



載通國際

Transport International

Transport International Holdings Limited

»»» Forging Ahead In Adversity



2020
Annual Report



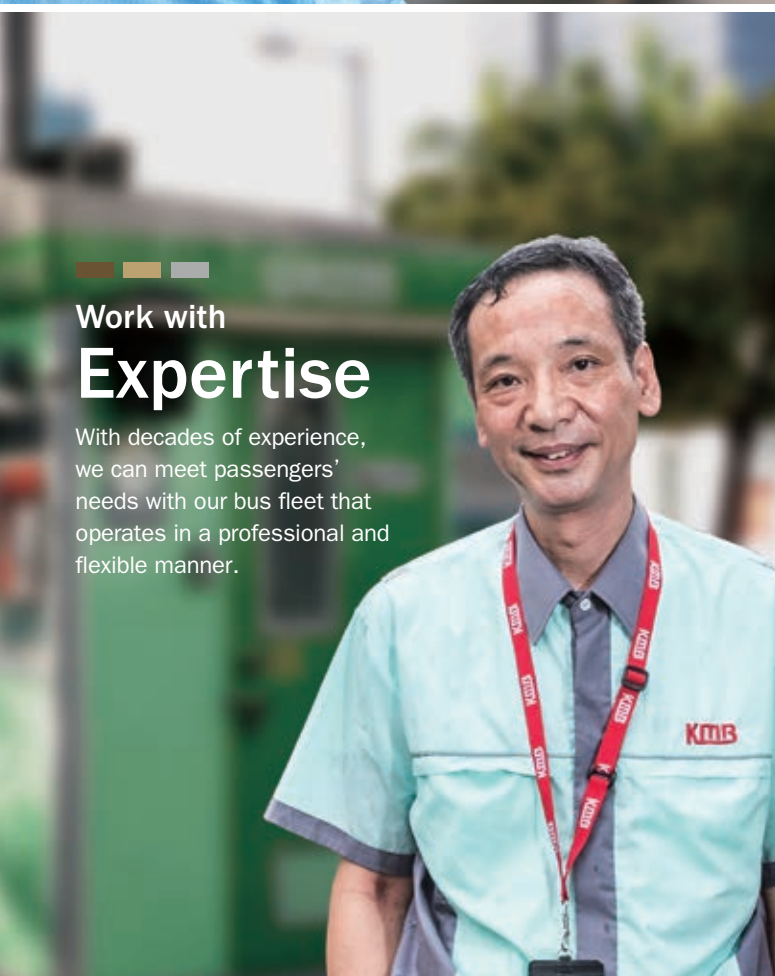
The Shield from TIH

To shield our employees from COVID-19, we equip our staff with TIH masks.



Care for passengers

We care about passengers, as evidenced by the multiple and diversified fare concession schemes across the city.



Work with Expertise

With decades of experience, we can meet passengers' needs with our bus fleet that operates in a professional and flexible manner.



Safety comes first

As safety is always our top priority, we have implemented extensive measures to assuring our safety performance.



Persevere in Innovation of buses

Keeping abreast of the times, we continue to introduce new ideas to our bus fleet.



Services within neighbourhoods

We stay close with the communities to serve Hong Kong with courtesy.

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Vision

Our vision to be a global leader in our field is based on a thorough understanding of the needs of the people we serve, the introduction of innovative technological and environmental solutions, and the attainment of new standards for safety, service and efficiency.

Mission

Our mission to enhance shareholder value while contributing to the social and economic development of Greater China can be summarised as follows:

- D**istinctive customer service
- R**eliable performance
- I**nnovation
- V**alue for money
- E**nvironmental responsibility
- S**ustainable business practice

Through engagement with our stakeholders, we aim to meet or exceed their expectations through the provision of high quality services and solutions.

Values

Our corporate values are centred on the delivery of service standards that meet or exceed customer needs, a consistent record of operational profitability, and support for the communities we serve.



Transport International

Transport International Holdings Limited (“TIH”, Stock Code: 62), a leading public transport operator in Hong Kong and China Mainland, is the holding company of The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, and a number of non-franchised transport providers. The Company also has business interests in property holdings and development in Hong Kong.

TIH aims to set the highest standards in the public transport industry through the provision of innovative and high quality services that take our customers safely and comfortably to their destination. With a dedication to sustainable business practices, enhanced shareholder value and the social and economic development of Greater China, TIH achieves its vision by tailoring its services to meet customer needs, improving the connectivity of its routes and providing real-time bus service information.



Transport International Holdings Limited

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited

the Group's flagship company, operates franchised public bus services with a fleet of about 4,000 buses operating on 417 routes covering Kowloon, the New Territories and Hong Kong Island.



Long Win Bus Company Limited

operates franchised public bus services with 241 buses operating on 38 routes linking the New Territories with Hong Kong International Airport, the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and North Lantau.



Hong Kong Non-Franchised Transport Operations

Sun Bus Holdings Limited and its subsidiaries

with Sun Bus Limited as the flagship company, operate 390 buses offering a variety of non-franchised bus services to the residential and commercial sectors through chartered hire services.



New Hong Kong Bus Company Limited

jointly operates with its Shenzhen counterpart the 24-hour cross-boundary shuttle bus service (or "Huang Bus" service) between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.



China Mainland Transport Operations

Shenzhen Bus Group Company Limited

is a Sino-foreign joint stock company providing public bus and taxi hire services in Shenzhen.



Beijing Beiqi Kowloon Taxi Company Limited

is a Sino-foreign joint stock company operating taxi services in Beijing.

Beijing Beiqi First Company Limited

is a Sino-foreign joint stock company offering car rental services in Beijing.



Property Holdings and Development

LCK Real Estate Limited

owns a 17-storey commercial building at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong, with a total gross floor area of 156,700 square feet.

LCK Commercial Properties Limited

owns the Manhattan Mid-town shopping mall, which is a two-level retail podium covering around 50,000 square feet at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.



TM Properties Investment Limited ("TMPI")








owns the site at Tuen Mun Town Lot No. 80 at 1 Kin Fung Circuit, Tuen Mun, New Territories, Hong Kong, with a total gross floor area of 105,364 square feet. TIH owns a 50% interest of TMPI.

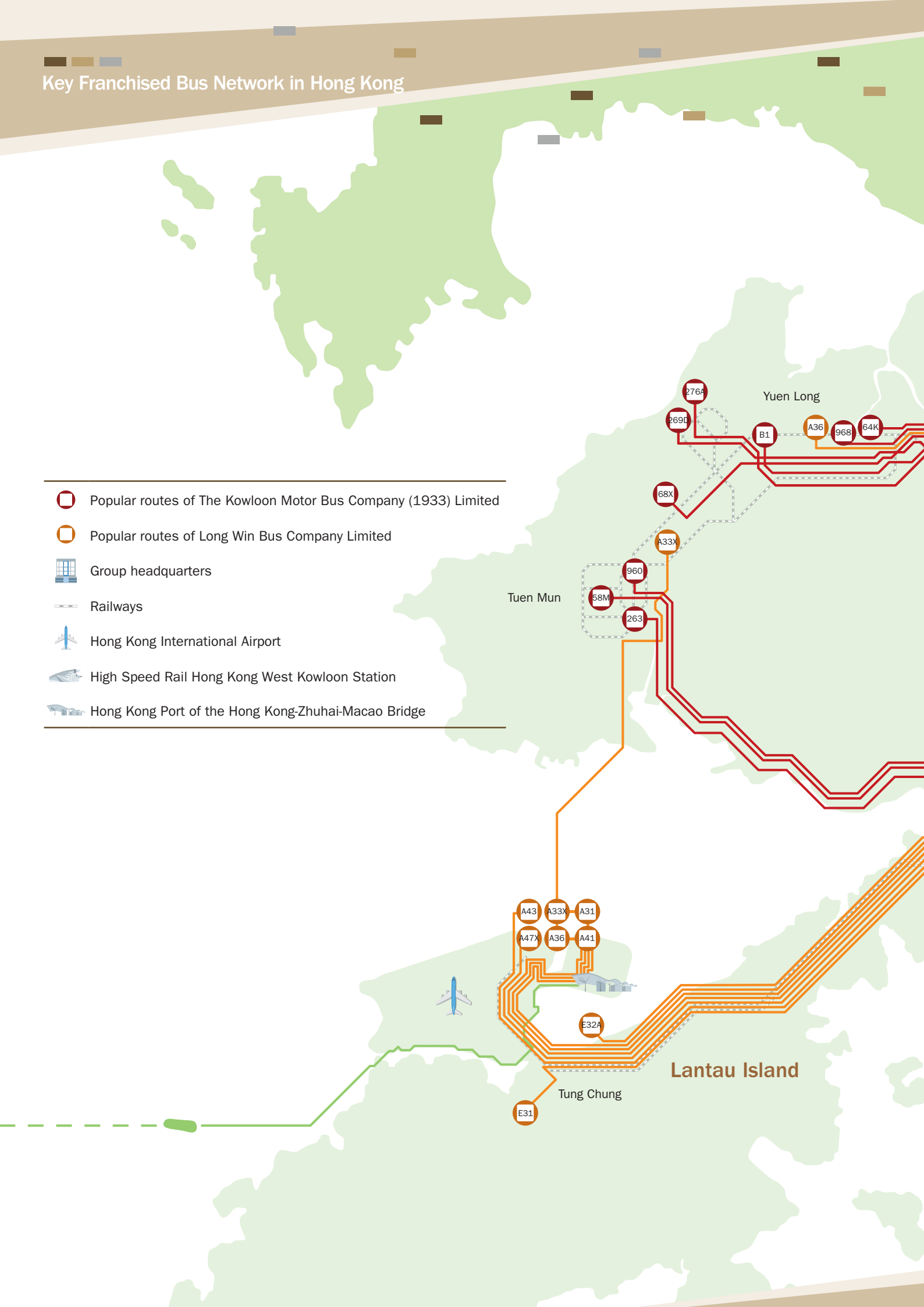
KT Real Estate Limited

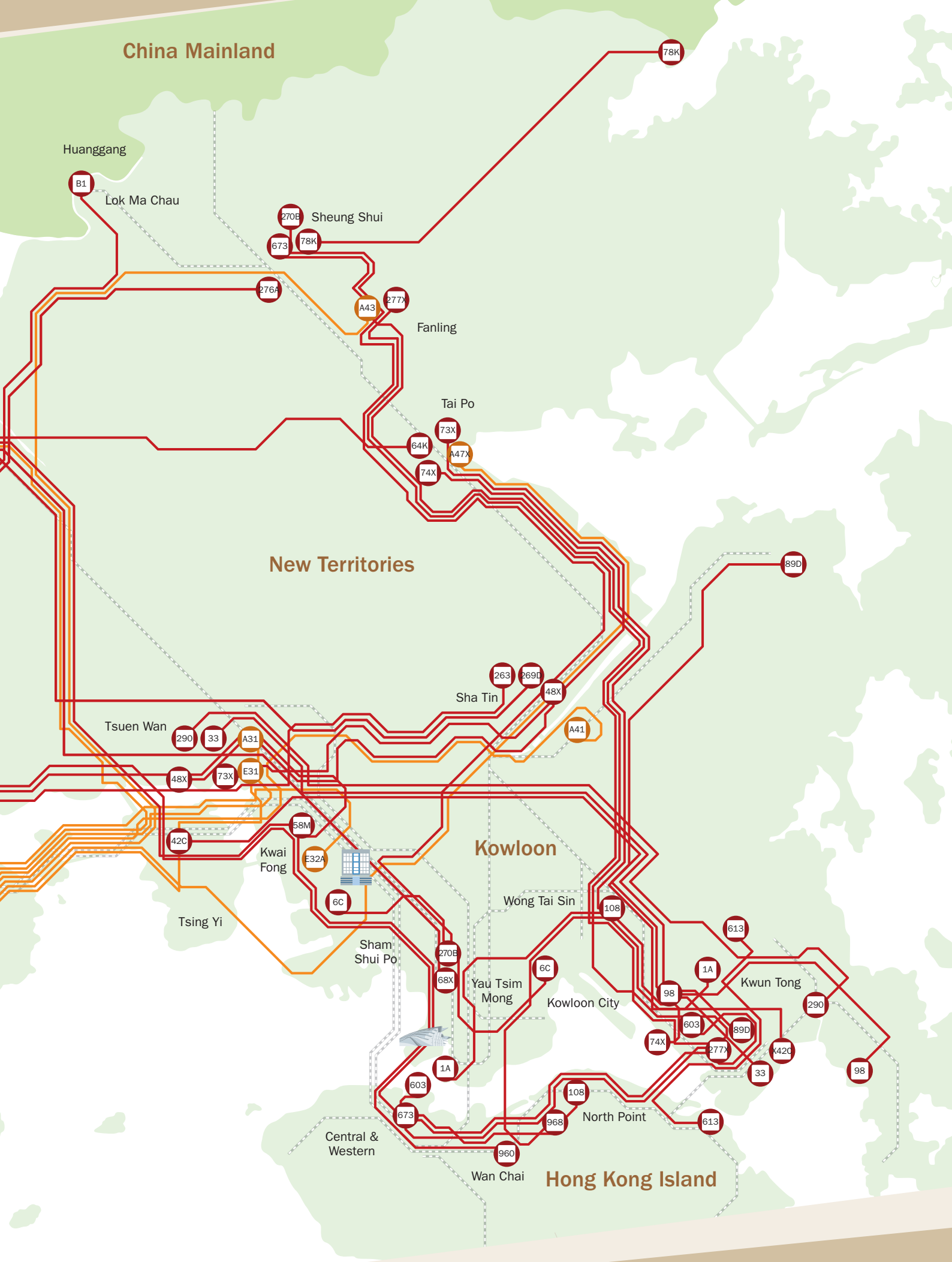
owns a 50% interest in the site at Kwun Tong Inland Lot No. 240 at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong.



Key Franchised Bus Network in Hong Kong

-  Popular routes of The Kowloon Motor Bus Company (1933) Limited
-  Popular routes of Long Win Bus Company Limited
-  Group headquarters
-  Railways
-  Hong Kong International Airport
-  High Speed Rail Hong Kong West Kowloon Station
-  Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge





Financial and Operational Highlights

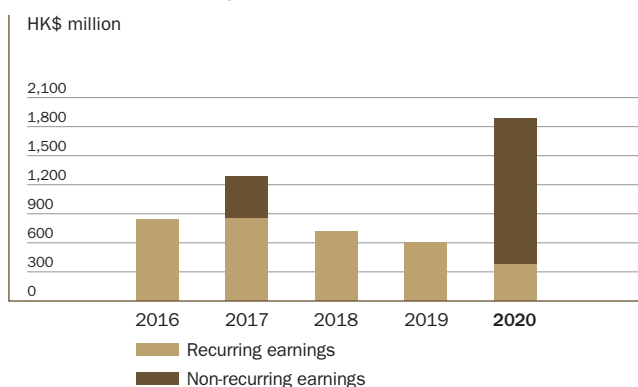
For the Year Ended 31 December 2020

	Unit	2020	2019	Increase/ (Decrease)
Financial Highlights				
Revenue	HK\$ million	6,190.9	8,112.2	(24%)
– Fare revenue	HK\$ million	5,862.0	7,818.9	(25%)
– Media sales revenue	HK\$ million	256.0	226.3	13%
– Gross rentals from investment property	HK\$ million	72.9	67.0	9%
Profit attributable to equity shareholders of the Company (Note)	HK\$ million	408.6	605.3	(33%)
Earnings per share (Note)	HK\$	0.90	1.38	(35%)
Ordinary dividends per share	HK\$	0.50	1.00	(50%)
Total equity attributable to equity shareholders of the Company	HK\$ million	13,186.3	10,971.7	20%
Total assets	HK\$ million	19,301.6	16,717.4	15%
Net borrowings	HK\$ million	788.8	1,250.7	(37%)
Net finance income	HK\$ million	49.7	55.2	(10%)
Cash generated from operations	HK\$ million	1,187.3	1,378.3	(14%)
Key Financial Ratios				
Profit margin (Note)		6.6%	7.5%	(12%)
EBITDA margin (Note)		20.1%	20.9%	(4%)
Return on equity attributable to equity shareholders of the Company (Note)		3.1%	5.5%	(44%)
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)	Times	0.1	0.1	(48%)
Total borrowings/EBITDA (Note)		2.5	1.6	56%
Current ratio		1.1	1.9	(43%)
Dividend cover (Note) (ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)	Times	1.8	1.4	29%
Share price per share at year-end	HK\$	14.98	20.20	(26%)
Market capitalisation at year-end	HK\$ million	6,858.20	9,028.20	(24%)
Operational Highlights				
Hong Kong Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	2.20	2.93	(25%)
Number of licensed buses at year-end		4,250	4,360	(3%)
Number of staff at year-end		12,863	12,907	(0%)
Average number of staff per licensed bus at year-end		3.03	2.96	2%
Hong Kong Non-franchised Transport Operations:				
Number of licensed buses at year-end		405	405	–
Number of staff at year-end		448	536	(16%)
China Mainland Transport Operations:				
Number of licensed buses at year-end		5,975	5,987	(0%)
Number of taxis and vehicles for rental at year-end		10,118	10,568	(4%)

Note: Excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site.

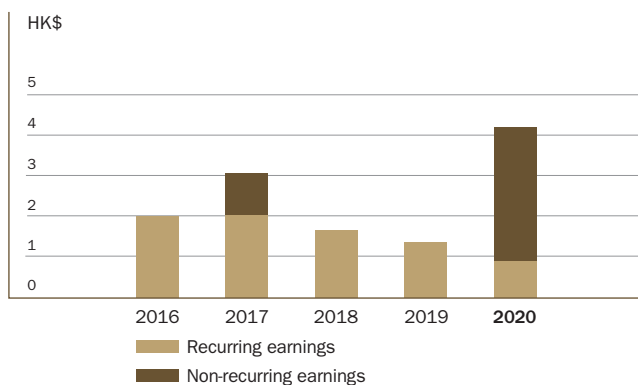
Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders for 2020 was HK\$1,904.1 million



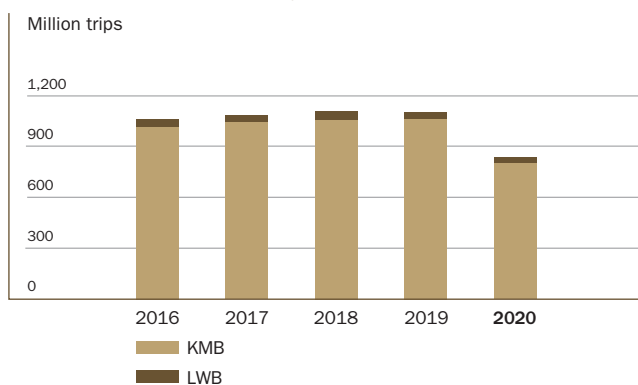
Earnings per Share

Earnings per share for 2020 was HK\$4.21



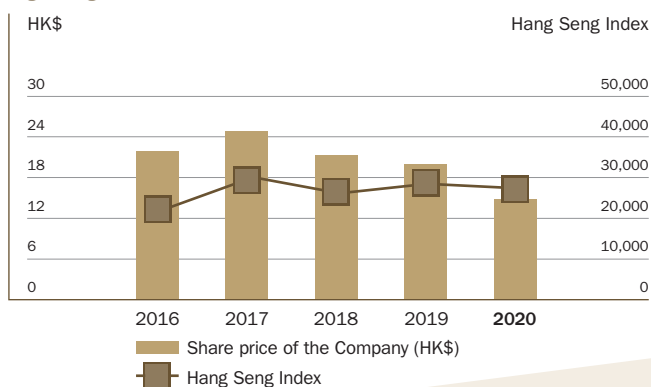
Number of Passenger Trips (Franchised Public Bus Operations)

The number of passenger trips in 2020 was 805.7 million, down from 1,068.7 million in 2019



Share Price of the Company and Hang Seng Index at Year-end

The closing share price of the Company at 2020 year-end was HK\$14.98 per share, down 26% compared to that of 2019 year-end



January

KMB Fare Saver Scheme discount increased to HK\$4

KMB upgraded the KMB Fare Saver Scheme. After taking the first KMB trip, passengers can tap their Octopus Card at the kiosk and take a second KMB trip within the same business day with a HK\$4 fare discount in total.



February

KMB and LWB introduced multiple anti-epidemic measures



To cope with COVID-19, KMB and LWB enhanced the cleaning of bus compartments and air-conditioning systems and were the first franchised bus companies to clean

their compartments with medical-grade disinfectants. Hand sanitiser gel and disinfection carpets were also installed to protect the health of employees and passengers.

March

TIH set up production line for masks to protect staff members' health

TIH invested in setting up a cleanroom which meets ISO Class 8 under ISO14644-1 for the production line of masks at Tuen Mun.



March

KMB retrofitted double-deck bus window vents to increase ventilation

KMB retrofitted some double-deck bus window vents to increase ventilation and lower the risk of infection.

August

TIH distributed face masks to subdivided unit households, the homeless and the disabled

In collaboration with a number of voluntary organisations, TIH donated masks to people in need to help ease their financial burden and fight the virus together.

July

KMB and LWB introduced long-lasting smart coating technology

Working with local university and research institutions, KMB and LWB adopted long-lasting smart coating technology to kill viruses and bacteria and medically disinfect their bus fleets.



June



KMB and LWB introduced GreenRoad system to provide assistance to bus captains

The GreenRoad system, integrated with a Global Positioning System (GPS) and a patented programme, gave bus captains real-time feedback to enhance their driving safety performances.

May

LWB introduced first diversified e-Payment system for bus fares



LWB introduced the first diversified e-payment system for bus fares in Hong Kong. Passengers can pay the bus fare through contactless credit card, e-wallets or QR code payment.

April

KMB launched Monthly Pass Wow Reward

KMB launched the Monthly Pass Wow Reward to give back to passengers. Passengers who purchased the Pass or extended its expiry date can earn complimentary gifts.

August

KMB introduced the first Regional Two-way Sectional Fare Scheme in Northwest New Territories

KMB adopted a Regional Two-way Sectional Fare Scheme for 17 bus routes serving Yuen Long, Tuen Mun and Tin Shui Wai. Passengers can get off the bus and tap their Octopus card to enjoy a fare rebate.



September



KMB introduced Platform Numbering System to offer passengers an easier way to locate bus stops

KMB assigned platform numbers at bus stops in Kwun Tong and Tseung Kwan O Tunnel Interchange (Tseung Kwan

O-bound) to make it easier for passengers to find the right routes and locate the bus stops.

October

KMB and LWB launched FUN Redemption Scheme



KMB and LWB introduced the new rewards scheme "KMB x LWB FUN Redemption Scheme". After registering their Octopus card via App1933, passengers can earn points while taking KMB and LWB bus rides and redeem delicate gifts.

October

KMB donated tailor-made bus stops and enhanced Service Hotline to help find missing elderly

To take care of the elderly suffering from Dementia, KMB donated tailor-made bus stop poles to homes for the elderly, and set up a shortcut key in its Customer Service Hotline to help family members find missing elderly people.



December

Six LWB routes travel via Tuen Mun-Chek Lap Kok Tunnel

To provide a faster and cheaper bus service for Tuen Mun, LWB routes were diverted to the new Tuen Mun – Chek Lap Kok Tunnel. The new Route A34 was also put into service to connect Hung Shui Kiu and the Airport.



December

Redevelopment plan of Tuen Mun property

TIH shareholders approved the redevelopment plan of a property located at 1 Kin Fung Circuit, Tuen Mun. With an estimated total floor area of approximately 105,000 square feet, the property will serve the purpose of generating rental income from leasing office and retail space and establishing long-term and stable income sources.

November

KMB set up Fare Saver Kiosk in shopping malls

KMB installed KMB Fare Saver Kiosks in shopping malls. By tapping their Octopus card before getting on the bus, passengers can enjoy a HK\$2 fare rebate.

November



KMB introduced 3 different kinds of ASTM LEVEL 2 certificated surgical masks

KMB masks obtained ASTM Level 2 certification and introduced three different sizes of surgical masks for adults, juniors and kids to cater for all family needs.

October

Tseung Kwan O Tunnel Interchange launched and KMB introduced LOHAS Park Express Rt.98

After the opening of Tseung Kwan O Tunnel Interchange (Tseung Kwan O-bound), nine KMB routes ran via the interchange, including the newly-introduced Route 98, enhancing the road network and traffic situation in Tseung Kwan O.



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



Dear Shareholders,

On behalf of the Board of Directors, I would like to report that the Group's profit attributable to equity shareholders for the year ended 31 December 2020 was HK\$1,904.1 million, an increase of HK\$1,298.8 million compared to 2019, in which HK\$1,495.5 million was attributed to the recognition of non-recurring gains arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80. Excluding such non-recurring gains, the profit attributable to equity shareholders for 2020 would have been HK\$408.6 million, representing a decrease of HK\$196.7 million compared to that for 2019.

Dividends

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

Financial Performance in 2020

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

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

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

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

Coronavirus Led to a Plunge in Passenger Numbers

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

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

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

With TIH Masks We Fight Against COVID-19 Together

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

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

Adopting Multiple Enhancement Measures to Safeguard Health

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

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

Striving Ahead with Caring Services

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

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

Introducing Advanced Technology to Enhance Safety

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

Attaching Great Importance to Talents with Caring Mentorship

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

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

Caring Community with Actions

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

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

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

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

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

Challenges and Opportunities

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

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

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

Acknowledgment

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

Norman LEUNG Nai Pang

Chairman

18 March 2021

I would like to express my heartfelt gratitude to shareholders, passengers, and Hong Kong people for their long-lasting support.



Forging Ahead in Adversity

An unprecedented COVID-19 pandemic has led to a long-term halt in the global economy, society, and humanities activities. Profound and far-reaching changes have been brought to the entire world, and Hong Kong is no exception. TIH, the “Heartbeat of the City”, has encountered major challenges in business. In the face of a continuous reduction in public activities and an unforeseeable future regarding the recovery of travel demand, the business of KMB and LWB was hard hit. The overall ridership of KMB and LWB dropped 24% and 38% respectively in 2020. The decline in travel, as expected by the market, has become a “new normal” and the ridership will remain low over a period of time. With an unrelenting effort, however, the Group’s management continued to adopt measures for saving resources and explore new room for development in the face of adversity, including the introduction of recreational routes to ensure the stability of our operations. In the future, we will strengthen the interaction between passengers and staff, learn the needs of the market, and embrace the post-COVID-19 era.

By observation during the pandemic period, passengers have attached greater importance to the cleanness and hygiene of public transport. The cleanness of the compartment has a direct influence on passengers’ confidence in choosing transport mode. We believe that passengers’ higher expectations of hygiene standards in public transport will continue to grow in the post-COVID-19 era. Therefore, as early as last March when the pandemic was at an early stage, KMB adopted a series of measures to enhance the cleanliness of bus compartments and added windows for ventilation on buses. These measures will continue and be enhanced in a timely manner. In view of the requirements regarding the wider standing space of buses, we have also purchased 34 new buses in addition to our recurring bus purchase plan to provide a more comfortable riding space for passengers. These buses are on order for delivery during the second half of 2021.

Also, the travelling pattern of passengers has changed. It is anticipated that the global pandemic situation will remain volatile. While people are reluctant to travel, we foresee a potential demand for domestic consumption and local tourism from residents staying in the city. Patronage of some routes to the countryside has performed well. The Group will keep a close eye on these new demands from local passengers. To meet their needs, we will continue to approach relevant governmental departments for route exploration and adjustment.

I strongly believe that, by utilising new technology wisely, even an “old-economy” company can bring new momentum to its business. KMB and LWB have proactively cooperated with the government and promoted various measures under Tamar’s Hong Kong Smart City Blueprint. Last year, we took the initiative to install an e-payment system on the LWB fleet and certain KMB routes. In the future, we will carry out a thorough study on the full implementation of e-payment for all KMB buses to provide passengers with more convenient payment choices.

It is in line with the company’s development to make good use of green technology. As we strive to include more electric buses in our fleet, KMB has made a private purchase of 15 single-deck electric buses to add to its fleet of various electric buses that are currently in operation. To align with the government’s green policy, the company has also purchased double-deck electric buses with government subsidy. We are fully aware of the pivotal role that the bus, especially electric bus, plays in synergy with the railway. The public transport strategies for the government’s new development areas at Kai Tak and Hung Shui Kiu/Ha Tsuen are a case in point. According to information published by the authority, the government is planning to build a brand new eco-friendly transport system which includes automative transport system, a green bus system and a modern tramway. KMB, as a pioneer in promoting electric buses in Hong Kong, will spare no efforts to go in line with the development plan. In the future, we will also provide support in aspects such as ancillary facilities at depots and bus stops.

On the other hand, the Group is exploring possible applications of new energy. While KMB and LWB have installed solar panels at multiple depots across the territory, we will continue to look into the feasibility of installing the same equipment at satellite depots. With solar panels installed at some buses and bus stops, the Group hopes that these measures will gradually help Hong Kong reach the goal of zero-emission.

Road traffic and public transport are closely associated with Hong Kong’s housing policy. While the upcoming development in areas such as Northeast New Territories and Yuen Long South can provide a sizeable residential supply, the railway network in these districts is unlikely to cope with the substantial traffic demand in the short and medium term. Besides, multiple new infrastructure projects, including the opening of the Tuen Mun-Chek Lap Kok Tunnel and the Central Kowloon Route (under construction), have demonstrated that land transport is playing an active role in these communities. KMB and LWB will seize every opportunity to grow riding on these new projects, which we believe will propel the company’s growth in the future.

In the past two years, Hong Kong was impacted by social incidents and the COVID-19 pandemic. The economy remained weak, and the unemployment rate was high. Despite the fact that the business environment may remain difficult for a period of time, all TIH members continue to strive to serve the public of Hong Kong. On behalf of the company, I would like to express my heartfelt gratitude to shareholders, passengers, and Hong Kong people for their long-lasting support. Even at the height of the pandemic, I felt reassured when I saw red double-deckers travelling through deserted streets. I hope KMB is providing not only bus service but also bringing to every one of you motivation, cheer, and hope. “Even the darkest night will end and the sun will rise.” Let us equip ourselves and be strong and agile for the recovery ahead.

Roger LEE Chak Cheong
Managing Director
18 March 2021

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited are major franchised public bus operators in Hong Kong providing safe, reliable, high quality, environment-friendly, value-for-money bus services in Kowloon, the New Territories, Hong Kong Island and Lantau Island.

China Mainland Transport Operations

The Group has investments in transport service operators in Shenzhen and Beijing as part of its strategy of leveraging transport-related business opportunities in China Mainland that offer a reasonable return.

Hong Kong Non-franchised Transport Operations

The Group's non-franchised transport operations offer transport services to a wide range of customers, including business commuters, tourists, shoppers, students and residents of large residential estates, as well as providing chartered hire services and cross-boundary shuttle bus services.

Property Holdings and Development

The Group has a portfolio of investment properties which provides steady rental income for the Group.

BUSINESS REVIEW

The Group's core business is the provision of franchised public bus services in Hong Kong by means of its flagship subsidiary, The Kowloon Motor Bus Company (1933) Limited ("KMB"), and Long Win Bus Company Limited ("LWB"). The Group also offers non-franchised tailor-made transport services for a wide range of customers in Hong Kong and a 24-hour cross-boundary shuttle bus service serving commuters and leisure travellers between Lok Ma Chau and Huanggang through Sun Bus Holdings Limited and its subsidiaries (the "SBH Group") and New Hong Kong Bus Company Limited ("NHKB") respectively. Holding a 35% interest in a Shenzhen joint venture and a 31.38% interest in two Beijing joint ventures, the Group operates public bus, taxi and car rental services in Shenzhen and Beijing respectively. The Group also holds a portfolio of properties for investment and development purposes.

The business review of each business operation is set out on pages 20 to 39 of this Annual Report. The prospects of the Group's businesses are discussed in the Chairman's Letter on pages 12 to 15 and in the Managing Director's Message on pages 16 to 17 of this Annual Report.



Key Risks and Uncertainties

The Group's businesses face a number of key risks and uncertainties, including those set out below. It should be noted that the following is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risk areas outlined below.

Regulatory Environment and Government Policies

A substantial part of the Group's revenue is generated from franchised public bus operations. As a result, changes in government transport policy and regulations, such as the Public Bus Services Ordinance (Cap 230) and the Public Bus Services Regulations (Cap 230A), may have a significant impact on the Group's operating results and financial conditions in either the short or the long term. Proposals for a fare increase are subject to the approval of the HKSAR Government, taking into account a basket of factors, including public acceptability and affordability, which may not align with the financial conditions of the franchised bus companies. There is no guarantee that a fare increase of a sufficient magnitude will be granted in time to enable the franchised bus companies to offset rising overheads and costs. The inflexibility inherent in this arrangement may have an adverse impact on the financial condition of the Group in an inflationary environment.

Fuel Prices and Other Financial Risks

Fuel represents a major component of the Group's cost structure. Volatility in fuel prices may affect the financial stability of the Group. In addition, the Group's activities are exposed to various financial risks, including foreign currency, interest rate, credit and liquidity risks, which are discussed in the Financial Review on pages 94 to 109 of this Annual Report.

Unexpected Events and Natural Disasters

The operations of the Group's businesses may be subject to the impact of unexpected events, such as the COVID-19 pandemic, prolonged electricity outages at depots or large-scale road blockages over an extended period of time. While the Group has implemented an effective Business Continuity Plan ("BCP") to deliver quality transport services in all circumstances, its operations may still be adversely affected by natural disasters and severe weather conditions, including floods and typhoons.



»»» Hong Kong Franchised Public Bus Operations

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

KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving more than 2.8 million passenger-trips each day¹. A workforce of more than 12,700 employees, including some 9,000 bus captains, ensures that customers enjoy high-quality services on a fleet of around 4,000 buses operating on 417 routes.





KMB has been taking the lead in implementing the use of innovative technology in our bus fleet and providing a safe, efficient and comfortable bus service

COVID-19 Impact

It has been a challenging year for the whole community in view of the outbreak of COVID-19 in 2020. In line with a plunge in demand, measures were carried out to ensure that resources be efficiently utilised. With the Transport Department's approval, the bus service levels have been adjusted to meet the actual demand.

Operational Excellence

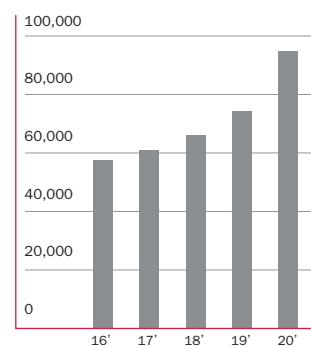
As an industry leader with operational and service excellence, KMB has been providing reliable franchised bus services in Hong Kong for some eighty years. In fulfilling the company's aim to achieve the highest operational and service standards, KMB has been ISO certified for Quality Management Systems (ISO9001) since 1999. KMB adopted the latest version of ISO9001 in 2018 and has been ISO certified for Environmental Management Systems (ISO14001) at its two largest depots since 2003. KMB has also been accredited with Occupational Health and Safety Management System (OHSAS18001:2007) certification for all its depots since 2012. To further improve occupational health and safety, KMB has migrated from OHSAS18001:2007 to ISO45001 certification for Occupational Health and Safety Management Systems for all its depots since 2019.

"Mechanical Reliability" and "Operational Capability" are the key benchmarks of efficient public bus services. Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2020, the mechanical reliability of KMB's fleet was 94,551km:1. Meanwhile, Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2020, we achieved an operational capability of 93.96%.

¹ Prior to the COVID-19 pandemic

Mechanical Reliability – KMB

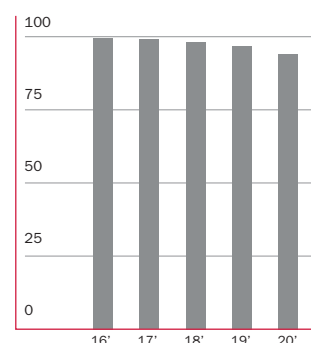
Kilometres



Average number of kilometres operated before one mechanical breakdown while passengers are on board

Operational Capability – KMB

Percent (%)



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am – 9am) in the peak direction

Note: Operational capability was affected by social distancing measures in 2020



The high maintenance standards keep our fleet in tip-top shape



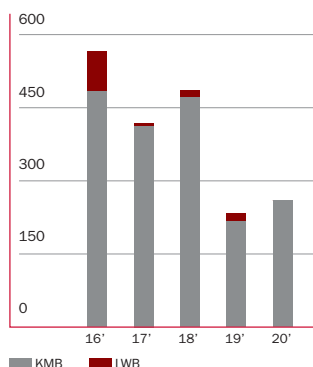
Passengers can open the ventilation windows to let fresh air into the compartment

Bus Fleet and Fleet Upgrade

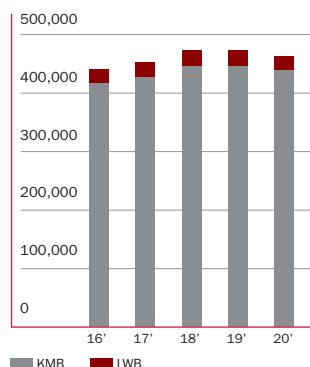
KMB shows its commitment to innovation by introducing a bus fleet equipped with technological advances and environment-friendly features for a more desirable passenger experience.

In 2020, KMB entered a new era of eco-friendly bus fleets as all its new licensed buses met Euro VI emission standards. During the year, 221 double-decker buses were licensed. The buses feature a light-directing glass window alongside the staircase connecting the two decks in place of the traditional sealed design, which creates a brighter ambience in the interior and enhances safety for passengers walking up and down. Meanwhile, new buses are also equipped with safety facilities including the Advanced Driver Assistance System, the Electronic Stability Programme and the Drowsiness Monitoring System, and all seats come with seat belts and grab handles, to ensure bus captains' and passengers' safety. Among the new buses, 192 of them are with four ventilation windows, two on each deck. Passengers can open the windows to let fresh air into the compartment.

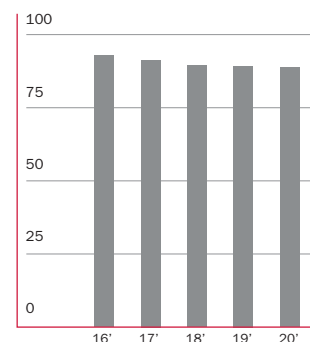
Number of New Buses Introduced to the Fleet



Total Fleet Capacity at 31 December 2020



Percentage of Actual Number of Buses Operated on the Road to Licensed Bus Fleet – KMB



Note: Operational capability was affected by social distancing measures in 2020

KMB's bus fleet	Double-deck buses	Single-deck buses	Total number of buses
As at 1 January 2020	3,938	143	4,081
Additions during year	259	0	259
Disposals during year	(331)	0	(331)
As at 31 December 2020	3,866	143	4,009

KMB continues to invest in the latest eco-friendly buses. In 2009, it became the first public bus company in Asia to introduce the Euro V double-deck buses. In 2017, it again led the industry by introducing the first diesel-powered double-deck bus with Euro VI emission standards in Hong Kong. Euro III and earlier model buses will have been completely phased out within the next five years.

In 2020, 221 Euro VI super-low floor double-deck buses were added to the KMB fleet. As at 31 December 2020, KMB operated a total of 4,009 licensed buses, comprising 3,866 double-deck buses and 143 single-deck buses. The fleet currently features three hybrid double-deck buses, ten electric single-deck buses and eight supercapacitor single-deck buses. In addition to that, 301 double-deck Euro VI buses and eight electric single-deck buses are due to be delivered in 2021.



All newly purchased KMB buses with a number of new safety features enhance safety performance

Bus Service Network

At the end of 2020, KMB operated a total of 417 bus routes. In a changing operating environment marked by railway commissioning, demographic changes and new highways, KMB reviews and rearranges its resources to cater for the changing demand. KMB strives to operate an efficient, competitive and sustainable bus network while seeking opportunities for new market growth.

In 2020, we implemented 47 route reorganisation proposals, which enhance the whole service network and bring the following benefits to the public:

- Eliminating wasteful duplication of routes;
- Allowing resources to be released for redeployment in high demand areas;
- Straightening routes that are unduly circuitous;
- Introducing new express routes that utilise the new highway infrastructure; and
- Offering greater connectivity between routes by using Bus-Bus Interchanges ("BBI").

In view of demographic changes, urban development and passenger needs, KMB introduced new routes to expand the ridership. To tie in with the completion of a residential area in Pak Shek Kok, KMB further strengthened the services of the district by introducing new peak service, Route 82D. The route takes the expressway directly to Tai Wai Station, and benefits the passengers to interchange to and from the urban areas. Meanwhile, KMB also enhanced the services of key population intake areas such as Pak Shek Kok and So Kwun Wat to meet the needs of residents in the district.



KMB strengthens the services in Pak Shek Kok by introducing Route 82D, which takes the expressway directly to Tai Wai Station



KMB provides affordable and convenient journeys for passengers, including the Monthly Pass Scheme and the first Regional Two-way Sectional Fare Scheme in Hong Kong

In response to the population intake of Fo Tan Chun Yeung Estate, KMB launched new Routes 285 and 285A serving Sha Tin Central and Fo Tan Station, facilitating passenger travel within the district. Extension of Route 48P to the newly opened estate is enhanced in order to provide express bus service for passengers in the morning and evening peaks.

To continually improve services and strengthen the transport network, KMB introduced different express services. For example, more special morning departures connecting Tai Po and Hong Kong Island (including Routes 907B and 907C) have been introduced to provide speedier alternatives for passengers.

New Interchange Hub

Riding on the success of various bus-bus interchange hubs such as Tuen Mun Road Interchange or Tai Lam Tunnel Interchange, Tseung Kwan O Tunnel Interchange (Tseung Kwan O-bound) has been introduced since 2 October 2020, as KMB runs a total of nine routes via the interchange.

In particular, KMB introduced LOHAS Park Express Service Route 98, providing more convenient feeder bus service for LOHAS Park residents and those who work at Tseung Kwan O Industrial Estate. Passengers of Route 98 can enjoy bus-bus interchange discount with 65 routes in KMB network by interchanging at Tseung Kwan O Tunnel Interchange and Kwun Tong Road Interchange. Special wayfinding signages have also been set up in these interchanges to assist the passengers.

Two-way Sectional Fare

KMB launched the first Regional Two-way Sectional Fare Scheme in Hong Kong on 8 August 2020. The scheme includes 17 routes serving Northwest New Territories, with such passengers could save HK\$14.10 at most for each journey.

In the past, only individual routes allowed passengers to tap the Octopus cards in the compartment before getting off the bus, so as to implement two-way sectional fare. KMB has overcome physical constraints by installing card readers at the bus stops with electricity supply, making it possible for regional two-way sectional fare. This not only provides passengers with choices and comfortable bus service, but also eases the burden of public transport.



A green icon is installed, allowing passengers to recognise the card reader's location under the Regional Two-way Sectional Fare Scheme



KMB Monthly Pass Scheme has been well-received since its launch. Passengers may also buy it through App1933



KMB Monthly Pass

KMB continues to enhance its service by providing affordable and convenient journeys for passengers. KMB launched the Monthly Pass Scheme, whereby passengers can take ten rides per day on KMB buses for HK\$780 (and two additional trips on Route B1). The Pass covers over 400 KMB routes, including regular routes, overnight routes and racecourse routes. Jointly operated cross-harbour bus routes operated by KMB are also included in the Scheme.

The KMB Monthly Pass Scheme has been well-received since its launch. Other than purchasing from the kiosks set up at various bus termini, passengers may also buy the Pass through “App1933” (compatible with iOS since January 2020).

Rewards to passengers

Various promotion campaigns have been introduced throughout the year. A 4-week lucky draw promotion campaign was introduced on KMB Cross-harbour Routes in summer 2020. In the end, a total of 4,000 KMB Octopus cards with KMB Monthly Passes embedded were offered to the winners.

To reward our loyal customers, the company offered gifts rewards to the pass holders since March 2020. The gifts include KMB limited Octopus Card, KMB face masks and bus tickets of LWB A-Routes and KMB Route B1.

KMB and LWB introduced the new rewards scheme “KMB x LWB FUN Redemption Scheme” starting from 1 October 2020. In order to join the scheme, passengers are required to register via App1933 and travel on our services to earn points. Passengers can redeem gifts using the points accumulated at 12 designated locations in Kowloon and the New Territories.



KMB introduces a 4-week lucky draw on Cross-harbour Routes and offers 4,000 Octopus cards with KMB Monthly Passes to the winners

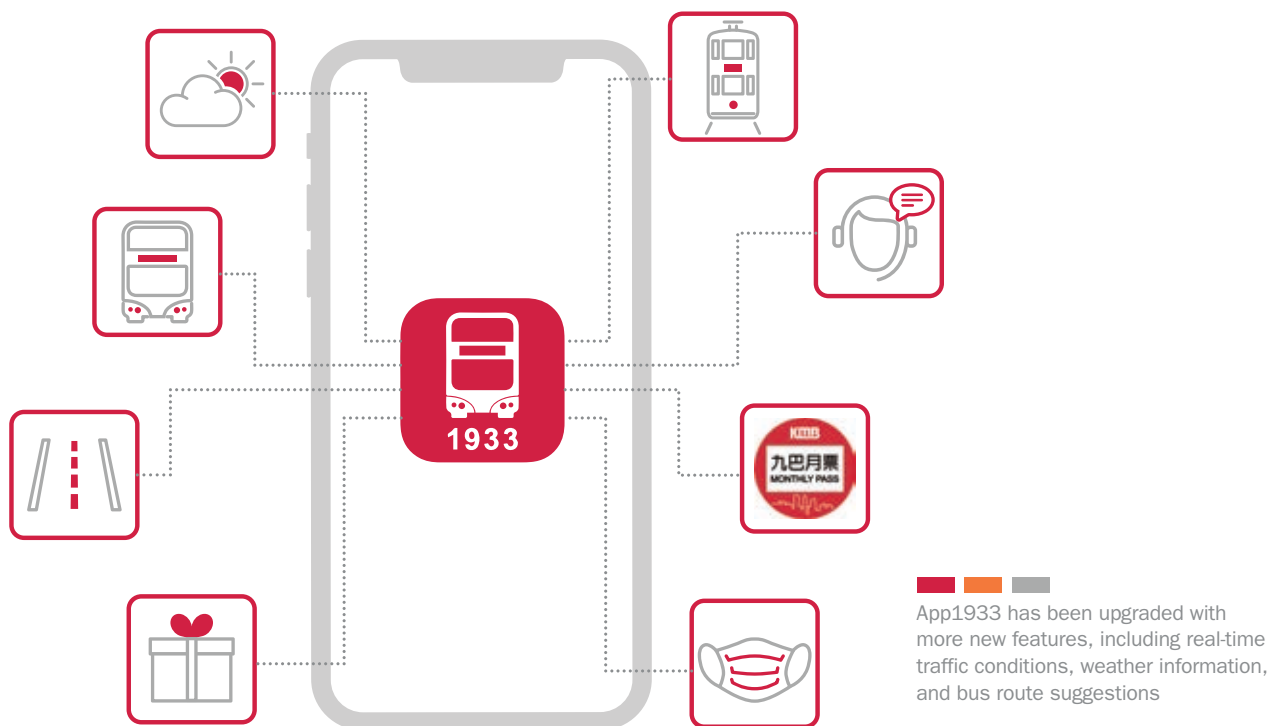
Depots

Routine maintenance and repair services are provided in KMB's four major bus depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun. In addition, there are also eleven smaller depots that supply minor maintenance services and parking. The KMB Overhaul Centre in Tuen Mun supports major overhaul services. Depot facilities are continually upgraded to ensure consistent service quality and a high level of productivity.

Major Depots Serving KMB and LWB Buses

Depot	Areas served/ Main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2020	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,088	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,160	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	850	2002	The depot land has been leased from the Government on a short term tenancy [#]
Tuen Mun Depot	West New Territories	148,961	911	1979	The depot land was acquired at public auction in 1974
KMB Overhaul Centre	Bus overhaul	380,915	NA	1983	The depot land was acquired at market price from the Government in 1979 under a Private Treaty Grant
LWB depot:					
Siu Ho Wan Depot	Lantau Island	82,422	241	1998	The depot land has been leased from the Government on a short term tenancy [#]
Total		2,749,287	4,250		

[#] Under the short term tenancy agreements, rentals are payable to the HKSAR Government at market rates.



Comprehensively Upgraded Smartphone App

Since the launch in September 2016, the new version of the KMB and LWB mobile app, App1933, has been well received by the public. Passengers may check information about bus routes and estimated time of arrivals at their fingertips.

In 2020, App1933 upgraded the Bus Estimated Time of Arrival (“ETA”) service by integrating the ETA of other franchised bus operators to make bus journey planning more comprehensive and easier for passengers. In spite of receiving nearby route information at the bus stops through Bluetooth Beacon signal, App1933 has enhanced an intrinsic location-based function to provide relevant traffic conditions, weather information and bus route suggestions based on passenger’s current location through the new “myFavourite” feature.

Application of Information Technology

The use of information technology can benefit passengers by providing bus arrival information via Estimated Time of Arrival (“ETA”) display panels at bus termini and bus stops, as well as on App1933 and the KMB and LWB websites. In addition, information technology enables KMB to manage and monitor its intricate operations with ease. These applications include the Integrated Bus Service Information Display System (IBSID), the Electronic Bus Stop Announcement System (BSAS), the Terminus Management System (TER), the Traffic Operations Management System (TOM), the Bus On-board Monitoring System (BOM) and the Operations Communications Management System (OCM).

»»» Hong Kong Franchised Public Bus Operations

Long Win Bus Company Limited (“LWB”)

LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1 June 1997. LWB’s network currently covers the Airport, Tung Chung, the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.





With the commissioning of Tuen Mun-Chek Lap Kok Tunnel, LWB enlarges the catchment within Tung Chung and Tuen Mun District

COVID-19 Impact

As LWB largely relies on tourists and related industries' transport demand, the COVID-19 pandemic has an additional impact on ridership than other franchised bus operators in the urban area. LWB has liaised with the Transport Department to reduce its service levels to meet the actual demand.

Bus Service Network

At the end of 2020, LWB operated 38 routes. Despite the decline in passenger demand in 2020 under the anti-epidemic measures, LWB continued to strengthen the bus network coverage riding on the commissioning for the new infrastructure and new residential development in North Lantau.

In conjunction with the commissioning of Tuen Mun-Chek Lap Kok Tunnel ("TMCLKT"), LWB introduced new Route A34 and rationalised five existing routes travelling between Tuen Mun and the Airport through the new tunnel. The revamped services also enlarged the catchment within Tung Chung and Tuen Mun District. In addition, new interchange hub at the TMCLKT Interchange was set up to provide a more comprehensive network. Passengers could enjoy the benefits by shortening the journey time significantly and reducing the travel expenses with the fare reduction for the routes concerned.

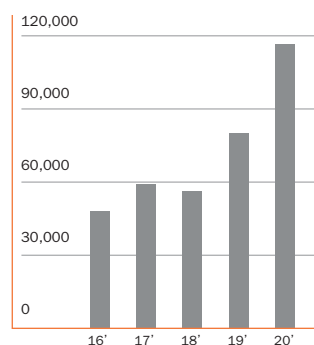
To enhance Tung Chung and the Airport's connectivity, LWB introduced a new Route S65 plying between Mun Tung Estate and the Passenger Terminal. This serves as a new option with shorter journey time for the Airport commuters living at the new residential area in Tung Chung West.

New Octopus Bus-Bus Interchange ("BBI") Schemes between three LWB routes and fifteen KMB routes with the maximum discount at HK\$5.0 in the second leg was launched. Passenger can travel between Tung Chung and the urban area in Kowloon and Hong Kong Island by interchanging at Tsuen Wan or Kwai Chung to enjoy a competitive fare for the whole journey.



Mechanical reliability – LWB

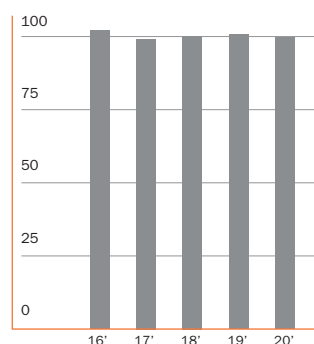
Kilometres



Average number of kilometres operated before one mechanical breakdown while passengers are on board

Operational capability – LWB

Percent (%)



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am – 9am) in the peak direction

Note: Operational capability was affected by social distance measures in 2020.

e-payment

To provide convenience for passengers, especially those overseas passengers with no access to local currency or Octopus Card upon arrival at the Airport, LWB introduced new fare collection means in March 2020 and extended to cover all LWB routes in May 2020. The new e-payment system accepts contactless payment including Mastercard, UnionPay and Visa; QR code payment like AlipayHK, Alipay, UnionPay, and mobile payment such as Apple Pay, Google Pay and Samsung Pay. In addition to collecting single trip fare, the new system also supports Bus-Bus Interchange concessions between LWB routes. The new payment method is well received by passengers, making LWB the first franchised bus company in Hong Kong to provide diversified e-payment services.

Performance Assurance

LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency should be maintained at the highest level across its bus fleet. LWB measures its operational performance by reference to two key performance indicators: mechanical reliability and operational capability. Mechanical reliability is the average number of kilometres a bus operates before it experiences a mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction in the peak hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2020, LWB achieved 116,421 km:1 in mechanical reliability and 99.60% in operational capability.

LWB obtained ISO9001:2008 Quality Management Systems certification in November 2012. LWB has adopted the latest version of ISO9001 since August 2018.

Bus Fleet and Fleet Upgrade

Owing to the drop in demand, LWB did not introduce any new buses in 2020, and transferred 38 buses to other operators. As at 31 December 2020, LWB operated 237 double-deck buses, and four electric single deck buses, all wheelchair accessible and equipped with the On-board Electronic Bus Stop Announcement System. To meet passenger demand, 61 buses are 12.8 metres in length, offering a higher carrying capacity.

Depots

The depot at Siu Ho Wan provides daily bus maintenance, refuelling, bus washing and parking for the LWB fleet. The depot is equipped with a waste water treatment system to ensure that waste water quality should comply with the statutory requirements before discharging into the public drainage system.

LWB's bus fleet	Double-deck buses	Electric single-deck buses	Total number of buses
As at 1 January 2020	275	4	279
Additions during year	0	0	0
Disposals during year	(38)	0	(38)
As at 31 December 2020	237	4	241



LWB always provides convenient and innovative service for passengers. We have launched the first diversified e-payment system in Hong Kong

Safety and Customer Service

Regular and thorough inspections of LWB's buses are undertaken to make sure that they should be maintained at the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, while safety briefings are held from time to time and safety reminders circulated to bus captains. To enhance driving safety, there are Drowsiness Monitoring System and Advanced Driver Assistance System installed on LWB buses, both of which give early warning to bus captains and assist with their driving performance. In addition, the LWB customer service and airbus ticket offices at Hong Kong International Airport's Ground Transportation Centre and the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge offer e-payment methods to provide more choices for passengers and tourists.

Environmental Protection

LWB is fully aware of the importance of environmental protection, as it continues to invest in eco-friendly buses to meet the stringent emission standards of the European Council of Environmental Ministers. With the transfer of 38 buses away, the proportion of Euro V or electric buses in its fleet is currently over 85%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro III buses to reduce the emission of particulates.

The electrostatic air filtration function in the air-conditioning system of LWB buses significantly improves the air quality in the bus compartment. The Eco-driveline system reduces both fuel consumption and exhaust emissions.



Professional bus repair and maintenance services minimise emissions and waste disposal

»»» Hong Kong Non-franchised Transport Operations

Sun Bus Holdings Limited and its Subsidiaries (the “SBH Group”)

As a leading non-franchised bus operator in Hong Kong, the SBH Group provides premium, safe, reliable and economical transport services to different customers.





Led by its flagship subsidiary, Sun Bus Limited (“Sun Bus”), the SBH Group offers a range of bus services designed for specific market segments, including large residential estates, shopping malls, corporations, travel agents and schools, as well as catering for the general public through chartered hire services.

During the year, the outbreak of COVID-19 cast a significant impact on the transport industry. The suspension of schools, the work-from-home arrangements adopted by government departments and private companies, and the contraction in tourism have led to a dramatic decrease in ridership. SBH Group has taken a series of measures to strengthen the epidemic prevention, and demonstrated high flexibility to fulfil customers’ expectation through value-added services, tailoring its service to exceed customers’ expectation. To maintain social distance, we have upgraded vehicle size and designed a flexible timetable to fit in a work-from-home arrangements.

At the end of 2020, the SBH Group had a fleet of 390 buses and continued its fleet upgrade programme by introducing eco-friendly buses and a wider application of technology. In 2021, five Euro VI super-low-floor double-deck buses will be deployed to keep the fleet’s average age below six years. These new buses will be equipped with detective safety technology, driver monitoring system, and seat belts on all seats to enhance safety performance. The SBH Group is committed to continuously strengthening all aspects of its management and operations, as well as to building a reputable brand with customers.



Sun Bus has upgraded vehicle size and designed a flexible timetable to fit in a work-from-home arrangements

»»» Hong Kong Non-franchised Transport Operations

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates with its Shenzhen counterpart a direct, value-for-money, 24-hour cross-boundary shuttle bus service known as the “Huang Bus”, catering to regular commuters and those travelling for leisure between Lok Ma Chau, Hong Kong and Huanggang, Shenzhen.





NHKB continues to undertake regular and thorough checks and maintenance to maintain its operational and safety performance at the highest standards

In response to the COVID-19 pandemic, the HKSAR Government has taken measures to reduce people flow and social contacts. The Lok Ma Chau Port has been closed since 4 February 2020. As such, this year saw a decline in the demand for cross-boundary bus service, with patronage plummeting from 3.44 million passenger-trips in 2019 to 0.4 million passenger-trips in 2020.

Notwithstanding the temporary decline in patronage, the demand for cross-boundary bus service is expected to grow in line with the more substantial social and economic ties between Hong Kong and China Mainland, as the demand for cross-boundary bus service remains strong. NHKB will continue to undertake regular and thorough checks and maintenance to maintain its operational and safety performance at the highest standards. Once the border reopens, NHKB's fleet of 15 air-conditioned super-low floor single-deck buses will resume its 24-hour shuttle bus service to maintain itself as the preferred means of transport for cross-boundary travellers seeking convenience and quality service.



NHKB takes the strain out of cross-boundary travel

»»» China Mainland Transport Operations

The Group has investments in transport service operators in Shenzhen and Beijing as part of its strategy of leveraging transport-related business opportunities in China Mainland that offer a reasonable return.



Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SZBG”)

SZBG 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 Mainland investors. The Group has a 35% interest in SZBG.

SZBG has been operating public bus and taxi services in Shenzhen since 2005. SZBG has a fleet of over 5,900 buses, operating on more than 300 routes and more than 5,000 taxis. Owing to the outbreak of COVID-19 in early 2020, the number of patronage of SZBG including its bus and taxi operation decreased by 31.7% to 487.0 million in 2020 as compared to 713.3 million in 2019. A gradual improvement has been seen in the number of patronage since July 2020 as the COVID-19 pandemic has been successfully contained.

As one of the largest electric vehicle operators in China holding ISO9001:2008 certification for the provision of bus transport services in Shenzhen, SZBG is dedicated to upgrading its services and maintaining its business edge.

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) (“BBKT”)

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, holds an equity interest of 31.38% in BBKT – the first Sino-foreign joint stock company to enter China Mainland’s taxi hire and car rental sector when it was established in 2003.

BBKT operated both taxi hire and car rental businesses until April 2013, in order to sharpen its focus on the business opportunities provided by the booming but challenging car rental market, it spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Bezique First Company Limited (北京北汽福斯特股份有限公司).

With a fleet of more than 3,700 taxis, BBKT continues to put service quality first as it explores sustainable new business opportunities.

Owing to the outbreak of COVID-19, the performance of BBKT dropped significantly in early 2020 but has gradually improved since the last quarter of 2020.

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 that of BBKT, BBF operates the car rental business formerly undertaken by BBKT.

BBF has more than 1,100 vehicles available for charter, mainly serving Beijing (北京) and Tianjin (天津). With ISO9001:2008 certification for quality management systems in 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.



BBKT continues to provide excellent service

Property Holdings and Development

The Group has a portfolio of investment properties which provides steady rental income for the Group.



LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of TIH, is the owner of the Group’s headquarters building in Lai Chi Kok.

LCKRE owns the 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. Approximately 12% of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to offices, shops and restaurants.

LCK Commercial Properties Limited (“LCKCP”)

LCKCP, a wholly-owned subsidiary of TIH, is the owner of Manhattan Mid-town, the commercial complex of Manhattan Hill.

LCKCP owns Manhattan Mid-town shopping mall, the two-level high-end retail podium at Manhattan Hill. The 50,000 square feet shopping mall provides Manhattan Hill residents and other shoppers with high quality retail facilities. At the end of 2020, the entire lettable area of the shopping mall was leased out, generating recurring rental income for the Group.

KT Real Estate Limited (“KTRE”)

KTRE, a wholly-owned subsidiary of TIH, and Turbo Result Limited (“TRL”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), own Kwun Tong Inland Lot No. 240 (the “Kwun Tong Site”) at 98 How Ming Street, Kowloon, as tenants in common in equal shares.

Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP, was appointed as the project manager to oversee the development of the Kwun Tong Site. In 2016, the Kwun Tong Site was granted of lease modification from industrial to non-residential use (excluding hotel, petrol filling station and residential care home).

Yee Fai Construction Company Limited, a subsidiary of SHKP, was engaged to carry out and complete the construction works for the Kwun Tong Site in February 2019. The foundation work of Kwun Tong Site was completed in 2019. The basement, superstructure and office tower construction works are underway. The occupation permit is expected to be obtained in 2022.

TM Properties Investment Limited (“TMPI”)

TMPI is jointly owned by TM Properties Holdings Limited (“TMPIH”), an indirect wholly-owned subsidiary of TIH, and Mega Odyssey Limited (“MOL”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPIH’s 50% equity interest in TMPI to MOL on 29 December 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 TIH.

TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI will apply to relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. At the end of 2020, the entire lettable area of the property has been leased out to generate rental income for the Group.



Manhattan Mid-town located in Kowloon within easy reach of Hong Kong Island and Hong Kong International Airport by road or rail

The Group’s Property Holdings and Development

Property	Usage	Total Gross Floor Area (square feet)	Group’s Interest %	Remarks
TIH Headquarters Building, 9 Po Lun Street, Lai Chi Kok, Kowloon	Office/Shops	156,700	100	The site was acquired at market price through private purchase in 1955
Manhattan Mid-town, 1 Po Lun Street, Lai Chi Kok, Kowloon	Shopping Centre	50,000	100	The site, acquired at market price through private purchase in 1955, was redeveloped and opened in 2009
Kwun Tong Inland Lot No. 240, 98 How Ming Street, Kwun Tong, Kowloon	Retail/Office (Note 1)	1,150,000	50	The site was acquired at public auction in 1967
Tuen Mun Town Lot No.80, 1 Kin Fung Circuit, Tuen Mun, New Territories	Industrial/Godown (Note 2)	105,364	50	The site was acquired at public auction in 1974

Notes:

1. Kwun Tong Inland Lot No.240 is under development.
2. The Group disposed 50% equity interest in TMPI, which holds the Tuen Mun Town Lot No. 80 site, in 2020.

»»» About the Report



Over **82%**
of bus fleet at Euro V
standard or above



Over
22,000
voluntary hours



17.1
Average training hour per
employee



Over **16%**
of the total workforce with
minority and disabled
staff and retiree



Reporting Focus

This is the 2020 Sustainability Report (“this Report”) of Transport International Holdings Limited (“TIH”). This Report highlights the significant environmental and corporate social responsibility performance and sustainability achievements of the Hong Kong franchised public bus operations provided by two of TIH’s wholly-owned subsidiaries, namely The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”). Operating in Hong Kong, these two companies represent the significant business operations of TIH. This Report covers the reporting period from 1 January to 31 December 2020.

There were no significant changes with regard to TIH’s size, structure, ownership or supply chain during the reporting period. In this Report, data and statistics are presented as absolute figures and are normalised into comparable terms as far as possible. Unless otherwise stated, data and statistics in this Report cover the performance of KMB and LWB during the entire reporting period. There is no specific limitation on the scope and boundary of this Report in respect of KMB and LWB’s operations.

Reporting Principles

The TIH 2020 Sustainability Report was prepared in accordance with the Core Option of the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) and the Environmental, Social and Governance Reporting Guide (“ESG Guide”) issued by the Hong Kong Exchanges and Clearing Limited (“HKEX”) and based on the reporting principles of materiality, quantitative, consistency and balance, which are set out in the ESG Guide. In addition, we have taken into account the concerns of stakeholders as identified through engagement exercises such as the annual passenger liaison group meetings and interviews with representatives of different groups. The latest Annual Report of TIH contains more information about the Group including corporate governance and the financial performance of KMB and LWB. If you have any comments on this Report, please send an email to ccd@kmb.hk.





Major Recognition and Awards

We aim to deliver excellent public transport services in a sustainable manner and are pleased to receive a number of prestigious awards in 2020.

Corporate Social Responsibility

- 15 Years Plus Caring Company Logo from The Hong Kong Council of Social Service;
- Good Employer Charter from the Labour Department;
- Family-friendly Good Employer Logo from the Labour Department;
- The Good MPF Employee Award from the Mandatory Provident Fund Schemes Authority;
- Manpower Developer from the Employees Retraining Board;
- Mental Health Friendly Organisation from the Department of Health;
- Award of 10,000 Hours for Volunteer Service from the Social Welfare Department;
- Award of Merit from The Community Chest of Hong Kong;
- Social Capital Builder Logo Award from the Labour and Welfare Bureau and Community Investment and Inclusion Fund;
- Sport-Friendly Action Decal from the Chinese YMCA of Hong Kong;
- Jockey Club Age-friendly City Partner 2020 from The Hong Kong Jockey Club Charities Trust;
- Honour Award in the Highest Service Hour Award (Private Organisations – Best Customers Participation) from the Social Welfare Department; and
- Merit in the Highest Service Hour Award (Private Organisations) from the Social Welfare Department.

Brand

- › Hong Kong Service Awards 2020 – Apps Award from East Week;
- › Health Partnership Awards 2020 from ET Net;
- › Gold in the Public Transport category of the 2020 Reader's Digest Trusted Brands Awards;
- › Top Service Awards 2020 – Public Transportation from Next Magazine;
- › Honour Awards for Traditional Annual Reports and Written Text for the TIH 2019 Annual Report in the Transportation and Leasing category of the International ARC Awards; and
- › Silver Award in the Transportation & Logistics category in the Vision Awards from the League of American Communications Professionals LLC.

Sustainability Governance

With a commitment to conducting our businesses in line with the best corporate governance practices, we aim to achieve sustainable business development by considering the interests of our stakeholders, while ensuring compliance with legal and regulatory requirements. The Group has adopted an integrated management approach to guide the sustainable development of the Group based on the principles of integrity, equity and transparency. This integrated management approach is strengthened by on-going staff training and communication with all stakeholders. The board of directors of TIH (the “Board”), as the highest governance body, is responsible for promoting the long-term development of the Group and for growing shareholder value. The Board currently comprises nine non-executive directors, five independent non-executive directors and one executive director. The biographies of our current directors can be found on pages 136 to 142 of our 2020 Annual Report.

The overall strategic planning and accountability for the Group's sustainable development rests with our Board-level Committee, which determines the sustainability strategy and oversees its progress across the Group. Under the oversight of the Committee, we have an ESG Task Force to implement the Board's ESG strategy and policies in driving sustainable initiatives throughout our operations, including safety, environmental protection, staff welfare, community engagement and volunteering. The Task Force members are responsible for optimising environmental performance, increasing staff awareness on corporate social responsibilities, and sharing knowledge and best practice with the industry and working with the Enterprise Risk Management Task Force of the Company to assess new and emerging ESG-related risks.

The Group's Enterprise Risk Management System uses consistent risk assessment criteria to provide a systematic approach to the timely identification and management of risks. Accurate and concise risk information is made available to assist management in decision-making and risk control by adopting risk treatments of cost-effectiveness and efficiency. Meanwhile, with the Enterprise Risk Management System, the management monitors and reviews risk levels, including climate change related risks, to ensure that risk exposure remains within an acceptable level. A Risk Key Performance Indicator Report (“Risk KPI Report”), summarising the Group's major risks as identified by management, is submitted to the Audit and Risk Management Committee three times a year. The Risk KPI Report provides a comprehensive profile of the major risks and the mechanism established by management for monitoring these risks.

For details of our corporate governance, please refer to pages 110 to 131 of our 2020 Annual Report.

Legal and Regulatory Compliance

The Group is committed to conducting its business activities in a proper and lawful manner in compliance with the HKSAR laws. All Directors and staff of the Group are subject to a written Code of Conduct, available on the staff website, that provides guidance on matters relating to personal conduct, relations with suppliers and contractors, responsibilities to shareholders and community, relations with customers, and employment practices, as well as procedures for monitoring compliance and means of enforcement. The Code of Conduct promotes ethical values in business activities that Directors and employees are required to adhere to when discharging their delegated duties. The Code of Conduct is reviewed and updated periodically to reflect the latest regulatory changes. Our Group also reviews its employment practices on a regular basis, including strictly following the Employment Ordinance of Hong Kong to prohibit the hiring of child labour and any form of forced labour practices. We do not use forced labour in any form of child labour (persons below the local minimum age or the age below of 16).

The Group has a whistleblowing policy to encourage employees and related third parties who deal with the Group to raise concerns in confidence about misconduct, malpractice, bribery, money laundering, any forms of forced, coerced or bonded labour and irregularities in any matters related to the Group. Employees and/or related third parties may make a report to the Company Secretary or the Chairman of the Board's Audit and Risk Management Committee. Appropriate follow-up action, including disciplinary action, will be taken by the Group in respect of substantiated and partially substantiated cases. In the event of an employee committing any offence of corruption under the Prevention of Bribery Ordinance (Chapter 201, Laws of Hong Kong), we would make a report to the Hong Kong Independent Commission Against Corruption. We have not committed any offence of corruption under this Ordinance. We also invited the Hong Kong Independent Commission Against Corruption to provide training for senior executives and employees to enhance their awareness of anti-corruption. During the reporting year, we had zero concluded legal cases regarding corruption cases.

Supply Chain Management

We believe in upstream integrated supply chain management with an emphasis on quality and logistics control. We work closely with our business partners to develop new buses and services that are adapted to the local climatic and operational environment while taking a high level of energy efficiency and the latest emission standards into consideration. We encourage fair and open competition with the aim of developing long-term relationships with suppliers based on mutual trust. Our supply chain activities are guided by policies and procedures that are geared to ensuring the ethical procurement of supplies and services, as well as high-quality end products in which our customers can be confident. In 2020, KMB and LWB worked with 405 local and 48 non-local suppliers, of which 55 suppliers were newly added. The proportion of spending on local suppliers was 62%.

To ensure compliance by suppliers with our social and environmental requirements, we require them to declare their compliance with our guidelines upon supplier registration:

- › Environmental care;
- › Health and safety;
- › The prohibition of forced and child labour; and
- › Anti-corruption.

Procurement and Tendering Procedures

The criteria for the procurement and tendering of services or goods are based on price, quality, requirement and other relevant factors. Our procurement and tendering measures have been established according to the following principles:

- › Impartial selection of capable and responsible suppliers;
- › Fair competition;
- › Selection of appropriate contract types according to requirement;
- › Compliance with laws, relevant regulations and contractual obligations; and
- › Adoption of an effective monitoring system, management controls and practices:
 - to prevent bribery, fraud or other malpractices; and
 - to ensure the declaration of conflicts of interests by staff involved in the selection.

Stakeholder Engagement and Materiality Assessment

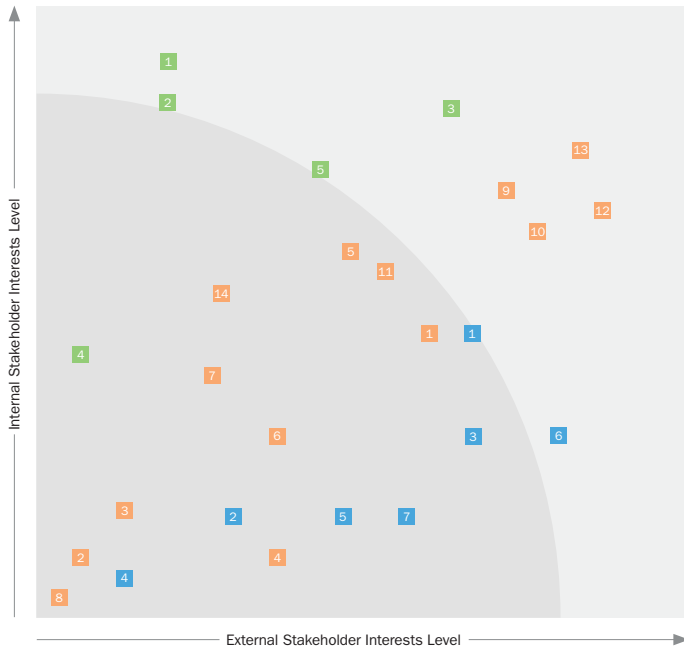
Stakeholder engagement exercises and materiality assessments provide a sound basis for us to develop our sustainability reports, as they help identify the sustainability topics that are most relevant to both our operations and the shared interests of our stakeholders.

Our stakeholders include passengers, employees, suppliers, contractors, Legislative Councillors, District Councillors, transport advisory bodies, interest groups and the government. We have established several engagement programmes to gauge their views on our operations and services. Our dialogue with stakeholders is demonstrated through various channels, including the LiveChat enquiry channel on the KMB and LWB websites and App1933, the KMB Facebook page, the KMB Instagram account, the KMB YouTube channel and corporate publications such as *KMB Today*, as well as face-to-face meetings and media networking.




In 2020, we once again engaged an external consultant to carry out a series of stakeholder engagement activities to define the scope of this Report and to identify the material economic, environmental and social topics to be reported, concerning the principles and requirements of the GRI Standards and the HKEX ESG Guide. We invited representatives from various stakeholder groups, including passengers, employees, FRIENDS OF KMB, suppliers, non-governmental organisations (e.g. social organisations and green groups) to participate in three stakeholder engagement activities involving surveys, focus group meetings and interviews.

Based on the survey results and the materiality assessment conducted annually over the past few years, we have mapped the materiality of 12 issues. The most critical issues are listed at the top right quadrant of the matrix, while less important issues are found at the bottom left. Issues shown in the top right of the matrix are those we have identified as emerging in importance. The top ten issues were prioritised as material for TIH to address and report. The eleventh and twelve issues, namely energy and efficiency measures and community engagement, which have been reported in the previous years, are also included to make it consistent. The ESG Task Force further reviewed and validated the material topics to ensure a consistent and balanced representation of the Group's significant sustainability performance and impacts. As a result, the following material topics have been prioritised for disclosure in the TIH 2020 Sustainability Report with the corresponding boundaries specified:

Materiality Matrix



Environment	Employees
1 Emissions	1 Employment
2 Effluents and Waste	2 Staff Communication
3 Energy and Efficiency Measures	3 Training and Education
4 Water Consumption	4 Gender Equality
5 Environmental Compliance	5 Occupational Health and Safety
6 Green Procurement	
7 Material Consumption	
Community	
1 Community Engagement	7 Human Rights Training
2 Anti-corruption	8 Forced and Child Labour
3 Socio-economic Compliance	9 Economic Performance
4 Corporate Responsible Procurement	10 Procurement Practices
5 Diversity and Equal Opportunity	11 Indirect Economic Impacts
6 Freedom of Association and Collective Bargaining	12 Customer Health and Safety
	13 Marketing and Labelling
	14 Customer Privacy Protection

Material Topics	Reporting Boundaries	
	KMB & LWB's Operations	KMB & LWB's Suppliers
 Environment		
Energy and Efficiency Measures	>	>
Emissions	>	>
Green Procurement	>	>
 Employees		
Employment	>	>
Training and Education	>	
Staff Communication	>	
Occupational Health and Safety	>	
 Community		
Customer Health and Safety	>	
Community Engagement	>	>
Procurement Practices*	>	>
Economic Performance*	>	
Marketing and Labelling*	>	

* Newly identified material topics in this Report

The engagement activities provided us with the constructive comments and suggestions of our stakeholders. We appreciate their valuable feedback and will strive to address their expectations through continuous improvements.

Key Area of Interest	Stakeholders' Comments	Our Responses and Relevant Disclosures in this Report
Safety	<ul style="list-style-type: none"> ➤ Suggest promoting safety with educational buses in schools or community centres 	Safety is our utmost priority, and we make great efforts to implement safety measures and promote safety awareness. (See details in Safety First)
Passengers	<ul style="list-style-type: none"> ➤ Suggest installing facilities at bus stops (e.g. seats and shelters) and on buses (e.g. baggage racks) 	Bus facilities and compartment designs have been upgraded to provide better accessibility and comfort for passengers. (See details in Care for Customers)
Environment	<ul style="list-style-type: none"> ➤ Welcome the new introduction of the latest model buses which have contributed in lower air emissions 	KMB continues to work with suppliers to employ the latest technologies in new bus models. (See details in Care for the Environment)
Employees	<ul style="list-style-type: none"> ➤ Recognise the good practice of providing job opportunities for people with disabilities 	As an equal opportunity employer, we are committed to ensuring that no employee is discriminated. (See details in Care for Employees)
Community	<ul style="list-style-type: none"> ➤ Suggest developing a long-term plan on voluntary activities with charitable organisations 	We play an active role in a range of community activities and take various opportunities to communicate with the public. (See details in Engaging Stakeholders)

»»» Safety First

Safety is our number one priority and we continue to invest heavily in improving the safety of our bus operations.





KMB and LWB are committing to safety performance

Safety Policy

The KMB and LWB Safety Policy is dedicated on a commitment made by all employees to provide a safe and healthy environment for everyone who may be affected by our work activities. It is our objective to minimise the risk of injury and ill-health.

Safety is an absolute pre-requisite in everything we do and is an integral part of our business strategy. Employees at all levels are required to comply with all legal requirements and other requirements applicable to our work activities. We consult our employees by engaging them in our safety management system. We shall continue to maintain our safety risks at as low a level as reasonably practicable and strive for continual improvement in safety performance.

Safety Committees

Safety Committees are responsible for ensuring that information about Occupational Safety and Health risks, trends and policies are adequately communicated up and down the chain of command. Meetings of the Working Committee for Safety are held to discuss safety issues at the corporate level. Meetings of Departmental Safety Committees, Maintenance Safety Committees and Operations Safety Committees are held at the local level to discuss safety issues relating to departments and sections. Departmental Safety Committees may vary the frequency of their meetings in accordance with the scale of their local safety risks.

Safety Management

We are dedicated to committing occupational health and safety and fully comply with the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance (Chapter 509 and 59, Laws of Hong Kong). KMB adopts ISO45001:2018 Occupational Health and Safety Management System to promote further improvement of safety performance in all aspects of our business, including bus maintenance and design upgrades.

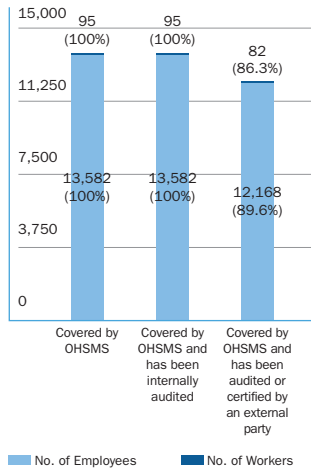
The key benchmarks of our operational performance are mechanical reliability and operational capability. Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2020, the mechanical reliability of KMB's bus fleet was 94,551 km: 1, while LWB's bus fleet was 116,421 km: 1. Operational capability refers to the ratio of actual to scheduled departures during the peak hours of 7:00 a.m. to 9:00 a.m. across the bus network. In 2020, KMB and LWB attained an operational capability of 93.96% and 99.60% respectively.



KMB and LWB offer professional maintenance training to provide safe and quality bus service

The number and the percentage of staff and workers covered by our occupational health and safety management system (OHSMS)

(as at 31 December 2020)



Operational Excellence

KMB and LWB are ISO9001 certified for their Quality Management Systems. Both companies have been accredited with the latest version of ISO9001, reflecting our commitment to achieving up-to-date operational and service standards.

Risk Assessment

Risk assessments are critically conducted by managerial staff together with the relevant workers before the commencement of work. Both the working environment and staff working behaviour are checked during safety inspections and safety audits to ensure compliance with the legal requirements, the in-house safety rules and the best practices of the industry. We adopt the Plan-Do-Check-Act cycle to ensure continual improvement.

Bus Safety Facilities and Maintenance

A number of technological devices, including speed limiting devices and the telematics system, have been incorporated on buses to improve safety and record operational data. All KMB and LWB buses undergo an ISO-certified maintenance regime, comprising daily and monthly servicing, a semi-annual minor dock and an annual road-worthiness inspection, as well as random checks by the Transport Department of the HKSAR Government.



The GreenRoad system provides instant feedback to bus captains through an online platform to enhance their driving performance





The professional maintenance team and high-quality safety measures bring a safe and comfortable journey to passengers

Latest Bus Safety Measures

GreenRoad System

KMB and LWB have become the first franchised bus companies to introduce the GreenRoad system in Hong Kong. The system will detect up to 150 bus driving dynamics and provide real-time feedback and suggestions with ratings to the driver. When the risk is lower, the value is lower, which means the driver's driving behaviour is safer. The platform will also display the ranking of the driver's safety driving performance for the captain's future reference.

Electronic Rear-view Mirrors

Electrical rear-view mirrors have been attached on 2,573 buses to enable rear-view mirror adjustment and ensure driving safety. The bus captain can now use the button on the panel to easily adjust the rear-view mirrors, minimising the risks of incorrect posture or excessive force when adjusting the mirrors manually because of the bus height.

Tree Guard

Trees growing close to the road may be a hazard to vehicles and passengers. The use of tree guards can protect the bus windscreen and body from damage caused by branches and twigs. The tree guard design has been upgraded to have vertical bars on both sides and a crossbar to strengthen protection. KMB has taken the lead to install tree guards for the safety of 336 ADL Enviro 400 buses and Enviro 500 buses which mainly serve rural routes. More tree guards will be installed in phases.

Drowsiness Monitoring System ("DMS")

The DMS is installed on all LWB buses to monitor the status of bus captains when they are driving. This device, which is mounted on the dashboard, uses image-processing and advanced facial recognition technology to detect the level of alertness of a driver. Early audio and vibration warnings will be activated when "fatigue" or "micro-sleep" is detected.

Advanced Driver Assistance System ("ADAS")

The ADAS is installed on all LWB buses to monitor the road condition in front of a moving bus. The device is installed on the lower saloon windscreen and uses image-processing technology to detect the presence of different objects on the road and the corresponding distance. Early audio and vibration warnings will be activated when "unsafe" conditions are detected.



More tree guards will be installed to protect the bus windscreen and body from branches and twigs

Safety Belts

KMB and LWB have requested bus manufacturers to install 3-point safety belts on all seats as a standard feature for new buses. Currently, more than 600 new buses are fully equipped with seat belts on both decks. As for buses currently in service and running on long-haul or expressway routes, 3-point safety belts will be installed on all upper-deck seats in phases.



The ESP helps reduce the risk of bus skidding when cornering

Electronic Stability Programme ("ESP")

The ESP is an important safety feature, which reduces the risk of bus skidding or overturning when cornering or operating on a slippery road surface. To safeguard road safety, all new Euro VI buses will be equipped with the ESP. The first batch of these buses was deployed in 2019.

Parking Sensor

KMB and LWB have installed parking sensors on more than 1,100 buses. The system will alert the driver if the bus is nearing obstacles when reversing. With a camera system, bus captains can monitor the real-time situation through the screen in the driving cab.

Surveillance Cameras and Data Protection


Surveillance cameras, including forward-looking cameras, to monitor road and saloon condition, have been standard features on all new buses since 2015. At the end of 2020, surveillance cameras were installed on all KMB and LWB buses. The cameras protect the interests of bus captains in the event of police investigations or legal proceedings.

Attaching great importance to personal data protection, the Group has established working instruction guidelines to prevent inappropriate disclosure of personal data. Stickers are posted on all buses equipped with a CCTV system to inform bus passengers and bus captains of their presence and purpose. Authorised persons will access recordings from CCTV cameras only for security and incident investigation purposes. The recorded data is controlled by management and will only be accessed, copied or viewed following management approval in accordance with the governing procedures.

3-point safety belts on all seats have become a standard measure for new buses






 We provide comprehensive training to bus captains to ensure that their performance meets professional standards

Public Safety Awareness Programme

KMB and LWB attach great importance to enhancing bus safety performance and use different channels to boost public awareness of safety issues. A series of safety messages, broadcast on the Bus Stop Announcement System in Cantonese, English and Putonghua, reminds passengers to hold the handrail at all times. We have put on safety stickers, such as “Hold the handrail” and “Fasten seatbelt” on our buses. This message is also periodically conveyed via App1933 and on KMB’s Facebook page.

Bus Captain Safety Training

The Bus Captain Training School provides comprehensive basic training to all new bus captains, including a safe driving mind-set, bus manoeuvring skills and bus route knowledge. The school also offers a series of training courses for in-service bus captains, including route training, remedial training, bus type training and refresher training. Bus captains may upgrade their driving skills and enhance their safety awareness.

In 2020, the bus captain training programmes were revamped with course content and materials restructured. To further enhance and consolidate the driving manner and safety awareness of bus captains with 0 – 4 years of service, yearly refresher training has been introduced. The module for preventing passengers from “losing balance” has been enhanced in both Basic Training and Remedial Training to strengthen bus captains’ sense of caring for passengers and smooth driving. We have re-designed and developed training on “bus tyre checking” and “handling of bus tyre on smoke/fire” across all training sessions in order to draw bus captains’ attention to the importance of keeping the bus tyres in good condition while driving. Aiming at preventing accidents of hitting stationary objects, we have been conducting “Safety Talks” at different bus termini.

Fighting the Epidemic Together

January

- Stepped up compartment cleaning and the promotion of public health
- Provided non-contact infrared thermometers at depots
- Provided masks and hand sanitiser gel at bus termini
- Launched “COVID-19 Information Kiosks” on the KMB Staff Web
- Set up a notification mechanism and procedures, with inter-departmental efforts in prompt follow-up of cases



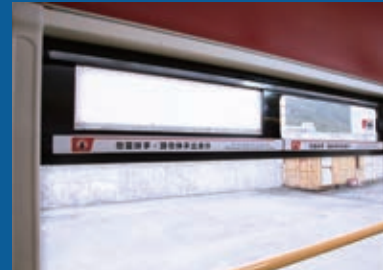
February

- Adopted the Nano-Photocatalyst Technology to step up compartment cleaning
- Installed disinfection carpets and provided hand sanitiser gel in the bus compartment
- Strengthened the compartment broadcast



March

- Installed a cleanroom and set up a production line for surgical masks in Hong Kong
- Introduced ventilation windows on some buses



April

- The ISO14644-1 Class 8 Cleanroom commenced its operation
- Distributed drinks to boost the frontline staff morale



May

- Provided Self-produced masks to staff
- Organised the “Pandemic Prevention Materials Online Market” to give staff convenience
- Launched a series of public health promotion



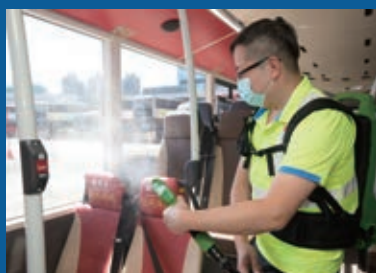
June

- Introduced mask vending machines
- Guaranteed to keep the price of the KMB Mask unchanged under the situation of mask shortage
- Adopted the second-round Nano-Photocatalyst Technology to step up compartment cleaning
- Free KMB Masks for passengers who purchased the KMB Monthly Pass
- Provided deep throat saliva specimen collection packs for bus captains and outdoor staff

The year 2020 was overshadowed by the Coronavirus pandemic. Facing the unprecedented challenge, we considered the health of staff members and passengers our top priority. With demonstrated professionalism, the frontline staff adhered to their obligations and the back office provided full support. As part of our infection control measures, we aimed to offer clean compartments, bring safe and enjoyable travel experiences to passengers, and overcome the challenges together with the citizens during the difficult times.

July

- Introduced the Long-lasting Smart Coating Technology to disinfect the bus fleet
- Free KMB Masks for other local companies to express our support
- Set up partitions at staff canteens, pantries and duty dispatch office, etc. with a temporary lunch area at depots



August

- Distributed face masks to subdivided unit households, the homeless and the disabled
- Donated pandemic care packs to voluntary organisations
- KMB Masks were certified with ASTM Level 1



September

- Introduced the junior version of KMB Masks
- Provided masks for students on the first school day



October

- Distributed healthy food to cheer frontline employees up



November

- Introduced the kid size of KMB Masks
- KMB Masks were certified with ASTM Level 2
- The "LeaveHomeSafe" QR code was made available at approximately 200 bus termini and interchanges



December

- Launched the "1-Dollar-1-Mask" to help passengers fight the epidemic

Mask Production Line Working Around the Clock to Protect the Community



As the coronavirus broke out at the beginning of the year, prevention supplies were in shortage. We took action promptly by setting up a cleanroom and a local production line for surgical masks in Hong Kong. KMB and LWB became the first franchised bus companies to provide self-produced surgical masks to the frontline and back office employees. The KMB Masks production line operates every day to ensure a stable supply of three sizes of ASTM Level 2 (American Society for Testing and Materials Level 2 standard) certified masks. In addition to providing comprehensive protection for our employees, we added retail locations and vending machines in multiple districts to facilitate mask purchase. We also offered surgical masks to passengers through various promotion schemes. We donate masks to a number of voluntary organisations to assist subdivided unit households, the homeless and the disabled in relieving their financial pressure.



“As a hearing-impaired person I am not afraid of the hard work. Mask production is very meaningful to me and I am very pleased to be involved because it can effectively help protect the health of Hong Kong people. The factory staff help one another and my colleagues often take care of me. They are willing to use words and body language instead of speaking to communicate so that I can easily adapt to the working environment.”

Chan Lai Dong, Worker of the mask factory

Fighting the Coronavirus in Bus Compartments with Local Technology

To allow passengers to travel safely, we worked hard to find safe and reliable anti-pandemic technology suitable for public transportation, aiming to provide clean compartments for the public and our employees. KMB and LWB became the first franchised bus companies to adopt the local “Nano-Photocatalyst Technology” and “Long-lasting Smart Coating Technology” in enhancing compartment cleaning. At the same time, we adopted other infection control measures, including the provision of hand sanitiser dispensers in bus compartments and disinfection carpets at the boarding point as well as retrofitted bus window vents to enhance natural ventilation.



“ When SARS struck Hong Kong in 2003, people kept using diluted bleach for cleaning. In fact, the bleach loses its sterilising function as it evaporates. Even if sterilisation is done every two hours, it cannot effectively prevent the spread of the virus. Given the high traffic of public transport, lasting disinfection on the surface is very important for infection control, which inspired us to develop a less volatile “Long-lasting Smart Coating Technology” adopted by KMB and LWB. I am gratified by the great help of the laboratory research. ”

Dr. Joseph Kwan, Adjunct Professor at the Division of Environment & Sustainability, The Hong Kong University of Science and Technology

Frontline Staff

Value Passengers' Safety



All frontline staff and back office employees serve with professionalism despite adversity. Putting passengers' safety first, our departments keep an eye on the pandemic development and take corresponding measures efficiently. In terms of operations, we flexibly adjust our headways in line with the government's prevention and control measure and passengers' demand. Externally, we disseminate messages both online and offline, with media briefings on infection control to maintain high transparency. We maintain effective communication with the public and work to strengthen health education.



“ I keep cleaning every nook and corner of the bus compartment following the sweeping, wiping and mopping steps. I clean the whole bus, from windows, armrests, and stop buttons to the gap between seats. Now there are different kinds of antiseptic products. KMB is prompt in providing equipment for our work. Although our workload is heavy and we have to grasp the time to clean the bus properly, it is important to offer the staff and passengers a clean, safe and comfortable environment in the compartment. Despite the hard work, I feel reassured when everyone is safe. ”

Wong Siu Lin, Cleaner

Stringent Infection Control Measures Strengthen Protection for Employees

We implement strict infection control measures and internal guidelines, including temperature screening for all employees before they start working every day, and providing surgical masks for them to wear when performing duties. There is also a notification mechanism that requires employees to report COVID-19 cases to be followed up by the Inter-departmental Emergency Response Unit. All premises and buses concerned will be disinfected. Moreover, we added “COVID-19 Information Kiosks” to increase the transparency of pandemic information.



“ I always pay attention to passengers’ need. There are passengers boarding the bus in a hurry without wearing a mask. I usually have some spare masks with me, so I can help by giving them a mask to continue their journey. Actually most passengers follow the rule with a mask on. Even when there is any difficult passenger, I tend to gently remind them to protect themselves and others by wearing a mask properly before boarding. In most cases they are willing to cooperate. ”

Tang Shun Ling, Bus Captain

»»» Care for Customers

Safety, efficiency, value-for-money and comfort underpin our customer service philosophy.



New Bus Fleet and Facilities

KMB has committed to introducing innovative and eco-friendly bus service. The latest Euro VI double-decker features a glass window that shows the staircase leading to the upper deck. Sunlight is directed onto the stairs, thus enhancing safety and passengers' experience.

KMB and LWB's latest double-deck buses are equipped with upgraded passenger facilities, including a free Wi-Fi service and a number of USB charging points on both the upper and lower decks, a straight staircase for easy access to the upper deck, additional space for 2+2 seating, priority seats for passengers in need, a designated area for wheelchair users near the entrance/exit, colour contrasted handrails and easy-reach bell-pushes. In addition, the provision of the continuous railing and hand poles on the lower deck ensures a smooth passenger flow in the space between the entrance and exit doors. All seats on the upper deck of LWB's Airbus are equipped with an armrest to provide a more comfortable bus journey. As of the end of 2020, 3,306 buses meeting Euro V standard or above were licensed in the KMB fleet, while 213 buses of Euro V standard or above were licensed in the LWB fleet. The majority of these buses have been deployed on routes passing through low-emission zones to improve the air quality in busy districts.

The entire KMB and LWB fleets deploy super-low floor buses for easy boarding and alighting, as well as wide entrance and exit doors for better passenger access, which means that all KMB and LWB buses are accessible to the elderly and wheelchair users. In addition, KMB has retrofitted around 200 buses to accommodate two wheelchair passengers, to run mainly on routes travelling to hospitals.

LWB has become the first franchised bus company in Hong Kong to install diversified e-payment system in its fleet, and support contactless payment method by using a credit card, e-wallet on mobile devices and smart watches, or scanning the QR code for easy, fast and convenient bus fare payment. It proves the commitment to LWB's passengers by providing a better travelling experience with more choices for payment means and promoting smart city development. In 2021, the diversified electronic payment system will be extended to KMB.

KMB and LWB have installed the Bus Information Panel System on 3,468 buses. With the Bus Stop Announcement System, passengers can easily and clearly obtain bus stop information through the display screens on the upper and lower decks.

Upgraded Compartments

The air quality in bus compartments benefits from electrostatic air filters installed on all KMB and LWB buses, which are able to remove up to 80% of fine particles. As at the end of 2020, electrostatic air filters were installed on 3,860 KMB buses and 237 LWB buses. In addition, all KMB and LWB buses ordered after 2008 are equipped with power-saving variable capacity air-conditioning compressors, which provide more adaptive and refined thermal control in the most fuel-efficient manner in all weather conditions. The air-conditioning systems have a fresh air function which extracts fresh air outside the compartment and purifies it using a double-layer filter system.

KMB has retrofitted 192 new licensed Euro VI buses with four ventilation windows, two on each deck, to provide natural ventilation and to bring passengers a comfortable journey.



LWB introduces a diversified e-payment system in its fleet supporting contactless payment method



Ventilation windows are installed on some KMB buses to bring fresh air to passengers



We, partnering with some Green Minibus operators, provide inter-modal interchange fare concessions



Passengers of Route 98 can enjoy an interchange discount on more than 50 routes at Kwun Tong Road Interchange to Kowloon and the New Territories

Fare Concession Schemes

KMB and LWB are committed to providing efficient bus services for the public. A number of fare concession schemes were introduced in 2020, including the following:

KMB

- KMB introduced the first Regional Two-way Sectional Fare Scheme on 17 routes serving Tuen Mun, Yuen Long and Tin Shui Wai, in which the number of card reader has increased to 35;
- KMB Fare Saver Scheme offered a fare discount of up to HK\$4. To extend the coverage of this scheme, the number of Fare Saver Kiosks installed at the campus of educational institutions and at shopping malls was increased to 19 and two respectively;
- A 4-week lucky draw promotion campaign was held for KMB Cross-harbour Routes;
- A gift reward scheme was offered to monthly pass holders starting from March 2020. The gifts include KMB limited Octopus card, KMB face masks and bus tickets of LWB A-Routes and KMB Route B1;
- New Reward Scheme, “KMB x LWB FUN Redemption Scheme”, was introduced to let passengers earn points by registering via App1933 and taking bus rides;
- ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when they paid for KMB and LWB rides;
- A fare rebate scheme for Citibank cardholders to enjoy a 15% bus fare rebate year round;
- Partnering with Hong Kong Tramways Limited and some Green Minibus operators, KMB provides inter-modal interchange fare concessions covering routes on Hong Kong Island and in the New Territories;
- A KMB-MTR interchange discount for passengers interchanging from designated routes solely operated by KMB to designated MTR stations, and vice versa; and
- Six new Bus-Bus Interchange concession schemes covering more than 124 routes.



KMB Fare Saver Scheme and KMB x LWB FUN Redemption Scheme give back to passengers



The opening of the Tuen Mun-Chek Lap Kok Tunnel Interchange allows passengers to travel flexibly

LWB

- › ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when they paid for KMB and LWB rides;
- › A fare rebate scheme for Citibank cardholders to enjoy a 15% bus fare rebate year round;
- › New Reward Scheme, “KMB x LWB FUN Redemption Scheme”, was introduced to let passengers earn points by registering via App1933 and taking bus rides; and
- › A new Bus-Bus Interchange concession scheme covering five routes.

Bus-Bus Interchange (“BBI”) Schemes

KMB and LWB’s BBI Schemes offer fare discounts to passengers on the second leg of journeys and broaden the network coverage. The schemes contribute to a greener environment by improving bus usage and reducing congestion on busy roads. As of the end of 2020, KMB operated a total of 164 BBI Schemes covering all KMB operated routes, while LWB operated 28 Octopus BBI Schemes covering 29 routes. The opening of the bus interchanges at the Tseung Kwan O Tunnel (Tseung Kwan O-bound) and the Tuen Mun-Chek Lap Kok Tunnel allows passengers to travel with a flexible journey plan. The KMB and LWB websites provide more detailed and comprehensive route-to-route BBI information for passengers.

Upgrade of Depots, Termini and Bus Stops

The four major KMB depots at Lai Chi Kok, Kowloon Bay, Sha Tin and Tuen Mun, as well as the LWB depot at Siu Ho Wan, provide the KMB and LWB fleets with maintenance and repair services. The KMB Overhaul Centre in Tuen Mun provides major overhaul services, while twelve smaller depots offer parking and minor maintenance services.



KMB continues to upgrade the bus stop facilities for passengers’ better traveling experiences



Platform Numbering System is introduced to KMB Kwun Tong Road Interchange for the convenience of passengers



KMB and LWB have set up alcohol-based hand-rub dispensers at interchanges and other bus termini

KMB and LWB's commitment to upgrading the facilities at their termini and bus stops is reflected in the following measures:

- KMB Kwun Tong Road Interchange Platform Numbering System is launched to facilitate passenger with greater convenience to enjoy Bus-Bus Interchange concession and have more choices.
- Seats for the elderly, the disabled and young children are being introduced at bus shelters, bus termini and interchanges. At the end of 2020, 1,775 seats had been installed;
- The Solar-powered Bus Shelter Campaign promotes green energy by installing solar panels to power up lighting, mosquito repelling devices and ventilation fans. 150 bus stops have been equipped with solar power equipment;
- Alcohol-based hand-rub dispensers have been installed at the airport, the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge, Lok Ma Chau Station Bus Terminus, interchanges and other bus termini for passengers and frontline staff members;
- 869 bus stop locations are equipped with display panels showing the estimated time of bus arrivals;
- The enhancement of the bus route information sheets has been completed. Passengers can now scan the two-dimensional QR code on the new layout information sheets posted at the bus stop for further bus route information, including bus frequencies; and
- In 2020, 20 new bus shelters were constructed, bringing the total to 2,609.

Smartphone App

The KMB and LWB mobile app, App1933, has one million daily active users making around five million downloads. Through the app, passengers can check information on bus routes and the estimated time of bus arrivals. App1933 received a number of upgrades during the year, including an upgrade on the Bus Estimated Time of Arrival ("ETA") service, so that passengers can also check the Estimated Arrival Time of KMB, LWB and other franchised bus companies. Besides receiving nearby route information at the bus stops through Bluetooth Beacon signal, App1933 has enhanced its intrinsic location-based function to provide the relevant traffic conditions, weather information and bus route suggestion based on a passenger's current location through the new "myFavourite" feature. In addition, KMB and LWB introduced the new rewards scheme "KMB x LWB FUN Redemption Scheme", under which passengers enjoyed bus rides while earning points for gifts at the same time. The app also offers the LiveChat function so that passengers can directly communicate with our customer service representatives.

A new feature, "myFavourite", has been added on App1933. It offers the relevant traffic conditions, weather information, and "KMB x LWB FUN Redemption Scheme" reward scheme as well



Caring for Customers by Enhancing Their Experience

Embracing Innovation

The First Regional Two-way Sectional Fare Scheme in Hong Kong

Innovation and caring services underpin KMB's service philosophy. We have launched multiple fare discount plans to give back to passengers and enhanced services to meet the daily needs of the public. We noticed that there were insufficient regional bus routes across Tuen Mun, Yuen Long, and Tin Shui Wai. In this light, we leveraged on our bus network to provide more transportation choices, more comfortable journeys and cheaper options for passengers. Tailor-made card readers were installed at 35 bus stops for 17 KMB routes. After leaving the bus, passengers can tap their Octopus card to obtain a fare discount. The Scheme has been well received since its launch. Moreover, two KMB Fare Saver kiosks were made available at two shopping malls, Manhattan Mid-Town in Mei Foo and PopWalk in Tseung Kwan O, as an extension of our discount network. By tapping the Octopus card at the kiosk, passengers can enjoy a fare discount of HK\$2 for their KMB bus ride.



“ Sometimes I have gatherings with my friends in Yuen Long on holidays. Options were once very limited if I wanted to travel from Tuen Mun to Yuen Long. Since the launch of the Two-way Sectional Fare Scheme, Route 269D has become my first choice. I just need to use the App1933 to check the estimated arrival time before getting to the bus stop nearby for a direct journey to Yuen Long. It is very convenient. I also find it more flexible to choose which stop to board. ”

Mr. Kwok, Passenger

»»» Care for the Environment

Our eco-friendly bus fleets are driving us into a new era.





To make a step forward to green public transport development, KMB has introduced gBus to its bus fleet for better protection of the environment

Environmental Policy

KMB and LWB recognise the potential environmental impacts of bus services and are committed to mitigating and minimising these impacts in the following ways:

- Preventing pollution and continually improving our environmental performance by establishing and achieving objectives and targets;
- Conserving resources by reducing waste at source, and recycling and reusing resources;
- Minimising and controlling emissions from buses by adopting control measures and providing professional bus repair and maintenance services;
- Enhancing staff environmental awareness by providing training in line with our environmental policy and environmental objectives and targets, as well as in relation to the potential environmental impacts arising from our operations;
- Communicating our environmental policy and environmental requirements to our suppliers, and making the policy available to the public;
- Responding to environmental enquiries from stakeholders promptly and ensuring effective communication on environmental issues internally; and
- Ensuring compliance with all applicable local environmental legislation and other relevant requirements.



The solar panels installed on double-decker help reduce the temperature of the compartments

Environmental Management

KMB has been ISO14001 certified for its Environmental Management Systems for the two largest depots. KMB's four major depots and LWB's depot are subject to quarterly surveillance audits to ensure compliance with a set of stringent environmental management standards. Environmental working groups have been set up to handle environmental issues and ensure the implementation of the ISO systems. Under the guidance of senior management, the Engineering Team is introducing new and innovative technologies applicable to both bus fleets and bus operations.

Emissions Reduction



118 tonnes
Particulate matter



1,635 tonnes
Nitrogen oxides



3.09 tonnes
Sulphur oxides

Environmental Bus Fleet

We are committed to creating a better environment and minimising the climate-related impacts by investing in eco-friendly buses that meet the strict exhaust emission standards of the European Council of Environmental Ministers. At the end of 2020, there were 442 Euro VI buses (including three Euro VI diesel-electric hybrid buses), 2,846 Euro V buses, ten battery-electric buses and eight supercapacitor buses in the KMB fleet, and 209 Euro V buses and four battery-electric buses in the LWB fleet. In collaboration with our suppliers, we have been replacing older bus models with the latest, more energy-efficient bus models to enhance the endurance and environmental performance of our bus fleets to achieve “zero emission” on the road. The average age of the KMB bus fleet has become 6.60 years, while that of LWB has become 6.04 years.



To strive for eBus development, KMB has set up electricity-recharging facilities at main depots

Exploring Renewable Energy and Zero-emission Bus Technologies

KMB and LWB strive to improve environmental performance by exploring various renewable energy and zero-emission technologies, which shows KMB and LWB’s determination to introduce green public transport in Hong Kong.

- KMB has introduced some double-deckers with solar panels to its fleet. The system reduces the air temperature in the compartment by around 8-10°C compared to a bus without such a system;
- KMB and LWB are exploring the use of an electric bus (“eBus”) with a 324 kWh Lithium Iron Phosphate battery power pack capable of delivering 200km of zero-emission bus transport; and
- KMB has introduced the “gBus”, the supercapacitor-powered 12-metre air-conditioned single deck bus. The gBus is characterised by long working hours and frequent start-stop duty cycles, as the supercapacitor can be recharged more quickly and undertake many more charging/discharging cycles. The gBus can be powered up by an overhead pantograph or a plug-type charging port in the depot.

Checks on CO₂ Concentration

Each year, 80 KMB buses and 15 LWB buses from passenger-intensive bus routes are selected for a data logger measurement of indoor CO₂ concentration. Our buses generally demonstrate compliance with the requirement.

Greenhouse Gas Emissions

KMB and LWB seek to minimise their greenhouse gas emissions through the judicious application of the latest technologies and relevant measures.

Emissions Reduction

KMB and LWB adopt the latest technologies to reduce roadside emissions and maintain good air quality in bus compartments. We have a number of measures including using Near Zero Sulphur Diesel, renewing the models and upgrades older buses by retrofitting exhaust treatment devices, such as Diesel Oxidation Catalysts, Diesel Particulate Filters, and Selective Catalytic Reduction units, to meet the high standards of exhaust emission laid down by the European Council of Environmental Ministers.

As part of our commitment to conserving the environment, KMB and LWB are investing in upgrading the environmental performance of the bus fleets and the patrol cars as well. KMB and LWB have introduced twenty electric patrol cars for back-up support and have set up electricity-recharging facilities at the main depots.

Consumption and Waste

KMB and LWB take all practicable measures to reduce precious resources consumption and streamline waste disposal procedures. We aim to handle and dispose of all materials in compliance with present laws and regulations and in a responsible manner without creating risks to human health or the environment.

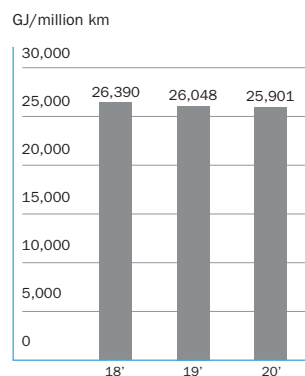


Twenty electric patrol cars are introduced to KMB and LWB's fleets for back-up support



KMB and LWB's aircraft-style fuel filling system prevents spillage

Total Diesel Oil Consumption of KMB & LWB



More than 300 solar panels have been installed on Tuen Mun Depot's rooftop for promoting the application of renewable energy



With the environmental-friendly design, the automatic waste water treatment systems properly treat effluents

Energy Consumption

To reduce fuel consumption, a number of measures have been adopted on the KMB and LWB bus fleets and across its operations:

- The aircraft-style "Posilock" fuel filling system is used to refuel buses;
- Ambient sensors are installed on air-conditioned buses to save energy by reducing unnecessary cooling;
- The use of synthetic gearbox oil extends the oil drain interval from 30,000 to 150,000 km, reducing waste oil by 80%; and
- The mileage-based oil change scheme brings about a 40% reduction in engine oil consumption and waste oil.

Electricity Consumption

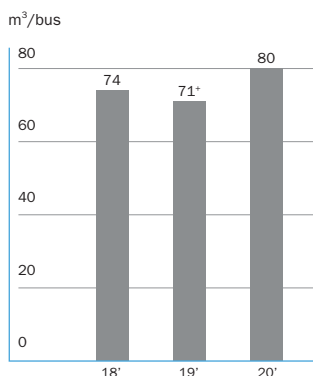
We continue to explore environment-friendly initiatives and invested in the latest technologies to minimise energy use and reduce greenhouse gas emissions. Over 600 fluorescent tubes, flood lights and spot lights were switched off in the main depots. After the implementation of these saving measures, the depots reduce its total electricity consumption by around 6%, we have re-arranged the operation period of the air-conditioning units at depots, which has reduced the electricity consumption in that depot by around 2%.

Through cooperation with a power company, a Solar Photovoltaic System consisting of more than 300 solar power panels has been installed on the roof of the Tuen Mun Depot. KMB will gradually introduce the system in major and satellite depots to strengthen the application of renewable energy and reduce greenhouse gas emissions.

Water Consumption and Waste Water Treatment

KMB and LWB as responsible corporate citizens are committed to reducing water consumption and properly treating effluents before discharge. Our depots are equipped with 10 automatic waste water treatment systems handling 400 cubic metres per day. The water used for bus washing was collected and recycled, bringing a reduction in total water consumption at depots of around 4%. However, owing to the COVID-19 pandemic, the total water consumption increased by 9.86% compared to 2019.

Total Water Consumption of KMB & LWB[#]



[#] The Water Consumption in all KMB and LWB premises, excluding tenants, were taken in account

⁺ Refer to GRI Standards 102-48, Restatements of information

Waste Generation

KMB and LWB are committed to good waste management through responsible storage and disposal of waste, recycling and reusing resources whenever feasible. Significant types of waste generated in our operations are reported as follows:

Tyres

Used KMB and LWB tyres were retreaded by KMB's appointed contractors.

Fluorescent Tubes

KMB and LWB sent used fluorescent tubes to the government's Chemical Waste Treatment Centre for recycling.

Oil and Chemicals

The solid chemical waste were treated and stored by type in designated areas at bus depots before being disposed of by a registered chemical waste collector at the government's Chemical Waste Treatment Centre and waste oil were recycled or disposed of in accordance with the statutory standards.

Batteries were disposed of by a licensed contractor in compliance with Environmental Protection Department ("EPD") instructions, including some which were exported to overseas facilities approved by the EPD under the Basel Convention.

Metals

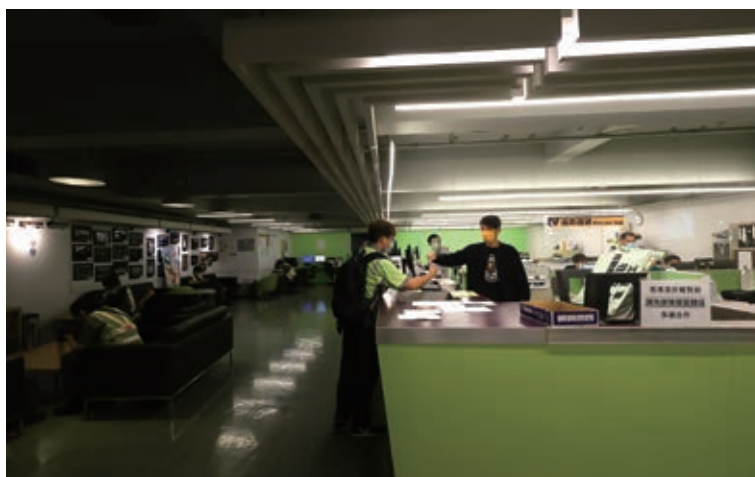
KMB and LWB sent waste metals to recycling companies.

Green Measures in the Office

The Green Office concept drives both the design and the renovation of our premises. The air-conditioning thermostats are set to 25.5°C to conserve energy and protect air quality in line with the government's Action Blue Sky Campaign. Operating hours have also been re-arranged to reduce energy waste during non-office hours. Higher efficiency air conditioning units are installed in all newly renovated office. Lower-energy LED lighting is used on the ceilings of depots and in the common areas of our headquarters building, including the main lobby, to reduce electricity consumption and the demand for air-conditioning.



Used tyres were retreaded by appointed contractors



KMB and LWB have continually implemented several measures in depots and offices to reduce electricity consumption

»»» Care for Employees

Our employees are our greatest asset, and we cherish them accordingly.





We have organised various health programmes and festive activities for staff engagement

Human Resources Policy

We take care of our employees by maintaining a safe, respectful and harmonious work environment. We adopt a set of comprehensive human resources policies promoting gender equality, offering protection against sexual harassment, occupational health and safety, preventing bribery, and protecting personal privacy. These and other policies are published on the staff website. We observe Hong Kong's labour and anti-discrimination laws and ensure that all our suppliers respect labour rights with regard to employment and respect employees' rights to join trade unions.

As an equal opportunity employer, we are committed to ensuring that no job applicant or employee is discriminated against on the grounds of race, sex, marital status, family status, pregnancy or disability. In collecting personal data from job applicants and existing staff members, we comply with the requirements of the Personal Data (Privacy) Ordinance, respecting the privacy of personal data while taking all reasonable steps to ensure that the personal data of job applicants and staff members are securely held and used only for the purposes stated in our personal data collection statement. As public bodies included in the Schedule of the Prevention of Bribery Ordinance, KMB and LWB remind staff members that they should not use their position to solicit or receive any advantage from the public.

From time to time, we remind our employees to comply with Human Resources Policies. In addition, we have a complete complaints handling mechanism in place. In case we receive complaints, we would thoroughly investigate all complaints on breach of the above policies and take appropriate action. Depending on the degree of seriousness of the complaint, an ad hoc committee may be set up to investigate the complaint. Severe disciplinary action, including summary dismissal, will be instigated for any violation.



To show our caring for employees, KMB and LWB distribute drinks to staff members



We have organised the “Father’s Day Look-alike Photo Competition”

Staff Benefits

To help attract and retain talented staff, competitive benefits packages are offered, including annual leave, medical benefits, hospitalisation insurance, accident insurance and free bus travel for staff and dependents. In the reporting period, KMB and LWB strengthened the benefits package of full-time employees by:

- Increasing the annual leave entitlement of frontline and clerical staff; and
- Upgrading the staff medical benefits by increasing the number of clinics from 4 to 23 covering far more convenient locations and including staff family members and retirees for corporate discount rates.

We are committed to fostering a caring culture which covers both our staff members and their families. Since 2015, we have been providing a scholarship programme for the children of staff with satisfactory academic performance to support their tertiary education. As at 31 December 2020, more than 300 children of KMB and LWB staff members had received scholarships. We further launched a 8-week summer internship programme for our staff’s children this year, allowing students to understand their own strengths and potentials and have a better future career plan.

Festive joys were brought to our staff at different festivals as well. At the Lunar New Year, we distributed Chinese New Year gifts to our staff, while at Christmas, we organised a Christmas Lucky Draw live broadcast to celebrate the festive season. Senior corporate executives and managerial staff joined the gatherings and shared the festive joy with colleagues. During the year, several initiatives were implemented with overwhelming feedback. The “Father’s Day Look-alike Photo Competition” was a venue where staff members could proudly share their family affection through photos. Online concerts also attracted those who were fond of talent shows.



KMB and LWB are committed to fostering a caring culture to both staff members and their families. We have organised a Christmas Lucky Draw and provided a scholarship programme

Staff Communication

To strengthen bilateral communication and staff welfare, each of the five KMB and one LWB Joint Consultative Committees, comprising management and staff representatives representing around 90% of KMB and LWB's total workforce, holds meetings monthly and bi-monthly in general. The meetings are to review issues including safety, operations, work environment and staff welfare. At the meetings, employee representatives generally account for 90% of attendees to ensure that the views of staff are comprehensively relayed.

Staff members are kept informed through the staff website of useful information, including KMB and LWB announcements, safe driving tips, snapshots of KMB and LWB activities and notices of forthcoming events. Staff can check duty roster information and make annual leave arrangements online, as well as using an e-learning training platform. The bi-monthly corporate magazine, *KMB Today*, provides another means of keeping employees up to date on KMB and LWB news and industry developments.

We make use of modern technologies such as the social media to share information with our staff to cope with the onset of the COVID-19 and various infection control measures. The KMB Staff Facebook page was therefore revamped in April 2020. Several online activities and programmes, including an online staff music concert and the Christmas Lucky Draw, were held to maintain connection with staff members. The number of followers on the Facebook page dramatically was increased by five times in 2020.

Senior Management Visits

Members of KMB and LWB senior management visited bus termini, depots and offices during the year to give support to our colleagues and listen to their opinions. These visits provided an excellent opportunity for staff to share their views about operational matters and workplace-related issues with the management team members.

Occupational Safety and Health

KMB and LWB staff members are encouraged to suggest improvement measures to enhance health and safety conditions. After reviewing staff suggestions at the regular meetings of the Working Committee for Safety, a series of safety control measures has been introduced. Safety promotion has been launched throughout the year to raise safety awareness of staff. Topics suitable for operations and maintenance are involved, including safety precautions for different working procedures in maintenance workshop, fire evacuation procedure, manual handling procedure and safe bus driving tips. To enhance the competence of our staff regarding the new requirements defined in ISO45001, several training courses, which are conducted by Hong Kong Quality Assurance Agency, have been arranged for all staff at different levels.

In 2020, KMB and LWB launched a series of health-related activities, including a health talk, a weight loss campaign and a cooking competition to promote a healthy lifestyle. A seasonal flu vaccination discount was also offered to staff members to protect them against flu viruses.

Improved Working Environment

KMB and LWB have continued to renovate and upgrade the working environment, especially for frontline staff, to provide better rest facilities for staff to take rest breaks. Further to its opening at Kowloon Bay Depot, our staff leisure area Club 1933 was opened at Lai Chi Kok Depot, where a pool table, an air hockey table and a table football are available.



Members of KMB and LWB senior management have visited bus termini to give support and appreciation to our frontline colleagues



We offer seasonal flu vaccination discount to staff members



KMB and LWB have organised a training in psychology and counseling for staff to enhance the capability in handling incidents

Skills Development and Training

Our diversified learning channels provide self-learning opportunities, including internal classroom training and e-learning programmes. Job rotation and secondment opportunities are also available so that our employees may broaden their understanding of the industry. We regularly organise customised training and learning activities for all staff levels to keep them abreast of the latest industry trends, knowledge and work skills. For instance, we arranged a training course to improve employees' communication skills from a psychological perspective and alleviate the negative emotions of employees when handling accidental incidents.

Technical and Apprentice Training

Since 1973, the Technical Training School has been responsible for training our bus maintenance staff to keep up with the latest bus technologies. In 2020, 148 in-house training sessions were run for 819 skilled workers, while three training sessions were organised in collaboration with our manufacturers for 29 engineers, supervisors and foremen.

To ensure a continuous stream of skilled workers to provide maintenance for the KMB and LWB bus fleets, the school runs a four-year apprenticeship training programme for young people who are interested in bus maintenance. The total number of graduates since the school was established stands at 2,513. At the end of 2020, 66 apprentices were enrolled in the School's programme. The quality of our apprentice training was once again recognised in 2020 when a KMB apprentice was awarded the Third Runner-up in the Vocational Training Council's Best Apprentice in the Automobile Trade Competition.

A two-year technical trainee programme was launched to strengthen our professional team and nurture young people who aspire to a career in bus maintenance. Trainees who complete the programme will receive a Completion Certificate from bus manufacturers.

A two-year technical trainee programme is launched to nurture talents in bus maintenance





Star Bus Captains are recognised for their outstanding performance in safe driving and customer care. Besides, we make use of social media platform under the situation of COVID-19 to organise an online staff concert



Psychological Support

KMB and LWB have engaged the Christian Family Service Centre to provide a counselling hotline service for staff members including bus captains who need assistance. In 2020, the hotline extended its service to 24 hours a day, 7 days a week, and broadened its coverage to include family members.

Recognition for Service Excellence

In 2020, 271 Star Bus Captains were recognised for their outstanding performance in safe driving and customer care. Long service awards were presented to staff in recognition of their loyal service. A total of 49 employees received the 35-year award and a gold medal, 70 and 227 employees received the 30-year and 20-year awards respectively with a plaque and a pin, and 275 employees with 10 years' service received a certificate of appreciation. Including the Retirement Awards, over 1,300 employees were awarded in appreciation of their loyal and outstanding service.

Sports and Leisure Activities

To promote work-life balance, KMB and LWB staff members are encouraged to participate in sports and leisure activities as well as voluntary work. As at the end of 2020, nine interest clubs were available for staff interested in singing, photography, basketball, table tennis, badminton, soccer, running, chess and dragon boat racing. Various activities, training and competitions were organised to promote a healthy work-life balance and to boost the team spirit.

TIH Retiree Association

The TIH Retiree Association was formed to maintain close contacts with retired colleagues through various activities. Owing to the outbreak of COVID-19, regular activities such as afternoon tea gatherings and festive gift distribution have been suspended. We have thus utilised the Facebook page and set up a KMB retiree website to share activity photos, so as to enhance the communication channel with retirees and promote mutual support among them.



We have set up the TIH Retiree Association to maintain close contacts with retired colleagues

Grooming Talents for the Future

Nurture Management Leaders : Management Trainee Programme



To nurture professional talents, KMB has developed the Management Trainee Programme and the Engineering Graduate Programme.

The Management Trainee Programme provides a comprehensive platform for young employees, allowing them to rotate across major departments during a three-year training period. Besides giving a better understanding of the franchised bus industry, the trainees will be equipped with techniques and knowledge in different aspects, such as personnel management, law and corporate communications, as well as accumulated practical working experience to develop into multi-talented management.

During the period, on-the-job training and guidance from supervisory management will enable the trainee to unleash their full potential and take on a managerial position in the future.



“ I always have a keen interest in public transport affairs. I obtained a bachelor’s degree in sociology and a master degree in management in the United Kingdom. When I lived there, I came to learn more about the operation of local bus companies, which later helped me bring new ideas to KMB. After joining the company, I had the opportunity to understand the operations of different departments. I realised that bus operations rely on the cooperation and team spirit of all departments. The new technique and professional knowledge learnt also broadened my horizons. ”

Jethro Chow, Management Trainee

Acquire Professional Qualifications: Engineering Graduate Programme

The Engineering Graduate Programme aims to develop a group of professional engineers with specific skills and experience to fit in the local bus industry. The engineering graduates will get to work at various depots and departments to learn about bus parts and systems. They will also have the opportunity to participate in bus design projects.

Spanning a minimum period of 24 months, the Programme, once completed, represents qualification for the Scheme “A” Graduate Training of the Hong Kong Institution of Engineers. They could gradually promote to assistant engineers, engineers, senior engineers, and management.



“Joining KMB allowed me to work closely with different parts of the bus, learning more about the mechanical structure and operation. I participated in a project led by an experienced mentor, which laid a solid foundation for my future career. From the gearbox, the engine to seats and handrails, every detail is crucial to a bus. I joined a project which involved adding an edge guard to the electronic screen. This provides additional protection to passengers, especially users of the priority seat. I was delighted with the completion of the project.”

Philip Lai, Engineering Graduate

Engaging Stakeholders

We are committed to supporting various initiatives to enhance the well-being of the community and engaging our stakeholders through effective communication channels.





KMB runs pop-up stores at different shopping malls and has a Shop1933 at Manhattan Mid-town to interact with the public



Engaging the Public

In 2020, a number of events were organised to interact with the public we serve:

- › In January, KMB operated three Lunar New Year stalls at Tai Po Mega Mall, Tseung Kwan O East Point City and Tai Po Lam Tsuen;
- › In October and November, KMB ran pop-up stores at Sham Shui Po V walk and Tseung Kwan O East Point City. The stores allowed the public to understand more about KMB's services, showcasing bus models and providing various games and photo opportunities related to bus services; and
- › KMB and LWB held a total of 12 Passenger Liaison Group meetings at bus termini across their operating areas to collect customer views on a variety of issues, including interchange schemes, environment-friendly buses, passenger facilities and network connectivity.

Media and Online Communication

In 2020, we invited the media to our events to strengthen communication and made increasing use of social media platforms such as Facebook and Instagram to publicise KMB and LWB-related information. Our interaction with netizens included a number of cross-media activities. These activities proved popular, as the number of fans of our Facebook page grew from over 151,000 in January to over 170,000 at the end of December. Likewise, the KMB Instagram account had reached more than 230,000 netizens since it launched.

Firm in the belief that social media platforms constitute a major communication means between the public and the Group, we will continue to make good use of online communication platforms to strengthen its ties with the public.

The following activities were organised via online social media platforms:

- › Throughout the year, KMB Facebook has promoted different events with images, GIFs and videos, especially for safety measures against COVID-19 and bus services; and
- › In December, KMB organised Christmas give-away events to KMB fans through Facebook and Instagram.



App1933 has a “Missing Person Notice Function” to help find missing elderly

App1933

KMB has further launched the “Missing Person Notice Function” on App1933 to strengthen assistance in locating missing elderly people by their Octopus numbers. Passengers received the notice through App1933 to help find missing elderly. Meanwhile, when a missing person boarded the bus and tapped the card, the system will alert the bus captain to identify the elderly person.

Websites

The KMB and LWB websites (www.kmb.hk and www.lwb.hk), as corporate information portals, provide corporate news, promotion information and a customer enquiry service. The websites also serve our passengers by providing a map-based point-to-point bus route search function, LiveChat and “Octopus Refund Enquiry” functions.



The new opening of Tuen Mun Road Bus-bus Interchange Customer Service Centre (Kowloon-bound) provides a comfortable waiting area for passengers

Customer Service Centres

Our Customer Service Centres provide passengers with a one-stop service offering KMB and LWB souvenirs, Octopus Card add-value services and the provision of bus route information, while the Tai Lam Interchange Customer Service Kiosk similarly provides a wide range of services. The kiosk provides cash withdrawal and free Wi-Fi services, as well as a range of convenience goods, providing a handy one-stop service. Tuen Mun Road Bus-Bus Interchange Customer Service Centre provides an air-conditioned waiting area for passengers to enjoy a comfortable environment. The customer service kiosk at Hong Kong International Airport’s Ground Transportation Centre provides a passenger enquiry service and Airbus ticket sales.

Customer Service Hotline

The KMB customer service hotline (2745 4466) and LWB customer service hotline (2261 2791) handled about 0.98 million and 20,000 calls in 2020 respectively, an average of 81,250 and 1,600 calls a month, with a hotline operator service available daily from 7:00 a.m. to 11:00 p.m. being complemented by a 24-hour hotline system. Shortcut keys to get through to a live operator are available for prompt reporting of illegal parking that affects bus service and for providing assistance in finding lost elderly people.

LiveChat for Enquiries

To provide more channels for passenger enquiries, KMB and LWB have set up a LiveChat channel on their websites and App1933 to provide instant responses to customer enquiries, offering a daily service from 7:00 a.m. to 11:00 p.m.

Customer Feedback

KMB and LWB place great emphasis on providing quality services for customers and welcome customers who wish to express their views on bus service. All customer feedback is handled with due care. KMB and LWB treat substantive feedback as a reference for continuous service improvement and future service development.

Hosting Visits

To increase our stakeholders' understanding of the daily operations at our bus depots, we received visitors from three organisations in the reporting period, including social service organisations and overseas delegations. We have also engaged schools and non-government organisations through a depot visit programme to promote good manners and safety awareness on the bus, especially for students and the elderly. We hosted two delegations in 2020.

Membership of Associations and Advocacy

During the reporting period, we further strengthened the connection with stakeholders via participation in the following organisations:

- › Business Environment Council;
- › Employers' Federation of Hong Kong;
- › Federation of Hong Kong Industries;
- › The Chartered Institute of Logistics and Transport in Hong Kong; and
- › The Hong Kong General Chamber of Commerce.

Serving the Community

We take steps to understand the needs of our community and actively support various initiatives in society. We leverage the Group's business strengths and resources to optimise positive social impacts, mainly through engagement with elderly people and nurturing youth development.

To support the elderly and passengers in need, each year KMB and LWB participate in the International Day of Disabled Persons event organised by The Hong Kong Council of Social Service, offering free rides on all bus routes to people with disabilities and one accompanying carer. KMB and LWB also supported the annual Senior Citizens Day by offering free rides to people aged 65 and over.

We sponsor and participate in a variety of local community programmes, including The Community Chest of Hong Kong's Dress Casual Day and Suicide Prevention Services' Virtual Charity Walk, as well as taking part in The Hong Kong Council of Social Service Caring Company Patron's Club. In 2020, KMB provided bus body advertisements for 13 non-governmental organisations ("NGOs") on 23 buses. We donated two tailor-made bus stop poles to Caritas Harold H.W. Lee Care and Attention Home and Caritas Jockey Club Integrated Day Services Centre for the Elderly to help prevent elderly people with dementia from missing and assist them in receiving treatment.



Customer Service Centres provide passengers with a one-stop service



KMB staff and FRN have participated in Suicide Prevention Services' Virtual Charity Walk



KMB has provided resting areas at three bus termini for the public having meal during the restrictions on dine-in services at all times



The Donation of Used and Retired Bus Programme has donated 34 buses to schools since 2016

Donation of Used and Retired Bus Programme

To nurture the next generation and show our support for sustainability and recycling, KMB launched the Donation of Used and Retired Bus Programme in 2016 to donate used and retired buses to schools and non-profit organisations. The buses can be regenerated explicitly to meet the creative learning needs of the schools or non-profit organisations. By the end of 2020, 34 retired buses had been donated.

The list of beneficiary schools/non-profit organisations that received donated bus in 2020 is as follows:

- Si Yuan School of the Precious Blood;
- Holy Cross Lutheran School;
- Shun Lee Catholic Secondary School;
- Conservative Baptist Lui Ming Choi Primary School; and
- Tin Shui Wai Methodist Primary School.

FRIENDS OF KMB

KMB's volunteer club FRIENDS OF KMB ("FRN") has promoted environmental protection, civic education and social service activities since it was formed in 1995. In the reporting period, FRN comprised 2,100 members, including passengers and KMB and LWB staff and their dependents.

During the reporting period, FRN volunteers participated in regular home visits and made care calls to elderly people who were suffering from depression. The programme was organised by the Suicide Prevention Service, with whom FRN has built up a partnership since 2013. FRN also assisted Food for Good Community Kitchen in packing hot meals for elderly people and underprivileged families weekly. In recognition of our contributions to the community, FRN received the Award of 10,000 Hours for Volunteer Service, Honour Award in the Highest Service Hour Award (Private Organisations – Best Customers Participation) and Merit in the Highest Service Hour Award (Private Organisations) from the Social Welfare Department.



FRN assists Food for Good Community Kitchen in packing hot meals for elderly and underprivileged families

Caring for Senior Citizens with Wise Use of Resources

Donating “Caring Bus Stop Pole” to Help Prevent Elderly People From Going Missing

To support the development of an age-friendly community, we made the first donation of the Caring Bus Stop Pole to the care homes for the elderly in Hong Kong, which allows the elderly with Dementia waiting at the bus stop to prevent them from wandering off. Two bus stop poles named by the care homes were tailor-made for two beneficiary organisations, the Caritas Harold H.W. Lee Care and Attention Home and Caritas Integrated Day Services Centre for the Elderly to assist the elderly in receiving treatment as well.

To help missing elderly people reunite with their families, a shortcut was added to the KMB Customer Service Hotline. When family members press “8” after dialing the hotline, they can contact a person dedicated to providing relevant information. After receiving the request for assistance, KMB will use the Octopus card number to locate the missing elderly through our powerful bus fleet while publishing a tracing notice on App1933 in order to increase the chance of finding the missing elderly.



“ We had a case of an elderly absconding from the care and attention home and getting on a bus. Therefore, we set up a simulated bus stop in our place to prevent the elderly from going missing. Many elderly people are able to recall bus stops. When they see something they are familiar with, their emotional instability may be reduced. They also tend to “wait” for the bus at the pole, which helps minimise the probability of elderly people getting lost. I would like to express my gratitude to KMB for its donation and assistance. We hope more corporations will consider the needs of elderly people in their services or facilities. ”

KWAN Siu Ling, Tanny, Senior Social Work Supervisor (Service for the Elderly), Caritas Hong Kong

Performance Statistics

from 1 January to 31 December 2020

	Unit	2020	2019	Year-on-year change
Environment				
Emissions				
GHG Emissions of Bus (Scope I)	tCO ₂ e	506,886	566,360 ⁺	-10.50%
GHG Emissions of Bus (Scope I) Intensity	tCO ₂ e per million km	1,770	1,781 ⁺	-0.62%
GHG Emissions of Electricity (Scope II) ¹	tCO ₂ e	12,852	14,281 ⁺	-10.01%
GHG Emissions of Electricity (Scope II) Intensity	tCO ₂ e per m ²	0.033	0.037 ⁺	-10.81%
Nitrogen Oxides (NOx) ²	Tonnes	1,635	1,862	-12.19%
Sulphur Oxides (SOx) ²	Tonnes	3.09	3.46 ⁺	-10.69%
Particulate Matter (PM) ²	Tonnes	118	134	-11.94%
Consumption				
Diesel Oil Consumption	Gigajoules (GJ)	7,415,428	8,285,315	-10.50%
Diesel Oil Consumption Intensity	GJ per million km	25,901	26,048	-0.56%
Water Consumption ³	m ³	339,724	309,232 ⁺	+9.86%
Water Consumption Intensity ³	m ³ per bus	80	71 ⁺	+12.68%
Electricity Consumption ³	kWh	25,703,619	28,001,154 ⁺	-8.21%
Electricity Consumption Intensity ³	kWh per m ²	66	72 ⁺	-8.33%
Waste				
Hazardous Waste				
Solid Chemical Waste	Kilograms (kg)	1,453,020	1,587,940 ⁺	-8.50%
Solid Chemical Waste Intensity	Kilograms (kg) per million km	5,075	4,992 ⁺	+1.66%
Tyres	Kilograms (kg)	1,063,800	1,197,000 ⁺	-11.13%
Fluorescent Tubes	Kilograms (kg)	900	2,200 ⁺	-59.09%
Waste Oil	Kilograms (kg)	583,060	625,780 ⁺	-6.83%
Battery ⁴	Kilograms (kg)	166,000	118,320	+40.30%
Non-hazardous Waste				
Metal ⁵	Kilograms (kg)	829,449	796,562 ⁺	+4.13%
Metal Intensity ⁵	Kilograms (kg) per million km	2,897	2,504 ⁺	+15.69%

¹ The emission factors of greenhouse gas emissions due to electricity consumption were obtained from the Sustainability Reports of CLP Power: 0.51 kg CO₂e/kWh in 2019 and 0.50 kg CO₂e/kWh in 2020.

² The emission factors were taken from "Appendix 2: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

³ The electricity consumption and water consumption in all KMB and LWB premises, excluding tenants, were taken into account.

⁴ In enhancing bus safety performance, additional safety features on buses were installed, leading to a shorter lifecycle of the battery.

⁵ A sufficient amount of metal was disposed of in cleaning up some areas in a depot.

⁺ Refer to GRI Standards 102-48, Restatements of information

	Unit	2020	2019	Year-on-year change
Employee				
Total Workforce	No. of employees	13,582	13,457	+0.93%
By Gender				
Female	No. of employees	1,172	1,177	-0.42%
Male	No. of employees	12,410	12,280	+1.06%
By Age Group				
Below 40 year old	No. of employees	3,027	3,017	+0.33%
40-50 years old	No. of employees	4,011	4,054	-1.06%
Over 50 years old	No. of employees	6,544	6,386	+2.47%
By Employment Category				
Senior level	No. of employees	30	24	+25.00%
Middle level	No. of employees	285	277	+2.89%
Entry level	No. of employees	13,267	13,156	+0.84%
By Employment Type by Gender				
Full Time Female	No. of employees	1,039	1,050	-1.05%
Full Time Male	No. of employees	11,807	11,514	+2.54%
Part Time Female	No. of employees	133	127	+4.72%
Part Time Male	No. of employees	603	766	-21.28%
By Employment Contract by Region				
Permanent in Hong Kong	No. of employees	12,452	12,120	+2.74%
Permanent in Other Region	No. of employees	0	0	N.A.
Temporary in Hong Kong	No. of employees	1,130	1,337	-15.48%
Temporary in Other Region	No. of employees	0	0	N.A.
By Employment Contract by Gender				
Permanent Female	No. of employees	1,025	1,031	-0.58%
Permanent Male	No. of employees	11,427	11,089	+3.05%
Temporary Female	No. of employees	147	146	+0.68%
Temporary Male	No. of employees	983	1,191	-17.46%
Total Training Hours ⁶	No. of hours	232,024	550,970	-57.89%
Average Training Hours by Gender ⁶				
Female	No. of hours	11	18	-38.89%
Male	No. of hours	18	43	-58.14%
Average Training Hours by Employment Category ⁶				
Senior Level	No. of hours	1	2	-50.00%
Middle Level	No. of hours	6	7	-14.29%
Entry Level	No. of hours	17	42	-59.52%

⁶ Owing to the COVID-19 pandemic, most of the external and internal training courses were suspended to help maintain social distancing.

Reporting Content Index Tables

TIH has developed this report in accordance with the Core Option of the Global Reporting Initiative Standards (“GRI”) Sustainability Reporting Guidelines and the Environmental, Social and Governance Reporting Guide (“ESG” Guide) issued by the Hong Kong Exchanges and Clearing Limited (“HKEX”). The following content index table presents the associated disclosures either by cross-referring relevant section(s) in this Report and/or by providing direct remarks.

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
GRI 101: Foundation 2016				
GRI 102: General Disclosures 2016				
Organisation Profile				
	102-1	Name of the organisation	Group Profile	2-3 [^]
	102-2	Activities, brands, products, and services	Group Profile Business at a Glance Key Franchised Bus Network in Hong Kong	2-3 [^] 4-5 [^] 6-7 [^]
	102-3	Location of headquarters	Property Holdings and Development	38-39 [^]
	102-4	Location of operations	Business at a Glance	4-5 [^]
	102-5	Ownership and legal form	Business at a Glance	4-5 [^]
	102-6	Markets served	Business at a Glance	4-5 [^]
	102-7	Scale of the organisation	Business at a Glance Key Franchised Bus Network in Hong Kong Financial and Operational Highlights Care for Employees	4-5 [^] 6-7 [^] 8-9 [^] 72-79
B1.1	102-8	Information on employees and other workers	Care for Employees Performance Statistics	72-79 86-87
B5 General Disclosure, B5.1	102-9	Supply chain	Supply Chain Management	44
	102-10	Significant changes to the organisation and its supply chain	About the Report	40-47
	102-11	Precautionary Principle or approach	Sustainability Governance Corporate Governance Report	43 110-131 [^]

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
	102-12	External initiatives	Group Profile Management Discussion and Analysis About the Report Safety First	2-3^ 18-19^ 40-47 48-59
	102-13	Membership of associations	Engaging Stakeholders	80-85
Strategy				
	102-14	Statement from senior decision-maker	Chairman's Letter Managing Director's Message	12-15^ 16-17^
	102-15	Key impacts, risks, and opportunities	Chairman's Letter Managing Director's Message	12-15^ 16-17^
Ethics and Integrity				
B7 General Disclosure	102-16	Values, principles, standards, and norms of behavior	Group Profile Legal and Regulatory Compliance Supply Chain Management Procurement and Tendering Procedures Safety First Care for Customers Care for the Environment Care for Employees Corporate Governance Report	2-3^ 44 44 45 48-59 60-65 66-71 72-79 110-131^
B7.2	102-17	Mechanisms for advice and concerns about ethics	Legal and Regulatory Compliance	44
Governance				
	102-18	Governance structure	Sustainability Governance Safety First Corporate Governance Report	43 48-59 110-131^
Stakeholder Engagement				
	102-40	List of stakeholder groups	Stakeholders Engagement and Materiality Assessment	45
	102-41	Collective bargaining agreements	Care for Employees	72-79
	102-42	Identifying and selecting stakeholders	Stakeholders Engagement and Materiality Assessment	45
	102-43	Approach to stakeholder engagement	Stakeholders Engagement and Materiality Assessment Engaging Stakeholders	45 80-85
	102-44	Key topics and concerns raised	Stakeholders Engagement and Materiality Assessment	45-47
Report Profile				
	102-45	Entities included in the consolidated financial statements	Financial and Operational Highlights Reporting Focus	8-9^ 41
	102-46	Defining report content and topic Boundaries	Reporting Principles Stakeholders Engagement and Materiality Assessment	41 45-47

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ ®Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
	102-47	List of material topics	Stakeholders Engagement and Materiality Assessment	45-47
	102-48	Restatements of information	Total Water Consumption of KMB & LWB Performance Statistics	70 86-87
	102-49	Changes in reporting	Stakeholder Engagement and Materiality Assessment	45-47
	102-50	Reporting period	Reporting Focus	41
	102-51	Date of most recent report	* April 2020	–
	102-52	Reporting cycle	* Annual	–
	102-53	Contact point for questions regarding the report	Reporting Principles	41
	102-54	Claims of reporting in accordance with the GRI Standards	Reporting Principles	41
	102-55	GRI content index	Reporting Content Index Tables	88-93
	102-56	External assurance	* This report was not externally assured.	–
Material Topics				
GRI 201: Economic Performance 2016				
	103-1 103-2 103-3 Management Approach		Financial Review	94-109 [^]
	201-1	Direct economic value generated and distributed	Financial Review	94-109 [^]
GRI 204: Procurement Practices 2016				
B5 General Disclosure, B5.2, B5.3, B5.4	103-1 103-2 103-3 Management Approach		Supply Chain Management	44
	204-1	Proportion of spending on local suppliers	Supply Chain Management	44
B5.1		Number of suppliers by geographical region	Supply Chain Management	44
GRI 205: Anti-corruption 2016				
	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance ® Anti-corruption is not considered a material topic.	44
B7 General Disclosure, B7.1	205-3	Confirmed incidents of corruption and actions taken	Legal and Regulatory Compliance	44
GRI 301: Materials 2016				
	103-1 103-2 103-3 Management Approach		® Materials is not considered a material topic.	–
A2.5	301-1	Materials used by weight or volume	® Quantitative data of total packaging materials are not available as they are not applicable to KMB & LWB's business.	–

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ ®Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
GRI 302: Energy 2016				
A2 General Disclosure, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for Customers Care of the Environment	60-65 66-71
A2.1	302-1	Energy consumption within the organisation	Performance Statistics	86-87
A2.3	302-4	Reduction of energy consumption	Performance Statistics	86-87
A2.3	302-5	Reductions in energy requirements of products and services	Care for the Environment	66-71
GRI 303: Water and Effluents 2018				
A2 General Disclosure, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for the Environment ® Water and Effluents is not considered a material topic.	66-71
A2.4	303-1	Interactions with water as a shared resource	* All water used at KMB and LWB offices and depots was sourced from municipal water supplies. No major issue concerning sourcing water and water-related impacts has been encountered.	–
	303-2	Management of water discharge-related impacts	Care for the Environment * We ensure water discharge to drainage systems and water bodies were in compliance with local government requirements.	66-71
A2.2	303-5	Water consumption	Care for the Environment Performance Statistics * No specific regions are water stressed in Hong Kong.	66-71 86-87
GRI 305: Emissions 2016				
A1 General Disclosure, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for the Environment	66-71
A1.2	305-1	Direct (Scope 1) GHG emissions	Performance Statistics	86-87
A1.2	305-2	Energy indirect (Scope 2) GHG emissions	Performance Statistics	86-87
A1.2	305-4	GHG emissions intensity	Performance Statistics	86-87
A1.5	305-5	Reduction of GHG emissions	Performance Statistics	86-87
A1.1	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Performance Statistics	86-87

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
GRI 306: Waste 2020				
A1 General Disclosure, A1.6, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for the Environment ^ Waste is not considered a material topic.	66-71
A1.3 A1.4	306-3	Waste generated	Care for the Environment Performance Statistics	66-71 86-87
GRI 307: Environmental Compliance 2016				
A1 General Disclosure	103-1 103-2 103-3 Management Approach		Supply Chain Management Care for the Environment ^ Environmental Compliance is not considered a material topic.	44 66-71
A1 General Disclosure	307-1	Non-compliance with environmental laws and regulations	* There was no non-compliance with local environmental laws and regulations in 2020.	–
GRI: 401 Employment 2016				
B1 General Disclosure, B1.1, B4, General Disclosure	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance Care for Employees	44 72-79
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Care for Employees	72-79
GRI 403: Occupational Health and Safety 2018				
B2 General Disclosure, B2.3	103-1 103-2 103-3 Management Approach		Safety First Care for Employees	48-59 72-79
B2.3	403-1	Occupational health and safety management system	Safety First	48-59
	403-2	Hazard identification, risk assessment, and incident investigation	Safety First	48-59
	403-3	Occupational health services	Care for Employees	72-79
	403-4	Worker participation, consultation, and communication on occupational health and safety	Safety First Care for Employees	48-59 72-79
	403-5	Worker training on occupational health and safety	Safety First Care for Employees	48-59 72-79
	403-6	Promotion of worker health	Care for Employees	72-79
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety First	48-59
	403-8	Workers covered by an occupational health and safety management system	Safety First	48-59

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/ ®Reason for omission	Page(s) ^: refer to TIH 2020 Annual Report
GRI 404: Training and Education 2016				
B3 General Disclosure	103-1 103-2 103-3 Management Approach		Safety First Care for Employees	48-59 72-79
B3.1 B3.2	404-1	Average hours of training per year per employee	Performance Statistics	86-87
GRI 408: Child Labour 2016				
B4 General Disclosure, B4.1, B4.2	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance ® Child and forced labour is not considered a material topic.	44
GRI 413: Local Communities 2016				
B8 General Disclosure	103-1 103-2 103-3 Management Approach		Engaging Stakeholders	80-85
B8.1 B8.2	413-1	Operations with local community engagement, impact assessments, and development programs	Engaging Stakeholders	80-85
GRI 416: Customer Health and Safety 2016				
B6 General Disclosure, B6.1, B6.3, B6.4	103-1 103-2 103-3 Management Approach		Safety First Engaging Stakeholders * Products sold or shipped and intellectual property rights are not material to KMB and LWB's business nature.	48-59 80-85
	416-1	Assessment of the health and safety impacts of product and service categories	Safety First Care for the Environment	48-59 66-71
GRI 417: Marketing and Labelling 2016				
	103-1 103-2 103-3 Management Approach		Engaging Stakeholders	80-85
	417-3	Incidents of non-compliance concerning marketing communications	* There was no non-compliance with local marketing communications laws and regulations in 2020.	
GRI 418: Customer Privacy 2016				
B6 General Disclosure, B6.5	103-1 103-2 103-3 Management Approach		Safety First ® Customer Privacy is not considered a material topic.	48-59
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Safety First Care for Employees Engaging Stakeholders * There were no significant incidents of non-compliance concerning laws and regulations during the reporting period.	48-59 72-79 80-85

The Group

Summary of Financial Performance

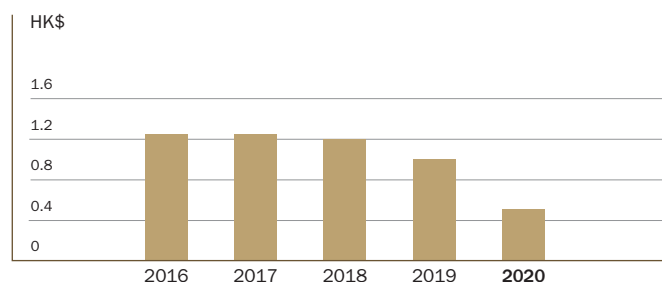
	2020 HK\$ million	2019 HK\$ million	Favourable/(Unfavourable) Change	
			HK\$ million	%
Revenue	6,190.9	8,112.2	(1,921.3)	(23.7)
Other income	1,249.6	411.1	838.5	204.0
Operating expenses	(7,193.5)	(7,813.3)	619.8	7.9
Finance costs	(26.9)	(32.2)	5.3	16.5
Gain on disposal of a subsidiary	1,495.5	–	1,495.5	N/A
Share of profits of associates	6.5	21.5	(15.0)	(69.8)
Profit before taxation	1,722.1	699.3	1,022.8	146.3
Income tax credit/(expense)	182.0	(94.0)	276.0	293.6
Profit for the year	1,904.1	605.3	1,298.8	214.6
Earnings per share (HK\$)	4.21	1.38	2.83	205.1

Review of 2020 Financial Performance

The Group's Results for the Year

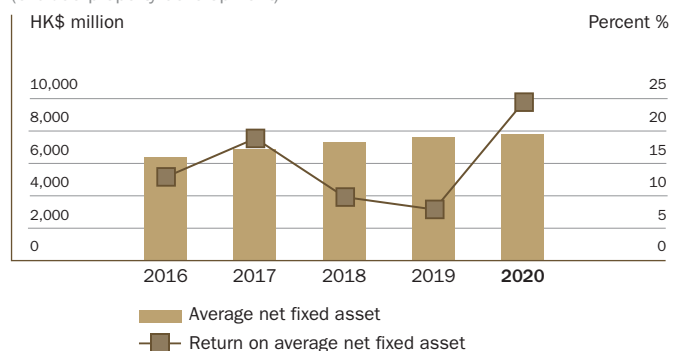
The Group recorded a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site in 2020. As a result, the Group's profit attributable to equity shareholders for the year ended 31 December 2020 was HK\$1,904.1 million, an increase of HK\$1,298.8 million or 214.6% compared to HK\$605.3 million for 2019. Earnings per share increased correspondingly from HK\$1.38 for 2019 to HK\$4.21 for 2020. Excluding such non-recurring net gain, the profit attributable to equity shareholders for 2020 would have been HK\$408.6 million, representing a decrease of HK\$196.7 million or 32.5% compared to that for 2019.

Dividends per Share



Return on Average Net Fixed Asset Employed

(exclude property development)



The revenue and underlying profit generated by the Group's five Divisions for the year ended 31 December 2020 are shown below:

HK\$ million	Revenue		Profit before taxation	
	2020	2019	2020	2019
Franchised Public Bus Operations Division	5,909.7	7,732.5	34.5	473.1
Non-franchised Transport Operations Division	208.3	312.7	42.2	47.6
Property Holdings and Development Division	72.9	67.0	63.0	65.5
Financial Services Division	–	–	66.3	76.8
China Mainland Transport Operations Division	–	–	6.5	21.5
	6,190.9	8,112.2	212.5	684.5
Finance costs			(26.9)	(32.2)
Unallocated net operating income			41.0	47.0
Gain on disposal of a subsidiary			1,495.5	–
Profit before taxation			1,722.1	699.3
Income tax credit/(expense)			182.0	(94.0)
Profit for the year			1,904.1	605.3

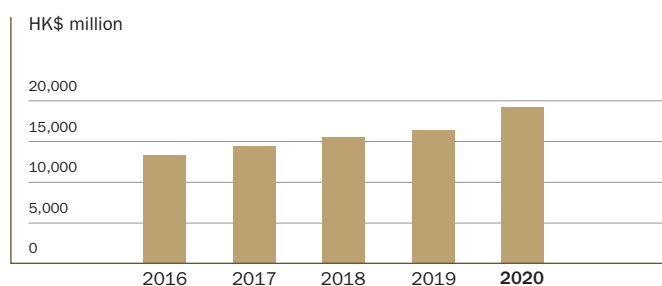
Segment information on the Group's main businesses is set out in note 12 to the financial statements on pages 195 to 197 of this Annual Report.

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

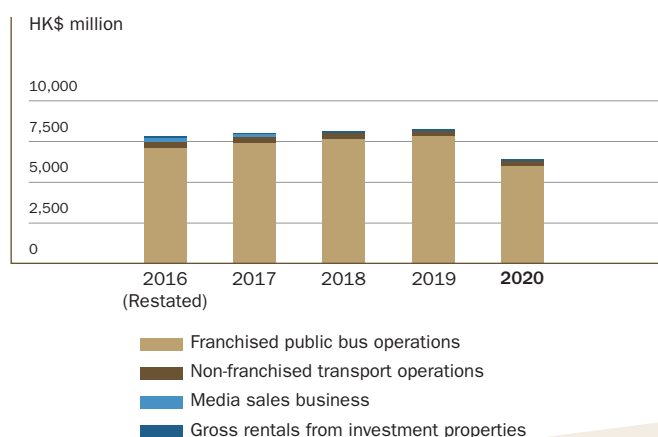
Revenue for 2020 amounted to HK\$6,190.9 million, a decrease of HK\$1,921.3 million or 23.7% compared with HK\$8,112.2 million for 2019. The decrease was mainly due to (i) the decrease in revenue from the Group's franchised public bus operations of HK\$1,822.8 million, primarily as a result of patronage drop; and (ii) the decrease in revenue from the Group's non-franchised transport operations of HK\$104.4 million, which partly offset by the increase in rental income arising from the Group's investment properties of HK\$5.9 million.

Other income increased by HK\$838.5 million from HK\$411.1 million in 2019 to HK\$1,249.6 million in 2020. The increase was mainly due to the increase in government subsidies of HK\$861.3 million from various support schemes rolled out by the Government under the Anti-epidemic Fund to provide financial support to the public transport sector. The breakdown of other income is set out in note 4 to the financial statements on page 187 of this Annual Report.

Total Assets at 31 December



Group Revenue



Total operating expenses for 2020 amounted to HK\$7,193.5 million, a decrease of HK\$619.8 million or 7.9% compared to HK\$7,813.3 million for 2019. The decrease was mainly due to the decrease in fuel costs, staff costs and toll related expenses as a result of service reductions as well as the decrease in other overheads through implementing various cost control measures to streamline its business.

The Group's share of profits of associates for 2020 amounted to HK\$6.5 million, a decrease of HK\$15.0 million or 69.8% compared to HK\$21.5 million for 2019.

Income tax credit for the year amounted to HK\$182.0 million (2019: income tax expense of HK\$94.0 million). The breakdown of the income tax credit/expense is set out in note 6 to the financial statements on page 190 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 101 to 106 of this Annual Report.

Dividend

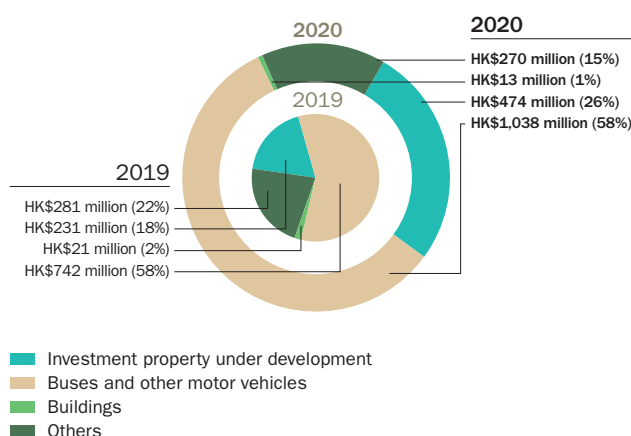
The Board has recommended an ordinary final dividend of HK\$0.50 per share (2019: HK\$0.70 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 20 May 2021 or at any adjournment thereof, the total dividend for the year will be HK\$0.50 per share (2019: HK\$1.00 per share). The Company's intention is to maintain stable returns to shareholders.

Key Changes to Financial Position

Capital Expenditure

As at 31 December 2020, 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\$10,953.6 million (2019: HK\$10,154.4 million). The increase was mainly due to the development of Kwun Tong Site and purchase of new buses by KMB and LWB for fleet replacement during the year. None of the assets was pledged or charged as at 31 December 2020. The breakdown of the capital expenditure is shown in note 13 to the financial statements on pages 198 to 203 of this Annual Report.

Capital Expenditure



Intangible Assets and Goodwill

As at 31 December 2020, the Group's intangible assets and goodwill amounted to HK\$365.0 million (2019: HK\$365.0 million) and HK\$84.1 million (2019: HK\$84.1 million) respectively. The intangible assets mainly represent passenger service licences and transport operating rights of the Group's non-franchised transport operations.

Current Assets and Current Liabilities

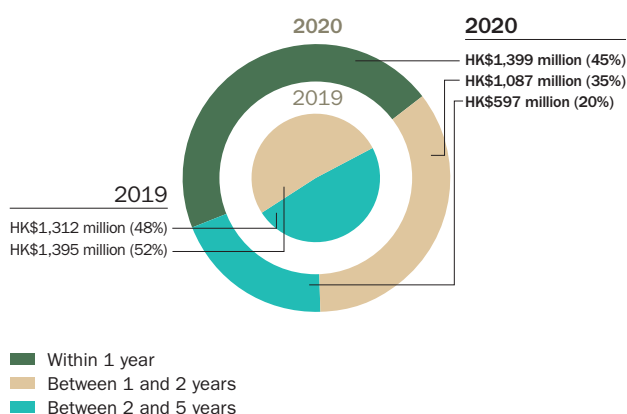
The Group's total current assets as at 31 December 2020 amounted to HK\$3,316.3 million (2019: HK\$2,931.3 million), mainly comprising liquid funds of HK\$2,293.8 million (2019: HK\$1,455.9 million) and accounts receivable of HK\$660.5 million (2019: HK\$666.7 million). The Group's liquid funds as at 31 December 2020 were mainly denominated in Hong Kong dollars.

Total current liabilities as at 31 December 2020 amounted to HK\$3,087.0 million (2019: HK\$1,561.9 million), which mainly included accounts payable and accruals, and the current portion of bank loans.

Bank Loans

As at 31 December 2020, bank loans, all unsecured, amounted to HK\$3,082.5 million (2019: HK\$2,706.6 million). The maturity profile of the bank loans of the Group as at 31 December 2020 and 31 December 2019 is shown in the chart below:

Debt Maturity Profile at 31 December



As at 31 December 2020, the Group had undrawn committed banking facilities totalling HK\$2,110.0 million (2019: HK\$2,280.0 million).

Capital Commitments

The Group's capital commitments as at 31 December 2020 amounted to HK\$2,579.1 million (2019: HK\$3,409.9 million). These commitments were mainly in respect of the development of the Kwun Tong Site 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:

HK\$ million	2020	2019
Development of the Kwun Tong Site	1,752.8	2,186.6
Purchase of buses and other motor vehicles	680.3	1,173.6
Purchase of other properties, plant and equipment	146.0	49.7
Total	2,579.1	3,409.9

As at 31 December 2020, the Group had 427 (2019: 514) new buses on order for delivery in 2021.

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 committed 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 2020, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$788.8 million (2019: HK\$1,250.7 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.1 (2019: 1.9). 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
<i>At 31 December 2020</i>				
Hong Kong dollars		1,746.0	(3,082.5)	(1,336.5)
Renminbi	2.0	2.3	–	2.3
United States dollars	68.9	534.5	–	534.5
British Pounds Sterling	0.2	1.6	–	1.6
Other currencies		9.3	–	9.3
Total		2,293.7	(3,082.5)	(788.8)
<i>At 31 December 2019</i>				
Hong Kong dollars		1,136.9	(2,706.6)	(1,569.7)
Renminbi	2.6	2.9	–	2.9
United States dollars	26.9	209.6	–	209.6
British Pounds Sterling	9.8	100.7	–	100.7
Other currencies		5.8	–	5.8
Total		1,455.9	(2,706.6)	(1,250.7)

Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2020 were HK\$26.9 million, a decrease of HK\$5.3 million compared with HK\$32.2 million for 2019. The decrease was mainly due to the decrease in the average interest rate from 2.74% per annum for 2019 to 1.68% per annum for 2020 but was partly offset by the increase in average bank borrowings of the Group.

For the year ended 31 December 2020, the Group's interest income exceeded the total finance costs by HK\$49.7 million (2019: HK\$55.2 million).

Net Cash Flow

For 2020, there was a net increase of HK\$589.3 million (2019: HK\$316.9 million) in cash and cash equivalents. The sources are set out below:

	2020 HK\$ million	2019 HK\$ million
Net cash generated from/(used in):		
• Operating activities	1,198.4	1,439.7
• Investing activities	(827.0)	(941.5)
• Financing activities	217.9	(181.3)
Net cash inflow	589.3	316.9

The main components of the net cash inflow of HK\$589.3 million (2019: HK\$316.9 million) included: (i) net cash generated from operating activities of the franchised public bus operations of HK\$1,006.6 million (2019: HK\$1,367.1 million); (ii) payment of capital expenditure of HK\$1,648.4 million (2019: HK\$1,248.3 million); (iii) increase of HK\$43.7 million (2019: decrease of HK\$183.0 million) in bank deposits with original maturities of over three months; (iv) proceeds received on the maturity of debt securities of HK\$722.8 million (2019: HK\$231.1 million); (v) purchase of debt securities of HK\$438.3 million (2019: HK\$237.1 million); (vi) increase of HK\$370.0 million in bank loans (2019: HK\$75.0 million); (vii) proceeds received from disposal of a subsidiary of HK\$744.7 million (2019: Nil); and (viii) payment of dividends of HK\$149.2 million (2019: HK\$261.2 million).

Details of the Group's cash flow movement for the year ended 31 December 2020 are set out in the consolidated cash flow statement on page 166 of this Annual Report.

Treasury Risk Management

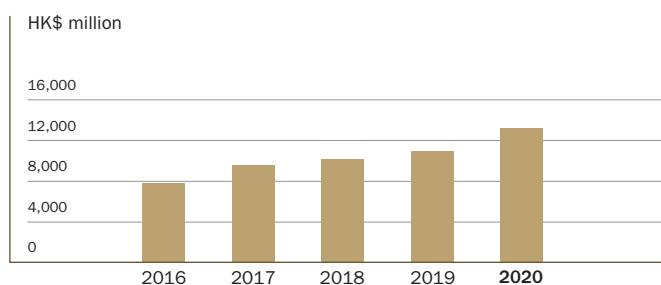
The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

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 debt securities 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 its 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.

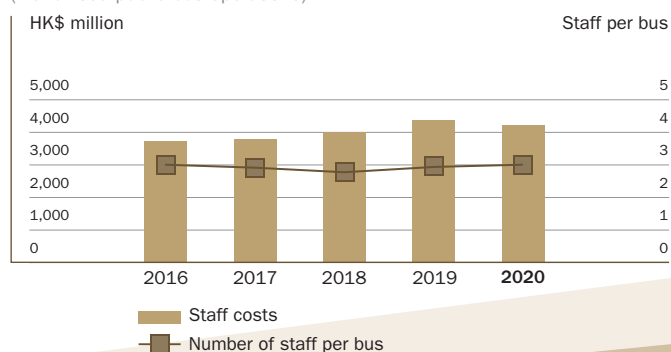
As at 31 December 2020, the Group had outstanding GBP forward contracts totalling GBP15.2 million (2019: Nil), which had maturities of less than one year after the end of the reporting period.

Shareholders' Fund at 31 December



Staff Costs and Staff per Bus

(Franchised public bus operations)



Interest Rate Risk

The Group closely monitors the market conditions and devises suitable strategies to manage its exposure to interest rate risk. Different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates, and derivative financial instruments such as interest rate swaps will be considered as and when appropriate. As at 31 December 2020, 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 condition.

The Group's major subsidiary, KMB, has been assigned an "A" credit rating with stable outlook 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 and considered the pros and cons of entering into fuel price hedging arrangements and concluded that fuel price hedging would be equally 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 has entered into contracts with diesel suppliers for the supply of diesel. A price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these contracts. 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 condition.

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 security 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. 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 committed 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 60% (2019: 58%) of the total operating expenses of the Group in 2020. 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 2020 amounted to HK\$4,119.9 million (2019: HK\$4,280.9 million), representing a decrease of 3.8%. As at 31 December 2020, the Group employed over 13,000 staff (2019: over 13,000 staff).

Individual Business Units

Franchised Public Bus Operations

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

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

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

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

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

Long Win Bus Company Limited (“LWB”)

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

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

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

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

Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$41.5 million for 2020, representing an increase of HK\$1.7 million or 4.3% compared with HK\$39.8 million for 2019. A review of the operations of the principal business units in this Division is set out as follows:

Sun Bus Holdings Limited and its Subsidiaries (the “SBH Group”)

The SBH Group is a leading non-franchised bus operator in Hong Kong. With Sun Bus Limited as its flagship company, the SBH Group provides customised transport services to a wide range of customers, including large residential estates, shopping malls, major employers, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group for 2020 decreased by 23.6% compared with 2019. The decrease was mainly attributable to the decline in both local business and cross-boundary services as a result of the outbreak of COVID-19. Total operating expenses for 2020 decreased by 14.0% compared with 2019 as management implemented various cost control measures to streamline its business.

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

New Hong Kong Bus Company Limited (“NHKB”)

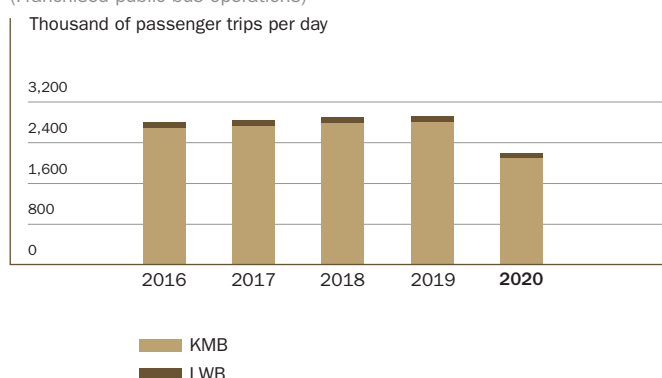
NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

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

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

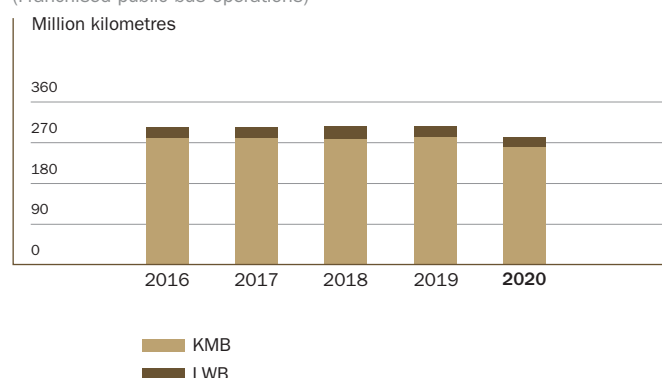
Average Number of Passenger Trips per Day

(Franchised public bus operations)

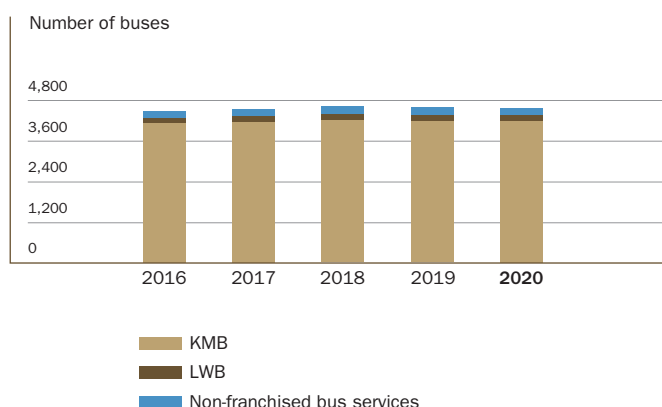


Bus Kilometres Operated

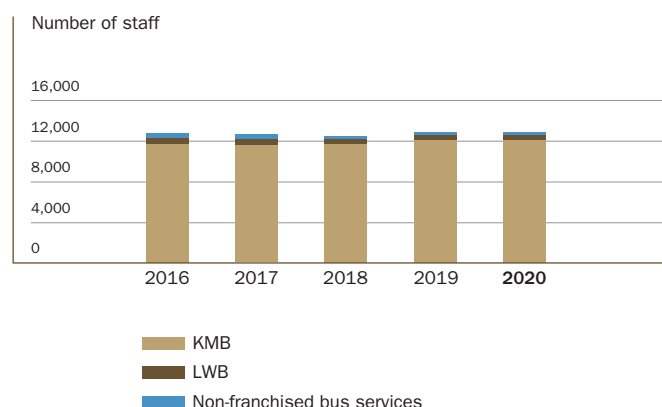
(Franchised public bus operations)



Number of Licensed Buses at 31 December



Number of Staff at 31 December



Property Holdings and Development

Excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited, the Group's Property Holdings and Development Division reported a profit after taxation of HK\$52.8 million for 2020, representing a decrease of HK\$2.0 million or 3.6% compared with HK\$54.8 million for 2019. A review of the Group's investment properties is set out as follows:

LCK Commercial Properties Limited ("LCKCP")

LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in March 2009. As at 31 December 2020, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.

As at 31 December 2020, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation, amounted to HK\$73.5 million (2019: HK\$76.0 million).

LCK Real Estate Limited ("LCKRE")

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. Approximately 12% of the gross floor area is used by the Group as headquarters with the remaining gross floor area leased out to offices, shops and restaurants.

As at 31 December 2020, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK\$26.5 million (2019: HK\$29.4 million).

KT Real Estate Limited ("KTRE")

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the "Kwun Tong Site") in equal shares as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into an agreement to jointly develop the Kwun Tong Site for non-residential (excluding hotel) purposes (the "Development"). Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the Development. The Group intends to hold the Development for long-term investment purposes.

On 4 August 2016, KTRE and TRL accepted the offer from the Lands Department for the grant of lease modification for the Kwun Tong Site from industrial to non-residential use (excluding hotel, petrol filling station and residential care home) at a land premium of HK\$4,305.0 million. 50% of such land premium, which amounted to HK\$2,152.5 million, was borne by KTRE.

On 20 December 2018, KTRE and TRL engaged Yee Fai Construction Company Limited, a wholly-owned subsidiary of SHKP, to carry out and perform construction works for the Development at a contract sum of approximately HK\$4,436.0 million (i.e. approximately HK\$2,218.0 million by each of KTRE and TRL) (the "Building Contract"), subject to adjustments in accordance with the Building Contract. The Building Contract was approved by independent shareholders of the Group on 1 February 2019. The basement, superstructure and office tower construction works are underway. The occupation permit is expected to be obtained in 2022.

As at 31 December 2020, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$3,005.4 million (2019: HK\$2,531.6 million).

TM Properties Investment Limited (“TMPI”)

TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“Mega Odyssey”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to Mega Odyssey which completed on 29 December 2020. Upon completion, TMPI becomes a 50%-owned joint venture of the Group.

TMPI is the owner of an industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,364 square feet, has been leased out to generate rental income for the Group since March 2011.

China Mainland Transport Operations

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

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

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

	Shenzhen	Beijing
Nature of business	Bus and taxi hire services	Taxi and car rental services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	January 2005	April 2003
The Group’s investment cost (RMB million)	387	80
The Group’s effective interest	35%	31.38%
Fleet size at year-end 2020 (Number of vehicles)	11,681	4,947
Bus passenger volume (Million trips)	375	N/A
Bus kilometres travelled (Million km)	336	N/A
Staff number at year-end 2020	26,047	3,135

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SZBG”)

SZBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB387.1 million (equivalent to HK\$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus, minibuses and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of over 5,000 buses running on around 300 routes and over 5,000 taxis. Due to the outbreak of COVID-19 in early 2020, the number of patronage of SZBG including its bus and taxi operation decreased by 31.7% to 487.0 million in 2020 as compared to 713.3 million in 2019. The number of patronage has been improving gradually since July 2020 as a result of the effective containment of COVID-19.

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. Due to the outbreak of COVID-19, the performance of BBKT dropped significantly in early 2020 but has improved gradually since last quarter of 2020. As at 31 December 2020, BBKT had a fleet of over 3,700 taxis and 3,000 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. With ISO 9001:2008 certification for management systems in 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 2020, BBF had over 1,100 vehicles available for charter mainly in Beijing and Tianjin.

Connected Transactions and Continuing Connected Transactions

The particulars of the following connected transactions 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”):

(a) THE GROUP

Transactions with Sun Hung Kai Properties Insurance Limited (“SHKPI”)

As described in note 34(a) to the financial statements on pages 235 and 236 of this Annual Report, on 1 November 2017, the Group entered into an insurance policy with SHKPI, pursuant to which the Group maintained medical and dental insurance coverage with SHKPI from 1 January 2018 to 31 December 2019 (the “2018/19 Medical and Dental Insurance Arrangement”). On 1 November 2018, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers’ liability insurance and an employees’ compensation insurance coverage from 1 January 2019 to 31 December 2020 (the “2019/20 Insurance Arrangements”). On 1 November 2019, the Group entered into an insurance policy with SHKPI, pursuant to which the Group maintained medical and dental insurance coverage with SHKPI from 1 January 2020 to 31 December 2021 (the “2020/21 Medical and Dental Insurance Arrangement”). On 3 November 2020, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group 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”). The transactions contemplated under the 2018/19 Medical and Dental Insurance Arrangement, 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement and 2021/22 Insurance Arrangements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 1 November 2017, 1 November 2018, 1 November 2019 and 3 November 2020 respectively.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2018/19 Medical and Dental Insurance Arrangement for the years ended 31 December 2018 and 2019 as disclosed in the announcement dated 1 November 2017 were HK\$22,944,545 and HK\$22,944,545 respectively. Such annual cap amounts were determined with reference to the estimated medical and dental needs of the Group's employees for such periods, the insurance premium rates as specified under the 2018/19 Medical and Dental Insurance Arrangement and the historical transaction with another insurer in respect of similar medical and dental insurance coverage provided to the Group. For the year ended 31 December 2020, the insurance premium paid and payable to SHKPI under the 2018/19 Medical and Dental Insurance Arrangement was HK\$Nil (2019: HK\$20,954,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2019/20 Insurance Arrangements for the years ended 31 December 2019 and 2020 as disclosed in the announcement dated 1 November 2018 were HK\$90,000,000 and HK\$93,000,000 respectively. Such annual cap amounts are 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 2019/20 Insurance Arrangements. For the year ended 31 December 2020, the insurance premium paid and payable to SHKPI under the 2019/20 Insurance Arrangements was HK\$90,454,000 (2019: HK\$86,030,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2020/21 Medical and Dental Insurance Arrangement for the year ended 31 December 2020 and the year ending 31 December 2021 as disclosed in the announcement dated 1 November 2019 were HK\$22,090,000 and HK\$22,090,000 respectively. Such annual cap amounts were determined with reference to the estimated medical and dental needs of the Group's employees for such periods, the insurance premium rates as specified under the 2020/21 Medical and Dental Insurance Arrangement and the historical transaction amount under the 2018/19 Medical and Dental Insurance Arrangement. For the year ended 31 December 2020, the insurance premium paid and payable to SHKPI under 2020/21 Medical and Dental Insurance Arrangement was HK\$21,428,000.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2021/22 Insurance Arrangements for the years ending 31 December 2021 and 2022 as disclosed in the announcement dated 3 November 2020 were HK\$132,500,000 and HK\$99,500,000 respectively. Such annual cap amounts are 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.

The insurance premium paid and payable by the Group under the 2018/19 Medical and Dental Insurance Arrangement, 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement and 2021/22 Insurance Arrangements was and will be satisfied by internal resources of the Group. The transactions under the 2018/19 Medical and Dental Insurance Arrangement, 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement and 2021/22 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, HOI TAI TOURS LIMITED, KING YIP TRAVEL COMPANY LIMITED, CAG LIMITED, BUN TANG BUS SERVICE COMPANY LIMITED, FRONTIER TRANSPORTATION LIMITED and SAU LUEN P.L.B. COMPANY LIMITED (collectively “Sun Bus Group”)

Shuttle Bus Services Agreements with certain subsidiaries of Sun Hung Kai Properties Limited (“SHKP”)

As described in note 34(a) to the financial statements on pages 235 and 236 of this Annual Report, Sun Bus Group (a series of indirect wholly-owned subsidiaries of the Company) has entered into various shuttle bus service contracts (“Shuttle Bus Services Agreements”) with certain subsidiaries of SHKP, pursuant to which Sun Bus Group agreed to provide and operate various shuttle bus services for the period from 1 March 2019 to 20 March 2022. 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 Agreements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcement of the Company dated 20 August 2020. The cap amounts estimated to be receivable by Sun Bus Group under the Shuttle Bus Services Agreements for the year ended 31 December 2020 and two years ending 31 December 2021 and 2022 as disclosed in the announcement dated 20 August 2020 were HK\$6,850,114, HK\$4,206,232 and HK\$244,413 respectively. Such cap amounts were determined with reference to (i) the rates specified in the relevant contracts; and (ii) the expected demand for the services. For the year ended 31 December 2020, the service fees received or receivable by Sun Bus Group (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Services Agreements amounted to HK\$6,299,000 (2019: HK\$10,979,000). The transactions contemplated under the Shuttle Bus Services Agreements 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) TM PROPERTIES INVESTMENT LIMITED (“TMPI”)

Disposal of 50% equity interest in TMPI

As described in note 35 to the financial statements on page 237 of this Annual Report, on 9 November 2020, TM Properties Holdings Limited (“TMPI”) (an indirect wholly-owned subsidiary of the Company), Mega Odyssey Limited (“Mega Odyssey”) (an indirect wholly-owned subsidiary of SHKP), the Company and SHKP entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which (i) TMPI agreed to sell and Mega Odyssey agreed to purchase one issued ordinary share of TMPI (representing 50% of the entire issued share capital of TMPI); and (ii) TMPI agreed to assign and Mega Odyssey agreed to take the assignment of 50% of the loan owing by TMPI to TMPI (which is unsecured, interest-free and repayable on demand) for a total consideration of HK\$750,512,189, subject to adjustment. On 29 December 2020, TMPI, Mega Odyssey, the Company, SHKP and TMPI entered into a shareholders agreement (the “Shareholders Agreement”) in respect of the management of TMPI and the development of a property located at Tuen Mun Town Lot No. 80, No. 1 Kin Fung Circuit, Tuen Mun for office, shop and services uses (subject to obtaining the relevant approvals from HKSAR Government). The project costs are currently estimated by an independent quantity surveyor to be approximately HK\$5,800,000,000 and shall be borne by TMPI and Mega Odyssey in equal shares. The transactions contemplated under the Sale and Purchase Agreement constitute both a major transaction and connected transaction of the Company under the Listing Rules which are subject to reporting, announcement and independent shareholders’ approval requirements. Particulars of the transactions contemplated under the Sale and Purchase Agreement were disclosed in the announcement and circular of the Company dated 9 November 2020 and 27 November 2020 respectively and such transactions were approved by independent shareholders at the special general meeting of the Company held on 17 December 2020.

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 2020 with SHKPI 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 2019/20 Insurance Arrangements and 2020/21 Medical and Dental Insurance Arrangement for the year ended 31 December 2020 did not exceed the cap amounts of HK\$93,000,000 and HK\$22,090,000 respectively as disclosed in the announcement dated 1 November 2018 and 1 November 2019 respectively; and
3. the service fees received and receivable by Sun Bus Group (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 2020 did not exceed the cap amount of HK\$6,850,114 as disclosed in the announcement dated 20 August 2020.

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 "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 2020 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.

Good corporate governance is the foundation of business success as it provides the basis for stakeholder confidence and sustainable returns for shareholders. To achieve this goal, Board members and staff observe a set of sound policies, procedures and rules. The Group also takes into account the interests of stakeholders when setting long term business goals.

Corporate Governance Framework

The Group's Corporate Governance Framework (the "Framework") is built on principles of accountability, transparency and integrity, with the aim of identifying all the key participants in good governance, their correlation and their contribution to the application of effective governance policies and processes.

The Board and senior management use the Framework as a performance-oriented benchmark in evaluating the achievement of the Group's business goals. In response to changes in regulatory requirements, environmental needs, social expectations and international relations, the Group regularly reviews the Framework, updates its management policies and practices, and ensures that the same are closely followed at all levels throughout the Group.

The corporate governance objectives are achieved primarily through implementation of the following measures:

- Maintenance of a diverse and optimal board composition, establishment of efficient management reporting systems and retention of a professional management team to ensure that the Directors are sufficiently informed prior to making decisions in the best interests of the stakeholders;
- Establishment of thorough internal audit and control systems to safeguard against risks, protect the assets of the Group and ensure that its policies and management practices are executed as planned and that any irregularities, deviations, material misstatements and instances of malpractice are swiftly identified and rectified; and
- Establishment of transparent and effective communication channels to ensure that the Group's affairs are brought to the attention of shareholders, customers and other stakeholders.

Corporate Governance Code Compliance

The Company abides by the corporate governance principles contained in the Corporate Governance Code (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The CG Code sets out the principles of good corporate governance with two levels of recommendations: (a) "Code Provisions" and (b) "Recommended Best Practices".

The Company complied with all applicable Code Provisions throughout the year ended 31 December 2020, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 21 May 2020 (the "2020 AGM") as provided for in Code Provision A.6.7 owing to other engagements.

The Board of Directors

Board Composition

The composition of the Board represents a balance of high calibre executive and non-executive directors possessing relevant skills, industry knowledge, first-hand experience and a diversity of perspectives which are essential to the businesses of the Group. As at 31 December 2020, the Board comprised 15 members, including 5 Independent Non-executive Directors, 9 Non-executive Directors and 1 Executive Director. Day-to-day management of the Group's businesses is delegated to the senior management under the supervision of four designated Board Committees: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors. The compositions of the Board and Board Committees at 31 December 2020 are stated below:

	Independent Non-executive Directors	Non-executive Directors	Executive Director	Total
Board of Directors	5	9	1*	15
Board Committees:				
Standing Committee	3	4	1*	8
Audit and Risk Management Committee	3	1	–	4
Remuneration Committee	3	1	–	4
Nomination Committee	2	1	–	3

* The Managing Director

While the Non-executive Directors are not involved in the day-to-day management of the Group's businesses, they serve as custodians of the governance process by scrutinising the management's performance in meeting agreed corporate goals and objectives. Their contribution is made, among other ways, by attending Board meetings, at which they provide independent views on various matters relating to the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct. The term of appointment of Non-executive Directors is for a period of three years.

Independent Non-executive Directors review issues that come before the Board critically and objectively. In particular, they ensure that the general interests of shareholders are fully considered by the Board. They also check that connected transactions and other issues are subject to impartial and thorough contemplation by the Board.

Independent Non-executive Directors are identified in all corporate communications. Pursuant to Rule 3.13 of the Listing Rules, the Company considers all Independent Non-executive Directors to be independent, as all of them have confirmed their independence in writing to both the Stock Exchange and the Company. The Company complies with the requirement in the Listing Rules that at least one-third of the Board members should be Independent Non-executive Directors.

In accordance with Code Provision I(h) of Appendix 14 of the Listing Rules, the relationship between members of the Board is disclosed in the Directors' Profiles section of the Annual Report.

Board Diversity

Diverse board composition ensures a wide range of business and professional experience in the Board, so that the decision-making process includes different perspectives and supports the achievement of the Company's strategic objectives. All Board appointments are merit-based. The Company has adopted a Board Diversity Policy that takes into account, among other aspects, each candidate's gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All candidates are considered against these criteria. In 2020, the Nomination Committee reviewed the Board Diversity Policy and confirmed that the selection of board members would continue to be based on merit with reference to such policy. This policy can be found on the Company's website.

The Executive and Non-executive Directors have a diverse background. Each of them possesses a depth of relevant experience and expertise necessary to oversee the businesses of the Group. The current mix of Board members represents a balance of business, academia and the professions, which helps to deliver sustainable value and safeguard shareholders' interests.

The age group and gender diversity of the Board of Directors as at 31 December 2020 are set out below:

Age Group	Male	Female
51-60	3	1
61-70	5	0
Over 70	6	0
Total	14	1

The Role of the Board

The Board promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner. The primary responsibilities of the Board are as follows:

- setting the Group's values and standards;
- giving the management objectives and directions;
- monitoring management performance;
- managing relationships with stakeholders, including shareholders, the HKSAR Government, employees and the community;
- establishing appropriate policies to manage risks in pursuit of the Group's strategic objectives;
- reviewing the effectiveness of internal controls and risk management procedures;
- reviewing and approving the accounts of the Group;
- ensuring the integrity of the Group's financial reporting system and public announcements;
- approving major financing arrangements;
- evaluating major acquisitions, disposals and material contracts; and
- setting dividend policy.

The Roles of Chairman and Managing Director

The Chairman and the Managing Director are two distinct posts, separately held by Dr Norman LEUNG Nai Pang, *GBS, JP*, an Independent Non-executive Director, and Mr Roger LEE Chak Cheong, an Executive Director. Neither of them has any financial, business, family or other relationship with each other.

There is a clear distinction between the roles of the Chairman and the Managing Director. The responsibilities of the Chairman and the Managing Director are defined in writing and summarised below:

Responsibilities of the Chairman:

- chairing the Board and shareholders' meetings (ensuring that the views and concerns of Board members and shareholders are expressed at these meetings);
- ensuring that the operations of the Board are managed effectively by discussing all principal and appropriate issues in a timely manner;
- ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner;
- facilitating effective communication with shareholders and ensuring that shareholders' views are adequately reflected to the Board; and
- ensuring that all corporate governance practices adopted by the Board are implemented.

Responsibilities of the Managing Director:

- realising the long-term objectives and priorities set by the Board by developing and implementing the Group's policies and strategies;
- providing salient, accurate, timely and succinct information for the Board to monitor the performance of the management;
- leading an effective and professional executive team in the management of the Group's day-to-day businesses;
- closely monitoring the operational and financial results in accordance with plans and budgets;
- maintaining regular dialogue with the Chairman on important and strategic issues faced by the Group, and bringing the same to the Board's attention;
- putting adequate operational, planning, legal and financial-control systems in place; and
- managing the Company's relationships with its diverse stakeholders.

The Chairman also meets once a year with the Independent Non-executive Directors, in the absence of the Non-executive Directors and the Executive Director, to discuss the Group's business affairs. For 2020, the meeting was held on 17 December 2020.

Board Proceedings

Board Meetings

A Board meeting is generally held every other month, where Board members meet to discuss major corporate, strategic and operational matters and evaluate investment opportunities. All Board meetings are conducted according to the procedures laid down in the Company's Bye-laws and the Code Provisions contained in the CG Code. At the beginning of every year, all Board members will be provided with the schedule of regular Board meetings. They will be duly informed of any amendments to the schedule at least 14 days before the relevant meeting.

The agenda for regular Board meetings is consolidated by the Company Secretary for approval by the Chairman. All Directors are entitled to put forward items for inclusion in the agenda of Board meetings. A Notice of Board meeting is delivered to each Director one month in advance of the scheduled meeting date together with the agenda. Detailed discussion papers for the Board meeting are circulated 7 days prior to the meeting to ensure that the Directors have sufficient time to consider the items for discussion and make decisions in the best interests of the Company.

At the Board meetings, senior management together with the relevant corporate executives report to the Board on the operational and financial performance of the Group's various business areas. The Company Secretary prepares draft minutes of Board meetings, which record the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors. The draft minutes are circulated to the Directors for their comments. The final version of the draft minutes is submitted to the Board at the ensuing meeting for formal adoption. The adopted minutes are kept by the Company Secretary, and are available for inspection by the Directors.

Voting on Connected Transactions

The Company's Bye-laws provide that all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be discussed at a Board meeting and to abstain from voting on relevant resolutions if they have a conflict of interest or a material interest in the proposed transaction. Any such declaration of interest will be recorded by the Company Secretary in the minutes. A Director is not included in the quorum for such part of a meeting that relates to a resolution he/she is not allowed to vote on but he/she shall be included in the quorum for all other parts of that meeting. This reduces the potential for conflict which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement 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. The Company Secretary is responsible for making sure that all connected transactions entered into are in compliance with the Listing Rules. In 2020, the Company entered into one connected transaction and two continuing connected transactions, details of which are given on pages 106 to 109 of this Annual Report.

Obligations of Directors

Code of Conduct

All Directors and staff of the Company are subject to a written Code of Conduct, which is available on the staff website. It provides guidance on matters relating to personal conduct, relations with suppliers and contractors, responsibilities to shareholders, relations with customers, employment practices and responsibilities to the community, as well as procedures for monitoring compliance and means of enforcement. The Code of Conduct promulgates ethical values in business activities which the Directors and employees are required to adhere to when discharging their delegated duties. The Code of Conduct is reviewed and updated periodically to be kept up to date with regulatory changes. The Company has a whistleblowing policy to encourage employees and related third parties (such as customers and suppliers) who deal with the Company to raise concerns in confidence about misconduct, malpractice or irregularity in any matters related to the Company. The whistleblowing policy is published on the Company's website and staff website.

Securities Transactions by Directors

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct to regulate Directors' securities transactions in respect of the Company's shares. Senior managers, other nominated managers and staff who, because of their positions in the Company, are likely to be in possession of Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), are requested to comply with the provisions of the Model Code.

After the making of specific enquiries, all Directors confirmed that they had complied with the standard of dealings set out in the Model Code throughout 2020. Details of the shareholding interests held by the Directors in the Company as at 31 December 2020 are set out on pages 147 and 148 of this Annual Report.

Induction and Continuous Professional Development

All Directors attended training programmes during the year to keep themselves abreast of the latest developments in the fields relevant to their respective expertise and professions. The Company Secretary is responsible for providing tailored induction programmes for new Directors and appropriate training programmes for the ongoing development of all Directors to ensure that they have proper understanding of the Company's business operations and practices and are fully aware of their responsibilities under the Listing Rules and other regulatory requirements. Information on the latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as and when required. The Directors are provided with detailed monthly management reports, as well as monthly media reports, including press articles relevant to the Company's businesses. On 22 October 2020, a seminar was run by The Hong Kong Productivity Council to brief the Directors on the new changes in ESG Reporting Guide and their implications. The Directors are encouraged to participate in continuous professional development programmes organised by qualified institutions. The costs for such programmes are borne by the Company. Formal procedures are in place for reporting the training and continuous professional development received by Directors. The training record of each director is set out on page 120 of this Annual Report.

Time Commitment of Directors

For the year ended 31 December 2020, the Company has received confirmation from each Director that he/she committed sufficient time and attention to the Company's affairs. The Board reviews their contribution annually.

Re-election, Retirement and Appointment of Directors

The Company has in place a formal and transparent procedure for the appointment of new Directors. A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board on the recommendation of the Nomination Committee when it is necessary to fill a casual vacancy. A Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting after such appointment but is eligible for election at the same meeting. All Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years. All Directors have a current term of office not longer than three years. Shareholders may remove a Director before the expiration of his/her period of office by passing a special resolution giving detailed reasons at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

The election of individual Directors is subject to separate resolutions to be approved by the shareholders. In respect of the re-appointment of an Independent Non-executive Director who has served on the Board for nine years, the Company is required to explain in a circular containing the notice of the annual general meeting why it considers that the Director continues to be independent and why it recommends his/her re-election to the shareholders.

Re-election of Directors

At the 2020 AGM, four Directors, namely, Dr John CHAN Cho Chak, *GBS, JP*, Mr NG Siu Chan, Mr Allen FUNG Yuk Lun and Mr Roger LEE Chak Cheong, retired by rotation and were re-elected as Directors of the Company.

Mr Raymond KWOK Ping Luen, *JP*, Mr Charles LUI Chung Yuen, *M.H.*, Ms Winnie NG, *JP*, Dr Eric LI Ka Cheung, *GBS, OBE, JP*, Professor LIU Pak Wai, *SBS, JP*, Mr TSANG Wai Hung, *GBS, PDSM, JP*, Dr CHEUNG Wing Yui, *BBS* and Mr LEE Luen Fai, *JP* will retire as Directors of the Company and offer themselves for re-election at the 2021 AGM. All these retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2021 AGM. The election of each Director will be subject to the vote of shareholders in a separate resolution.

Procedures for Making Proposals to Nominate a Person for Election as a Director

The shareholders are entitled to nominate a person for election as a Director at a general meeting of the Company. The procedures for making proposals to nominate a person for election as a Director are available on the websites of the Company and of the Stock Exchange.

Directors' Indemnities and Protections

The Company has taken out an appropriate insurance policy covering any legal action against the Directors of the Company, which indemnifies the Directors for liability incurred in connection with the Company's activities. These indemnities were in force during 2020 and remain in force.

Delegation by the Board of Directors

The Board maintains four designated Board Committees to oversee various aspects of the Group's affairs: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Committees are governed by their respective terms of reference and are provided with adequate authority and resources to discharge their duties. The terms of reference are regularly reviewed and are available on the websites of the Company and the Stock Exchange respectively.

The membership of each Committee (as at 1 January 2021) is shown below:

Name of Directors	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors				
Dr Norman LEUNG Nai Pang, GBS, JP	Chairman			
Dr John CHAN Cho Chak, GBS, JP	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, GBS, OBE, JP		Chairman	Member	Member
Professor LIU Pak Wai, SBS, JP		Member	Member	
Mr TSANG Wai Hung, GBS, PDSM, JP	Member	Member		
Non-executive Directors				
Mr Raymond KWOK Ping Luen, JP	Member			
Mr Charles LUI Chung Yuen, M.H.	Member			
Ms Winnie NG, JP	Member		Member	
Mr Allen FUNG Yuk Lun		Member		Member
Mr William LOUEY Lai Kuen	Member			
Mr LUNG Po Kwan			Member	
Executive Director				
Mr Roger LEE Chak Cheong	Member			

Standing Committee

The role of the Standing Committee is to advise and assist the Board in devising business strategies, making significant investment proposals and monitoring their implementation. The Standing Committee's findings and recommendations are submitted directly to the Board. In 2020, the Standing Committee held six meetings with the senior management to review and discuss the Group's financial, operational and strategic planning, as well as potential investment opportunities.

Audit and Risk Management Committee

The Chairman of the Audit and Risk Management Committee is Dr Eric LI Ka Cheung, an Independent Non-executive Director of the Company. He is a Certified Public Accountant who possesses the professional qualifications and accounting expertise prescribed by the Listing Rules. Dr LI and the other members of the Audit and Risk Management Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 136 to 142 of this Annual Report. None of the members of the Audit and Risk Management Committee is a former or existing partner of the external auditors of the Company. The Audit and Risk Management Committee is responsible for establishing and maintaining an adequate internal control structure, ensuring the quality and integrity of financial statements, nominating independent external auditors, reviewing the adequacy of external audits in respect of cost, scope and performance, and ensuring that an effective system of internal control and risk management is established within the Company. The Audit and Risk Management Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are regularly updated with reference to the recommendations of the CG Code of the Listing Rules. The terms of reference are available on the website of the Company and the Stock Exchange respectively.

In 2020, the Audit and Risk Management Committee and the senior management held a meeting focusing on safety issues and two meetings with the Company's external auditors, KPMG – at which the Company's financial reports, internal control systems and other relevant matters were reviewed and discussed. At the end of these meetings, the external auditors were invited to discuss in private with members of the Audit and Risk Management Committee issues noted during the course of the audit and any other matters they might wish to bring to the attention of the Audit and Risk Management Committee without the presence of the senior management. Following each of the two meetings, the Chairman of the Audit and Risk Management Committee submitted a report to the Board of Directors and gave a briefing on all significant issues identified.

The major work undertaken by the Audit and Risk Management Committee in the financial year ended 31 December 2020 included:

(a) Supervision of the Company's Financial Reporting Process, Internal Control and Risk Management Systems

- Reviewed with senior management the accounting principles and practices adopted by the Group, the financial results of the Company and its major subsidiaries, the accuracy and fairness of the financial statements, and the scope of internal and external audit work;
- Reviewed the revised accounting standards and any prospective changes thereto, and considered their impact on the financial reporting of the Company and the Group;
- Reviewed with external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements, as well as management's response to such findings;
- Discussed and reviewed the internal audit reports prepared by the Head of the Internal Audit Department covering, among other things, audit objectives, audit approach, audit work done and the findings arising therefrom;
- Examined the qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources and training programmes;
- Conducted reviews with the external auditors and senior management to ensure that connected transactions were properly disclosed in accordance with the requirements of the Listing Rules; and
- Monitored the operation of the whistleblowing policy.

Following these reviews and discussions, the Audit and Risk Management Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2020 and the audited annual financial statements for the year ended 31 December 2020 be approved.

(b) Maintenance of Relationship with External Auditors

- Reviewed the independence of the external auditors and considered their terms of engagement and audit fee proposal to ensure that there was no impediment to their independence; and
- Ensured that the external auditors conducted their audit and non-audit services effectively.

Based on the conclusions drawn from these reviews, the Audit and Risk Management Committee recommended to the Board that KPMG, the existing external auditors, be re-appointed as auditors of the financial statements of the Company for the year ending 31 December 2021.

(c) Supervision of the Company's Environmental, Social and Governance ("ESG") Strategies and Reporting Process

- Monitored and reviewed group-level strategies, policies and sustainability matters;
- Formed a Task Force to oversee and evaluate the Company's sustainability performance; and
- Reviewed the Sustainability Report of the Company in accordance with the requirements of the Listing Rules.

Remuneration Committee

The Board has devolved upon the Remuneration Committee the authority to formulate remuneration policies, including the establishment of guidelines to determine the terms and conditions of employment and the remuneration and retirement benefits of Directors and employees of the Group. The Remuneration Committee also draws up criteria for performance-based bonuses and makes recommendations to the Board on human resources related policies based on the Group's goals and objectives. Details of the terms of reference, remuneration policies and work performed by the Remuneration Committee in 2020 are set out in the Remuneration Report on pages 132 to 135 of this Annual Report.

Nomination Committee

The Board has appointed the Nomination Committee to identify suitable candidates of a high calibre and with sufficient experience for its consideration, taking into account the Board Diversity Policy. The Nomination Committee ensures that the appointment of Directors undergoes formal, stringent and transparent procedures. The majority of members of the Nomination Committee, including its chairman, are Independent Non-executive Directors of the Company. The principal terms of reference of the Nomination Committee include:

- Formulating nomination policy for consideration by the Board and implementing the nomination policy established by the Board;
- Identifying and nominating for the approval of the Board appropriately qualified candidates for appointment as Directors;
- Making recommendations to the Board for the appointment or re-appointment of Directors and making recommendations regarding succession planning for Directors, in particular, the Chairman and the Managing Director;
- Reviewing and monitoring the structure, size and composition (including evaluating the balance and blend of skills, knowledge, professional experience, gender, age, cultural and educational background and length of service) of the Board and making recommendations to the Board regarding any proposed changes; and
- Evaluating the independence of Independent Non-executive Directors.

In 2020, the Nomination Committee also performed the following main tasks:

- Recommended the re-election of retiring Directors;
- Evaluated all Independent Non-executive Directors' confirmations of independence;
- Reviewed and confirmed the structure, size and composition of the Board;
- Endorsed the appointment of Remuneration Committee Member;
- Reviewed the Board Diversity Policy; and
- Reviewed the Nomination Policy.

The Nomination Policy has been adopted by the Company in 2019, which sets out the latest nomination practice, such as the criteria and procedures for sections, appointment and re-appointment of the Directors. This policy can be found on the Company's website.

Attendance Records and Training Records

The Directors' attendance at the Annual General Meeting, Special General Meeting, Board Meetings and Committee Meetings and training records in 2020 is given below:

Members of the Board of Directors	2020 AGM	2020 SGM	Board	Standing Committee	Audit and Risk			Nomination Committee	Types of Training
					Management Committee	Remuneration Committee			
Independent Non-executive Directors									
Dr Norman LEUNG Nai Pang, GBS, JP (Chairman)	1/1	1/1	6/6	6/6	–	–	–	A, B	
Dr John CHAN Cho Chak, GBS, JP (Deputy Chairman)	1/1	1/1	6/6	6/6	–	3/3	2/2	A, B	
Dr Eric LI Ka Cheung, GBS, OBE, JP	0/1	1/1	6/6	6/6	3/3	3/3	2/2	A, B	
Professor LIU Pak Wai, SBS, JP	1/1	1/1	5/6	–	2/3	3/3	–	A, B	
Mr TSANG Wai Hung, GBS, PDSM, JP	0/1	1/1	6/6	5/6	3/3	–	–	A, B	
Non-executive Directors									
Mr Raymond KWOK Ping Luen, JP (with Ms Susanna WONG Sze Lai, as alternate)	0/1	0/1	0/6	6/6	–	–	–	B	
Mr NG Siu Chan (with Ms Winnie NG, JP as alternate)	0/1	0/1	0/6	–	–	–	–	B	
Mr Charles LUI Chung Yuen, M.H.	1/1	1/1	6/6	5/6	–	–	–	A, B	
Mr William LOUEY Lai Kuen (with GAO Feng as alternate)	1/1	1/1	6/6	6/6	–	–	–	A, B	
Ms Winnie NG, JP	1/1	1/1	6/6	6/6	–	3/3	–	A, B	
Mr Allen FUNG Yuk Lun	1/1	1/1	6/6	–	3/3	–	2/2	A, B	
Dr CHEUNG Wing Yui, BBS	1/1	1/1	6/6	–	–	–	–	A, B	
Mr LEE Luen Fai, JP	1/1	1/1	6/6	–	–	–	–	A, B	
Mr LUNG Po Kwan	1/1	1/1	6/6	–	–	–	–	A, B	
Executive Director									
Mr Roger LEE Chak Cheong (Managing Director)	1/1	1/1	6/6	6/6	–	–	–	A, B	
Alternate Directors									
Mr GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	0/1	0/1	0/6	–	–	–	–	B	
Ms Winnie NG, JP (Director and Alternate Director to Mr NG Siu Chan)	1/1	1/1	6/6	–	–	–	–	A, B	
Ms Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen, JP)	0/1	0/1	6/6	–	–	–	–	B	

Notes:

1. Particulars of the 2020 AGM and SGM are set out on page 129 of this Annual Report.

A. Attending seminars and/or conferences and/or forums and/or briefings.

B. Reading materials which covered the Company's business, corporate governance matters, directors' duties and responsibilities.

The Board held six meetings in 2020, which exceeded the minimum requirement of four board meetings a year under the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least two hours.

Delegation of Responsibilities to Senior Management

Senior management is responsible for implementing the strategies and managing the Group's day-to-day businesses under the continual supervision of the Board and the corresponding Board Committees. Drawing upon the extensive experience and expertise in different areas of each member, senior management provides accurate, adequate and detailed financial and operational information in a timely manner to the Board to keep the Directors informed of the latest developments of the Group, enabling them to make informed decisions and discharge their responsibilities effectively.

The Role of the Company Secretary

The post of Company Secretary is held by Miss Lana WOO, who is a fellow member of The Hong Kong Institute of Chartered Secretaries. She is responsible for ensuring that the correct Board procedures are followed, advising the Board on all corporate governance matters and facilitating the induction and continuous professional development of Directors. She reports to the Managing Director of the Company, and all Directors may call upon her for advice and assistance at any time in respect of their duties and the effective operation of the Board and Board Committees. In 2020, the Company Secretary took more than 15 hours of professional training to update her skills and knowledge.

Accountability and Audit

Financial Reporting

The Board is responsible for the preparation of the Group's financial statements. It ensures that a true and fair view of the financial status of the Group is given in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). This responsibility extends to the accuracy and sufficiency of the content of interim and annual reports, as well as "price-sensitive" announcements and other financial disclosures required by the Listing Rules, reports to regulators and any information that needs to be disclosed under statutory requirements.

The financial statements of the Company and the Group for the year ended 31 December 2020 given on pages 160 to 239 of this Annual Report represent a true and fair view of the state of affairs of the Company and the Group, and the results and cash flow for the year. The Audit and Risk Management Committee of the Company, together with the senior management and the external auditors, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the financial results for the year ended 31 December 2020.

Internal Control and Risk Management Systems

The Board has the overall responsibility for establishing, maintaining and reviewing the effectiveness of the Group's internal control and risk management systems. It is duty bound to safeguard the Group's assets and stakeholders' interests, manage the Group's existing and anticipated risks, and provide reasonable assurance against material misstatement of information (whether financial or non-financial). Stringent internal control measures are implemented at all levels of the Group in order to ensure effective monitoring of its day-to-day operations.

The Audit and Risk Management Committee is delegated by the Board with the responsibility of maintaining and reviewing the effectiveness of the internal control and risk management systems and determining the nature and extent of any significant risks. Such review will be conducted annually. With the assistance of the external auditors and the Internal Audit Department, the Audit and Risk Management Committee provides sound assurance regarding the quality and effectiveness of the control practices.

Internal Control Framework

The Group's Internal Control Framework is monitored, managed and reviewed by the following bodies:

The Board

- Has the ultimate responsibility for the Group's risk management and internal control systems;
- Reviews the effectiveness of the Group's risk management and internal control systems in achieving the Group's objectives; and
- Provides direction on the risk management and internal control culture.

The Audit and Risk Management Committee

- Assists the Board in monitoring the performance of the Group's risk management and internal control systems;
- Reviews the Group's internal control and risk management reports prior to endorsement by the Board;
- Reviews the effectiveness of the Company's external and internal audit functions; and
- Ensures staff are appropriately trained for their relevant positions to ensure that they carry out their duties in accordance with the requirements of good internal control practices.

Management

- Designs, implements and maintains an effective internal control system, including the Group's Quality Management System; and
- Ensures a proper reporting channel so that emerging risks are reported to the Audit and Risk Management Committee in a timely manner.

The Internal Audit Department

- Supports the Audit and Risk Management Committee in reviewing the effectiveness of the Group's risk management and internal control systems;
- Works with business units to ensure sound internal controls and compliance functions are in place; and
- Conducts independent reviews and other special investigations requested by the Board, the Audit and Risk Management Committee and the Management.

The Group's internal control and risk management framework, based on the Committee of Sponsoring Organisations of the Treadway Commission's Internal Control – Integrated Framework issued in May 2013, consists of the following components:

Control Environments

The Group complies with the requirement in the Listing Rules that at least one-third of the Board members should be Independent Non-executive Directors to demonstrate the Board's independence from the management in overseeing the development and performance of internal control. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors.

There are four designated Board Committees which meet on a regular basis for day-to-day management of the Group's business.

The Group has a well-defined organisational structure with succinct lines of authority and control responsibilities, which are clearly set out in writing and documented in the form of organisation charts and job manuals for the corresponding operating and business units.

Integrity and honourable business ethics are foundational to the continued success of the Group. The Code of Conduct and the Staff Handbook, which are accessible to all Directors and employees, define the rules and policies which all Directors and staff are bound to follow. The Code of Conduct emphasises transparency, objectivity, integrity and reliability in the handling of financial information and the disclosure in financial reports. In addition, the Staff Handbook reminds all staff members that they must not make use of their position to solicit or receive any advantage from any third parties.

A whistleblowing policy has been established by the Audit and Risk Management Committee to deal with concerns related to fraudulent or unethical acts or instances of non-compliance with the law or with the Group's policies that have or could have a significant adverse financial, legal or reputational impact on the Group. The Group will respond to all such concerns expressed fairly and properly. The Group's whistleblowing policy and procedures, which are published on the Company's website, apply to employees at all levels and in all divisions as well as to business partners, suppliers and any third parties that deal with the Group. The Audit and Risk Management Committee has overall responsibility for the whistleblowing policy, notwithstanding that it has delegated day-to-day responsibility for overseeing and implementing the policy to the Company Secretary.

Risk Assessment

TIH Enterprise Risk Management System

The Group has an Enterprise Risk Management System ("ERM System") which has the following objectives:

- To provide a systematic approach to the early identification and management of risks;
- To provide consistent risk assessment criteria;
- To make available accurate and concise risk information that informs decision making including business directions;
- To adopt risk treatments that are cost effective and efficient in reducing risk to an acceptable level; and
- To monitor and review risk levels to ensure that risk exposure remains within an acceptable level.

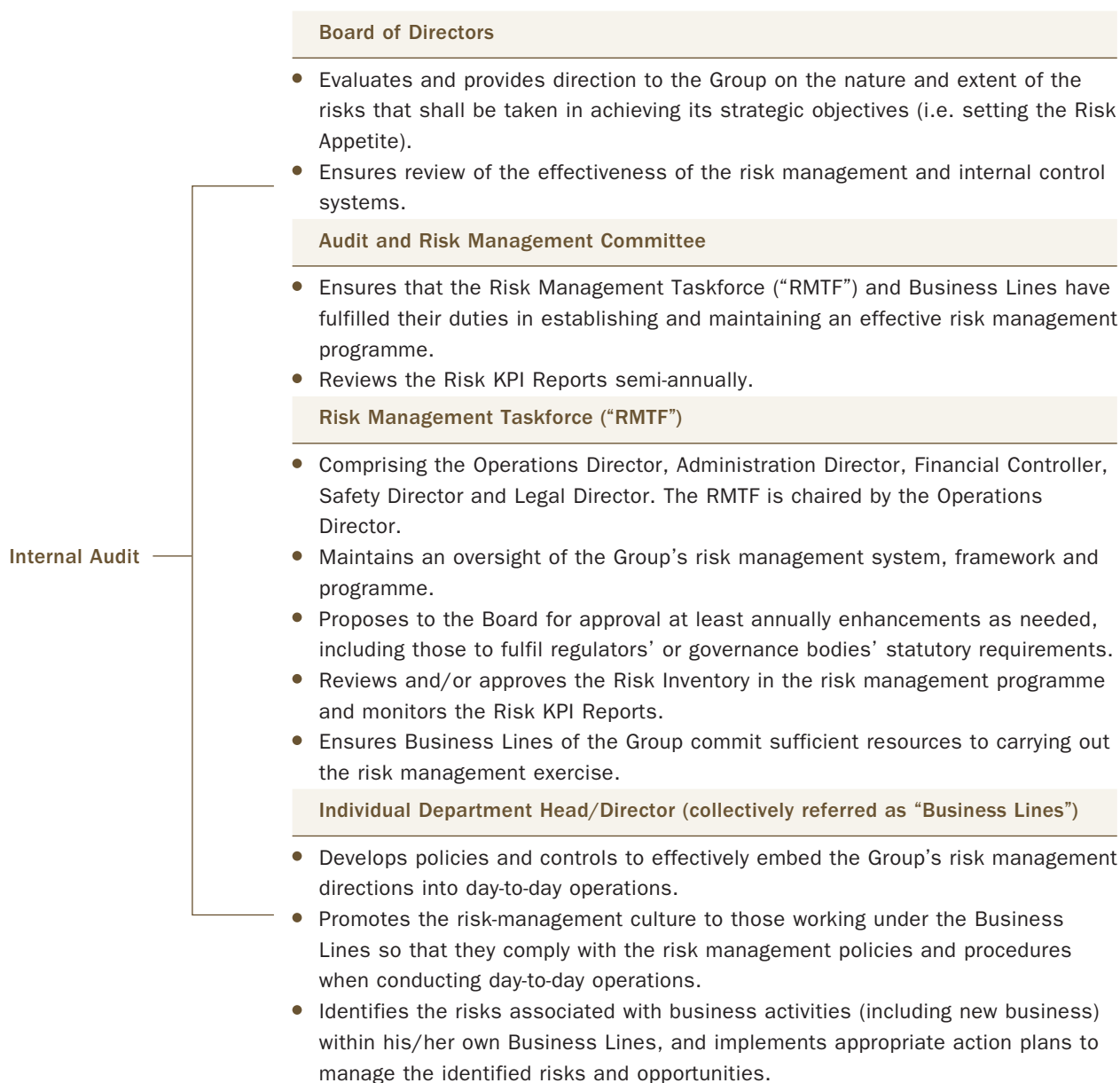
The Group's ERM System was designed with reference to the COSO ERM framework.

The Group's risk management structure is as follows:

Risk Rating is determined by Impact and Vulnerability. A dynamic risk rating matrix, using both quantitative and qualitative factors, is used to assess risk.

A Risk Key Performance Indicator Report ("Risk KPI Report") is submitted to the Audit and Risk Management Committee every six months. The Group's major risks as identified by the management are listed in the Risk KPI Report, together with a comprehensive profile of such risks and the monitoring mechanism as established by the management.

TIH Risk Management Framework



Control Activities

The Group's franchised and non-franchised bus services involve well-established business processes. Control activities are built on top-level reviews, segregation of duties and physical controls. Written policies and procedures with defined limits of delegated authority are in place. These policies and procedures include but are not limited to:

- Annual budgeting and planning processes
- Financial and payment authorisation guidelines
- Procurement and tendering policies
- IT security policy

Quality Management System

As the Group's franchised operations, KMB and LWB have implemented a quality management system ("QMS") based on the benchmarks prescribed by the International Organisation for Standardisation ("ISO"). Under ISO requirements, major financial and operational procedures and instructions, including illustrative flow charts, are clearly documented and followed by operations.

The Hong Kong Quality Assurance Agency ("HKQAA") conducts annual independent audits of QMS to assess its effectiveness, efficiency and conformity. During 2020, there was no non-conformity in QMS noted during the ISO audit of the operations of both KMB and LWB.

As of December 2020, both KMB and LWB possessed ISO 9001:2015 quality management system certification. In addition, all KMB depots are ISO45001-certified for their occupational health and safety systems and two of KMB's major bus depots are ISO 14001-certified for their environmental management systems.

Business Continuity Plan

The Group's flagship subsidiary, KMB, has formulated and documented a Business Continuity Plan ("BCP") in respect of key business and IT operations. The BCP is reviewed and updated from time to time according to changes in circumstances. BCP, which is an integral part of the risk management process, creates a systematic approach for providing effective response that enables management to safeguard shareholder value in a crisis by responding promptly and by resuming KMB's critical business functions at acceptable pre-defined levels. KMB performs walkthrough tests and drills periodically to ensure that the BCP will be able to adequately ensure minimal disruption to key businesses if an unforeseeable event occurs.

Information and Communication/Monitoring Activities

The Group's IT systems generate timely data to allow the management to monitor business operations and thus achieve business objectives. Regular and ad-hoc management and operational meetings are held to facilitate the proper monitoring of internal control and risk management mechanism.

Internal Audit Function

The Internal Audit Department plays an important role in the assessment of the effectiveness of the risk management and internal control systems. It is responsible for providing the Audit and Risk Management Committee and senior management with independent and objective assurance that the internal control systems of the Group are effective in achieving their objectives, and that any risks and internal control weaknesses have been adequately addressed. The Internal Audit Department holds a group-wide function and covers both franchised and non-franchised operations of the Group. The Head of the Internal Audit Department reports directly to the Audit and Risk Management Committee and the Managing Director.

The Internal Audit Department conducts risk-based internal audit reviews in accordance with the International Standards for the Professional Practice of Internal Auditing. All staff in the Internal Audit Department, including the Head of Internal Audit Department, are required to declare their independence every year.

In 2020, the functions performed by the Internal Audit Department included, among others:

- Conducting compliance reviews of relevant laws and regulations applicable to the Group's business;
- Carrying out operational reviews and surprise checks of major internal control processes in respect of both franchised and non-franchised businesses;
- Performing special reviews and investigations at the request of the Group's management; and
- Assisting operations in carrying out Internal Quality Audits ("IQA") in accordance with ISO requirements.

Based on the report of the Internal Audit Department and the report of the Company Secretary on the Group's whistleblowing policy, the Audit and Risk Management Committee has concluded that the Group continues to operate in an effective control environment with a control system that adequately monitors and corrects non-compliance in significant areas. Following the Audit and Risk Management Committee's annual review of the Group's internal control systems, the Board is satisfied that the Group complied with the Code Provisions on internal controls in 2020.

Control Practices for Handling and Disseminating Price-sensitive and/or Inside Information

The Company is fully aware of its obligations under the Listing Rules and the Securities and Futures Ordinance. A suite of procedures and internal control measures are in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. All members of the Board, senior management and nominated executives, who are likely to have access to price-sensitive and/or inside information because of their office or employment in the Company or a subsidiary, are bound by the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules. In addition, every employee is required to follow the guidelines of the Code of Conduct and the Staff Handbook to keep unpublished price-sensitive and/or inside information strictly confidential.

External Audit

The external auditors play a crucial role in ensuring the integrity of the disclosure of financial information. During the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements, if the external auditors discover any major irregularities, they will report their findings directly to the Audit and Risk Management Committee and the Board. The external auditors are invited to attend meetings of the Audit and Risk Management Committee, as well as the Annual General Meeting.

The Audit and Risk Management Committee is responsible for monitoring the audit and non-audit services rendered to the Group by its external auditors. There is a formal policy in place to ensure that the engagement of the external auditors in non-audit services will not impair their independence in providing the audit services. The external auditors are also required to review annually their relationship with the Group and to give written confirmation to the Audit and Risk Management Committee of their independent status.

The Company engaged KPMG as its external auditors to audit the financial statements of the Company for the year ended 31 December 2020. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2020 and up to the date of this Annual Report, it remains independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services rendered by KPMG to the Group for the year ended 31 December 2020 are set out below:

	HK\$ million
Audit related services	4.2
Non-audit related services (Note)	1.1
Total	5.3

Note: Non-audit related services mainly consist of other review and reporting services.

Engagement with Stakeholders

Shareholders

The Company had 3,816 registered shareholders as at 31 December 2020. The shareholders comprise individual shareholders, institutional investors plus people and organisations holding shares via financial intermediaries such as nominees, investment funds and the Central Clearing and Settlement System ("CCASS") of Hong Kong.

The names of the shareholders holding 5% or more of the shares of the Company as at 31 December 2020, other than those who are also Directors of the Company, are disclosed in the Report of the Directors on page 151 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 39.7% in the Company.

As at 31 December 2020, the shareholding distribution of the Company was as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0-1,000	1,404	36.79	442,099	0.10
1,001-5,000	1,432	37.53	3,375,232	0.74
5,001-10,000	401	10.51	3,033,774	0.66
10,001-100,000	475	12.45	14,004,320	3.06
Above 100,000	104	2.72	436,965,271	95.44
	3,816	100.00	457,820,696	100.00

Note: 45.5% of all TIH's issued shares were held through CCASS.

Based on information that is publicly available to the Company and the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2020.

Shareholder Communications Policy

Transparency is vital to good corporate governance. The Board has formulated the Shareholder Communications Policy to provide shareholders with information about the Company, allowing them to engage with the Company and obtain information about the Company to exercise their rights as shareholders. The Shareholder Communications Policy is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels to convey messages to the shareholders, including press releases, announcements, circulars and interim and annual reports. Interim and annual reports, notices of general meetings, announcements and circulars in English and Chinese are posted on the Company's website (www.tih.hk) and the website of the Stock Exchange. They are also delivered to shareholders within the respective deadlines stipulated by the Listing Rules. Other information of interest to shareholders and the public is also available on the Company's website.

Annual Reports

The annual report is a unique source of information for shareholders and other stakeholders who wish to understand the business of the Group. Senior management endeavours to make the annual report informative, comprehensible and transparent, with a sufficient level of disclosure. There are both English and Chinese versions of the annual report and both printed and electronic copies are available to shareholders. In the interests of environmental preservation and economy, the Company encourages its shareholders to choose the electronic version of all the Company's corporate communications such as the annual and interim reports, notices of meetings, listing documents, circulars and forms of proxy. Shareholders are at liberty to change their choice of language or means of receiving the Company's corporate communications by giving written notice of not less than seven days to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or by emailing tih.ecom@computershare.com.hk.

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2020, the Company won the Honour Awards for Traditional Annual Reports and Written Text in the Transportation and Leasing category of the International ARC Awards and the Silver Award in the Transportation & Logistics category of the Vision Awards.

The Company's General Meetings

The Directors consider the Company's general meetings an important way of communicating with shareholders. The annual general meetings and other general meetings are normally attended by all Directors and senior management as well as the Company's external auditors so that any comments or questions raised by shareholders can be addressed.

Shareholders have control over the Company primarily through exercising their voting rights at general meetings. All voting is conducted by poll at general meetings with each shareholder being entitled to one vote. A separate resolution is proposed for each matter, including the election of individual Directors. The circular containing the notice of the annual general meeting, proposed resolutions, biographies of Directors standing for election and information on poll voting procedures is sent to shareholders with the annual report at least 20 clear business days before the annual general meeting.

Annual General Meeting

The 2020 AGM was held on 21 May 2020 and the matters resolved are summarised below:

As ordinary business:

- Approval of the audited financial statements and reports of the Directors and Auditors for the year ended 31 December 2019;
- Approval of an ordinary final dividend of HK\$0.70 per share for the year ended 31 December 2019;
- Re-election of Dr John CHAN Cho Chak, *GBS, JP*, Mr NG Siu Chan, Mr. Allen FUNG Yuk Lun and Mr Roger LEE Chak Cheong as Directors of the Company;
- Re-appointment of KPMG as auditors of the Company, and authorisation of the Directors to fix their remuneration;
- Granting of a general mandate to the Directors to issue shares;
- Granting of a general mandate to the Directors to exercise the powers of the Company to purchase its own shares; and
- Extending the share issue mandate granted to the Board of Directors.

Special General Meeting

A special general meeting was held on 17 December 2020 ("2020 SGM") and the ordinary resolution resolved is summarised below:

- Approval of the sale and purchase agreement dated 9 November 2020 entered into between TM Properties Holdings Limited (an indirect wholly-owned subsidiary of the Company), Mega Odyssey Limited (an indirect wholly-owned subsidiary of Sun Hung Kai Properties Limited), the Company and Sun Hung Kai Properties Limited and the transactions contemplated thereunder.

The details and poll voting results of the 2020 AGM and the 2020 SGM were published on the websites of the Company and the Stock Exchange on 21 May 2020 and 17 December 2020 respectively.

The 2021 Financial Calendar of the Company is set out as follows:

• Announcement of 2020 final results	18 March 2021
• Dispatch of 2020 Annual Report and accompanying circular to shareholders	20 April 2021
• Last day to register transfer to qualify to attend and vote at 2021 AGM	13 May 2021
• Book closure for 2021 AGM (both dates inclusive)	14 May 2021 to 20 May 2021
• Date of 2021 AGM	20 May 2021
• Last day to register transfer to qualify for 2020 final dividend	25 May 2021
• Book closure for 2020 final dividend	26 May 2021
• Payment of 2020 final dividend	30 June 2021
• Announcement of 2021 interim results	mid-August 2021
• Payment of 2021 interim dividend	mid-October 2021
• Financial year end date	31 December 2021

Shareholders' Right

Under the Company's Bye-laws, shareholders holding at least 10% of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company may ask the Board to convene a special general meeting ("SGM") for the transaction of business specified in the request. The request must be in written form with the purpose of the meeting stated therein and deposited at the head office of the Company at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. The request must be signed by the shareholders concerned and may consist of two or more documents in like form, each signed by one or more of those shareholders. The request will be verified with the Company's share registrar and upon its confirmation that the request is proper and in order, the Company Secretary will arrange to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with the Company's Bye-laws and the statutory requirements.

Procedures for Making Proposals at General Meetings

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at the general meetings or not less than 100 shareholders holding shares in the Company are entitled to submit a written request to move a resolution at general meetings. The procedures for making proposals at general meetings are laid down in the Company's Shareholder Communications Policy, which is available on the Company's website.

Procedure for Sending Enquiries to the Board

Enquiries from shareholders can be sent to the attention of the Board. All enquiries should be addressed to the Board or the Company Secretary and sent to the Company's head office at 15/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. Shareholders may also email their enquiries to the Directors at director@tih.hk. The Company Secretary will respond to such enquiries within a reasonable time.

Constitutional Documents

An up-to-date and consolidated version of the Bye-laws of the Company is published on the websites of the Company and the Stock Exchange. No changes were made to the Company's constitutional documents in 2020.

Dividends

The company adopts a dividend policy of providing its shareholders with a stable dividend. As an alternative to receiving a cash dividend, the company offers a scrip dividend programme, which enables its shareholders to elect to receive new fully paid shares.

In determining the dividend amount, the Board will take into account a number of factors such as the Group's financial performance, future capital expenditures and financial position, as well as the general economic and business conditions. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

General Public

The Group uses the following communication channels to keep the general public informed of its developments:

Website – The Company's website (www.tih.hk) offers a wide range of company, financial and corporate social responsibility information about the Group and its various businesses for shareholders and other interested parties.

Media and Online Communication – To keep the public informed about the bus services of KMB and LWB, the two major subsidiaries of the Group, press sessions are held to introduce the media to the latest developments in respect of services, facilities, safety and efforts in environmental protection. Social media such as Facebook and Instagram are also used to publicise KMB's initiatives and achievements, as well as to gather useful feedback from the public.

Publications – KMB and LWB publish a number of booklets which keep the travelling public updated on their services and operations. These publications can be accessed on the companies' websites (www.kmb.hk and www.lwb.hk).

Employees

Effective communication between the management and staff is a key means to boost efficiency and morale. The staff website is an effective way for employees to access relevant management announcements and information on issues that concern them, such as payroll and staff events and activities. Orientation training courses, e-learning programmes and a staff forum are also available online. The corporate magazine KMB Today keeps employees, especially frontline staff, informed of news and events relating to the Group and the industry.

The Staff Handbook, which is accessible on the staff website, allows the staff to know more about the Company's human resources policies and employment guidelines.

The Board delegates authority to the Remuneration Committee to ensure that the Company adopts remuneration policies which are fair, properly structured and in line with the interests of Directors, staff and other stakeholders of the Company. The Committee has four members, three of whom are Independent Non-executive Directors and the other one is a Non-executive Director. The Committee is chaired by Independent Non-executive Director Dr John CHAN Cho Chak, *GBS, JP*, who is also the Deputy Chairman of the Company. The other members are Independent Non-executive Director Dr Eric LI Ka Cheung, *GBS, OBE, JP*, Independent Non-executive Director Professor LIU Pak Wai, *SBS, JP* and Non-executive Director Ms Winnie NG, *JP*.

The Remuneration Committee makes recommendations to the Board on the remuneration packages of the Directors and employees of the Company and its subsidiaries. The level of remuneration is determined in accordance with the principles of performance, fairness, transparency and market competitiveness. The Group's remuneration packages are designed to attract, retain and motivate high calibre individuals who will make significant contributions to the Group. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues if required.

The main remuneration policies adopted by the Group are as follows:

- Remuneration policy and practice, including those relating to the Directors, should be fair, transparent and compliant with relevant legislation;
- No Director or member of senior management should be involved in deciding his/her own remuneration; and
- Directors and employees should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, with reference to the market practices and packages for similar posts offered by comparable companies.

The Remuneration Committee's written terms of reference, which are published on the Company's website, comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee are:

- Determining the remuneration policies in respect of the remuneration of Directors and employees of the Group for approval by the Board;
- Setting appropriate assessment criteria for performance-related bonuses for employees, having regard to their achievement against such criteria and with reference to market norms and the Group's business objectives and targets;
- Establishing guidelines for determining the remuneration of Directors, including the terms and conditions of employment, remuneration and retirement benefits of the Executive Director(s);
- Reviewing and making recommendations to the Board on the remuneration packages of individual Executive Director(s), senior management and Non-executive Directors; and
- Reviewing and considering proposals submitted by the Managing Director on human resources and related policies and making appropriate recommendations to the Board.

In 2020, the work conducted by the Remuneration Committee included:

- Reviewing the remuneration policy for 2020;
- Reviewing the annual performance-related bonuses for the Group's employees, with reference to the performance of the Group, individual achievement, assessment criteria and market norms;
- Examining employees' wage and salary increments on a merit basis with reference to relevant factors including market pay trends and inflation forecasts; and
- Reviewing the remuneration of Executive and Non-executive Directors, benchmarked against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business.

Criteria for Determining the Remuneration of Directors

In line with good corporate governance practice, assessment of the remuneration of Directors is based on formal principles, which take into account both the market practices and a tried and tested methodology. As in previous years, Directors' fees for 2020 were determined based on the methodology developed in the "Higgs Report" on the "Review of the Role and Effectiveness of Non-executive Directors" in the United Kingdom, in view of the likely workload, the scale and complexity of the business and the responsibility involved. Reference was also made to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited. The fee structure for Directors in 2020 is set out as follows:

	Fee per annum HK\$
Board Members	
– Chairman	546,000
– Other Directors	390,000
Audit and Risk Management Committee Members	
– Chairman	260,400
– Other members	186,000
Remuneration Committee Members	
– Chairman	70,000
– Other members	60,000
Nomination Committee Members	
– Chairman	70,000
– Other members	60,000
Standing Committee Members (except Executive Director)	
– Chairman	1,569,600
– Other members	264,000

Except as disclosed above, no Independent Non-executive Director or Non-executive Director received any pension benefits or bonuses from the Group in 2020.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2020, together with 2019 comparison, are given in note 7 to the consolidated financial statements on pages 191 and 192 of this Annual Report.

Criteria for Determining the Remuneration of Corporate Executives and Other Employees

The remuneration of the corporate executives of the Company and other employees is benchmarked against the remuneration for similar positions in comparable local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Depending on the financial performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The level of any such discretionary bonus is subject to review and approval by the Remuneration Committee and the Board after consideration of the financial results of the Group.

The main components of remuneration for corporate executives and other employees are as follows:

Base Compensation

The Remuneration Committee reviews employees' base compensation, including salaries, allowances and fringe benefits, with reference to the Group's financial performance, the scope and complexity of the individuals' responsibilities, performance and market pay levels.

Discretionary Bonus

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to a comprehensive annual performance appraisal by their immediate supervisors. Only those obtaining at least a satisfactory performance rating are considered for the award of an incentive bonus.

Share Option Scheme

Under the Share Option Scheme approved and adopted by the shareholders at the 2016 Annual General Meeting held on 26 May 2016, the Board may grant options to eligible persons, including employees and Director(s) of the Company and its subsidiaries, to subscribe for shares in the Company. The Share Option Scheme is intended to provide employees and Director(s) of the Company and its subsidiaries with the opportunity to participate in the growth and success of the Company. The Board may exercise its discretion to grant options to eligible persons as proposed by the Remuneration Committee.

On 19 November 2020, the Company granted a total of 13,925,000 share options to 45 eligible persons in accordance with the Share Option Scheme. Details of the Share Option Scheme and the said options granted are set out on pages 148 to 150 of this Annual Report.

Staff Retirement Schemes

The KMB Monthly Rated Employees Provident Fund Scheme (the “Monthly Scheme”) and the KMB Daily Rated Employees Retirement Fund Scheme (the “Daily Scheme”) are two non-contributory defined benefit retirement schemes operated by the Group. The Group also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) (the “MPF Ordinance”) in 2000.

i) The Monthly Scheme

Formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426 of the Laws of Hong Kong) (the “ORSO”), the Monthly Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member’s benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member’s completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of an independent actuary firm which values the retirement scheme at regular intervals. The scheme is closed to employees first employed or re-employed by KMB (including any subsidiary(ies) and associated company(ies) which participate in the Monthly Scheme) on or after 1 December 2000.

ii) The Daily Scheme

Formally established under trust and registered under the ORSO, the Daily Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member’s benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee and further multiplied by a benefit factor applicable to the member’s completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary’s recommendations. The Scheme is closed to employees first employed or re-employed by KMB (including any subsidiary(ies) and associated company(ies) which participate in the Daily Scheme) on or after 1 December 2000.

iii) SHKP MPF Employer Sponsored Scheme

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme (“SHKP Scheme”), which is a defined contribution retirement scheme. Employees who do not participate in the aforesaid 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 relevant employees’ salaries, depending on their employment terms and length of service with the Group. Employees are required to make contributions to the SHKP Scheme at 5% of their relevant income as defined by the MPF Ordinance, subject to a cap of monthly relevant income of HK\$30,000.



Dr Norman LEUNG Nai Pang
GBS, JP, LLD, BA

Chairman and Independent Non-executive Director, aged 80. Dr Leung has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He has been appointed as the Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. Dr Leung is the Chairman of the Standing Committee of the Company. He is an Independent Non-executive Director of Sun Hung Kai Properties Limited (A company listed on the Hong Kong Stock Exchange). Dr Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013, Council Chairman of the City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of such University from 2005 to June 2016. Dr. Leung has been appointed as the Council Chairman of The Chinese University of Hong Kong since May 2016.



Dr John CHAN Cho Chak
*GBS, JP, DBA(Hon),
DSocSc(Hon), BA, DipMS,
CCMI, FCILT, FHKIoD*

Deputy Chairman and Independent Non-executive Director, aged 77. Dr Chan was the Managing Director of Transport International Holdings Limited (the “Company”) from 4 September 1997 to 7 April 2008; the Managing Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) from 1 November 1993 to 31 December 2006 and from 8 May 1997 to 31 December 2006 respectively; and the Senior Executive Director of KMB and LWB from 1 January 2007 to 7 April 2008. He has been a Non-executive Director of the Company, KMB and LWB since 8 April 2008, and was re-designated as Independent Non-executive Director of the Company with effect from 4 January 2012. He was appointed as the Deputy Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. He is the Chairman of the Remuneration Committee and the Nomination Committee as well as a member of the Standing Committee of the Company. He is an Independent Non-executive Director of Hang Seng Bank Limited and Guangdong Investment Limited. He was the Chairman and Non-executive Director of RoadShow Holdings Limited from 15 January 2001 to 12 December 2017. He was formerly an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited, 2000-03 and a member of the Hong Kong Civil Service, 1964-78 and 1980-93. Key posts held in Government included Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. Dr Chan was formerly also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited, 1978-80. He was a Director of Swire Properties Limited from April 2010 to March 2017 during which he acted as an Independent Non-Executive Director from December 2011 to March 2017. He is currently Chairman of the Court of The Hong Kong University of Science and Technology and a member of the Board of Directors and Executive Committee of the Community Chest of Hong Kong. In December 2000, Dr Chan won the Executive Award in the DHL/SCMP HK Business Awards 2000 and received an Honorary University Fellowship from The University of Hong Kong. He was awarded the degrees of Doctor of Business Administration (honoris causa) by the International Management Centres in 1997 and Doctor of Social Sciences (honoris causa) by The Hong Kong University of Science and Technology in 2009, The University of Hong Kong in 2011 and Lingnan University in 2012. He is a Companion of the Chartered Management Institute, a Fellow of the Chartered Institute of Logistics and Transport and a Fellow of the Hong Kong Institute of Directors.



Raymond KWOK Ping Luen

*JP, MA(Cantab), MBA,
Hon DBA, Hon LLD*

Non-executive Director, aged 67. Mr Kwok has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He is also a member of the Standing Committee of the Company. He has been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 September 1981 and 8 May 1997 respectively. Mr Kwok holds a Master of Arts degree in Law from Cambridge University, a Master’s degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is the Chairman and Managing Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the Chairman and an Executive Director of SUNeVision Holdings Ltd., the Chairman and a Non-executive Director of SmarTone Telecommunications Holdings Limited and a Non-executive Director of Wing Tai Properties Limited.

In civic activities, Mr Kwok is a member of the 13th National Committee of the Chinese People’s Political Consultative Conference. He is also a Director of The Real Estate Developers Association of Hong Kong and a Member of the Council of The Chinese University of Hong Kong.



NG Siu Chan

Non-executive Director, aged 90. Mr Ng has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) since 3 March 1983 and 8 May 1997 respectively. Mr Ng was an Independent Non-executive Director of Century City International Holdings Limited from 2 December 1994 to 31 December 2017, Paliburg Holdings Limited from 18 August 1995 to 31 December 2017 and Regal Hotels International Holdings Limited from 22 March 2005 to 31 December 2017.

Mr Ng is the father of Ms Winnie Ng, who is a Director of the Company, KMB and LWB.



William LOUEY Lai Kuen

BSc(Econ)

Non-executive Director, aged 61. Mr Louey has been a Director of Transport International Holdings Limited since 4 September 1997 and of its subsidiaries, The Kowloon Motor Bus Company (1933) Limited since 14 January 1993 and Long Win Bus Company Limited since 8 May 1997. He was appointed as a member of the Standing Committee of the Company with effect from 1 January 2018. Formerly, Mr Louey had a successful career in the United Kingdom, with an international merchant bank for five years and an international accounting firm for three years afterwards.

In memory of his grandfather, Mr William S D Louey, William S D Louey Educational Foundation was set up in 1995 to offer scholarship and bursaries to students with academic excellence from Hong Kong and Greater China to pursue their studies abroad. The Foundation has extended its financial support to promising candidates from other countries in recent years. In 1999, Mr Louey was invited to join the committee of the China Oxford Scholarship Fund, and subsequently in 2011, appointed as Member of Vice-Chancellor’s Circle, University of Oxford.

Between 2003 and 2012, he also served as Executive Committee Member of The Friends of Cambridge University in Hong Kong, the sponsor of Prince Philip Scholarship.

In recognition of his exceptional contribution to education, Mr Louey was presented with Elizabeth Wordsworth Fellowship by St Hugh’s College in February 2013, the very first recipient of this top accolade bestowed by University of Oxford.



Charles LUI Chung Yuen
M.H., BEc, AASA, FCILT

Non-executive Director, aged 86. Mr Lui has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively, and has been re-designated as a Non-executive Director of the Company with effect from 20 October 2016. He is also a member of the Standing Committee of the Company. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited ("KMB (China)") on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003 until 20 October 2016.



Winnie NG
*JP, BA, MBA(Chicago),
MPA(Harvard), FCIM, CMILT,
MHKIoD*

Non-executive Director, aged 57, has been Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") since 1995 and Director of Transport International Holdings Limited (the "Company") and Long Win Bus Company Limited since 1997, and was Founder and Deputy Chairman of RoadShow Holdings Limited ("RoadShow") until 12 December 2017. Ms Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited which are all listed companies. Ms Ng has received numerous awards and recognition. In 2019, Ms Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award, and China Top Ten Outstanding Women Entrepreneurs. In previous years, she was named a Woman of Excellence, was selected as one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, won the Yazhou Zhoukan Young Chinese Entrepreneur Award, was named one of China's 100 Outstanding Women Entrepreneurs, was Mason Fellow of Harvard University, and was the Caring Heart Award recipient.

Ms Ng has been appointed member of Standing Committee of the Company since 23 October 2008 to assist and advise the Board in formulating policy, and to monitor the implementation by management. She is also a member of the Remuneration Committee of the Company since 19 May 2017. She was Executive Director of the Company from 1995 until 13 October 2008 and looked after business development, procurement, insurance, facilities management, marketing and sales, and corporate relations. She successfully positioned KMB as a powerful out-of-home media sales tool by raising the profiles and sales of bus body exterior and on street bus shelter advertising, and created the multi-media RoadShow, unlocking the huge potential of the travelling passengers. The operations model has been adopted by many companies in Hong Kong, China, and over the world. The spinoff and listing of RoadShow on the main board (HK stock code 888) was a business breakthrough in the public transportation industry, creating an independently listed and financially strong subsidiary for the Group. To further capitalize on this substantial value asset, it was sold and contributed significantly to the 2017 earnings of the Group.

Active in public service, she is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Supervisor of Mr & Mrs Chan Pak Keung Tsing Yi School, Advisor of Our Hong Kong Foundation, Court member of The Hong Kong Polytechnic University, Council Member of The Better Hong Kong Foundation. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of the Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. She acted as the judge for Miss Hong Kong Pageant 2014, and also acted as the judge for the biannual Hong Kong Volunteer Award consecutively from 2005 to 2019.

Ms Ng is daughter of Director Mr Ng Siu Chan and also acts as his alternate director. Ms Ng holds an MBA degree from University of Chicago and an MPA degree from Harvard University. She is a Fellow of the Chartered Institute of Marketing.



Dr Eric LI Ka Cheung

*GBS, OBE, JP, LLD, DSocSc,
Hon DSocSc(EdUHK), BA,
FCPA, FCA, FCPA(Aust.)*

Independent Non-executive Director, aged 67. Dr Li has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 10 December 1998. Dr Li was an Independent Non-executive Director of RoadShow Holdings Limited from 16 September 2004 to 12 December 2017. He is the Honorary Chairman of Shinewing (HK) CPA Limited, Certified Public Accountants. Dr Li is an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited, Wong’s International Holdings Limited, Hang Seng Bank, Limited, China Resources Beer (Holdings) Company Limited (formerly China Resources Enterprises, Limited) and Bank of Communications Co., Ltd. (until 25 June 2013), all of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He was formerly an Independent Non-executive Director of China Vanke Co., Ltd., Sinofer Holdings Limited, CATIC International Holdings Limited and Meadville Holdings Limited (a company listed on the Stock Exchange until its withdrawal of its listing status on 19 April 2010). He is also an Independent Non-executive Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a member of the 13th National Committee of the Chinese People’s Political Consultative Conference. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit and Risk Management Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.



Professor LIU Pak Wai

SBS, JP

Independent Non-executive Director, aged 73. Professor Liu was appointed Independent Non-executive Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 September 2011. He was appointed as a member of the Remuneration Committee and the Audit and Risk Management Committee of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012 and on 19 May 2017 respectively. He received his AB degree from Princeton University and PhD degree from Stanford University in the United States of America. He is the Research Professor and formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong and holds a number of positions related to his field of study, including Executive Committee Chairman of the Lau Chor Tak Institute of Global Economics and Finance. Professor Liu is an Independent Non-executive Director of Hang Lung Group Limited and China Zheshang Bank Co., Ltd., both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an Independent Non-executive Director of Hang Lung Properties Limited. He is also a director of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority, a board member of the Shenzhen Finance Institute and was a Non-executive Director of the Securities and Futures Commission and the Chairman of its Remuneration Committee. In public service, he serves as Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and a member of the Judicial Officers Recommendation Commission. He was a past member of the Commission on Strategic Development, the Working Group on Long Term Fiscal Planning, the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR.



Allen FUNG Yuk Lun
BA, Ph.D.

Non-executive Director, aged 52. Mr Fung has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2014. He was appointed as a member of the Audit and Risk Management Committee and Nomination Committee of the Company with effect from 19 May 2017. He is an Executive Director of Sun Hung Kai Properties Limited ("SHKP"), a Deputy Chairman and an Executive Director of SmarTone Telecommunications Holdings Limited and a Vice Chairman of SUNeVision Holdings Ltd. He is also a member of the Executive Committee of SHKP and the Chief Executive Officer of the SHKP Group's non-property related portfolio investments. He is also a director of certain SHKP subsidiaries. He was a Non-executive Director of RoadShow Holdings Limited from 8 July 2014 to 12 December 2017. Mr Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr Fung was a Teaching Fellow at Harvard University from 1993 to 1994 and a visiting Assistant Professor of History at Brown University from 1996 to 1997. Mr Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. During his time in McKinsey, he primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr Fung was the co-leader of the infrastructure practice for McKinsey. He was the Managing Partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a Director of McKinsey globally, being the first Hong Kong Chinese to become a Director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr Fung is the President of the Hong Kong Society for the Protection of Children, a member of the General Committee of the Hong Kong General Chamber of Commerce, an Honorary Secretary of The Hong Kong Federation of Youth Groups, an Executive Committee Member of The Hong Kong Management Association, a Council Member of Sir Edward Youde Memorial Fund, a member of the Board of the Asian Youth Orchestra, a member of the Board of the Hong Kong Philharmonic Society Limited, is also a board member of the Hong Kong Tourism Board and a member of the Museum Advisory Committee of Leisure and Cultural Services Department.



Roger LEE Chak Cheong
BSc, MSc, MICE, CEng

Managing Director, aged 58. Mr Lee has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 2014. He has been appointed as Managing Director of the Company, KMB and LWB since 1 January 2015. He is a member of the Standing Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr Lee also served as an Alternate Director to Mr Raymond Kwok Ping Luen of the Company, KMB and LWB for the period from 1 April 2013 to 2 March 2014.

Prior to joining Sun Hung Kai Properties Limited in 2006, Mr Lee was a Director with MVA Hong Kong Limited, a leading traffic and transport consultancy in Hong Kong. Before returning to Hong Kong, Mr Lee has worked for the West Sussex County Council, the London Borough of Bexley and the East Sussex County Council in England between 1986 and 1994.

Mr Lee obtained a Bachelor Degree in Civil Engineering from University of Westminster, England in 1985 and a Master Degree in Transportation Planning & Engineering from the University of Southampton, England in 1986. Mr Lee is a Chartered Engineer and a member of the Institution of Civil Engineers.

Mr Lee is currently a Council Member of the Business Environment Council, a committee member of the Employers' Federation of Hong Kong and a non-official member of the Steering Committee on the Promotion of Electric Vehicles.



Andy TSANG Wai Hung
GBS, PDSM, JP, MBA

Independent Non-executive Director, aged 62. Mr Tsang has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2018. He is a member of the Audit and Risk Management Committee and Standing Committee of the Company.

Mr Tsang is a retired civil servant. He was the Commissioner of Police prior to his retirement in May 2015. Currently, he works as a management consultant and strategist for Chen Hsong Holdings Limited, a leading plastic injection moulding machine manufacturer in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was appointed as the Deputy Commissioner of the National Narcotics Control Commission with effect from 1 April 2019. He was also appointed External Director of the China Tourism Group Corporation Limited with effect from 23 April 2020, and Non-executive Director of the China Travel International Investment Hong Kong Limited with effect from 19 June 2020.

Mr Tsang started his police career as an Inspector in January 1978. He worked on secondment overseas as a Detective Superintendent of the Metropolitan Police in London from 1993 to 1995. He became a directorate officer in 1998 and worked in succession as District Commander, Wanchai; Chief Superintendent, Organised Crime and Triad Bureau; Assistant Commissioner, Information Systems; Director of Personnel and Training, Director of Operations; Deputy Commissioner, Management; Deputy Commissioner, Operations; and finally the Commissioner of Police from January 2011.

Mr Tsang holds an MBA degree from Leicester University, UK. He had also undertaken various courses at Tsinghua University; the Chinese Academy of Governance; Harvard Business School, and the Royal College of Defense Studies, UK.



Dr CHEUNG Wing Yui
BBS, BCom, Hon DBA, CPA(Aust.)

Non-executive Director, aged 71. Dr Cheung has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2018. He is a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, a vice chairman and a non-executive director of SUNeVision Holdings Ltd., a non-executive director of Tai Sang Land Development Limited and Tianjin Development Holdings Limited. He is also a non-executive director of Sun Hung Kai Properties Insurance Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited.

Dr Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Dr Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Dr Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from The Open University of Hong Kong in 2016.

He is a member of the Sponsorship & Development Fund Committee and a court member of The Open University of Hong Kong and an Honorary Council Member of The Hong Kong Institute of Directors Limited.

Dr Cheung held the positions of the chairman of Admissions, Budgets and Allocations Committee as well as a director of The Community Chest of Hong Kong Limited (until 30 June 2020), the deputy chairman of the council of The Open University of Hong Kong, the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong and a member of the Board of Review (Inland Revenue Ordinance). He was a non-executive director of SRE Group Limited, an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., Hop Hing Group Holdings Limited and Agile Group Holdings Limited.



LEE Luen Fai

JP, BA

Non-executive Director, aged 67. Mr Lee has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2018. He is the Director of Public Affairs of Sun Hung Kai Properties Limited ("SHKP"). He joined SHKP in May 2005. He is a veteran of the broadcasting industry, with more than 20 years of experience in the field. He joined Radio Television Hong Kong ("RTHK") in the 70's and has hosted a number of popular programmes including "Talkabout" and "City Forum". Mr Lee has also been the Head of Public Affairs for RTHK radio division. In 1993, he was promoted as the Head of Public and Current Affairs of the television division overseeing all public and current affairs programmes. He became Controller of Educational Television in 1996 and was responsible for all educational TV and school programmes. Mr Lee graduated from Grantham College of Education (now known as The Education University of Hong Kong) and holds a bachelor of arts degree in Chinese History from University of East Asia (now known as University of Macau).

Mr Lee has an extensive record of public and community service and is currently a Member of the Standing Commission on Civil Service Salaries and Conditions of Service and Election Committee (Transport Sub-sector). He was a non-official Member of Family Council (1 September 2016 – 31 March 2019) and he was also a non-executive director of RoadShow Holdings Limited (18 June 2015 – 12 December 2017).



LUNG Po Kwan

*BSocSc, MSocSc(Economics),
MBA, CFA*

Non-executive Director, aged 55. Mr Lung has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 July 2018. He was appointed as a member of the Remuneration Committee of the Company with effect from 1 January 2021. He is the Chief Financial Officer of the China region for Sun Hung Kai Properties Limited ("SHKP"). He has over 28 years of experience in financial markets, including investment research, fund management, private equity investments and risk management in both corporate and financial institutions.

Mr. Lung joined SHKP in 1992 and was responsible for investor relations and investment in infrastructure project until 1996. During 1996-2003, Mr. Lung was a portfolio manager with BNP Paribas Asset Management, specialising in Asian equity investments. In 2004, Mr. Lung was seconded to a fund management company jointly set up by BNP Paribas and Shenyn Wanguo Securities in Shanghai, China to head the risk management of the joint-venture. In 2007, Mr. Lung joined as one of the founding partners in a private equity firm funded by seed capital from BNP Paribas and Shinhan Financial Group. Mr. Lung rejoined SHKP in 2013 and took up the current position since then.

Mr. Lung holds a Bachelor of Social Sciences degree and a Master of Social Sciences degree in Economics from the University of Hong Kong, and a Master of Business Administration degree from China Europe International Business School in Shanghai. Mr. Lung is a CFA charterholder of the CFA Institute.

Key Corporate Executives

Company/Position	Name
Transport International Holdings Limited	
Managing Director	Roger LEE Chak Cheong, BSc, MSc, MICE, CEng
Administration Director	Steve HUI Chun Tak, PDSM, MMgt
Financial Controller	Joseph LEUNG Cho Tak, BA, CPA, AICPA
Company Secretary	Lana WOO, BA, MBA, FCG FCS(PE), CPA(Canada), CGA
Legal Director	Henry LEUNG Ho Yin, BA, MBA, LLB
Head of Internal Audit Department	Ken HO Wing Kin, BComm, CPA(Aust.), HKICPA, CFE
Head of Legal Department	Teresa O Ching Yuan, BA, LLB
The Kowloon Motor Bus Company (1933) Limited	
Long Win Bus Company Limited	
Operations Director	Andrew KWAN Chi Wai, CMILT
Commercial Director	Thomas TONG Tung Ming, MSc, MBA, CEng, MStructE, MHKIE, AP, RSE
Safety Director	James WONG Cheung Ming, PMSM
Deputy Operations Director, Bus Servicing & Engineering	George WEI Ming Chi, BEng, MBA, MHKIE
Deputy Operations Director, Bus Operations	Rachel KWAN Chui Lan, BA(Hons), MSc(Urban Planning), MPA, MSc(ITS), MCIT
Asst. Operations Director, Bus Servicing	Tin Cheung LAU, MIET
Asst. Operations Director, Bus Servicing	Siu Lun NG, MSc(Eng), CEng, MIMechE
Asst. Operations Director, Projects & Administration	Louisa LEUNG Chik Yee, AICPA, CIA, CFE, CRMA
Head of Commercial Department	Emily CHEUNG Yee Hang, MA, MCILT
Head of Corporate Communications & Public Affairs Department	Addie LAM Tsz Ho, BA, MSc
Head of Facilities Management Department	Winnie HO Siu Fong, BBA
Head of Financial Accounting & Treasury Department	Kathy CHEUNG Mei Lam, BBA, CPA
Head of Financial Planning & Control Department	Alice LEUNG Wai Ling, MAIS, FCCA, CPA
Head of Human Resources Department	Cindy LUI Fung Kuen, BBA, MIHRM(HK)
Head of Information Technology Department	Karen WONG Hau Ling, BSc(Hons), MPhil
Head of Operational Planning Department	Gary LEUNG Ling Yin, BSc
Head of Procurement Department	Anita LAM Chiu Lin, BCom, MSc, MCIPS
Head of Major Works Department	Jacky NG Chin To, BA(Civil Eng)
Head of Staff Relations & Welfare Services Department	Wing YIM Wing Han, BA, PgDHRM, MHRM
Division Manager, Operations (Urban)	Utan WONG Yu Ting, BA
Division Manager, Operations (NT East)	Rob LIU Wa Kei, BBA(Hons)
Division Manager, Operations (NT West)	Kelvin YEUNG, BSc
Sun Bus Holdings Limited	
General Manager	Susan SO, BBA, MSc, FCCA, HKICPA

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Directors' Report

The Directors submit herewith 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 2020.

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 16 to the financial statements.

The Group's revenue and profit are mainly attributable to 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 18 to 135 of this Annual Report. This discussion forms part of this Directors' Report.

Recommended dividend

No interim dividend has paid to the shareholders (2019: HK\$0.30 per share). The Directors now recommend that a final dividend of HK\$0.50 per share (2019: HK\$0.70 per share) in respect of the year ended 31 December 2020 be paid to shareholders on 30 June 2021.

Charitable donations

Charitable donations made by the Group during the year amounted to HK\$102,000 (2019: HK\$2,610,000).

Share capital

Details of the movements in share capital of the Company during the year are set out in note 30(b)(i) to the financial statements. Shares were issued during the year under the scrip dividend scheme. Details about the issue of shares are also set out in note 30(b)(i) to the financial statements.

Distributability of reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$2,304,043,000 (2019: HK\$2,305,392,000). After the end of the reporting period, the Directors proposed a final dividend of HK\$0.50 per share (2019: HK\$0.70 per share), amounting to HK\$228,910,000 (2019: HK\$312,859,000) (note 11(a)). This dividend has not been recognised as a liability at the end of the reporting period.

Directors

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

Dr Norman LEUNG Nai Pang*, GBS, JP	(Chairman)
Dr John CHAN Cho Chak*, GBS, JP	(Deputy Chairman)
Raymond KWOK Ping Luen, JP	
NG Siu Chan	
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, M.H.	
Winnie NG, JP	(Director and Alternate Director to Mr NG Siu Chan)
Dr Eric LI Ka Cheung*, GBS, OBE, JP	
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheong	(Managing Director)
TSANG Wai Hung*, GBS, PDSM, JP	
Dr CHEUNG Wing Yui, BBS	
LEE Luen Fai, JP	
LUNG Po Kwan	
Susanna WONG Sze Lai	(Alternate Director to Mr Raymond KWOK Ping Luen, JP)
GAO Feng	(Alternate Director to Mr William LOUEY Lai Kuen)

* Independent Non-executive Director

In accordance with the Company's Bye-laws 87(1) and Appendix 14 of the Listing Rules, Mr Raymond Kwok Ping Luen, Mr Charles Lui Chung Yuen, Ms Winnie Ng, Dr Eric Li Ka Cheung, Professor Liu Pak Wai, Mr Tsang Wai Hung, 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.

Brief biographical details of the Directors of the Company are set out on pages 136 to 142 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' interests and short positions in shares, underlying shares and debentures

The Directors of the Company who held office at 31 December 2020 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*	–	–	–	–	–	–	–
Dr John CHAN Cho Chak*	2,000	–	–	–	–	2,000	–
Raymond KWOK Ping Luen	509,523 (note 1)	–	–	–	–	509,523	0.11%
NG Siu Chan	–	24,984,977	–	–	–	24,984,977	5.46%
William LOUEY Lai Kuen	7,784,097	–	–	–	26,386,838	34,170,935 (note 2)	7.46%
Charles LUI Chung Yuen	13,829	–	–	3,214,630 (note 3)	–	3,228,459	0.71%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	–	–	24,984,977 (note 4)	–	25,166,393	5.50%
Dr Eric LI Ka Cheung*	–	–	–	–	–	–	–
Professor LIU Pak Wai*	–	–	–	–	–	–	–
Allen FUNG Yuk Lun	–	–	–	–	–	–	–
Roger LEE Chak Cheong (Managing Director)	128,029	–	–	–	–	128,029	0.03%
TSANG Wai Hung*	–	–	–	–	–	–	–
Dr CHEUNG Wing Yui	–	–	–	–	–	–	–
LEE Luen Fai	–	30,000	–	–	–	30,000	0.01%
LUNG Po Kwan	–	–	–	–	–	–	–
Susanna WONG Sze Lai (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 505,479 shares jointly with his spouse.
- (2) Mr William Louey Lai Kuen, Ms Phyllis Louey and Ms Carol Wilma Louey entered into a shareholders voting agreement and together have interests in 34,170,935 shares of the Company.
- (3) Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 3,214,630 shares in the Company.
- (4) Ms Winnie Ng has interest in 24,984,977 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

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 2020, 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 2020 was 40,363,941 shares (including options for 15,118,200 shares that have been granted but not yet lapsed or exercised) which represented 8.8% of the ordinary shares of the Company in issue at 31 December 2020. 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.

At 31 December 2020, 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 2020 was HK\$15.0) granted for a consideration of HK\$1 under the share option scheme of the Company. As at 31 December 2020, 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)(iv) to the financial statements, amounted to HK\$2,708,000 and HK\$7,826,000, 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 2020 are exercised, the Company will receive proceeds of HK\$243,751,000.

Equity-linked agreement (continued)

Share option scheme (continued)

	No. of options outstanding at 1 January 2020	No. of shares granted during the year	No. of options forfeited during the year	No. of options outstanding at 31 December 2020	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	860,000	–	–	860,000	31 October 2016	31 October 2017 to 30 October 2021 (note 1)	HK\$23.45	HK\$23.45
	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
	–	450,000	–	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 3)	HK\$15.32	HK\$15.32
Norman LEUNG Nai Pang	–	450,000	–	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
John CHAN Cho Chak	–	425,000	–	425,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Raymond KWOK Ping Luen	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
NG Siu Chan	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
William LOUEY Lai Kuen	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Charles LUI Chung Yuen	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Winnie NG	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Allen FUNG Yuk Lun	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
CHEUNG Wing Yui	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LEE Luen Fai	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LUNG Po Kwan	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Eric LI Ka Cheung	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LIU Pak Wai	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
TSANG Wai Hung	–	400,000	–	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Employees	1,453,200	–	(820,000)	633,200	31 October 2016	31 October 2017 to 30 October 2021 (note 1)	HK\$23.45	HK\$23.45
Employees	–	7,400,000	(300,000)	7,100,000	19 November 2020	19 November 2021 to 18 November 2025 (note 3)	HK\$15.32	HK\$15.32

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

* 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 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	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	50%
On or after 19 November 2022	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 19 November 2021	30%
On or after 19 November 2022	60%
On or after 19 November 2023	100%

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(x)(iv) and note 21 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 notes 34(a) and 35 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 and Dr Cheung Wing Yui 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 is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

Directors' Report

Directors' interests in transactions, arrangements or contracts (continued)

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.

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

At 31 December 2020, 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 ("Stock Exchange") 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	–	–	181,296,153	181,296,153	39.4%
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	181,296,153	–	181,296,153	39.4%
Arklake Limited (Note 1)	99,623,586	–	–	99,623,586	21.8%
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	29,981,963	–	–	29,981,963	6.5%
Wister Investment Limited (Note 1)	26,597,086	–	–	26,597,086	5.8%
HSBC International Trustee Limited	37,805,269	–	–	37,805,269	8.3%
Kwong Tai Holdings (PTC) Limited (Note 3)	24,984,977	–	–	24,984,977	5.5%

Notes:

- The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 156,202,635 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 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 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% creeper under Rules 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 10 years after 19 October 2001. With effect from 19 October 2011, the above transitional provisions expired and SHKP is subject to the 2% creeper under Rules 26.1(c) and (d) of the Takeovers Code.
- The interest disclosed by Kwong Tai Holdings (PTC) Limited comprises 24,984,977 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors 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.

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 140 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 1 January 2021 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 2019 Hong Kong Life Tables; and normal retirement age of 65.
- (iii) The market value of the scheme assets at 31 December 2020 was HK\$1,053,029,000 (2019: HK\$905,511,000).
- (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 2020 and 2019.
- (v) The ongoing funding surplus in the scheme was HK\$593,476,000 (2019: HK\$430,737,000) and the solvency surplus was HK\$593,476,000 (2019: HK\$431,596,000) at 31 December 2020.

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 2019 Hong Kong Life Tables; and normal retirement age of 60.
- (iii) The market value of the scheme assets at 31 December 2020 was HK\$2,351,520,000 (2019: HK\$2,233,053,000).
- (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 2020 and 2019.
- (v) The ongoing funding surplus in the scheme was HK\$1,423,742,000 (2019: HK\$1,165,983,000) and the solvency surplus was HK\$1,476,539,000 (2019: HK\$1,219,398,000) at 31 December 2020.

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 20 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 2020 were insignificant to the Group.

Bank loans

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 24 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 page 240 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 2020, except that four Directors of the Company were unable to attend the Annual General Meeting of the Company held on 21 May 2020 as provided for in code provision A.6.7 due to other engagements. A report on the principal corporate governance practices adopted by the Company is set out on pages 110 to 131 of this Annual Report.

Properties

Particulars of the investment properties of the Group are shown on pages 104 and 105 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 2020.

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, 18 March 2021



Independent Auditor's Report



Independent auditor's report to the shareholders of Transport International Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Transport International Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 160 to 239, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (continued)

Assessing the carrying value of buses and other motor vehicles

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 172 and 178 to 179.

The Key Audit Matter	How the matter was addressed in our audit
<p>The carrying value of the Group's buses and other motor vehicles as at 31 December 2020 totalled HK\$6,269 million which accounted for 32% of the Group's total assets as at that date. Buses and other motor vehicles mainly represent the bus fleet employed in the Group's franchised bus operations.</p> <p>The estimated useful lives and residual values of buses and other motor vehicles are reviewed annually by management taking into consideration factors which include bus deployment and scrapping plans and technological changes which may affect the useful life expectancy of the assets and, therefore, could have a material impact on any impairment charge or the depreciation charge for the year.</p> <p>Internal and external information is reviewed by management annually to determine whether there are any indicators that the buses and other motor vehicles may be impaired.</p> <p>We identified assessing the carrying value of buses and other motor vehicles as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves the exercise of judgement by management, in particular in considering the nature, timing and likelihood of changes to factors such as bus deployment and scrapping plans and technological developments which may affect the carrying value of buses and other motor vehicles.</p>	<p>Our audit procedures to assess the carrying value of buses and other motor vehicles included the following:</p> <ul style="list-style-type: none">– assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of bus deployment and scrapping plans;– assessing the estimated useful lives and residual values of buses and other motor vehicles with reference to the Group's historical experience, laws and regulations relating to the deployment of buses and bus deployment and scrapping plans;– discussing with management their assessment of whether any indicators of potential impairment of buses and other motor vehicles existed at the reporting date;– challenging management's assertion that no indicators of potential impairment of buses and other motor vehicles existed at the reporting date by comparing management's assessment of the indicators of potential impairment in the prior year with actual results for the current year and by comparing the bases of management's current year's assertions with our understanding of the latest developments in the franchised bus industry and market conditions.

Independent Auditor's Report

Key audit matters (continued)

Assessing the contingency provision for insurance

Refer to note 26 to the consolidated financial statements and the accounting policies on page 180.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group is involved from time to time in litigation and claims in connection with its bus operations. The contingency provision for insurance in connection with the Group's franchised bus operations, which represented the majority of the total balance of HK\$308 million as at 31 December 2020, has been set aside by management to meet the liabilities which are expected to arise from third party claims for incidents which have occurred. Management assessed the provision based on an independent valuation performed by a qualified external actuary.</p> <p>The assessment of the provision involves estimates based on past claims experience and recent claims developments. The ultimate claim amount is dependent on future external events which are inherently uncertain and actual claims may therefore deviate from management estimations.</p> <p>We identified the assessment of the contingency provision for insurance as a key audit matter because of the level of management judgement required in assessing the variable factors and assumptions in order to estimate the potential costs of settlement of claims.</p>	<p>Our audit procedures to assess the contingency provision for insurance included the following:</p> <ul style="list-style-type: none">– assessing the design, implementation and operating effectiveness of key internal controls over management's maintenance of claims records and the assessment of related provision;– assessing the independence, qualifications and expertise of the external actuary engaged by management and evaluating whether a consistent methodology had been applied in determining the amount of the provision;– with the assistance of our internal actuarial specialists, assessing the valuation methodology adopted by the external actuary and comparing the key estimates and assumptions adopted in the actuarial valuation with past claims experience;– comparing the claims details provided by management to the external actuary with the claims records maintained by management, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang LEE.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$' 000	2019 \$' 000
Revenue	3 & 12	6,190,880	8,112,201
Other income	4	1,249,571	411,068
Staff costs	5(a)	(4,339,974)	(4,517,368)
Depreciation		(993,019)	(966,607)
Fuel and oil		(619,612)	(919,993)
Spare parts		(197,468)	(214,679)
Toll charges		(272,388)	(328,717)
Other operating expenses		(771,009)	(865,944)
Profit from operations		246,981	709,961
Finance costs	5(b)	(26,933)	(32,182)
Gain on disposal of a subsidiary	35	1,495,548	–
Share of profits of associates		6,525	21,544
Share of profit of joint venture		35	–
Profit before taxation	5	1,722,156	699,323
Income tax credit/(expense)	6(a)	181,958	(94,012)
Profit for the year		1,904,114	605,311
Earnings per share			
Basic and diluted	10	\$4.21	\$1.38

The notes on pages 167 to 239 form part of these financial statements. Details of dividends paid and payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Profit for the year		1,904,114	605,311
Other comprehensive income for the year (after tax and reclassification adjustments):			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of net defined benefit asset, net of tax expense of \$72,295,000 (2019: tax expense of \$74,709,000)		365,857	378,074
Equity investment at fair value through other comprehensive income: net movement in fair value reserve (non-recycling), net of nil tax	32(f)	1,649	3,907
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of entities outside Hong Kong, net of nil tax		39,151	(10,705)
Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	9	9,409	38,198
Share of other comprehensive income of an associate, net of nil tax		43,050	11,707
Other comprehensive income for the year		459,116	421,181
Total comprehensive income for the year		2,363,230	1,026,492

The notes on pages 167 to 239 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$' 000	2019 \$' 000
Non-current assets			
Investment properties	13(a)	97,875	104,994
Investment property under development	13(a)	3,005,416	2,531,596
Interest in leasehold land	13(a)	53,318	55,330
Other property, plant and equipment	13(a)	7,797,012	7,462,447
		10,953,621	10,154,367
Intangible assets	14	364,964	364,964
Goodwill	15	84,051	84,051
Interest in associates	17	656,610	611,852
Interest in joint venture	18	750,547	–
Other financial assets	19	1,473,574	1,263,534
Employee benefit assets	20(a)	1,701,495	1,306,851
Deferred tax assets	28(b)	456	477
		15,985,318	13,786,096
Current assets			
Spare parts		95,300	78,999
Accounts receivable	22	660,519	666,654
Other financial assets	19	234,198	702,363
Deposits and prepayments		27,422	26,924
Current tax recoverable	28(a)	5,085	483
Restricted bank deposits	23(a)	350,365	146,955
Bank deposits and cash	23(a)	1,943,400	1,308,958
		3,316,289	2,931,336
Current liabilities			
Accounts payable and accruals	25	1,585,519	1,344,381
Contingency provision – insurance	26	90,323	126,350
Bank loans	24	1,398,257	–
Lease liabilities	27	3,615	3,907
Current tax payable	28(a)	9,262	87,277
		3,086,976	1,561,915
Net current assets		229,313	1,369,421
Total assets less current liabilities		16,214,631	15,155,517

Consolidated Statement of Financial Position

at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$' 000	2019 \$' 000
Non-current liabilities			
Bank loans	24	1,684,266	2,706,572
Lease liabilities	27	1,865	3,111
Deferred tax liabilities	28(b)	1,123,423	1,227,243
Contingency provision – insurance	26	217,716	244,327
Provision for long service payments	29	1,049	2,554
		3,028,319	4,183,807
NET ASSETS		13,186,312	10,971,710
CAPITAL AND RESERVES			
Share capital	30(b)(i)	457,821	446,941
Reserves		12,728,491	10,524,769
TOTAL EQUITY		13,186,312	10,971,710

Approved and authorised for issue by the Board of Directors on 18 March 2021

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 167 to 239 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
		Share capital \$' 000 (note 30 (c)(i))	Share premium \$' 000 (note 30 (c)(ii))	Capital reserve \$' 000 (note 30 (c)(ii))	Other reserves \$' 000	Exchange reserve \$' 000 (note 30 (c)(iii))	Hedging reserve \$' 000 (note 30 (c)(iv))	Fair value	Fair value	Retained profits \$' 000	Total \$' 000
								reserve	reserve (non-		
								(recycling)	recycling)		
								(note 30 (c)(v))	(note 30 (c)(vi))		
Note											
Balance at 1 January 2019		434,597	686,962	5,822	1,102,614	101,825	(1,124)	(37,564)	496,663	7,405,769	10,195,564
Changes in equity for 2019:											
Profit for the year		-	-	-	-	-	-	-	-	605,311	605,311
Other comprehensive income for the year		-	-	-	-	(10,705)	-	38,198	3,907	389,781	421,181
Total comprehensive income for the year		-	-	-	-	(10,705)	-	38,198	3,907	995,092	1,026,492
Amounts transferred from hedging reserve to initial carrying amount of hedged items and related tax		-	-	-	-	-	1,124	-	-	-	1,124
Shares issued in respect of scrip dividend – 2018 final dividend	30(b)(i)	8,764	190,974	-	-	-	-	-	-	-	199,738
Shares issued in respect of scrip dividend – 2019 interim dividend	30(b)(i)	3,197	60,505	-	-	-	-	-	-	-	63,702
Issuance of shares upon exercise of share options	30(b)(i)	383	9,298	(704)	-	-	-	-	-	-	8,977
Forfeiture of share options		-	-	(891)	-	-	-	-	-	891	-
Equity-settled share-based transactions	5(a)	-	-	(11)	-	-	-	-	-	-	(11)
Unclaimed dividends forfeited		-	-	-	-	-	-	-	-	729	729
Dividends approved in respect of the previous year	11(b)	-	-	-	-	-	-	-	-	(391,482)	(391,482)
Dividends declared in respect of the current year	11(a)	-	-	-	-	-	-	-	-	(133,123)	(133,123)
		12,344	260,777	(1,606)	-	-	1,124	-	-	(522,985)	(250,346)
Balance at 31 December 2019		446,941	947,739	4,216	1,102,614	91,120	-	634	500,570	7,877,876	10,971,710

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company									Total \$'000
		Share capital \$'000	Share premium \$'000 (note 30 (c)(i))	Capital reserve \$'000 (note 30 (c)(ii))	Other reserves \$'000	Exchange reserve \$'000 (note 30 (c)(iii))	Hedging reserve \$'000 (note 30 (c)(iv))	Fair value reserve (recycling) \$'000 (note 30 (c)(v))	Fair value reserve (non- recycling) \$'000 (note 30 (c)(vi))	Retained profits \$'000	
Balance at 1 January 2020		446,941	947,739	4,216	1,102,614	91,120	–	634	500,570	7,877,876	10,971,710
Changes in equity for 2020:											
Profit for the year		–	–	–	–	–	–	–	–	1,904,114	1,904,114
Other comprehensive income for the year		–	–	–	–	39,151	–	9,409	44,699	365,857	459,116
Total comprehensive income for the year		–	–	–	–	39,151	–	9,409	44,699	2,269,971	2,363,230
Shares issued in respect of scrip dividend – 2019 final dividend	30(b)(i)	10,880	152,751	–	–	–	–	–	–	–	163,631
Forfeiture of share options		–	–	(1,508)	–	–	–	–	–	1,508	–
Equity-settled share-based transactions	5(a)	–	–	600	–	–	–	–	–	–	600
Dividends approved in respect of the previous year	11(b)	–	–	–	–	–	–	–	–	(312,859)	(312,859)
		10,880	152,751	(908)	–	–	–	–	–	(311,351)	(148,628)
Balance at 31 December 2020		457,821	1,100,490	3,308	1,102,614	130,271	–	10,043	545,269	9,836,496	13,186,312

The notes on pages 167 to 239 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$' 000	2019 \$' 000
Operating activities			
Cash generated from operations	23(c)	1,187,259	1,378,325
Interest received		113,010	93,533
Interest paid		(25,165)	(29,798)
Tax paid			
– Hong Kong Profits Tax		(75,429)	(1,422)
– The People's Republic of China ("PRC") withholding tax		(1,262)	(943)
Net cash generated from operating activities		1,198,413	1,439,695
Investing activities			
Increase in restricted bank deposits		(203,410)	(140,152)
(Increase)/decrease in bank deposits with original maturities of over three months		(43,700)	183,040
Increase in loan receivables		(34,541)	–
Payment for the purchase of other property, plant and equipment		(1,272,512)	(832,298)
Payment for other additions of investment property under development		(375,853)	(180,539)
Payment for the purchase of intangible assets		–	(4,345)
Payment for the purchase of debt securities		(438,285)	(237,073)
Receipt of government grant for the purchase of other property, plant and equipment		18,046	5,921
Receipt of government grant for the disposal of other property, plant and equipment		306	–
Proceeds from the disposal of other property, plant and equipment		9,159	6,176
Proceeds on the maturity of debt securities		722,815	231,132
Dividends received from associates		43,969	26,564
Dividends received from unlisted equity securities		31,000	40,300
Net cash inflow in respect of disposal of subsidiary	35	744,735	–
Finance costs paid and capitalised into investment property under development		(28,682)	(40,224)
Net cash used in investing activities		(826,953)	(941,498)
Financing activities			
Proceeds from new bank loans	23(d)	2,515,000	1,765,000
Repayment of bank loans	23(d)	(2,145,000)	(1,690,000)
Issuance of shares upon exercise of share options		–	8,977
Capital element of lease rentals paid	23(d)	(2,727)	(3,923)
Interest element of lease rentals paid	23(d)	(161)	(200)
Dividends paid to equity shareholders of the Company		(149,228)	(261,165)
Net cash generated from/(used in) financing activities		217,884	(181,311)
Net increase in cash and cash equivalents		589,344	316,886
Cash and cash equivalents at 1 January		542,351	224,602
Effect of foreign exchange rate changes		1,398	863
Cash and cash equivalents at 31 December	23(a)	1,133,093	542,351
Analysis of cash and cash equivalents:			
Bank deposits and cash in the consolidated statement of financial position	23(a)	1,943,400	1,308,958
Less: bank deposits with original maturities of over three months	23(a)	(810,307)	(766,607)
Cash and cash equivalents in the consolidated cash flow statement		1,133,093	542,351

The notes on pages 167 to 239 form part of these financial statements.



Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in debt and equity securities (see note 1(g)), derivative financial instruments (see note 1(h)) and employee benefit assets (see note 1(x)(ii)) are stated at their fair value, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The Group has applied Amendment to HKFRS 16, *COVID-19-Related Rent Concessions* issued by the HKICPA to these financial statements for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS are discussed below:

Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 13(b)). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(n)(iii)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(e) Associates, joint venture and joint operations

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(n)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture after applying the expected credit loss ("ECL") model to such other long-term interests, where applicable (see note 1(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not measured. Instead, the investment continues to be accounted for under equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

The Group recognises in the financial statements its share of a joint operation's assets and any liabilities incurred jointly with other operators according to their nature. Liabilities and expenses incurred directly in respect of its interest in the joint operation are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the joint operation, together with its share of any expenses incurred by the joint operation, are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(n)(iii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's accounting policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint venture, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iv)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(g) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(u)(v).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

(i) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges).

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in the accounting policies set out in note 1(u)(vi).

(k) Other property, plant and equipment

Properties held for own use and other items of plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(l)), are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land	The shorter of 40 years and the unexpired terms of the leases
– Leasehold land	The unexpired terms of the leases
– Buses	14 years
– Other motor vehicles	5 to 14 years
– Others	2 to 7 years

No depreciation is provided for buses under construction.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(I) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to its present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(k) and 1(n)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(l) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(vi).

(m) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(n)(iii)).

Passenger service licences and transport operating rights are assessed and regarded by the Group to have indefinite useful lives and are not amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated remaining useful life.

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including bank deposits and cash, trade and other receivables, loan receivables, including loan to joint venture, which is held for the collection of contractual cash flows which represent solely payments of principal); and
- investments in debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(n)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties and investment property under development;
- other property, plant and equipment, including right-of-use assets;
- interest in leasehold land;
- intangible assets;
- goodwill;
- interest in associates;
- interest in joint venture and
- investments in subsidiaries in the Company’s statement of financial position.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, their recoverable amounts are estimated annually whether or not there is indication of impairment.

– *Calculation of the recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(n)(i) and 1(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(o) Spare parts

Spare parts are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(p) Accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Accounts receivable are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit losses (see note 1(n)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(r) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(n)(ii), accounts payable and accruals are subsequently stated at amortised cost, except where the payables are interest-free loans advanced from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Bank deposits and cash

Bank deposits and cash comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank deposits and cash are assessed for ECL in accordance with the policy set out in note 1(n)(i).

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promise consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.
- (ii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.
- (iii) Income from media sales management and administrative services, production of advertisements, and advertising agency services is recognised when the related services are rendered.
- (iv) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(n)(i)).
- (v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (vii) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(w) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in The People's Republic of China ("PRC") is Renminbi. The presentation currency of the Group is Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(x) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

(iv) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(y) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(z) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Accounting judgements and estimates

Notes 15, 20(f), 21(c) and 32(f) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets, fair value of share options and financial instruments.

Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Investment properties, interest in leasehold land and other property, plant and equipment, including right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the asset. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(c) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 26, is based on past claim experience and recent claim developments. The provision is assessed based on an independent valuation performed by a qualified external actuary. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

The amount of each significant category of revenue is as follows:

	2020 \$' 000	2019 \$' 000
Fare revenue from franchised public bus services	5,653,807	7,504,233
Revenue from non-franchised transport services	208,204	314,709
Licence fee income	224,723	190,924
Media sales revenue	31,299	35,363
Gross rentals from investment properties	72,847	66,972
	6,190,880	8,112,201

All revenue, except gross rentals from investment properties which are subject to HKFRS 16, *Leases*, falls within the scope of HKFRS 15, *Revenue from contracts with customers*. The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenue. Further details regarding the Group's principal activities are disclosed in note 12 to the financial statements.

4 Other income

	2020 \$' 000	2019 \$' 000
Interest income on financial assets measured at FVOCI (recycling)	51,313	57,299
Interest income on financial assets measured at amortised cost	25,311	30,098
Dividend income from unlisted equity securities	31,000	40,300
Claims received	30,956	43,477
Net miscellaneous business receipts	8,869	10,625
Net gain on disposal of other property, plant and equipment	8,833	4,125
Net loss on derecognition of investments in debt securities (note 9)	(213)	(120)
Net foreign exchange loss	(11,243)	(7,055)
Government subsidies (note)	1,013,855	152,267
Sundry income	90,890	80,052
	1,249,571	411,068

Note: This represented subsidies from the Hong Kong Special Administrative Region ("HK SAR") Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of COVID-19. It mainly included wage subsidies and fuel subsidies, as well as regular repair and maintenance costs and insurance premium subsidies.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2020 \$' 000	2019 \$' 000
(a) Staff costs		
Defined benefit retirement plan expense (note 20(e))	43,508	56,575
Contributions to defined contribution retirement plans	173,862	170,571
Movements in provision for long service payments (note 29)	5,241	9,383
Total retirement cost	222,611	236,529
Equity-settled share-based payment expenses	600	(11)
Salaries, wages and other benefits	4,119,913	4,280,850
	4,343,124	4,517,368
Less: staff costs included in cost of mask production	(3,150)	–
	4,339,974	4,517,368
(b) Finance costs		
Interest on bank loans	51,588	68,534
Interest on lease liabilities (note 23(d))	161	200
Total interest expense on financial liabilities not at FVPL	51,749	68,734
Less: interest expense capitalised into investment property under development*	(24,816)	(36,552)
	26,933	32,182

* The borrowing costs have been capitalised at the average interest rate of 1.45% per annum (2019: 2.33% per annum).

	2020 \$' 000	2019 \$' 000
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	(72,847)	(66,972)
Less: direct outgoings	12,190	11,332
	(60,657)	(55,640)

Note: Included contingent rental income of \$128,000 (2019: \$17,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Profit before taxation (continued)

	2020 \$' 000	2019 \$' 000
(d) Other items		
Depreciation#		
– owned property, plant and equipment	986,659	960,598
– right-of-use assets	6,554	6,009
(Write-back)/write-down of spare parts	(17)	725
Provision for passenger reward (note a)	–	6,834
Provision for toll exemption fund (note b)	193,730	195,782
Auditors' remuneration		
– audit services	4,170	4,203
– other services	1,090	884

Note a: Under the revised Modified Basket of Factors ("MBOF") approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net interest in leasehold land and other property, plant and equipment is required to be set aside and accumulated in a balance of passenger reward, which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2020 and 2019 was 8.7% per annum. The balance of passenger reward of the Group as at 31 December 2020, included in accounts payable and accruals (note 25), was \$7,154,000 (2019: \$12,375,000).

Note b: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using the Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" in which the fund will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of the bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. The provision for Toll Exemption Fund is included in "Other operating expense" in the consolidated statement of profit or loss. The balance of Toll Exemption Fund of the Group as at 31 December 2020, included in accounts payable and accruals (note 25), was \$392,863,000 (2019: \$196,354,000).

#: Cost of mask production includes depreciation of \$194,000 in 2020, which amount is included in the total amount disclosed in note 5(d) for depreciation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 \$' 000	2019 \$' 000
Current tax – Hong Kong Profits Tax		
Provision for the year	17,139	58,393
(Over)/under-provision in respect of prior years	(24,244)	43,762
	(7,105)	102,155
PRC withholding tax	1,262	943
	(5,843)	103,098
Deferred tax		
Origination and reversal of temporary differences	(176,115)	(9,086)
	(181,958)	94,012

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(b) Reconciliation between tax (credit)/expense and accounting profit at the applicable tax rates:

	2020 \$' 000	2019 \$' 000
Profit before taxation	1,722,156	699,323
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	284,837	116,634
Tax effect of non-deductible expenses	4,946	4,327
Tax effect of non-taxable income	(434,228)	(26,204)
Tax effect of unused tax losses not recognised	841	22
Tax effect of temporary differences previously not recognised	(12,780)	(44,316)
(Over)/under-provision in respect of prior years	(24,244)	43,762
Others	(1,330)	(213)
Actual tax (credit)/expense	(181,958)	94,012

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Note	2020						
			Salaries, allowances and benefits	Discretionary	Retirement scheme		Share-based payment	
		Directors' fees	in kind	bonuses	contributions	Sub-total	(note (b))	Total
		\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Executive Director								
Roger Lee Chak Cheong	(a)	390	6,269	800	353	7,812	37	7,849
Non-executive Directors								
Raymond Kwok Ping Luen		654	-	-	-	654	20	674
Ng Siu Chan		390	-	-	-	390	20	410
Charles Lui Chung Yuen		654	-	-	-	654	20	674
William Louey Lai Kuen		654	-	-	-	654	20	674
Winnie Ng		714	-	-	-	714	20	734
Allen Fung Yuk Lun		636	-	-	-	636	20	656
Dr Cheung Wing Yui		390	-	-	-	390	20	410
Lee Luen Fai		390	-	-	-	390	20	410
Lung Po Kwan		390	-	-	-	390	20	410
Susanna Wong Sze Lai		-	-	-	-	-	-	-
Gao Feng		-	-	-	-	-	-	-
Independent non-executive Directors								
Dr Norman Leung Nai Pang		2,116	-	-	-	2,116	22	2,138
Dr John Chan Cho Chak		794	-	-	-	794	21	815
Dr Eric Li Ka Cheung		770	-	-	-	770	20	790
Professor Liu Pak Wai		636	-	-	-	636	20	656
Tsang Wai Hung		840	-	-	-	840	20	860
		10,418	6,269	800	353	17,840	320	18,160

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Directors' emoluments (continued)

	Note	2019						Total \$' 000
		Directors' fees \$' 000	Salaries, allowances and benefits in kind \$' 000	Discretionary bonuses \$' 000	Retirement scheme contributions \$' 000	Sub-total \$' 000	Share-based payment (note (b)) \$' 000	
Executive Director								
Roger Lee Chak Cheong	(a)	390	6,077	1,306	369	8,142	171	8,313
Non-executive Directors								
Raymond Kwok Ping Luen		654	–	–	–	654	–	654
Ng Siu Chan		390	–	–	–	390	–	390
Charles Lui Chung Yuen		654	–	–	–	654	–	654
William Louey Lai Kuen		654	–	–	–	654	–	654
Winnie Ng		714	–	–	–	714	–	714
Allen Fung Yuk Lun		636	–	–	–	636	–	636
Dr Cheung Wing Yui		390	–	–	–	390	–	390
Lee Luen Fai		390	–	–	–	390	–	390
Lung Po Kwan		390	–	–	–	390	–	390
Susanna Wong Sze Lai		–	–	–	–	–	–	–
Gao Feng		–	–	–	–	–	–	–
Independent non-executive Directors								
Dr Norman Leung Nai Pang		2,116	–	–	–	2,116	–	2,116
Dr John Chan Cho Chak		794	–	–	–	794	–	794
Dr Eric Li Ka Cheung		770	–	–	–	770	–	770
Professor Liu Pak Wai		636	–	–	–	636	–	636
Tsang Wai Hung		840	–	–	–	840	–	840
		10,418	6,077	1,306	369	18,170	171	18,341

Notes:

- (a) The amounts included emoluments from the Company and certain of its subsidiaries.
- (b) These represent the estimated value of share options granted to Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 1(x)(iv).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' report and note 21.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2019: one) is a Director whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Director) are as follows:

	2020 \$'000	2019 \$'000
Fees	390	390
Salaries, allowances and benefits in kind	16,157	20,071
Discretionary bonuses	1,821	4,224
Equity-settled share-based payment expenses	97	338
Retirement scheme contributions	899	1,215
	19,364	26,238

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2020	2019
\$2,000,001 – \$2,500,000	1	–
\$2,500,001 – \$3,000,000	1	1
\$3,000,001 – \$3,500,000	2	–
\$3,500,001 – \$4,000,000	–	1
\$5,500,001 – \$6,000,000	–	2
\$7,500,001 – \$8,000,000	1	–
\$8,000,001 – \$8,500,000	–	1

9 Other comprehensive income

	2020 \$'000	2019 \$'000
Investments in debt securities:		
Change in fair value recognised during the year	9,196	38,078
Amounts transferred to profit or loss on derecognition of investments in debt securities (note 4)	213	120
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	9,409	38,198

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$1,904,114,000 (2019: \$605,311,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	446,941,011	434,597,327
Effect of shares issued in respect of scrip dividend	5,499,294	5,197,315
Effect of shares issued in respect of share option	–	267,634
Weighted average number of ordinary shares at 31 December	452,440,305	440,062,276

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

11 Dividends

(a) Dividends paid/payable to equity shareholders of the Company attributable to the year

	2020		2019	
	Per share \$	Total \$'000	Per share \$	Total \$'000
Interim dividend declared and paid	–	–	0.30	133,123
Final dividend proposed after the end of the reporting period	0.50	228,910	0.70	312,859
	0.50	228,910	1.00	445,982

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2019 was paid on 15 October 2019, of which \$63,702,000 was settled by the issuance of 3,196,601 shares at an issue price of \$19.93 per share under the scrip dividend scheme.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Dividends (continued)

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020		2019	
	Per share \$	Total \$'000	Per share \$	Total \$'000
Final dividend in respect of the previous financial year, approved and paid during the year	0.70	312,859	0.90	391,482

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which \$163,631,000 was settled by the issuance of 10,879,685 shares at an issue price of \$15.04 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2018 was paid on 27 June 2019, of which \$199,738,000 was settled by the issuance of 8,764,283 shares at an issue price of \$22.79 per share under the scrip dividend scheme.

12 Segment reporting

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

Franchised bus operation:	The provision of franchised public transport services in Hong Kong.
Property holdings and development:	The holding and development of non-residential properties for the use as investment properties.
All other segments:	The provision of non-franchised transport services, provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen) and investment holding.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

Information regarding the Group's reportable segments for the years ended 31 December 2020 and 2019 is set out below.

	Franchised bus operation		Property holdings and development		All other segments		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	5,909,703	7,732,512	72,847	66,972	208,330	312,717	6,190,880	8,112,201
Inter-segment revenue	14,308	971	5,759	5,717	8,366	9,696	28,433	16,384
Reportable segment revenue	5,924,011	7,733,483	78,606	72,689	216,696	322,413	6,219,313	8,128,585
Reportable segment profit	203,285	368,022	1,548,289	54,792	47,310	60,261	1,798,884	483,075
Interest income	421	1,560	-	-	-	-	421	1,560
Interest expense	(26,933)	(32,182)	-	-	-	-	(26,933)	(32,182)
Depreciation	(944,057)	(916,600)	(6,744)	(6,636)	(42,218)	(43,371)	(993,019)	(966,607)
Staff costs	(4,233,612)	(4,385,633)	-	-	(95,921)	(121,295)	(4,329,533)	(4,506,928)
Share of profits of associates	-	-	-	-	6,525	21,544	6,525	21,544
Share of profit of joint venture	-	-	35	-	-	-	35	-
Gain on disposal of a subsidiary (note 35)	-	-	1,495,548	-	-	-	1,495,548	-
Income tax credit/(expense)	195,651	(72,950)	(10,213)	(10,756)	(3,480)	(10,306)	181,958	(94,012)
Reportable segment assets	10,475,512	9,582,826	3,867,664	2,649,389	1,782,501	1,800,413	16,125,677	14,032,628
- including interest in associates	-	-	-	-	656,610	611,852	656,610	611,852
- including interest in joint venture	-	-	750,547	-	-	-	750,547	-
Additions to non-current segment assets during the year	1,312,179	1,025,751	474,769	232,926	7,688	28,191	1,794,636	1,286,868
Reportable segment liabilities	4,380,771	4,035,344	1,611,224	1,555,638	87,499	121,235	6,079,494	5,712,217

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Segment reporting (continued)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2020 \$' 000	2019 \$' 000
Revenue		
Reportable segment revenue	6,002,617	7,806,172
Revenue from all other segments	216,696	322,413
Elimination of inter-segment revenue	(28,433)	(16,384)
Consolidated revenue	6,190,880	8,112,201
Profit		
Reportable segment profit	1,751,574	422,814
Profit from all other segments	47,310	60,261
Unallocated profits	105,230	122,236
Consolidated profit after taxation	1,904,114	605,311
Assets		
Reportable segment assets	14,343,176	12,232,215
Assets from all other segments	1,782,501	1,800,413
Unallocated assets	3,175,930	2,684,804
Consolidated total assets	19,301,607	16,717,432
Liabilities		
Reportable segment liabilities	5,991,995	5,590,982
Liabilities from all other segments	87,499	121,235
Unallocated liabilities	35,801	33,505
Consolidated total liabilities	6,115,295	5,745,722

(c) Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, intangible assets, goodwill, interest in associates and interest in joint venture ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and on the location of operations in the case of interest in associates and interest in joint venture.

	Specified non-current assets	
	2020 \$' 000	2019 \$' 000
Hong Kong	11,988,839	10,432,033
The PRC	820,954	783,201
	12,809,793	11,215,234

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings \$' 000	Other properties leased for own use carried at cost \$' 000	Buses and other motor vehicles \$' 000	Buses under construction \$' 000	Tools and others \$' 000	Sub-total \$' 000	Investment property under development \$' 000	Investment properties \$' 000	Interest in leasehold land \$' 000	Total \$' 000
Cost:										
At 1 January 2020	1,549,349	10,942	12,101,802	86,537	3,249,533	16,998,163	2,533,616	212,649	115,513	19,859,941
Additions	13,041	2,997	35,186	1,063,564	265,610	1,380,398	473,820	941	-	1,855,159
Disposals	(820)	-	(669,068)	-	(44,406)	(714,294)	-	-	-	(714,294)
Disposals through disposal of a subsidiary (note 35)	-	-	-	-	-	-	-	(31,030)	-	(31,030)
Transfers	-	-	582,594	(582,594)	-	-	-	-	-	-
At 31 December 2020	1,561,570	13,939	12,050,514	567,507	3,470,737	17,664,267	3,007,436	182,560	115,513	20,969,776
Accumulated depreciation:										
At 1 January 2020	1,154,648	3,997	5,721,790	-	2,777,050	9,657,485	2,020	107,655	60,183	9,827,343
Charge for the year	41,477	4,542	728,545	-	210,421	984,985	-	6,216	2,012	993,213
Written back on disposals	(820)	-	(669,030)	-	(44,118)	(713,968)	-	-	-	(713,968)
Written back on disposals through disposal of a subsidiary (note 35)	-	-	-	-	-	-	-	(29,186)	-	(29,186)
At 31 December 2020	1,195,305	8,539	5,781,305	-	2,943,353	9,928,502	2,020	84,685	62,195	10,077,402
Net book value:										
At 31 December 2020	366,265	5,400	6,269,209	567,507	527,384	7,735,765	3,005,416	97,875	53,318	10,892,374
Add: Deposits paid in respect of buses on order						61,247	-	-	-	61,247
						7,797,012	3,005,416	97,875	53,318	10,953,621

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Buildings \$'000	Other properties leased for own use carried at cost \$'000	Buses and other motor vehicles \$'000	Buses under construction \$'000	Tools and others \$'000	Sub-total \$'000	Investment property under development \$'000	Investment properties \$'000	Interest in leasehold land \$'000	Total \$'000
Cost:										
At 1 January 2019	1,527,876	6,952	11,945,456	67,668	3,063,345	16,611,297	2,303,080	210,267	115,513	19,240,157
Additions	21,473	3,990	46,148	623,464	275,084	970,159	230,536	2,382	-	1,203,077
Disposals	-	-	(494,397)	-	(88,896)	(583,293)	-	-	-	(583,293)
Transfers	-	-	604,595	(604,595)	-	-	-	-	-	-
At 31 December 2019	1,549,349	10,942	12,101,802	86,537	3,249,533	16,998,163	2,533,616	212,649	115,513	19,859,941
Accumulated depreciation:										
At 1 January 2019	1,119,407	-	5,514,643	-	2,646,175	9,280,225	2,020	101,562	58,171	9,441,978
Charge for the year	35,241	3,997	699,770	-	219,494	958,502	-	6,093	2,012	966,607
Written back on disposals	-	-	(492,623)	-	(88,619)	(581,242)	-	-	-	(581,242)
At 31 December 2019	1,154,648	3,997	5,721,790	-	2,777,050	9,657,485	2,020	107,655	60,183	9,827,343
Net book value:										
At 31 December 2019	394,701	6,945	6,380,012	86,537	472,483	7,340,678	2,531,596	104,994	55,330	10,032,598
Add: Deposits paid in respect of buses on order						121,769	-	-	-	121,769
						7,462,447	2,531,596	104,994	55,330	10,154,367

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2020 \$'000	2019 \$'000
Interest in leasehold land, carried at amortised cost, with remaining lease term between 10 and 50 years	(i)	53,318	55,330
Other properties leased for own use, carried at depreciated cost	(ii)	5,400	6,945
		58,718	62,275
Investment property under development with remaining lease term between 10 and 50 years		2,153,903	2,153,903
		2,212,621	2,216,178

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(b) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 \$' 000	2019 \$' 000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interest in leasehold land	2,012	2,012
Other properties leased for own use	4,542	3,997
	6,554	6,009
Interest on lease liabilities (note 5(b))	161	200
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,861	3,672
COVID-19-related rent concessions received	(1,808)	–

During the year, additions to right-of-use assets were \$2,997,000 (2019: \$3,990,000). This amount related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(e) and 27, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*, and applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (ii) below.

(i) Interest in leasehold land

The Group holds several pieces of land for industrial and commercial buildings for its public transportation and property holding and development business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners or the Government, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its staff rest kiosks and bus regulators' offices through tenancy agreements. The leases typically run for an initial period of two to three years. During 2020 the Group received rent concessions in the form of a discount on fixed payments of \$1,808,000.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(c) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment property under development disclosed at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2020			
	Fair value measurements categorised into			
	Fair value \$' 000	Level 1 \$' 000	Level 2 \$' 000	Level 3 \$' 000
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong				
– commercial properties	3,085,560	–	–	3,085,560
Investment property under development in Hong Kong	4,470,000	–	–	4,470,000

	2019			
	Fair value measurements categorised into			
	Fair value \$' 000	Level 1 \$' 000	Level 2 \$' 000	Level 3 \$' 000
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong				
– commercial properties	3,148,750	–	–	3,148,750
– industrial property	1,416,000	–	–	1,416,000
Investment property under development in Hong Kong	4,560,000	–	–	4,560,000

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's management have had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at each annual reporting date. As at 31 December 2020, investment property under development of \$3,005,416,000 (2019: \$2,531,596,000) related to the Group's interests in a joint operation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(c) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties	Market comparison approach	Discount/premium on quality of shops	-50% to 40% (2019: -60% to -25%)
Investment property in Hong Kong – industrial property	Market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	2019: -50% to -10%
Investment property under development in Hong Kong	Market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	-40% to 0% (2019: -45% to 25%)

The Group adopted a market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2020 and 2019. The fair value of commercial properties using a market comparison approach is determined by reference to the recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's commercial properties compared to recent sales. Higher premiums for higher quality buildings will result in a higher fair value measurement.

The fair value of the industrial property in Hong Kong, taking into account its future redevelopment value, is determined using market comparison and residual valuation approaches for the year ended 31 December 2019. The market comparison approach determines the fair value of the gross development value with reference to recent transaction data of nearby projects, adjusted for a premium or a discount specific to the quality of the Group's industrial property compared to the recent transactions. The residual valuation approach is a modification of an income approach based on discounted cash flows, making reference to the development potential of the Group's industrial property after deduction of costs for completion of the development. The valuation relies upon a series of assumptions which produce an estimation of the expected current market value of the industrial property held for development or redevelopment. These assumptions include the statutory and non-statutory restrictions associated with development that may be imposed by the government. Comparable transactions of similar developments in the locality were gathered for gross development value assessment. A higher premium for higher quality redevelopment will result in a higher gross development value.

The fair value of investment property under development located in Hong Kong is determined using market comparison and residual valuation approaches by reference to recent transaction data of nearby projects, and the recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property under development compared to the recent transactions. A higher premium for higher quality redevelopment will result in a higher gross development value.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

- (d) The Group leased out investment properties under operating leases. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date, at which time all terms are renegotiated. Certain leases include contingent rentals, being the excess of a percentage of the monthly revenue generated by the lessees over the monthly minimum lease rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 \$'000	2019 \$'000
Within 1 year	39,120	68,399
After 1 year but within 2 years	27,077	55,512
After 2 years but within 3 years	7,348	41,461
After 3 years but within 4 years	4,444	25,687
After 4 years but within 5 years	1,826	13,655
After 5 years	–	1,826
	79,815	206,540

- (e) In 2020, subsidies totalling \$18,046,000 (2019: \$5,921,000) were received or receivable from the HKSAR Government for purchase of diesel-electric hybrid buses and electric buses (“the Buses”) and for installation of facilities at bus stops and termini. The purposes of the subsidies are to encourage the use of the Buses by granting financial assistance to franchised public bus operators to purchase the Buses for trial and to expedite the installation of facilities for the convenience of passengers. The Group has to use the Buses for trial on certain routes agreed with the HKSAR Government for two years. The subsidies received or receivable have been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(k).

14 Intangible assets

	Passenger service licences and transport operating rights \$'000
Cost:	
At 1 January 2019	360,619
Additions	4,345
At 31 December 2019, 1 January 2020 and 31 December 2020	364,964
Accumulated amortisation:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	–
Net book value:	
At 31 December 2020	364,964
At 31 December 2019	364,964

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Intangible assets (continued)

In respect of those passenger service licences and transport operating rights of the Group that are regarded as having indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Intangible assets that are regarded as having indefinite useful lives have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

15 Goodwill

	2020 \$'000	2019 \$'000
Cost and carrying amount:		
At 1 January and 31 December	84,051	84,051

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations are as follows:

	2020 %	2019 %
Growth rate	1.3	1.4
Discount rate	5.2 – 5.6	5.1 – 5.7

The growth rate used does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the cash-generating unit based on the value-in-use calculations is higher than its carrying amount. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Sun Bus Limited	Hong Kong	2 shares	100	–	100	Provision of non-franchised bus services
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares	100	–	100	Provision of non-franchised bus services

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(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
GD Bonwell Champion Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
Zhan Gang Tourist Transportation Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	500,000 shares	100	–	100	Provision of non-franchised bus services
Right Concept Transportation Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	5 shares	100	–	100	Provision of non-franchised bus services
Power Crown Limited	Hong Kong	1 share	100	–	100	Provision of non-franchised bus services in Hong Kong
Eagle Win Limited	Hong Kong	1 share	100	–	100	Provision of non-franchised bus services in Hong Kong
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property investment
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property investment
LCK Commercial Properties Limited	Hong Kong	1 share	100	–	100	Property investment
KT Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property investment

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Group treasury management
KMB (Beijing) Taxi Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Investment holding
KMB (Shenzhen) Transport Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Investment holding
KMB Design Company Limited	Hong Kong	10,000 shares	100	–	100	Trading of bus souvenirs
All Fine Limited	Hong Kong	1 share	100	–	100	Trading of face masks

17 Interest in associates

	2020 \$'000	2019 \$'000
Share of net assets	591,960	532,434
Goodwill	64,535	60,584
Amount due from an associate	115	18,834
	656,610	611,852

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The following list contains the particulars of the material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB951,430,306	35	35	Provision of bus and taxi hire services (note)

Note: Shenzhen Bus Group Company Limited, a transportation operator in the PRC, enables the Group to have exposure to this market through local expertise.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Interest in associates (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Bus Group Company Limited	
	2020 \$' 000	2019 \$' 000
Gross amounts of the associate		
Current assets	3,361,914	2,824,779
Non-current assets	6,700,145	6,476,693
Current liabilities	5,030,655	4,200,518
Non-current liabilities	3,609,448	3,848,731
Total equity	1,421,956	1,252,223
Non-controlling interest	(9,979)	(12,227)
Revenue	1,676,079	2,164,822
Profit for the year	23,926	49,293
Other comprehensive income	123,000	33,449
Total comprehensive income	146,926	84,141
Dividend from the associate	6,911	18,852
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	1,411,977	1,239,996
Group's effective interest	35%	35%
Group's share of net assets of the associate	494,192	433,998
Amount due from an associate	–	17,738
Goodwill	64,535	60,584
Carrying amount in the consolidated financial statements	558,727	512,320

Aggregate information of associates that are not individually material:

	2020 \$' 000	2019 \$' 000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	97,883	99,532
Aggregate amounts of the Group's share of those associates		
(Loss)/profit for the year	(1,849)	4,291
Total comprehensive income	(1,849)	4,291

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(Expressed in Hong Kong dollars unless otherwise indicated)

18 Interest in joint venture

On 29 December 2020, the Group disposed of 50% of its equity interest in TM Properties Investment Limited ("TMPI"), being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site, but retained joint control through holding the remaining 50% equity interest. The investment in TMPI has been treated as a joint venture subsequent to the disposal. See note 35 for further details.

The following list contains the particulars of the joint venture, which is an unlisted corporate entity whose quoted market price is not available:

Name of joint venture	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
TM Properties Investment Limited	Incorporated	Incorporated in the British Virgin Islands and operates in Hong Kong	2 shares of US\$1 each	50	50	Property investment (note 1)

Note 1: TMPI operates in Hong Kong and generates rental income from the leasing of an industrial building in Tuen Mun.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	TM Properties Investment Limited 2020 \$'000
Gross amounts of the joint venture	
Current assets	6,684
Non-current assets	78,946
Current liabilities	85,560
Total equity	70

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Interest in joint venture (continued)

	For the period from 30 December to 31 December 2020 \$'000
Revenue	111
Profit for the period	70
Total comprehensive income	70
Reconciled to the Group's interest in the joint venture	
Gross amounts of net assets of the joint venture attributable to equity shareholders	70
Group's effective interest	50%
Group's share of net assets of the joint venture	35
Fair value of retained interest in the joint venture	710,537
Loan to a joint venture (note 2)	39,975
Carrying amount in the consolidated financial statements	750,547

Note 2: Loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

19 Other financial assets

	Note	2020 \$'000	2019 \$'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	517,575	515,926
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong	(ii)	1,155,656	1,449,971
Financial assets measured at amortised cost			
– Loan receivables		34,541	–
		1,707,772	1,965,897
Less: debt securities listed outside Hong Kong classified as current assets		(234,075)	(702,363)
loan receivables classified as current assets		(123)	–
Other financial assets classified as non-current assets		1,473,574	1,263,534

Notes:

- (i) The unlisted equity securities mainly represented a company incorporated in Hong Kong and engaged primarily in the business of managing a common ticketing and payment system. The Group designated its investments in unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of \$31,000,000 (2019: \$40,300,000) were received on these investments during the year.
- (ii) Debt securities are issued by corporate entities with credit rating ranging from BB- to A. As at 31 December 2020 and 2019, the Group's investments in debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Employee retirement benefits

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for employees upon retirement. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. The members' benefits are determined based on the employees' final remuneration and length of service.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans at 31 December 2020 were prepared by Towers Watson Hong Kong Limited which has among its staff fellow members of the Society of Actuaries of the United States of America using the projected unit credit method, and were carried out by the appointed actuary, represented by Ms Wing Lui. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement schemes are 200% (2019: 171%) covered by the plan assets held by the trustee.

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement schemes have similar risks and features, information about the two plans is aggregated and disclosed below:

(a) The amount recognised in the consolidated statement of financial position is as follows:

	2020 \$'000	2019 \$'000
Present value of funded obligations (note 20(c))	(1,703,054)	(1,831,713)
Fair value of plan assets (notes 20(b) and 20(d))	3,404,549	3,138,564
	1,701,495	1,306,851
Represented by:		
Employee benefit assets	1,701,495	1,306,851

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future refund will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement schemes for the year ending 31 December 2021 is \$Nil (2020: \$Nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Employee retirement benefits (continued)

(b) Plan assets consist of the following:

	2020 \$' 000	2019 \$' 000
Equity securities:		
– Hong Kong and Mainland China	708,208	730,925
– Europe	458,814	389,903
– North America	673,699	551,666
– Other Asia Pacific	751,997	659,098
	2,592,718	2,331,592
Bonds	752,415	744,200
Cash and others	59,416	62,772
	3,404,549	3,138,564

All of the equity securities and bonds have quoted prices in active markets.

(c) Movements in the present value of the defined benefit obligations:

	2020 \$' 000	2019 \$' 000
At 1 January	1,831,713	1,997,136
Remeasurements:		
– Actuarial (gains)/losses arising from changes in demographic assumptions	(147)	160
– Actuarial losses arising from changes in financial assumptions	91,093	17,411
– Actuarial gains arising from liability experience	(78,909)	(7,992)
	12,037	9,579
Benefits paid by the plans	(236,031)	(282,844)
Current service cost	63,359	70,497
Interest cost	31,976	37,345
	(140,696)	(175,002)
At 31 December	1,703,054	1,831,713

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 8.8 and 5.6 years respectively (2019: 9.0 and 5.6 years respectively).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Employee retirement benefits (continued)

(d) Movements in plan assets:

	2020 \$' 000	2019 \$' 000
At 1 January	3,138,564	2,907,779
Administrative expenses paid	(3,672)	(3,582)
Benefits paid by the plans	(236,031)	(282,844)
Interest income	55,499	54,849
Return on plan assets, excluding interest income	450,189	462,362
At 31 December	3,404,549	3,138,564

(e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020 \$' 000	2019 \$' 000
Current service cost	63,359	70,497
Net income on net defined benefit asset	(23,523)	(17,504)
Administrative expenses paid	3,672	3,582
Total amounts recognised in profit or loss	43,508	56,575
Actuarial losses	12,037	9,579
Return on plan assets, excluding interest income	(450,189)	(462,362)
Amounts recognised in other comprehensive income	(438,152)	(452,783)
Total defined benefit income	(394,644)	(396,208)

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2020	2019
Discount rate		
– Monthly Rated Employees Scheme	0.7%	1.8%
– Daily Rated Employees Scheme	0.4%	1.8%
Future salary increases	4.0%	4.5%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of a 0.25 percentage point change in the significant actuarial assumptions:

	2020		2019	
	Increase in 0.25 percentage point \$' 000	Decrease in 0.25 percentage point \$' 000	Increase in 0.25 percentage point \$' 000	Decrease in 0.25 percentage point \$' 000
Discount rate	(28,977)	29,155	(30,106)	31,013
Future salary increases	25,559	(25,650)	27,547	(26,904)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Equity-settled share-based transactions

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 \$1 to subscribe for shares of the Company. The period within which the options must be exercised will be specified by the Company at the date of grant. This period must expire no later than 10 years from the relevant date of grant. The Directors of the Company may also provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 31 October 2016	860	i	five years from the date of grant
– on 19 November 2020	6,075	ii	five years from the date of grant
Options granted to employees:			
– on 31 October 2016	4,700	i	five years from the date of grant
– on 19 November 2020	7,850	iii	five years from the date of grant
Total share options granted	19,485		

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:

Vesting condition (i):

	Percentage of options granted
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

Vesting condition (ii):

	Percentage of options granted
On or after 19 November 2021	50%
On or after 19 November 2022	100%

Vesting condition (iii):

	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%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Equity-settled share-based transactions (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2020		2019	
	Weighted average exercise price	Number of share options '000	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the year	\$23.45	2,313	\$23.45	3,580
Exercised during the year	\$–	–	\$23.45	(383)
Forfeited during the year	\$21.27	(1,120)	\$23.45	(884)
Granted during the year	\$15.32	13,925	\$–	–
Outstanding at the end of the year	\$16.12	15,118	\$23.45	2,313
Exercisable at the end of the year	\$23.45	1,493	\$23.45	2,313

The weighted average share price for shares exercised during the year ended 31 December 2019 was \$23.45.

The options outstanding at 31 December 2020 had a weighted average exercise price of \$16.12 (2019: \$23.45) and weighted average remaining contractual lives of 4.48 years (2019: 1.83 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions for share options granted on

	19 November 2020	31 October 2016
Fair value at measurement date	\$0.5681 - \$0.5819	\$1.7937 - \$1.8457
Share price at the date of grant	\$15.32	\$23.45
Exercise price	\$15.32	\$23.45
Expected volatility	14%	18%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years	5 years
Expected dividends	4.98%	4.18%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.35%	0.71%

The expected volatility is based on the historic volatility and is assumed to remain unchanged during the weighted average remaining life of the share options (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Accounts receivable

	2020 \$' 000	2019 \$' 000
Trade and other receivables	643,978	625,958
Interest receivable	16,901	41,056
Less: loss allowance (note 22(b))	(360)	(360)
	660,519	666,654

All of the accounts receivable are expected to be recovered within one year.

(a) Ageing analysis

Included in accounts receivable are trade receivables (net of loss allowance) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2020 \$' 000	2019 \$' 000
Current	41,149	49,787
Less than 1 month past due	59,678	41,209
1 to 3 months past due	35,466	17,622
More than 3 months past due	28,988	10,042
	165,281	118,660

According to the Group's credit policy set out in note 32(a) to the financial statements, the credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

(b) Loss allowance of trade receivables

Loss allowance in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables directly (see note 1(n)(i)).

No movement in the loss allowance account in respect of trade receivables during the year:

	2020 \$' 000	2019 \$' 000
Balance at 1 January and 31 December	360	360

Loss allowance of receivables are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive) (see note 1(n)(i)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Bank deposits and cash

(a) Bank deposits and cash comprise:

	2020 \$' 000	2019 \$' 000
Cash at bank and on hand	359,391	185,999
Bank deposits	1,934,374	1,269,914
	2,293,765	1,455,913
Less: restricted bank deposits (note 23(b))	(350,365)	(146,955)
Bank deposits and cash in the consolidated statement of financial position	1,943,400	1,308,958
Less: bank deposits with original maturities of over three months	(810,307)	(766,607)
Cash and cash equivalents in the consolidated cash flow statement	1,133,093	542,351

- (b) The Group is required to maintain the balance of passenger reward (note 5(d)) under the revised MBOF approach and the balance of toll exemption fund (note 5(d)) in designated bank accounts. As at 31 December 2020, the related restricted bank deposits amounted to \$7,443,000 and \$342,922,000 (2019: \$5,543,000 and \$141,412,000) respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Bank deposits and cash (continued)

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 \$' 000	2019 \$' 000
Profit before taxation		1,722,156	699,323
Adjustments for:			
Depreciation	5(d)	993,213	966,607
Finance costs	5(b)	26,933	32,182
Dividend income from unlisted equity securities	4	(31,000)	(40,300)
Interest income		(76,624)	(87,397)
Net loss on derecognition of investments in debt securities	4	213	120
Share of profits of associates		(6,525)	(21,544)
Share of profit of joint venture		(35)	–
Gain on disposal of a subsidiary	35	(1,495,548)	–
Net gain on disposal of other property, plant and equipment	4	(8,833)	(4,125)
Equity-settled share-based payment expenses	5(a)	600	(11)
Receipt of government grant for the disposal of other property, plant and equipment		(306)	–
COVID-19-related rent concessions received	13(b)	(1,808)	–
Effect of foreign exchange rate		5,352	6,648
Operating profit before changes in working capital		1,127,788	1,551,503
Changes in working capital:			
Decrease in employee benefit assets		43,508	56,575
(Increase)/decrease in spare parts		(16,301)	3,494
Increase in accounts receivable		(18,863)	(291,750)
Increase in deposits and prepayments		(668)	(11,997)
Increase in accounts payable and accruals		115,938	87,685
Decrease in contingency provision – insurance		(62,638)	(15,720)
Decrease in provision for long service payments		(1,505)	(1,465)
Cash generated from operations		1,187,259	1,378,325

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Bank deposits and cash (continued)

(d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans \$'000 (Note 24)	Lease liabilities \$'000 (Note 27)	Total \$'000
At 1 January 2020	2,706,572	7,018	2,713,590
Changes from financing cash flows:			
Proceeds from new bank loans	2,515,000	-	2,515,000
Repayment of bank loans	(2,145,000)	-	(2,145,000)
Capital element of lease rentals paid	-	(2,727)	(2,727)
Interest element of lease rentals paid	-	(161)	(161)
Total changes from financing cash flows	370,000	(2,888)	367,112
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	2,997	2,997
Interest expenses (note 5(b))	-	161	161
COVID-19-related rent concessions received (note 13(b))	-	(1,808)	(1,808)
Amortisation of bank loans arrangement fee	5,951	-	5,951
Total other changes	5,951	1,350	7,301
At 31 December 2020	3,082,523	5,480	3,088,003

Notes to the Financial Statements

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23 Bank deposits and cash (continued)

(d) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans \$' 000 (Note 24)	Lease liabilities \$' 000 (Note 27)	Total \$' 000
At 1 January 2019	2,625,039	6,952	2,631,991
Changes from financing cash flows:			
Proceeds from new bank loans	1,765,000	–	1,765,000
Repayment of bank loans	(1,690,000)	–	(1,690,000)
Capital element of lease rentals paid	–	(3,923)	(3,923)
Interest element of lease rentals paid	–	(200)	(200)
Total changes from financing cash flows	75,000	(4,123)	70,877
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	3,989	3,989
Interest expenses (note 5(b))	–	200	200
Amortisation of bank loans arrangement fee	6,533	–	6,533
Total other changes	6,533	4,189	10,722
At 31 December 2019	2,706,572	7,018	2,713,590

(e) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2020 \$' 000	2019 \$' 000
Within operating cash flows	1,861	3,672
Within financing cash flows	2,888	4,123
	4,749	7,795

24 Bank loans

At 31 December 2020, the bank loans were repayable as follows:

	2020 \$' 000	2019 \$' 000
Within 1 year or on demand	1,398,257	–
After 1 year but within 2 years	1,087,099	1,394,657
After 2 years but within 5 years	597,167	1,311,915
	1,684,266	2,706,572
	3,082,523	2,706,572

All of the bank loans were unsecured.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 Accounts payable and accruals

	2020 \$' 000	2019 \$' 000
Trade payables	98,479	135,595
Balance of passenger reward (note 5(d))	7,154	12,375
Balance of toll exemption fund (note 5(d))	392,863	196,354
Other payables and accruals	1,082,101	995,135
Amount due to an associate	4,922	4,922
	1,585,519	1,344,381

All of the accounts payable and accruals are expected to be settled within one year.

Amount due to an associate is unsecured, interest-free and has no fixed terms of settlement.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2020 \$' 000	2019 \$' 000
Due within 1 month or on demand	95,250	130,401
Due after 1 month but within 3 months	633	2,402
Due after more than 3 months	2,596	2,792
	98,479	135,595

The credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within one month or on demand as disclosed above are within three months from the invoice date.

26 Contingency provision – insurance

	2020 \$' 000	2019 \$' 000
At 1 January	370,677	386,397
Provision charged to profit or loss	19,796	55,142
Payments made during the year	(82,434)	(70,862)
At 31 December	308,039	370,677
Representing:		
Current portion	90,323	126,350
Non-current portion	217,716	244,327
	308,039	370,677

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the end of the reporting period in connection with the Group's bus operations.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Lease liabilities

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 \$' 000	2019 \$' 000
Within 1 year	3,615	3,907
After 1 year but within 2 years	1,624	3,111
After 2 years but within 5 years	241	–
	1,865	3,111
	5,480	7,018

28 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2020 \$' 000	2019 \$' 000
Provision for Hong Kong Profits Tax for the year	17,139	58,393
Provisional Profits Tax paid	(16,007)	(6,305)
	1,132	52,088
Disposal of a subsidiary (note 35)	(83)	–
Balance of Profits Tax provision relating to prior years	3,128	34,706
Net current tax payable	4,177	86,794
Representing:		
Current tax recoverable	(5,085)	(483)
Current tax payable	9,262	87,277
Net current tax payable	4,177	86,794

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

- (i) The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax (assets)/liabilities arising from:	Depreciation allowances in excess of the related depreciation \$'000	Intangible assets \$'000	Provisions \$'000	Tax losses \$'000	Defined benefit assets \$'000	Cash flow hedge \$'000	Others \$'000	Total \$'000
At 1 January 2019	1,010,300	14,511	(640)	(7,515)	150,257	(222)	(5,770)	1,160,921
Charged/(credited) to profit or loss	34,779	-	(40,002)	4,932	(9,335)	-	540	(9,086)
Charged to reserves	-	-	-	-	74,709	222	-	74,931
At 31 December 2019 and 1 January 2020	1,045,079	14,511	(40,642)	(2,583)	215,631	-	(5,230)	1,226,766
Charged/(credited) to profit or loss	41,684	-	(1,135)	(209,048)	(7,179)	-	(437)	(176,115)
Charged to reserves	-	-	-	-	72,295	-	-	72,295
Disposal of a subsidiary (note 35)	21	-	-	-	-	-	-	21
At 31 December 2020	1,086,784	14,511	(41,777)	(211,631)	280,747	-	(5,667)	1,122,967

- (ii) Amounts recognised in the consolidated statement of financial position:

	2020 \$'000	2019 \$'000
Net deferred tax assets	(456)	(477)
Net deferred tax liabilities	1,123,423	1,227,243
	1,122,967	1,226,766

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(y), the Group has not recognised deferred tax assets of \$19,013,000 (2019: \$18,172,000) in respect of cumulative tax losses of \$115,230,000 (2019: \$110,133,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. At 31 December 2020 and 2019, these tax losses do not expire under the current tax legislation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Provision for long service payments

Details of the provision for long service payments of the Group are as follows:

	2020 \$' 000	2019 \$' 000
At 1 January	2,554	4,019
Movements charged to profit or loss (note 5(a))	5,241	9,383
Payments made during the year	(6,746)	(10,848)
At 31 December	1,049	2,554

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

30 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital \$' 000	Share premium \$' 000	Capital reserve \$' 000	Contributed surplus \$' 000	Retained profits \$' 000	Total equity \$' 000
Balance at 1 January 2019		434,597	686,962	5,822	1,300,000	1,008,376	3,435,757
Changes in equity for 2019							
Shares issued in respect of scrip dividend – 2018 final dividend	30(b)(i)	8,764	190,974	–	–	–	199,738
Shares issued in respect of scrip dividend – 2019 interim dividend	30(b)(i)	3,197	60,505	–	–	–	63,702
Issuance of shares upon exercise of share options	30(b)(i)	383	9,298	(704)	–	–	8,977
Forfeiture of share options		–	–	(891)	–	891	–
Equity-settled share-based transaction	5(a)	–	–	(11)	–	–	(11)
Unclaimed dividends forfeited		–	–	–	–	729	729
Dividends approved in respect of the previous year	11(b)	–	–	–	–	(391,482)	(391,482)
Profit and total comprehensive income for the year		–	–	–	–	520,001	520,001
Dividends declared in respect of the current year	11(a)	–	–	–	–	(133,123)	(133,123)
Balance at 31 December 2019		446,941	947,739	4,216	1,300,000	1,005,392	3,704,288

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Capital and reserves (continued)

(a) Movements in components of equity (continued)

	Note	Share capital \$' 000	Share premium \$' 000	Capital reserve \$' 000	Contributed surplus \$' 000	Retained profits \$' 000	Total equity \$' 000
Balance at 1 January 2020		446,941	947,739	4,216	1,300,000	1,005,392	3,704,288
Changes in equity for 2020							
Shares issued in respect of scrip dividend – 2019 final dividend	30(b)(i)	10,880	152,751	–	–	–	163,631
Forfeiture of share options		–	–	(1,508)	–	1,508	–
Equity-settled share-based transaction	5(a)	–	–	600	–	–	600
Dividends approved in respect of the previous year	11(b)	–	–	–	–	(312,859)	(312,859)
Profit and total comprehensive income for the year		–	–	–	–	310,002	310,002
Balance at 31 December 2020		457,821	1,100,490	3,308	1,300,000	1,004,043	3,865,662

The Company's reserves available for distribution to shareholders at 31 December 2020 amounted to \$2,304,043,000 (2019: \$2,305,392,000). After the end of the reporting period, the Directors proposed a final dividend of \$0.50 (2019: \$0.70) per share, amounting to \$228,910,000 (2019: \$312,859,000). The final dividend proposed has not been recognised as a liability at the end of the reporting period.

(b) Share capital

(i) Authorised and issued share capital

	2020		2019	
	No. of shares	\$' 000	No. of shares	\$' 000
Authorised:				
Ordinary shares of \$1 each	600,000,000	600,000	600,000,000	600,000
Ordinary shares of \$1 each, issued and fully paid:				
At 1 January	446,941,011	446,941	434,597,327	434,597
Shares issued in respect of scrip dividend – 2018 final dividend	–	–	8,764,283	8,764
Shares issued in respect of scrip dividend – 2019 interim dividend	–	–	3,196,601	3,197
Share issued in respect of scrip dividend – 2019 final dividend	10,879,685	10,880	–	–
Shares issued under the share option scheme	–	–	382,800	383
At 31 December	457,820,696	457,821	446,941,011	446,941

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Capital and reserves (continued)

(b) Share capital (continued)

(ii) Shares issued under the share option scheme

During the year ended 31 December 2019, options were exercised to subscribe for 383,000 ordinary shares in the Company at a consideration of \$8,977,000, of which \$383,000 was credited to the share capital account and the balance of \$8,594,000 was credited to the share premium account. \$704,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(x)(iv).

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to the Directors of the Company and certain employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(x)(iv).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(i).

(v) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(g)).

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Capital and reserves (continued)

(d) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as bank deposits and cash and restricted bank deposits less interest-bearing loans and borrowings and lease liabilities in the consolidated statement of financial position. Capital comprises all components of equity.

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	Note	2020 \$'000	2019 \$'000
Current liabilities:			
Bank loans	24	1,398,257	–
Lease liabilities	27	3,615	3,907
Non-current liabilities:			
Bank loans	24	1,684,266	2,706,572
Lease liabilities	27	1,865	3,111
Total debt		3,088,003	2,713,590
Less: Bank deposits and cash	23(a)	(1,943,400)	(1,308,958)
Restricted bank deposits	23(a)	(350,365)	(146,955)
Adjusted net debt		794,238	1,257,677
Capital		13,186,312	10,971,710
Adjusted net debt-to-capital ratio		6.0%	11.5%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Commitments

- (i) At 31 December 2020, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the financial statements:

	2020 \$' 000	2019 \$' 000
Contracted for	826,253	1,223,266

- (ii) At 31 December 2020, the Group's share of capital commitments of the joint operation in respect of investment property under development not provided for in the financial statements is as follows:

	2020 \$' 000	2019 \$' 000
Contracted for	1,752,768	2,186,632

32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and investments in debt securities.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year. Due to the financial strength of these customers and the short duration of the trade and other receivables, the ECL allowance is considered insignificant.

Investments in debt securities are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. No loss allowance for investments in debt securities was recognised as at 31 December 2020 and 31 December 2019.

The Group's exposure to credit risk arising from bank deposits and cash is limited because the counterparties are banks, which the Group considers to have low credit risk.

Regular review and follow up actions 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 no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from investments in debt securities and trade and other receivables are set out in notes 19 and 22 respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(b) 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 committed 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. 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.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Non-derivative financial liabilities

	2020					2019				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans	1,421,420	1,099,376	601,827	3,122,623	3,082,523	86,453	86,453	2,702,375	2,875,281	2,706,572
Lease liabilities	3,689	1,884	-	5,573	5,480	4,042	3,162	-	7,204	7,018
Accounts payable and accruals	1,585,519	-	-	1,585,519	1,585,519	1,344,381	-	-	1,344,381	1,344,381
	3,010,628	1,101,260	601,827	4,713,715	4,673,522	1,434,876	89,615	2,702,375	4,226,866	4,057,971

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2020 and 2019, all 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 prevailing market conditions.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing assets and liabilities at the end of the reporting period.

	2020		2019	
	Effective interest rate p.a. %	Amount \$' 000	Effective interest rate p.a. %	Amount \$' 000
Fixed rate assets:				
Bank deposits	0.6	1,934,374	2.9	1,269,914
Investments in debt securities	4.3	1,155,656	4.0	1,449,971
		<u>3,090,030</u>		<u>2,719,885</u>
Fixed rate liabilities:				
Lease liabilities	2.2	(5,480)	2.7	(7,018)
Variable rate liabilities:				
Bank loans	0.9	(3,082,523)	4.5	(2,706,572)

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately \$13,245,000 (2019: \$10,131,000). Other components of consolidated equity would have decreased/increased by approximately \$13,461,000 (2019: \$17,136,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily British Pounds Sterling and United States dollars.

(i) Exposure to currency risk

The table below details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2020		2019	
	British Pounds Sterling \$'000	United States dollars \$'000	British Pounds Sterling \$'000	United States dollars \$'000
Bank deposits and cash	1,632	534,493	100,731	209,612
Accounts payable and accruals	(163,144)	(1,287)	(90,764)	(5,563)
Investments in debt securities	–	1,155,656	–	1,449,971
Gross exposure arising from recognised assets and liabilities	(161,512)	1,688,862	9,967	1,654,020

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The table below indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between Hong Kong dollars and United States dollars would be materially unaffected by any changes in movement in value of United States dollars against other currencies.

	2020			2019		
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits \$'000	Increase/ (decrease) in other components of equity \$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits \$'000	Increase/ (decrease) in other components of equity \$'000
British Pounds Sterling	6%	(8,076)	–	6%	1,497	–
	(6)%	8,076	–	(6)%	(1,497)	–
United States dollars	1%	5,334	11,557	1%	2,050	14,500
	(1)%	(5,334)	(11,557)	(1)%	(2,050)	(14,500)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(e) Fuel price risk

It is the Group's policy to closely monitor fuel price movements. Certain subsidiaries of the Group have entered into price cap arrangements to limit the risk exposure in the event that oil prices rise above the cap level during the years ended 31 December 2020 and 2019. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2020 and 2019.

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(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(f) Fair values measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2020				2019			
	Fair value measurements categorised into				Fair value measurements categorised into			
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
<i>Assets:</i>								
Investments in debt securities – listed	1,155,656	1,155,656	-	-	1,449,971	1,449,971	-	-
Unlisted equity securities	517,575	-	-	517,575	515,926	-	-	515,926
Derivative financial instruments – other forward foreign exchange contracts	1,546	-	1,546	-	-	-	-	-

During the years ended 31 December 2020 and 2019, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Financial risk management and fair values of financial instruments (continued)

(f) Fair values measurement (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 31 December 2020 in Level 2 were marked to market using quoted market prices from financial institutions.

(iii) Information about Level 3 fair value measurement

	Valuation technique	Significant unobservable inputs	Percentage
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	40% (2019: 35%)

The fair value of unlisted equity instruments is determined using the market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5 percentage points would have increased/decreased the Group's other comprehensive income by \$43,131,000 (2019: \$39,687,000).

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2020 \$' 000	2019 \$' 000
Unlisted equity securities:		
At 1 January	515,926	512,019
Net unrealised gains recognised in other comprehensive income during the year	1,649	3,907
At 31 December	517,575	515,926

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.

(iv) Fair values of financial instruments carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2020 and 2019 except as follows:

Amounts due from/to associates and loan to joint venture of the Group are unsecured, interest-free and have no fixed terms of repayment/settlement. Given these terms, it is not meaningful to disclose their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Contingent liabilities

At 31 December 2020 and 2019, guarantees were given to banks by the Company in respect of bank loans extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under these guarantee arrangements. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by the subsidiaries that are covered by the guarantees, being \$1,600,000,000 (2019: \$1,500,000,000).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

34 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

(a) Transactions with related companies

Nature of transactions	Note	Income/(expense)	
		2020 \$' 000	2019 \$' 000
Service fees for provision of coach services	(i) & (ii)	47,162	54,451
Insurance premium paid	(iii)	(111,882)	(109,935)
Amount paid and accrued for building management services	(iv)	(886)	(898)
Amount paid and accrued for project management service and lease modification	(v)	–	–
Amount paid and accrued for a building contract	(vi)	–	–
Advertising income	(vii)	572	2,054

Notes:

- (i) During the year, the Group provided coach services ("Shuttle Bus Service Agreements") to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, details of which were disclosed in the announcement of the Company dated 20 August 2020. The amounts received and receivable under the Shuttle Bus Service Agreements amounted to \$6,299,000 (2019: \$10,979,000). Subsequently during the year, the Group also provided coach services to certain subsidiaries of SHKP and the amounts received and receivable thereunder amounted to \$196,000 (2019: \$1,507,000). Outstanding balances due from these companies at 31 December 2020 amounted to \$1,864,000 (2019: \$3,493,000).
- (ii) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to \$40,667,000 (2019: \$41,965,000). Outstanding balances due from these companies at 31 December 2020 amounted to \$11,093,000 (2019: \$9,183,000).
- (iii) In 2017, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of medical and dental insurance services to the Group for the period from 1 January 2018 to 31 December 2019 (the "2018/19 Medical and Dental Insurance Arrangements"). In 2018, the Group entered into contracts with SHKPI for the provision of various kind of insurance services to the Group for the period from 1 January 2019 to 31 December 2020 (the "2019/20 Insurance Arrangements"). In 2019, the Group entered into contracts with SHKPI for the provision of medical and dental insurance services to the Group for the period from 1 January 2020 to 31 December 2021 (the "2020/21 Medical and Dental Insurance Arrangement"). The amount paid and payable under the 2019/20 Insurance Arrangements and 2020/21 Medical and Dental Insurance Arrangements during the year amounted to \$111,882,000 (2019: \$109,935,000). There was no outstanding balance payable for these contracts at 31 December 2020 (2019: \$Nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Material related party transactions (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

- (iv) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the year amounted to \$886,000 (2019: \$898,000). Outstanding balance payable for this contract at 31 December 2020 amounted to \$209,000 (2019: \$150,000).
- (v) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a subsidiary of SHKP, entered into an agreement with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the "Kwun Tong Site") and the construction of the Kwun Tong Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) \$20,000,000; and (2) the lower of (a) 1% of the project cost and (b) \$25,000,000. The amount payable for lease modification services shall be in the sum of the lower of (1) \$3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification; and (2) \$3,840,000. Outstanding balance payable for this contract as at 31 December 2020 amounted to \$2,000,000 (2019: \$2,000,000).
- (vi) On 20 December 2018, KTRE, TRL and Yee Fai Construction Company Limited ("Yee Fai") (a wholly-owned subsidiary of SHKP) entered into a building contract in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at the Kwun Tong Site (the "Building Contract"). KTRE and TRL shall pay Yee Fai, in equal shares, the contract sum of HK\$4,436,057,000 (i.e. HK\$2,218,028,500 each), subject to adjustments in accordance with the Building Contract. Outstanding balance payable for this contract as at 31 December 2020 amounted to \$82,567,000 (2019: \$16,108,000).
- (vii) During the year, the Group provided advertising services to certain subsidiaries of SHKP, a substantial shareholder of the Company. The amounts received and receivable for these advertising services amounted to \$572,000 (2019: \$2,054,000). Outstanding balances due from these companies at 31 December 2020 amounted to \$32,000 (2019: \$673,000).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions as described in notes 34(a)(i) and 34(a)(iii) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed "Connected Transactions and Continuing Connected Transactions" under "Financial Review" on pages 106 to 109 of this Annual Report.

The related party transactions as described in note 34(a)(ii) above, in which the relevant SHKP Group companies acted as agents for collection of the coach service fees, did not fall within the definition of connected transactions of the Company under Chapter 14A of the Listing Rules.

The related party transactions as described in notes 34(a)(iv) and 34(a)(vii) above constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. However, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Material related party transactions (continued)

(c) Applicability of the Listing Rules relating to connected transactions (continued)

The related party transactions as described in notes 34(a)(v) and 34(a)(vi) above constitute connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The relevant reporting requirements pursuant to Chapter 14A of the Listing Rules have been complied with by including disclosures in the Company's annual report published immediately following the entering into of such transactions.

The related party transaction as described in note 35 constitutes connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed "Connected Transactions and Continuing Connected Transactions" under "Financial Review" on pages 106 to 109 of this Annual Report.

35 Partial disposal of a subsidiary resulting in loss of control

On 9 November 2020, a subsidiary of the Company entered into a sale and purchase agreement with Mega Odyssey Limited, an indirect wholly-owned subsidiary of SHKP, to dispose of its 50% equity interest in TMPI for a total consideration of \$750,512,000. The transaction was completed on 29 December 2020 ("date of disposal"). The assets and liabilities of TMPI at the date of disposal and a reconciliation to gain arising from the disposal are as follows:

	\$'000
Investment properties (note 13(a))	1,844
Deferred tax assets (note 28(b))	21
Accounts receivable	843
Deposits and prepayments	170
Bank deposits and cash	5,777
Accounts payable and accruals	(5,704)
Current tax payable (note 28(a))	(83)
Net assets disposed of	2,868
Gain arising from the disposal:	
Net assets disposed of	(2,868)
Professional charges	(2,608)
Cash consideration received	750,512
Retained interest at fair value	750,512
	1,495,548
Net cash inflow arising from the disposal:	
Cash consideration received	750,512
Cash and cash equivalents disposed of	(5,777)
	744,735

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Company-level statement of financial position

	Note	2020 \$' 000	2019 \$' 000
Non-current assets			
Investments in subsidiaries		1,194,934	1,194,334
Deferred tax assets		535	535
		1,195,469	1,194,869
Current assets			
Deposits and prepayments		1,718	1,481
Amounts due from subsidiaries		9,607,206	8,834,195
Bank deposits and cash		3,707	5,434
		9,612,631	8,841,110
Current liabilities			
Accounts payable and accruals		13,569	12,119
Amounts due to subsidiaries		6,928,869	6,319,572
		6,942,438	6,331,691
Net current assets		2,670,193	2,509,419
NET ASSETS		3,865,662	3,704,288
CAPITAL AND RESERVES	30(a)		
Share capital		457,821	446,941
Reserves		3,407,841	3,257,347
TOTAL EQUITY		3,865,662	3,704,288

Approved and authorised for issue by the Board of Directors on 18 March 2021

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

37 Non-adjusting event after the reporting period

Proposal of a final dividend

After the end of the reporting period, the Directors proposed a final dividend for the year. Further details are disclosed in note 11(a) to the financial statements.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

for the year ended 31 December (Expressed in Hong Kong dollars)

	2020 \$'M	2019 \$'M	2018 \$'M	2017 \$'M	2016 \$'M (Restated) Note (b)	2015 \$'M	2014 \$'M	2013 \$'M	2012 \$'M (Restated) Note (a)	2011 \$'M (Restated) Note (a)
	Note (e)	Note (d)	Note (c)							
Statement of profit or loss										
Continuing operations										
Revenue	6,191	8,112	8,009	7,888	7,744	7,780	7,557	7,420	7,181	6,948
Profit before taxation	1,722	699	837	1,008	1,016	747	508	458	197	275
Income tax credit/(expense)	182	(94)	(117)	(148)	(150)	(128)	(69)	(55)	(6)	48
Profit for the year from continuing operations	1,904	605	720	860	866	-	-	-	-	-
Discontinued operations										
Profit/(loss) for the year from discontinued operations	-	-	-	429	(42)	-	-	-	-	-
Profit for the year	1,904	605	720	1,289	824	619	439	403	191	323
Non-controlling interests	-	-	-	6	7	10	(24)	(32)	(25)	8
Profit attributable to equity shareholders of the Company	1,904	605	720	1,295	831	629	415	371	166	331
Statement of financial position										
Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment	10,954	10,154	9,841	9,261	8,875	6,133	4,817	4,487	3,852	4,121
Intangible assets	365	365	361	132	132	132	135	132	132	44
Goodwill	84	84	84	84	84	84	84	84	84	63
Non-current prepayments	-	-	-	-	2	15	7	12	4	2
Interest in associates	657	612	611	625	602	634	740	724	672	668
Interest in joint venture	751	-	-	-	-	-	-	-	-	-
Other financial assets	1,474	1,264	1,709	1,493	1,207	112	183	229	591	472
Employee benefit assets	1,701	1,307	913	1,287	626	577	861	1,018	326	263
Net current assets	229	1,369	711	438	377	1,321	2,112	2,009	2,226	2,280
Employment of funds	16,215	15,155	14,230	13,320	11,905	9,008	8,939	8,695	7,887	7,913
Financed by:										
Share capital	458	447	435	422	412	404	404	404	404	404
Reserves	12,728	10,525	9,761	9,120	7,414	6,804	6,793	6,704	5,832	5,668
Total equity attributable to equity shareholders of the Company	13,186	10,972	10,196	9,542	7,826	7,208	7,197	7,108	6,236	6,072
Non-controlling interests	-	-	-	-	146	154	190	192	185	182
Total equity	13,186	10,972	10,196	9,542	7,972	7,362	7,387	7,300	6,421	6,254
Contingency provision – insurance	218	244	241	285	253	251	274	298	311	310
Long-term bank loans	1,684	2,707	2,625	2,353	2,724	589	545	399	598	798
Employee benefit liabilities	-	-	3	-	9	9	6	-	-	-
Other liabilities	1,127	1,232	1,165	1,140	947	797	727	698	557	551
Funds employed	16,215	15,155	14,230	13,320	11,905	9,008	8,939	8,695	7,887	7,913
Earnings/(loss) per share (\$)	4.21	1.38	1.68	3.11	2.04	1.56	1.03	0.92	0.41	0.82
- From continuing operations	4.21	1.38	1.68	2.07	2.12	-	-	-	-	-
- From discontinued operations	-	-	-	1.04	(0.08)	-	-	-	-	-
Dividends per share (\$)	0.50	1.00	1.20	1.25	1.25	1.20	0.90	0.60	0.60	0.60
Total assets per share (\$)	42.16	37.40	35.46	34.69	32.34	27.42	25.28	25.36	23.19	22.78
Net assets per share (\$)	28.80	24.55	23.46	22.59	19.36	18.24	18.30	18.09	15.91	15.49

Notes:

- In order to comply with Revised Hong Kong Accounting Standard 19, *Employee benefits*, which was effective for the accounting period beginning on 1 January 2013, the Group adopted new accounting policies for defined benefit plans. Figures for the years 2011 and 2012 have been restated accordingly.
- The disposal of RoadShow Holdings Limited in 2017 constituted a discontinued operation. In accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations*, the Group has re-presented the comparative information in 2016 in this regard.
- The Group has initially applied HKFRS 9, *Financial instruments*, at 1 January 2018. Under the transition method chosen, comparative information was not restated.
- As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of recognising right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under the transition method chosen, comparative information was not restated.
- The Group recorded a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited in 2020.

BOARD OF DIRECTORS

Dr Norman LEUNG Nai Pang*

GBS, JP, LLD, BA
Chairman

Dr John CHAN Cho Chak*

GBS, JP, DBA(Hon), DSocSc(Hon),
BA, DipMS, CCMI, FCILT, FHKIoD
Deputy Chairman

Raymond KWOK Ping Luen^

JP, MA(Cantab), MBA, Hon DBA,
Hon LLD

NG Siu Chan^

William LOUEY Lai Kuen^

BSc(Econ)

Charles LUI Chung Yuen^

M.H., BEc, AASA, FCILT

Winnie NG^

JP, BA, MBA(Chicago), MPA(Harvard),
FCIM, CMILT, MHKIoD
(Non-executive Director and Alternate
Director to Mr NG Siu Chan^)

Dr Eric LI Ka Cheung*

GBS, OBE, JP, LLD, DSocSc,
Hon DSocSc(EdUHK),
BA, FCPA, FCA, FCPA(Aust.)

Professor LIU Pak Wai*

SBS, JP

Allen FUNG Yuk Lun^

BA, Ph.D.

Roger LEE Chak Cheong

BSc, MSc, MICE, CEng
Managing Director

TSANG Wai Hung*

GBS, PDSM, JP, MBA

Dr CHEUNG Wing Yui^

BBS, BCom, Hon DBA, CPA (Aust.)

LEE Luen Fai^

JP, BA

LUNG Po Kwan^

BSocSc, MSocSc(Economics), MBA, CFA

Susanna WONG Sze Lai

(Alternate Director to
Mr Raymond KWOK Ping Luen, JP^)

GAO Feng

(Alternate Director to
Mr William LOUEY Lai Kuen^)

BOARD COMMITTEES

Audit and Risk Management Committee

Dr Eric LI Ka Cheung#

Professor LIU Pak Wai

Allen FUNG Yuk Lun

TSANG Wai Hung

Nomination Committee

Dr John CHAN Cho Chak#

Dr Eric LI Ka Cheung

Allen FUNG Yuk Lun

Remuneration Committee

Dr John CHAN Cho Chak#

Dr Eric LI Ka Cheung

Professor LIU Pak Wai

Winnie NG

LUNG Po Kwan

Standing Committee

Dr Norman LEUNG Nai Pang#

Dr John CHAN Cho Chak

Raymond KWOK Ping Luen

Charles LUI Chung Yuen

Winnie NG

Roger LEE Chak Cheong

William LOUEY Lai Kuen

TSANG Wai Hung

COMPANY SECRETARY

Lana WOO

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KPMG

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Public Interest Entity Auditor
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Bermuda

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Hamilton HM 12
Bermuda

REGISTER OF MEMBERS

Book closure for 2021 AGM:
14 May 2021 to 20 May 2021
(both dates inclusive)

Book closure for 2020 final dividend:
26 May 2021

DIVIDEND

Final (proposed)

HK\$0.50 per share,
payable on 30 June 2021

STOCK CODE

The Stock Exchange of Hong Kong: 62
Bloomberg: 62HK
Reuters: 0062.HK

CUSTOMER SERVICE HOTLINES

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Facsimile: (852) 2745 0600

Long Win Bus Company Limited

Telephone: (852) 2261 2791

Sun Bus Limited

Telephone: (852) 2371 2666

(* Independent Non-executive Director of the Company)

(^ Non-executive Director of the Company)

(# Committee Chairman)

This Annual Report is also available on our corporate website: www.tih.hk



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