

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2023.

Principal place of business

The Company was incorporated in Bermuda and is domiciled in Hong Kong and has its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

Principal activities and business review

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

The Group's revenue is primarily derived from franchised bus operations, and its profits are primarily generated by the operating segments of property holdings and development, as well as franchised and non-franchised bus operations.

The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business, a discussion of the Group's environmental policies and performance, and its compliance with the relevant laws and regulations that have a significant impact on the Group and an account of the Group's key relationships with its employees, customers and suppliers that have a significant impact on the Group can be found in the Management Discussion and Analysis set out on pages 20 to 157 of this Annual Report. This discussion forms part of this Directors' Report.

Recommended dividend

An interim dividend of HK\$0.30 (2022: Nil) per share was paid to the shareholders on 18 October 2023. The Directors now recommend that a final dividend of HK\$0.50 per share (2022: HK\$0.50 per share) in respect of the year ended 31 December 2023 be paid to shareholders on 28 June 2024.

Charitable donations

Charitable donations made by the Group during the year amounted to HK\$208,000 (2022: HK\$116,000).

Share capital

Details of the movements in share capital of the Company during the year are set out in note 31(b) to the financial statements. Shares were issued during the year relating to the scrip dividend scheme. Details about the issue of shares are also set out in note 31(b) to the financial statements.

Distributability of reserves

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$2,300,049,000 (2022: HK\$2,300,337,000). After the end of the reporting period, the Directors proposed a final dividend of HK\$0.50 per share (2022: HK\$0.50 per share), amounting to HK\$247,172,000 (2022: HK\$237,470,000) (note 11(a)). This dividend has not been recognised as a liability at the end of the reporting period.

Directors' Report

Directors

The Directors during the financial year and up to the date of this report were:

Dr Norman LEUNG Nai Pang*, <i>GBS, JP</i>	(Chairman)
Dr John CHAN Cho Chak*, <i>GBS, JP</i>	(Deputy Chairman)
Raymond KWOK Ping Luen, <i>JP</i>	
NG Siu Chan	(Deceased in May 2023)
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, <i>M.H.</i>	
Winnie NG, <i>JP</i>	(Director and resigned as Alternative Director to Mr Ng Siu Chan in May 2023)
Dr Eric LI Ka Cheung*, <i>GBS, OBE, JP</i>	
Professor LIU Pak Wai*, <i>SBS, JP</i>	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheong	(Managing Director)
TSANG Wai Hung*, <i>GBS, PDSM, JP</i>	
Dr CHEUNG Wing Yui, <i>BBS</i>	
LEE Luen Fai, <i>BBS, JP</i>	
LUNG Po Kwan	
GAO Feng	(Alternate Director to Mr William LOUEY Lai Kuen)
Christopher KWOK Kai-wang, <i>JP</i>	(Appointed on 15 June 2023)
WONG Hong Kit	(Appointed as Alternate Director to Mr Raymond KWOK Ping Luen, <i>JP</i> on 15 June 2023)
Susanna WONG Sze Lai	(Resigned as Alternate Director to Mr Raymond KWOK Ping Luen, <i>JP</i> on 15 June 2023)

* Independent Non-executive Director

In accordance with Company's Bye-Laws 84(1), Dr Eric Li Ka Cheung, Professor Liu Pak Wai, Mr Tsang Wai Hung, Mr Raymond Kwok Ping Luen, Mr Charles Lui Chung Yuen, Ms Winnie NG, Dr Cheung Wing Yui and Mr Lee Luen Fai will retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Company's Bye-Laws 83(2), Mr Christopher Kwok Kai-wang will hold office as Director until the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

Brief biographical details of the Directors of the Company are set out on pages 158 to 166 of this Annual Report.

Indemnity provision

The Bye-laws of the Company provides that every Director shall be indemnified out of the assets and profits of the Company from and against actions and liability which he/she may incur or sustain in or about the execution of the duties of his/her office.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Group.

Directors' Report

Directors' interests and short positions in shares, underlying shares and debentures

The Directors of the Company who held office as at 31 December 2023 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO:

(i) Interests in issued shares of the Company

	Ordinary shares of HK\$1 each					Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests	Other interests		
Dr Norman LEUNG Nai Pang*	610,803	-	-	-	-	610,803	0.124%
Dr John CHAN Cho Chak*	2,000	-	-	-	-	2,000	-
Raymond KWOK Ping Luen	592,173 (note 1)	-	-	-	-	592,173	0.120%
William LOUEY Lai Kuen	9,298,976	11,383	-	-	13,203,166 (note 2)	22,513,525	4.554%
Charles LUI Chung Yuen	14,271	-	-	3,484,915 (note 3)	-	3,499,186	0.708%
Winnie NG	181,416	-	-	26,699,308 (note 4)	-	26,880,724	5.438%
Dr Eric LI Ka Cheung*	17,600	-	-	-	-	17,600	0.004%
Professor LIU Pak Wai*	-	-	-	-	-	-	-
Allen FUNG Yuk Lun	-	-	-	-	-	-	-
Roger LEE Chak Cheong (Managing Director)	148,797	-	-	-	-	148,797	0.030%
TSANG Wai Hung*	-	-	-	-	-	-	-
Dr CHEUNG Wing Yui	-	-	-	-	-	-	-
LEE Luen Fai	-	30,000	-	-	-	30,000	0.006%
LUNG Po Kwan	-	-	-	-	-	-	-
Christopher KWOK Kai-wang	-	-	-	-	-	-	-
WONG Hong Kit (Alternate Director to Mr Raymond KWOK Ping Luen)	-	-	-	-	-	-	-
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	-	-	-	-	-	-	-

* Independent Non-executive Director

Notes:

- (1) Of these shares in the Company, Mr Raymond Kwok Ping Luen held 587,475 shares jointly with his spouse.
- (2) Mr William Louey Lai Kuen, Ms Kwok Chun Phyllis Ng Louey and Ms Kwok Won Carol Wilma Yu Louey entered into a shareholders voting agreement.
- (3) Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 3,484,915 shares in the Company.
- (4) Ms Winnie Ng had an interest in 26,699,308 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

Directors' Report

Directors' interests and short positions in shares, underlying shares and debentures

(continued)

(ii) Interests in underlying shares

Directors of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Equity-linked agreement – Share option scheme" below.

As at 31 December 2023, none of the Directors had any non-beneficial interest in the share capital of the Company.

Apart from the foregoing, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors' interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Equity-linked agreement

Share option scheme

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of HK\$1 to subscribe for ordinary shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 25 May 2026, after which no further options will be granted.

The exercise price of options is the highest of (i) the nominal value of the shares on the date of grant, (ii) the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and (iii) the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the share option scheme as at 31 December 2023 was 40,363,941 shares (including options for 24,435,000 shares that have been granted but not yet lapsed or exercised) which represented 8.2% of the ordinary shares of the Company in issue at 31 December 2023. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

On 31 March 2023, a total of 16,350,000 share options were granted by TIH and subsequently 15,970,000 share options were accepted by the grantees. At 31 December 2023, certain Directors of the Company and certain employees of the Group had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2023 was HK\$9.42) granted for a consideration of HK\$1 under the share option scheme of the Company. As at 31 December 2023, the total grant date fair value of unexercised vested and unvested options, measured in accordance with the accounting policy set out in note 1(x)(iii) to the financial statements, amounted to HK\$5,624,000 and HK\$12,207,000, respectively. The options are unlisted. Once vested, each option gives the holder the right to subscribe for one ordinary share of the Company. Assuming that all the options outstanding as at 31 December 2023 are exercised, the Company will receive proceeds of HK\$305,385,000.

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

	No. of options outstanding at 1 January 2023	No. of shares granted during the year	No. of shares forfeited during the year	No. of options outstanding at 31 December 2023	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Directors								
Roger LEE Chak Cheong	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	450,000	-	-	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
	-	470,000	-	470,000	31 March 2023	31 March 2024 to 30 March 2028 (note 4)	HK\$10.60	HK\$10.60
Norman LEUNG Nai Pang	450,000	-	-	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	470,000	-	470,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
John CHAN Cho Chak	425,000	-	-	425,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	450,000	-	450,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Raymond KWOK Ping Luen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

	No. of options outstanding at 1 January 2023	No. of shares granted during the year	No. of shares forfeited during the year	No. of options outstanding at 31 December 2023	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Directors (continued)								
NG Siu Chan	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (notes 1 & 5)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (notes 3 & 5)	HK\$10.60	HK\$10.60
William LOUEY Lai Kuen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Charles LUI Chung Yuen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Winnie NG	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Allen FUNG Yuk Lun	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

	No. of options outstanding at 1 January 2023	No. of shares granted during the year	No. of shares forfeited during the year	No. of options outstanding at 31 December 2023	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Directors (continued)								
CHEUNG Wing Yui	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
LEE Luen Fai	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
LUNG Po Kwan	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Eric LI Ka Cheung	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
LIU Pak Wai	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

	No. of options outstanding at 1 January 2023	No. of shares granted during the year	No. of shares forfeited during the year	No. of options outstanding at 31 December 2023	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
Directors (continued)								
TSANG Wai Hung	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 1)	HK\$15.32	HK\$15.32
	-	430,000	-	430,000	31 March 2023	31 March 2024 to 30 March 2028 (note 3)	HK\$10.60	HK\$10.60
Employees								
	3,900,000	-	(600,000)	3,300,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
	-	8,990,000	(1,360,000)	7,630,000	31 March 2023	31 March 2024 to 30 March 2028 (note 4)	HK\$10.60	HK\$10.60

* being the weighted average closing price of the Company's ordinary shares on the date of grant.

Note 1: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

Percentage of options granted

On or after 19 November 2021	50%
On or after 19 November 2022	100%

Note 2: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

Percentage of options granted

On or after 19 November 2021	30%
On or after 19 November 2022	60%
On or after 19 November 2023	100%

Note 3: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

Percentage of options granted

On or after 31 March 2024	50%
On or after 31 March 2025	100%

Note 4: All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

Percentage of options granted

On or after 31 March 2024	30%
On or after 31 March 2025	60%
On or after 31 March 2026	100%

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

Note 5: Mr NG Siu Chan passed away in May 2023, his personal representative(s) may exercise the Share Options (to the extent which has become exercisable but not already exercised) in whole or in part within a period of 12 months, following the date of death or such longer period as the Board may determine.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(x) (iii) and note 22 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' service contracts

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' interests in transactions, arrangements or contracts

As disclosed in note 35(a) to the financial statements, certain subsidiaries of the Group entered into transactions with certain subsidiaries of a shareholder, Sun Hung Kai Properties Limited ("SHKP"). Certain Directors, namely Dr Norman Leung Nai Pang, Dr Eric Li Ka Cheung, Mr Raymond Kwok Ping Luen, Mr Allen Fung Yuk Lun, Dr Cheung Wing Yui and Mr Christopher Kwok Kai-wang are also directors of SHKP and/or Sun Hung Kai Properties Insurance Limited, and Mr Lee Luen Fai and Mr Lung Po Kwan are employees of SHKP. Among them, Mr Raymond Kwok Ping Luen and Mr Christopher Kwok Kai-wang are directors of SHKP and are materially interested in these transactions by virtue of their interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Report

Discloseable interests of shareholders in shares and short positions in shares, underlying shares and debentures

As at 31 December 2023, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, were as follows:

	Ordinary shares of HK\$1 each				Percentage of total issued shares
	Registered shareholders	Corporate interests	Trustee interests	Total number of shares held	
HSBC Trustee (C.I.) Limited	–	–	205,173,952	205,173,952	41.5%
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	211,323,017	–	211,323,017	42.7%
Arklake Limited (Note 1)	116,401,692	–	–	116,401,692	23.5%
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	34,845,579	–	–	34,845,579	7.0%
Wister Investment Limited (Note 1)	30,911,611	–	–	30,911,611	6.3%
HSBC International Trustee Limited	37,805,269	–	–	37,805,269	7.7%
Kwong Tai Holdings (PTC) Limited (Note 3)	26,699,308	–	–	26,699,308	5.4%

Notes:

- The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes 182,158,882 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.
- Under The Code on Takeovers and Mergers (the "Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until ten years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rule 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creper under Rule 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP held 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, and the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of ten years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creper under Rules 26.1(c) and (d) of the Takeovers Code.
- The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 26,699,308 shares disclosed by Ms Winnie Ng, who is a Director of the Company.

Purchase, sale or redemption of the Company's shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

Pre-emptive rights

There is no provision for pre-emptive rights under either the Company's Bye-laws or the laws in Bermuda.

Directors' Report

Senior management

The Executive Director of the Company, Mr Roger Lee Chak Cheong, is a member of the senior management of the Group whose brief particulars are set out on page 163 of this Annual Report.

Staff retirement schemes

The Group operates two separate non-contributory defined benefit retirement schemes, The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme ("The KMB Monthly Rated Employees Scheme") and The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme ("The KMB Daily Rated Employees Scheme"), and participates in a defined contribution retirement scheme, SHKP MPF Employer Sponsored Scheme.

(a) Defined benefit retirement schemes

The Group makes contributions to two defined benefit retirement schemes that provide pension benefits for employees upon retirement. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit retirement schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals.

The most recent actuarial valuations of the two schemes were at 31 December 2023 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

The KMB Monthly Rated Employees Scheme

- (i) The scheme was established with effect from 15 February 1978.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: salary escalation at 4.0% per annum; mortality rates 2022 Hong Kong Life Tables; and normal retirement age of 65.
- (iii) The market value of the scheme assets at 31 December 2023 was HK\$876,184,000 (2022: HK\$860,246,000).
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2023 and 2022.
- (v) The ongoing funding surplus in the scheme was HK\$501,802,000 (2022: HK\$485,838,000) and the solvency surplus was HK\$506,705,000 (2022: HK\$485,901,000) at 31 December 2023.

Directors' Report

Staff retirement schemes (continued)

(a) Defined benefit retirement schemes (continued)

The KMB Daily Rated Employees Scheme

- (i) The scheme was established with effect from 1 July 1983.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: salary escalation at 4.0% per annum; mortality rates 2022 Hong Kong Life Tables; and normal retirement age of 60.
- (iii) The market value of the scheme assets at 31 December 2023 was HK\$1,728,880,000 (2022: HK\$1,734,081,000).
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the years ended 31 December 2023 and 2022.
- (v) The ongoing funding surplus in the scheme was HK\$1,166,179,000 (2022: HK\$1,102,413,000) and the solvency surplus was HK\$1,168,388,000 (2022: HK\$1,107,124,000) at 31 December 2023.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 21 to the financial statements).

(b) Defined contribution retirement scheme

SHKP MPF Employer Sponsored Scheme ("the SHKP Scheme")

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014). Contributions to the SHKP Scheme during the year are charged to profit or loss as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2023 were insignificant to the Group.

Bank loans

Particulars of bank loans of the Group as at 31 December 2023 are set out in note 25 to the consolidated financial statements.

Major customers and suppliers

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 275 and 276 of this Annual Report.

Directors' Report

Model code for securities transactions by Directors

The Company has adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein throughout the year.

Corporate governance

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2023, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2023 as provided for in code provision C.1.6 due to other engagements. A report on the principal corporate governance practices adopted by the Company is set out on pages 130 to 153 of this Annual Report.

Properties

Particulars of the investment properties of the Group are shown on page 124 of this Annual Report.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company, together with management, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control, risk management and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2023.

Confirmation of independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Norman LEUNG Nai Pang

Chairman

Hong Kong, 21 March 2024