after-sales support associated with the PCS. The total consideration under the Purchase Contract amounted to HK\$46,316,210, comprising the initial purchase price for all PCS units and Wi-Fi system units and the subsequent maintenance fees for periods up to 31 October 2025. Particulars of the connected transaction were disclosed in the announcement of the Company dated 25 May 2023.

#### 2. Continuing Connected Transactions

##### (a) THE GROUP

###### *Transactions with Sun Hung Kai Properties Insurance Limited ("SHKPI")*

As described in note 35(a) to the financial statements on pages 270 to 272 of this Annual Report, on 3 November 2020, the Group entered into various insurance policies with SHKPI, a wholly-owned subsidiary of SHKP, which is a substantial shareholder of the Company, pursuant to which SHKPI agreed to provide to the Group insurance coverage, including a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance from 1 January 2021 to 31 December 2022 (the "**2021/22 Insurance Arrangements**"). On 5 November 2021, the Group entered into certain supplemental insurance policies with SHKPI, pursuant to which the type of insurance covered is motor vehicle third party and passengers' liability insurance for a period of 12 months from 1 January 2022 to 31 December 2022 (the "**2022 Supplemental Motor Insurance Arrangements**"). On 29 December 2022, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group insurance coverage, including a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance coverage from 1 January 2023 to 31 December 2024 (the "**2023/24 Insurance Arrangements**"). The transactions contemplated under the 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 3 November 2020, 5 November 2021 and 29 December 2022, respectively.

The cap amount of the insurance premium payable by the Group to SHKPI under the 2021/22 Insurance Arrangements for the year ended 31 December 2022, as disclosed in the announcement dated 3 November 2020, was HK\$99,500,000. Such annual cap amount was determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2021/22 Insurance Arrangements. For the year ended 31 December 2023, the insurance premium paid and payable to SHKPI under the 2021/22 Insurance Arrangements was HK\$Nil (2022: HK\$79,617,000).

The cap amount of the insurance premium payable by the Group to SHKPI under the 2022 Supplemental Motor Insurance Arrangements for the year ended 31 December 2022, as disclosed in the announcement dated 5 November 2021, was HK\$36,500,000. For the year ended 31 December 2023, the insurance premium paid and payable to SHKPI under the 2022 Supplemental Motor Insurance Arrangements was HK\$Nil (2022: HK\$35,500,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2023/24 Insurance Arrangements for the years ended/ending 31 December 2023 and 2024, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$102,500,000 and HK\$105,500,000 respectively. Such annual cap amounts were determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2023/24 Insurance Arrangements. For the year ended 31 December 2023, the insurance premium paid and payable to SHKPI under the 2023/24 Insurance Arrangements was HK\$93,279,000 (2022: HK\$Nil).

The insurance premium paid and payable by the Group under the 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements were and will be satisfied by internal resources of the Group. The transactions under the 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

## (b) SUN BUS LIMITED

### ***Shuttle Bus Services Agreements with certain subsidiaries of SHKP***

As described in note 35(a) to the financial statements on pages 270 to 272 of this Annual Report, Sun Bus Limited has entered into various shuttle bus service contracts ("**Shuttle Bus Services Contracts**") with certain subsidiaries of SHKP, pursuant to which Sun Bus Limited agreed to provide and operate various shuttle bus services for the period from 1 May 2020 to 31 December 2023. The service fees for the provision of the shuttle bus services were charged in accordance with the rates specified in the relevant contracts, ranging from approximately HK\$350 to HK\$530 per hour per bus, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of services requested, the relevant costs and expected loads and routes, using the prevailing market rates as a price indicator, namely, the service fees charged for similar bus operations in the market. The transactions contemplated under the Shuttle Bus Services Contracts constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcement of the Company dated 5 August 2022. The cap amount of the service fees estimated to be receivable by Sun Bus Limited under the Shuttle Bus Services Contracts for the year ended 31 December 2023, as disclosed in the announcement dated 5 August 2022, was HK\$9,542,100. Such annual cap amount was determined with reference to the historical amounts, the rates specified in the relevant contracts and the expected possible demand for the services. For the year ended 31 December 2023, the service fees received or receivable by Sun Bus Limited (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Services Contracts amounted to HK\$5,370,000 (2022: HK\$5,876,000). The transactions contemplated under the Shuttle Bus Services Contracts are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

## (c) KT REAL ESTATE LIMITED ("KTRE")

### ***The Office Premises Leasing Management Agreement and the Retail Premises Leasing Management Agreement with Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited ("SHKRE(SL)") and the Property Management Agreement with Kai Shing Management Services Limited ("KSMS")***

On 29 December 2022, KTRE and Turbo Result Limited (being the owners in equal shares as tenants in common of The Millennity located at No.98 How Ming Street, Kwun Tong) entered into the Office Premises Leasing Management Agreement and Retail Premises Leasing Management Agreement with SHKRE(SL), pursuant to which SHKRE(SL) was appointed as the exclusive marketing and leasing agent and administrators for the units in the office and retail premises and parking spaces in The Millennity for a term of three years commencing from 1 January 2023 to 31 December 2025 (the "**2023-2025 Office and Retail Premises Leasing Management Agreements**"). On 29 December 2022, KTRE and TRL entered into the Property Management Agreement with KSMS, pursuant to which KSMS was appointed as the property manager for the units in the office/retail premises in The Millennity for a term of three years commencing from 1 January 2023 to 31 December 2025 (the "**2023-2025 Property Management Agreement**"). The transactions contemplated under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 29 December 2022.

## FINANCIAL REVIEW

The cap amounts of the office and retail premises leasing management fees and other expenses payable by KTRE to SHKRE(SL) under the Office Premises Leasing Management Agreement and Retail Premises Leasing Management Agreement for each of the three years ended/ending 31 December 2023, 2024 and 2025, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$186,525,000 and HK\$54,290,000 each year respectively. Such annual cap amounts are determined based on the maximum number of units estimated to be let or licensed in The Millennity and the remuneration rates as specified under the 2023-2025 Office and Retail Premises Leasing Management Agreements. For the year ended 31 December 2023, the leasing management fees and other expenses payable to SHKRE(SL) under 2023-2025 Office and Retail Premises Leasing Management Agreements were HK\$3,051,000 and HK\$Nil, respectively.

The cap amounts of the property manager's remuneration and other expenses payable by KTRE to KSMS under the 2023-2025 Property Management Agreement for each of the three years ended/ending 31 December 2023, 2024 and 2025, as disclosed in the announcement dated 29 December 2022, will be approximately HK\$7,185,000 each year. Such annual cap amounts are determined based on the number of units in The Millennity and the remuneration rates as specified under the 2023-2025 Property Management Agreement. For the year ended 31 December 2023, the property manager's remuneration and other expenses payable to KSMS under 2023-2025 Property Management Agreement was HK\$4,396,000.

The office and retail premises leasing management fees and property manager's remuneration and other expenses payable by KTRE under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement will be satisfied by internal resources of the Group. The transactions under the 2023-2025 Office and Retail Premises Leasing Management Agreements and the 2023-2025 Property Management Agreement are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

### (d) KMB

#### ***The Cleaning Services Agreement with Nixon Cleaning Company Limited ("Nixon")***

On 28 September 2023, KMB entered into the Cleaning Services Agreement with Nixon, a wholly-owned subsidiary of SHKP, pursuant to which Nixon agreed to provide cleaning services to KMB at service locations designated by KMB, including premises, offices and depots for an initial term of two years commencing from 1 October 2023 to 30 September 2025, and an extended term of one year commencing from 1 October 2025 to 30 September 2026 with an exercisable option. The transactions contemplated under the Cleaning Services Agreement constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 28 September 2023.

The cap amounts of the cleaning service fees payable by KMB to Nixon under the Cleaning Service Agreement for the four years ended/ending 31 December 2023, 2024, 2025 and 2026, as disclosed in the announcement dated 28 September 2023, were approximately HK\$3,481,872, HK\$13,927,488, HK\$13,962,561 and HK\$10,550,835 respectively. Such annual cap amounts are determined based on the expected possible ad hoc demand for cleaning services and the agreed rates as specified under the Cleaning Services Agreement. For the year ended 31 December 2023, the cleaning service fees to Nixon under Cleaning Services Agreement was HK\$3,481,872.

In compliance with the Listing Rules, the Directors, including the Independent Non-executive Directors, have reviewed and confirmed the following:

1. The foregoing continuing connected transactions conducted during the year ended 31 December 2023 with SHKPI, SHKRE(SL), KSMS, Nixon and certain subsidiaries of SHKP were entered into:
  - (i) in the ordinary and usual course of the business of the Group;
  - (ii) either on normal commercial terms or better; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI under the 2023/24 Insurance Arrangements for the year ended 31 December 2023 did not exceed the cap amount of HK\$102,500,000, as disclosed in the announcement dated 29 December 2022;
3. the service fees received and receivable by Sun Bus Limited (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) from certain subsidiaries of SHKP under the Shuttle Bus Services Agreements for the year ended 31 December 2023 did not exceed the cap amount of HK\$9,542,100, as disclosed in the announcement dated 5 August 2022;
4. the office and retail premises leasing management fees and other expenses payable by KTRE to SHKRE(SL) under the 2023-2025 Office and Retail Premises Leasing Management Agreements for the year ended 31 December 2023 did not exceed the cap amount of HK\$186,525,000 and HK\$54,290,000 respectively, as disclosed in the announcement dated 29 December 2022;
5. the property manager's remuneration and other expenses payable by KTRE to KSMS under the 2023-2025 Property Management Agreement for the year ended 31 December 2023 did not exceed the cap amount of HK\$7,185,000, as disclosed in the announcement dated 29 December 2022; and
6. the services fees payable by KMB to Nixon under the Cleaning Services Agreement for the year ended 31 December 2023 did not exceed the cap amount of HK\$3,481,872, as disclosed in the announcement dated 28 September 2023.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions conducted during the year ended 31 December 2023 as set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.