



載通國際
Transport International

*90 Years of Journey
in Pursuit of
Diversified Development*



Transport International Holdings Limited
2023 Annual Report

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90 Years of Journey in Pursuit of Diversified Development

Transport International Holdings Limited (“TIH”) is engaged in various businesses in Hong Kong, including franchised public bus operations, non-franchised transport operations, property holdings and development, as well as China mainland transport operations. It serves millions of people every day and plays the role of the “Heartbeat of the City”, providing a constant source of energy for social development.

TIH combines its rich 90-year legacy in operating public bus services through The Kowloon Motor Bus Company (1933) Limited (“KMB”) with a wealth of talents, premium assets, innovative thinking, and a proactive approach to explore additional business opportunities for the Group. Collaborations between KMB and its counterparts in the Greater Bay Area, the Middle East region, and other locations also contribute to the development of the Group.

Looking ahead, TIH will continue to provide high-quality public transportation services, leading the way in promoting green transportation in Hong Kong and fulfilling its social responsibilities to build a more beautiful and livable city. TIH will also develop strategies in areas such as public transportation systems, smart cities, and transportation infrastructure construction, with an aim to drive social and economic progress and actively contribute to the Country and Hong Kong.

GROUP PROFILE



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 developments 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 destinations. Dedicated to sustainable business practices, the enhancement of 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.



Vision

Our vision of becoming a global leader in our field is grounded in 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:

Distinctive customer service

Reliable performance

Innovation

Value for money

Environmental responsibility

Sustainable business practices

Through engagement with stakeholders, we aim to meet and exceed their expectations by providing high-quality services and solutions.

Culture and Values

Our culture is underpinned by a governance framework and embedded across our business. 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 community we serve. Building on these core values we also abide the following principles:

Accountability

Be accountable for our decisions and actions.

Caring

Be caring for our employees, customers, and the community with continual empowerment and engagement.

Teamwork and Mutual Respect

Be harmonious and synergetic in the workplace.

Integrity

Be fair, honest and ethical.

Originality and

Novelty

Be creative in finding solutions for a greener and better place.

Safety and Self-discipline

Be mindful of safety in achieving our vision.



BUSINESS AT A GLANCE

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 over 4,000 buses operating on 438 routes covering Kowloon, the New Territories and Hong Kong Island.



Long Win Bus Company Limited operates franchised public bus services with 285 buses on 42 routes linking the New Territories with Hong Kong International Airport, Hong Kong-Zhuhai-Macao Bridge Hong Kong Port 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 around 400 buses offering a variety of non-franchised bus services to customers ranging from corporations, residential estates to schools through chartered hire services.



New Hong Kong Bus Company Limited operates a 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) between Lok Ma Chau, Hong Kong and Huanggang, 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 hire 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



KT Real Estate Limited

owns a 50% interest in The Millenium, which covers two 20-storey office towers with a total gross floor area of approximately 650,000 square feet and a shopping mall on a 10-storey podium of approximately 500,000 square feet situated at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

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

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 in TMPI.

KEY FRANCHISED BUS NETWORK IN HONG KONG

Bus-bus Interchange Network

KMB and LWB have established a comprehensive Bus-bus Interchange (“BBI”) network that offers value-for-money, convenient and environmentally friendly bus services to our passengers.

New Territories WEST

1. Tai Lam Tunnel BBI
2. Po Tin BBI
3. Tuen Mun-Chek Lap Kok Tunnel BBI
4. Tuen Mun Road BBI
5. Tai Wo Hau BBI
6. Tsing Yi BBI
7. Lantau Link BBI

New Territories EAST

8. Sheung Shui BBI
9. Fanling Station BBI
10. Wah Ming BBI
11. Fanling Highway BBI
12. Tai Po Kwong Fuk Road BBI
13. Shek Mun BBI
14. Shing Mun Tunnels BBI
15. Tai Wai BBI
16. Tate’s Cairn Tunnel BBI
17. Tsing Sha Highway BBI

Kowloon WEST

18. Mei Foo BBI
19. Western Harbour Tunnel BBI
20. Tsim Sha Tsui BBI
21. Cross Harbour Tunnel BBI

Kowloon EAST

22. Wong Tai Sin BBI
23. Choi Hung BBI
24. Ngau Chi Wan BBI
25. Kowloon City BBI
26. Po Tat BBI
27. Kai Tak Tunnel BBI
28. Tseung Kwan O Tunnel BBI
29. Kwun Tong BBI
30. Tseung Kwan O - Lam Tin Tunnel BBI
31. Eastern Harbour Tunnel BBI



BBI

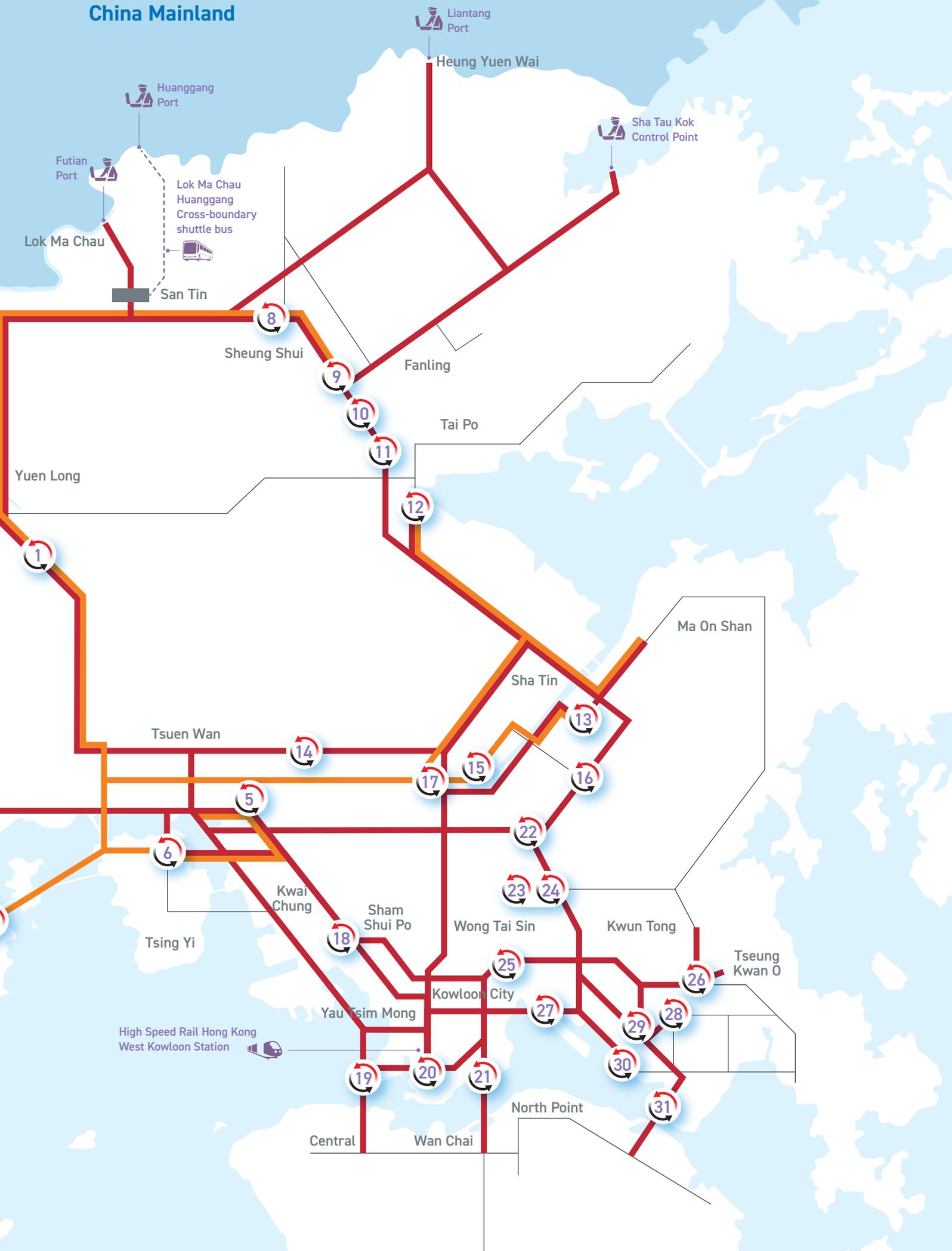
 KMB

 LWB

 Other popular KMB and LWB routes



China Mainland



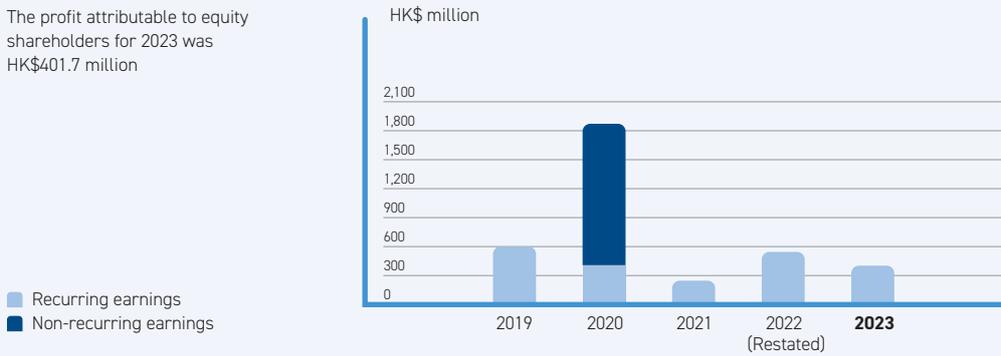
FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the Year Ended 31 December 2023

	Unit	2023	2022 (Restated)	Increase/ (Decrease)
Financial Highlights				
Revenue	HK\$ million	7,884.8	6,607.2	19.3%
– Fare revenue	HK\$ million	7,504.8	6,286.4	19.4%
– Media sales revenue	HK\$ million	291.7	264.5	10.3%
– Gross rentals from investment properties	HK\$ million	88.3	56.3	56.8%
Profit from operations	HK\$ million	214.6	38.6	456.0%
Profit attributable to equity shareholders of the Company	HK\$ million	401.7	549.0	(26.8%)
Underlying profit (profit for the year, excluding the effect of the fair value changes on investment properties and investment property under development)	HK\$ million	114.3	100.4	13.8%
Earnings per share	HK\$	0.83	1.17	(29.1%)
Ordinary dividends per share	HK\$	0.80	0.50	60.0%
Total equity attributable to equity shareholders of the Company	HK\$ million	16,405.6	16,087.0	2.0%
Total assets	HK\$ million	24,187.1	23,904.4	1.2%
Net borrowings	HK\$ million	2,984.3	2,725.0	9.5%
Cash generated from operations	HK\$ million	1,420.6	809.1	75.6%
Key Financial Ratios				
Profit margin		5.1%	8.3%	(3.2%) points
EBITDA margin		21.2%	24.3%	(3.1%) points
Return on equity attributable to equity shareholders of the Company		2.4%	3.4%	(1.0%) points
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)		18.2%	16.9%	1.3% points
Current ratio	Times	1.04	1.07	(2.8%)
Share price per share at year-end	HK\$	9.42	11.38	(17.2%)
Operational Highlights				
Hong Kong Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	2.65	2.29	15.7%
Number of licensed buses at year-end		4,340	4,301	0.9%
Number of staff at year-end		12,355	12,837	(3.8%)
Average number of staff per licensed bus at year-end		2.85	2.98	(4.4%)
Hong Kong Non-franchised Transport Operations:				
Number of licensed buses at year-end		436	411	6.1%
Number of staff at year-end		672	729	(7.8%)
China Mainland Transport Operations:				
Number of licensed buses at year-end		5,004	5,684	(12.0%)
Number of taxis and vehicles for rental at year-end		10,778	9,473	13.8%

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders for 2023 was HK\$401.7 million



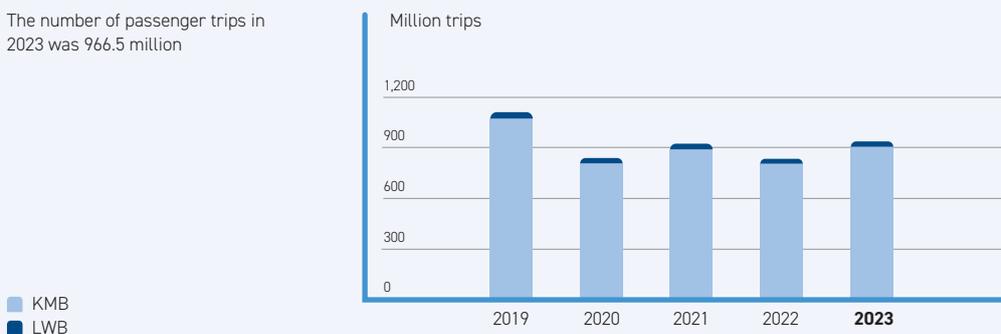
Earnings per Share

Earnings per share for 2023 was HK\$0.83



Number of Passenger Trips (Franchised Public Bus Operations)

The number of passenger trips in 2023 was 966.5 million



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

The closing share price of the Company at 2023 year-end was HK\$9.42 per share



CORPORATE MILESTONES 2023

JANUARY

“Finding Missing Elderly” initiatives upgraded

KMB and LWB upgraded its “Finding Missing Elderly” initiatives by enhancing internal communication mechanisms and collaborating with the Police to assist in locating reported missing elderly individuals with cognitive impairments. The programme successfully reunited nineteen missing elderly individuals with their families last year.



FEBRUARY

Introducing “Now Hiring Bus Captains” programme to offer full-time bus captain positions with five-day work schedule

As a people-oriented company, KMB offered full-time bus captain positions with a five-day work schedule and attractive benefits packages, providing job seekers with more flexible employment options under competitive hiring terms.

KMB awarded Gold Award in “Hong Kong Awards for Environmental Excellence” by the Environmental Campaign Committee

KMB proactively adopted renewable energy and implemented carbon reduction and energy-saving technologies for its fleet, bus stops, and depots, earning recognition from the industry and receiving the Gold Award in the “2021 Hong Kong Awards for Environmental Excellence” (Transport and Logistics).



MARCH

KMB organises “Go Green, Anderson Bus Drawing Competition”

KMB organised a bus body design competition to encourage students to unleash their creativity and express their hopes for the green development and transportation in the Anderson Road Development Area through painting. The champion's artwork was displayed as a bus body advertisement on a bus operating along routes in Kwun Tong and the Anderson Road Development Area.



KMB and LWB establish a total of 31 Bus-bus Interchanges

KMB and LWB established a total of 31 Bus-bus Interchanges across all eighteen districts in Hong Kong to promote the utilisation of these interchanges as a convenient, cost-effective and comfortable transportation alternative for a hassle-free passenger experience that echoes the idea of “Interchanging is so Simple”.



APRIL

KMB celebrates 90th anniversary with a ceremony and carnival

KMB commemorated its 90th anniversary with a grand ceremony and carnival, receiving over 12,000 Government officials, business partners and members of the public. The events have proven the popularity and support from the community to the Company, marking a new chapter of KMB's transition towards greater success and green transportation.



MAY

KMB organises a large-scale job fair and bus exhibition to attract talents

"KMB Journey" was held at multiple depots to give interested candidates an opportunity to learn about the company's daily operations and future development through an on-the-spot recruitment exercise, bus exhibitions, and depot visits.



JUNE

"KMB Free Ride Days for Kids" garners widespread acclaim from the public

KMB launched the "Free Ride Days for Kids" campaign to provide complimentary KMB and LWB bus rides for children on Sundays and public holidays from mid-June to August. A themed bus was also introduced to showcase exhibitions in various areas, spreading joy and happiness throughout Hong Kong.



JULY

The first batch of electric double-deckers put into service

KMB has self-financed the acquisition of more than 80 electric single-deck and double-deck buses, forming the largest fleet of new energy buses in Hong Kong. The first batch of electric double-deck buses was gradually put into service, with priority given to operating routes in the Anderson Road Development Area.



CORPORATE MILESTONES 2023

KMB receives a delegation from the Department of Municipalities and Transport, Abu Dhabi

KMB welcomed a visiting delegation from the Department of Municipalities and Transport, Abu Dhabi, and made in-depth discussions on public bus service operation models, sustainability, and future development.



AUGUST

KMB leverages 5G network to provide real-time information on occupancy rate and remaining seats on upper deck

KMB leveraged 5G technology to provide real-time passenger capacity information on the app1933, and installed display screens on the lower deck of buses to show "Available Seats on the Upper Deck", so as to provide passengers with smart travel experience with the access to instant bus occupancy information.

KMB improves solar panel system to provide renewable energy to the entire bus for comprehensive carbon reduction and energy efficiency

The solar panel system installed on KMB's double-deck buses has evolved to its third generation, with an improved solar film that can be directly applied to the roof of the bus. All electricity generated will be used to power all onboard electronic devices, reducing carbon emissions. KMB has also launched the "Green Rewards Programme", offering extra club1933 points as an incentive for passengers to ride on solar buses.



SEPTEMBER

KMB honoured with two major awards for charitable efforts

KMB received the "Award of Excellence" from the Hong Kong Community Chest, as well as the "Outstanding Caring Award" and "The Most Innovative Award" from the Federation of Hong Kong Industries in recognition of KMB's contributions to various social responsibility projects.



OCTOBER

KMB introduces self-service lost and found collection service

Self-service lockers were installed in phases at 35 KMB bus termini in Kowloon and the New Territories to facilitate the retrieval of lost items through online registration and the use of self-service lockers by members of the public.



KMB launches new Route W4 for West Kowloon Cultural District

KMB introduced the new Route W4 to serve the West Kowloon Cultural District by connecting the High Speed Rail Hong Kong West Kowloon Station, Austin Station, M+, and the Hong Kong Palace Museum, providing a convenient travelling means for tourists and residents.



NOVEMBER

KMB's new model of electric double-decker makes debut at manufacturer's launch event in UK

With its contemporary design and emphasis on technology and environmental friendliness, the double-deck electric bus that designed specifically for Hong Kong, received high praise from industry professionals worldwide at the manufacturer's launch event in the United Kingdom.



TIH invited to Abu Dhabi to share experience in managing public transportation affairs

TIH's Managing Director Roger Lee was invited as a keynote speaker at the Green Mobility Forum held by the Abu Dhabi Government to share his experience in operational management, maintaining sustainable development, and promoting green transportation.



KMB introduces border Routes B1 and B9 interchange discounts

As northbound consumption became a popular trend, KMB offered interchange concessions to customers. By taking designated KMB routes and transferring to the border Routes B1 or B9, passengers could enjoy a fare discount of up to nearly 50%.

TIH conferred "Corporate Governance Awards" by Hong Kong Institute of Certified Public Accountants

TIH was conferred the Best Corporate Governance Awards – Special Mention by The Hong Kong Institute of Certified Public Accountants in recognition of the Group's responsible and highly transparent governance practices, which are widely acknowledged within the industry.



DECEMBER

KMB and LWB introduce "Ride two journeys, get one journey free" interchange concession scheme to provide customers with more travel options

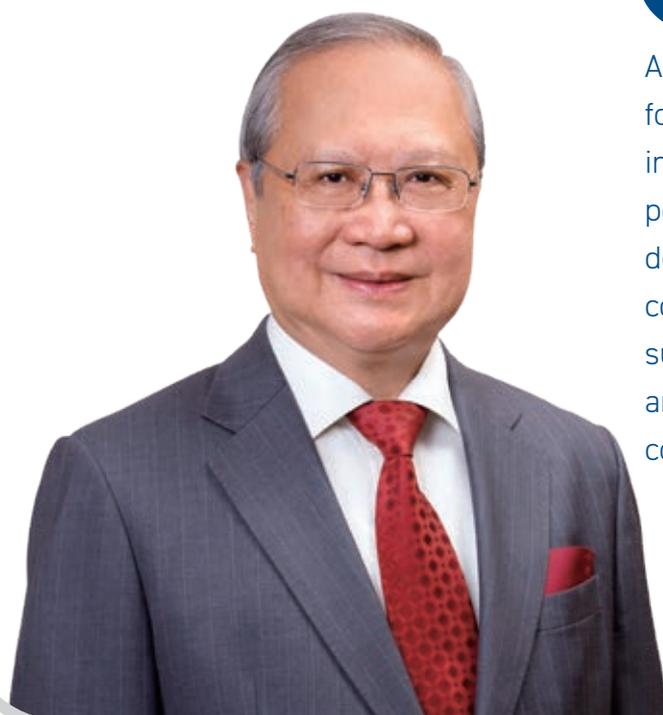
KMB and LWB A-Routes offered "Ride two journeys, get one journey free" interchange concession scheme, allowing customers to enjoy the convenience of easy connection with the Airport and Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and providing more value-for-money choices for their journeys.

TIH signs a strategic cooperation agreement with SZBG

TIH and Shenzhen Bus Group Co. Limited ("SZBG") have officially signed a strategic cooperation agreement to strengthen their cooperation in the development of the Guangdong-Hong Kong-Macao Greater Bay Area and actively promote the integration of transportation between Shenzhen and Hong Kong, leveraging the advantages of their respective resources.



CHAIRMAN'S LETTER



All environmental targets for key performance indicators were achieved positive results in 2023, demonstrating the Group's commitment to promoting sustainable development and the effectiveness of the corresponding strategies.



Dear Shareholders,

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

The Group's net profit in 2023 was primarily contributed from its investment income from equity investments and rental income from its investment properties. Nevertheless, these profits were partly offset by expected credit losses on certain listed debt securities.

Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share for 2023. The dividend will be payable on 30 June 2024. Together with the interim dividend of HK\$0.30 per share, the total dividend for the year will amount to HK\$0.80 per share, compared to HK\$0.50 per share last year.

Financial Performance in 2023

The Kowloon Motor Bus Company (1933) Limited ("KMB") recorded a profit after taxation of HK\$11.5 million for 2023 (2022 (restated): loss after taxation of HK\$49.9 million).

As for Long Win Bus Company Limited ("LWB"), the profit after taxation for 2023 was HK\$23.1 million (2022 (restated): loss after taxation of HK\$30.8 million).

The Group's non-franchised Transport Operations Division, with Sun Bus Limited ("Sun Bus") as its flagship company, recorded a profit after taxation of HK\$13.9 million (2022 (restated): HK\$1.4 million). Our Mainland Transport Operations Division recorded positive overall results in 2023.

90 Years of Travelling Alongside Our Customers

Established in 1933, KMB celebrated its 90th anniversary through various large-scale events last year, garnering support from the government, business partners, and the general public. On behalf of the Board of Directors, I would like to express my sincere gratitude to the esteemed members of society and the general public for their unwavering support.

Come rain or shine, all employees of KMB have been resolute in their commitment and remained dedicated to their positions over the past 90 years, providing the citizens of Hong Kong and visitors alike with safe, reliable, comfortable, environmentally friendly, innovative, and cost-effective bus services. KMB will continue to uphold our commitment to serving the public by investing resources to drive the development of the transportation industry in Hong Kong, especially the introduction of eco-friendly double-deckers, advanced safety equipment, innovative passenger facilities, and an expanding service network. Also, we will align with the policies of the National and Hong Kong SAR Governments, injecting a continuous stream of energy into Hong Kong's economy and bolstering its international status, including that within the Greater Bay Area.



Environmental Performance Achievements Drive Sustainable Development

While propelling business development, companies must also be accountable to society, employees, and shareholders. An enterprise can ensure its sustainable development only by implementing good governance practices. TIH was commended in the Best Corporate Governance Awards organised by the Hong Kong Institute of Certified Public Accountants, an industry recognition for the Group's governance policies characterised by transparency, accountability, and a people-oriented approach.

To further promote the sustainable development of both the Group and Hong Kong, we established an Environmental, Social, and Governance ("ESG") Task Force some years ago and set a three-year environmental target for key performance indicators, which include reducing our bus carbon footprint, fuel consumption, electricity usage, and water consumption. All related indicators were achieved positive results in 2023, demonstrating the Group's commitment to promoting sustainable development and the effectiveness of the corresponding strategies. After conducting in-depth research and analyses, and considering market data, the Group has set six five-year environmental performance targets for the financial years from 2024 to 2028. The Board of Directors is committed to their responsibility to sustainability. It has mandated each department to strictly adhere to sustainable development strategies and measures, and focus on advancing and implementing carbon neutrality policies.

The Group is actively pursuing additional opportunities for green financing. Among them, LWB signed the first three-year sustainability development performance-linked loan facility totalling HK\$200 million with the Bank of China (Hong Kong) in 2023. According to the agreement, LWB is laying down a number of key environmental performance targets for sustainable development around ESG-related areas, which include reducing the greenhouse gas emissions of buses, and increasing green procurement and average training hours for employees.

Electric Bus Advancements Enable Zero Emission Achievements

To align with the carbon neutrality policies of both the National and Hong Kong SAR Governments, KMB has taken the lead in introducing 82 electric buses, including electric double-deckers that have been progressively put into service since July last year, accelerating the journey towards zero emission. Currently, KMB has expanded its electric bus operations to nearly 40 routes across Hong Kong. The operation of these electric buses has been smooth and well received by various sectors of society. The electric bus fleet has travelled over 2.2 million kilometers, which is equivalent to reducing 3,000 tonnes of carbon emissions. The deployment of electric buses has provided a strong impetus for zero emissions in Hong Kong, making significant contributions to improving roadside air quality.

CHAIRMAN'S LETTER

KMB's electric double-deck buses are supplied by electric bus manufacturers from China and the United Kingdom. Thanks to the maturity of electric bus technology, these buses can be adapted and adjusted to meet the operational requirements of double-deckers in Hong Kong. Additionally, battery and charging technologies compatible with local electric buses are anticipated to evolve further in the foreseeable future. This advancement is expected to significantly improve battery efficiency and reduce charging time, providing substantial support for the Group's development of electric bus services. Moreover, KMB is preparing to construct two multi-storey electric bus depots in Tai Po and Tuen Mun, with an expected completion date within the next three to five years. These depots will provide 850 bus charging bays to accommodate the expanding operational needs of the electric bus fleet.

Elevating Customer Experience Through Enhanced Smart Travel

KMB and LWB have consistently considered meeting the needs of customers as their responsibility while actively promoting smart travel. With 31 bus-bus interchanges established throughout Hong Kong, our service network has greatly improved along with the offer of various transit incentives. On top of these initiatives, KMB also cares about improving the waiting experience of passengers, such as by including a convenience store at the Tuen Mun Road Bus-Bus Interchange last year. This allows passengers to conveniently purchase food and drinks when interchanging, catering to the daily needs of busy commuters who perhaps prefer grabbing their breakfast on the go.

Additionally, KMB has designated 70 bus stops located near public housing estates or hospitals as "Age-Friendly Bus Stops", featuring additional seating for the elderly and people in need. At these bus stops, slogans are displayed to promote care for the elderly. Meanwhile, a thousand "Priority Seats" have been added to the bus fleet to accommodate more individuals in need.

Online shopping has become a popular trend. Recognising the significance of self-service lockers in modern life, KMB took the initiative to collaborate with a logistics company, pioneering the installation of self-service lockers at 35 bus termini in Hong Kong. This enables passengers to conveniently collect packages before or after taking the bus, and reclaim items left behind on buses at the 24-hour self-service lockers, saving their time and hassle. With meticulous attention to detail, these customer-oriented services have not only elevated the quality of life and overall ride experience for customers, but also bolstered the Group's non-farebox revenue and expanded its customer base.

Fusing Technology and Talent to Establish Safety Standards in the Bus Industry

Bus safety is a top priority for the Group. KMB introduced the latest Preventive Maintenance System which utilises technology to remotely monitor buses and key components, enabling efficient resource allocation in maintenance and upkeep. The Preventive Maintenance System was launched in 2023. The number of mechanical failures for KMB and LWB fleets in December 2023 decreased by over 20% compared to the same period in 2022. This once again demonstrates how KMB has successfully leveraged technology to enhance the safety and reliability of its bus fleet.

On the training front, the KMB Academy has recently launched two certified courses, namely "Professional Certificate for Instructors in Franchised Bus Industry" and "Certificate in Continuing Development for In-service Bus Captains". These courses have been assessed and recognised by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and have been incorporated into the Qualifications Framework ("HKQF") at Level Four and Level Three respectively. These courses not only provide ongoing learning opportunities for current employees but also establish new standards of professionalism, safety, and systematic training within the bus industry. Including the two other courses, "Certificate in Bus Maintenance" and "Certificate in Public Bus (Franchised) Driving", the KMB Academy now offers four HKQF-accredited programmes, making it a pioneering leader in the industry.

Driving Cultural Diversity for a Coherent Society

The Group has always cared for different strata of society and has taken practical actions to build a caring and inclusive community. After becoming aware that a group of secondary school students with special educational needs dream of becoming bus captains, KMB invited the students to participate in a bus captain experience programme at the KMB Academy. With explanations and guidance from experienced bus captain driving instructors, these young people have gained insight into the daily work routines and duties of a bus captain. This experience helped them recognise their own interests and talents while savouring the fulfillment of their dreams coming true.

KMB is dedicated to serving every customer and has introduced various barrier-free facilities to assist individuals with special needs in their travels. To take care of visually impaired seniors with cognitive impairment, KMB partnered with The Hong Kong Society for the Blind and the Department of Rehabilitation Sciences of The Hong Kong Polytechnic University ("PolyU") in installing a "Smart Bus Stop" at residential care facilities. This initiative facilitates effective assessments and cognitive stimulation training for visually impaired elderly individuals.

In addition, KMB donated a "Caring Bus Stop Pole" to those institutions. This pole with route information printed in Braille, coupled with bus headboards, body panels, handrails, stop buttons on the bus, and onboard announcements, create a lifelike and familiar boarding environment for visually impaired elderly individuals under treatment. The immersive setting enhances the effectiveness of their training and therapy. With this setup, more than ten occupational therapy students from PolyU were offered the opportunity to engage in experiential learning. They created therapy blueprints centred around the theme of buses, embodying the concept of "drawing inspiration from daily life" in occupational therapy practice.

Putting People First and Focusing on Employee Needs

The Group upholds a people-oriented value system and is committed to providing a favourable working environment that allows employees to maintain a balance between work and family. To meet labour market demands, KMB and LWB have increased job flexibility by offering a five-day workweek for full-time bus captains and continually improving salaries and benefits. All employees received a 4.2% salary increase, and new bus captains recruited during the Chinese New Year period were eligible for a welcoming bonus of up to HK\$30,000.

Employees' health is always a top priority. While the pandemic has subsided, seasonal flu remains rampant. To enhance employee protection, the Group has arranged for medical institutions to offer free vaccination outreach services. Additionally, the distribution of face masks to frontline staff continues, while other measures are also taken to ensure the health and well-being of employees.

Challenges and Opportunities

The bus operating environment is filled with challenges stemming from the tense geopolitical situation, volatile international oil prices, continuous expansion of the local railway network, and post-pandemic changes in travel patterns. Despite these challenges, the bus industry has benefited from various economic stimulus measures introduced by the Hong Kong SAR Government, as well as other effective initiatives aimed at attracting tourists. As a result, travel demand from local residents and tourists continues to recover. This has led to a corresponding increase in bus passenger volume and fare-box revenue, particularly during weekends and public holidays when land boundary crossings are heavily frequented.

Looking ahead, the Group will seize the opportunities presented by the Greater Bay Area integration and strengthen transportation connectivity within the region. The Group has signed a strategic cooperation agreement with Shenzhen Bus Group Co. Limited to promote cross-boundary transportation and interconnectivity, leveraging their respective resource advantages to advance the integration of transport between Shenzhen and Hong Kong. In addition, the Group has signed a memorandum of understanding for cooperation with the Integrated Transport Centre of Abu Dhabi, United Arab Emirates. Drawing on KMB's extensive experience in operating local public transport for over ninety years, the Group aims to contribute to the transformation of public transport in Abu Dhabi. This involves actively promoting and participating in the development of green transportation in the region, aligning with the national "Belt and Road" initiative.

The Northern Metropolis is one of the key development areas in Hong Kong and, upon completion, it is expected to add 500,000 housing units. Given the rising demand for transportation services to and from the Mainland, the Group is fully committed to providing convenient bus services and favourable interchange options for both locals and visitors, ensuring a comfortable bus journey experience for all passengers.

The Millennity, located in the prime area of Kwun Tong in East Kowloon, has achieved LEED Platinum pre-certification and WELL Platinum pre-certification. It has also been awarded a Platinum pre-certification for new buildings under BEAM Plus by the Hong Kong Green Building Council. These certifications recognise The Millennity's outstanding performance in energy efficiency, environmental sustainability, and emissions reduction, among other aspects. The project consists of two buildings, including two 20-storey Grade-A office towers and a 10-storey large-scale shopping mall at the podium level. The office towers have already been occupied by several major corporations and, with the opening of the large-scale shopping mall in 2024, The Millennity is expected to generate long-term, sustainable, and stable income for the Group.

Acknowledgement

Over the past year, the Hong Kong economy has gradually recovered, and the Group's business has continued to rebound. This can be attributed to the collective efforts of the entire company, as we closely monitor market trends and respond to evolving needs. We remain steadfast in delivering safe and high-quality transportation services for both locals and visitors. I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, bus suppliers, and all our customers for their continued support.

Norman LEUNG Nai Pang

Chairman
21 March 2024

MANAGING DIRECTOR'S MESSAGE



The Management team will continue to lead the Group with the “KMB spirit” in mind, striving to serve Hong Kong with all-out effort.



In 2023, KMB celebrated its 90th anniversary with a series of festive events, as it reminisced about the bygone days at KMB and looked ahead to the future with the public. For the past ninety years, we have relied on the support of everyone, which has enabled us to grow alongside Hong Kong and navigate our way through the ups and downs. This tremendous support has also boosted our confidence and provided us with the motivation to continue moving forward in our development.

Since the lifting of all pandemic-related measures and travel restrictions last year, Hong Kong has undergone a diverse range of key changes. To this city, this means a year where challenges and opportunities coexisted. As the society returned to normalcy, it created favourable conditions for economic recovery. However, changes in travel habits, slow recovery in inbound tourists, low consumer confidence, and a decline in the working population all became mounting pressure on the demand and operation of public transportation services.

The Group has over ten thousand employees who have all geared up for the “new normalcy” in our society. First and foremost, for a service to be reliable, it must be well supported by stable manpower. To this end, KMB continues to develop policies that add value to in-house employees and care for colleagues, creating a favourable working environment to attract and retain talents. We have also renewed our efforts in talent recruitment to attract people of different backgrounds and ethnicities to join us. In addition, the Group also proactively creates opportunities to boost service demand, as it reviews the needs and potential of bus services in various districts, and launches timely planning and strategies for further development. KMB also encourages

local residents to commute, as this not only drives service demand but also contributes to the growth of Hong Kong economy. Apart from serving local needs, the Group also seizes opportunities created by the integration of the two regions and enhances cross-border bus services to promote customer flow. By promoting bus services and attracting passengers, it aims to increase the awareness of travellers and encourage them to choose bus transportation. With the Central Government’s guidance on the development of the Greater Bay Area, the Group recognises the opportunities for coordinated development between Mainland China and Hong Kong. We have signed a strategic cooperation agreement with SZBG to promote cross-boundary transportation connectivity, leveraging our combined resource advantages for mutual benefits and shared success.

As the major public transport operator in Hong Kong, the Group stays in tune with the heartbeat of the city as it strives to contribute to our social development. KMB proactively develops green transportation initiatives to fall in line with the Government’s carbon emissions reduction goals. The first batch of electric double-deckers has been officially put into service, fulfilling the operational needs and service requirements in terms of driving performance, cabin environment, and passenger experience. KMB’s fleet of electric buses has travelled as many as 2.2 million kilometres, successfully reducing 3,000 tonnes of carbon emissions. With 82 electric buses to be in service successively and the organic expansion of service areas, more residents are set to benefit from our new energy bus fleet as we make practical contributions to environmental protection together. In terms of the fleet, KMB has already equipped half of its bus fleet with



solar energy systems. The renewable energy produced by these systems can supply the power needed for all electronic devices on board. Along with the solar energy systems installed at bus depots, bus stop roofs, and bus stop poles, we have made even better use of renewable energy. Given that green transportation is an undeniable trend, we will maintain close collaboration with the Government in seeking further support to promote environmental protection and achieving carbon neutrality with all other sectors in Hong Kong.

While the Group's bus service operating companies serve nearly three million passengers daily, caring about our passengers remains our key responsibility. In particular, the elderly, students, individuals with special educational needs, persons with disabilities, and people from vulnerable communities are always in our mind. We strive to build an inclusive community, as we stick to the ancient Chinese saying "Never fail to do good things no matter how petty they are." Our caring measures involve various aspects, including compartment facilities, waiting areas, workplace environment, learning opportunities, voluntary services and more, all aimed at benefiting our passengers in a broader and more extensive way. To contribute to the development of a liveable city, the Group will uphold its social responsibility by continuing to explore feasible measures in response to the needs of different groups.

The Group never overlooks safety when it explores opportunities for development and stays conscious to community needs. While our core mission is to provide stable and safe bus services, we continue to introduce new technologies to enhance driving safety and keep up with the times. KMB is the first franchised bus company that has

introduced a preventive maintenance system for remote monitoring of key components of our buses. All abnormalities detected will be handled by our servicing personnel in advance. Along with the driving behaviour feedback and monitoring systems put in force earlier, modern technologies are employed to ensure that passengers trust our service and feel at ease when travelling on our buses. Since the implementation of the preventive maintenance system last year, the number of mechanical failures for KMB and LWB fleets has dropped by 30% in the second half of last year compared with the same period in the previous year.

The KMB Academy, founded over two years ago, has provided training for over 1,200 bus captains and maintenance staff, as they have all been recognised by the Qualifications Framework of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Being the only school dedicated to training talents for the bus industry in Hong Kong, the Academy will continue to play a crucial role in providing stable and safe bus services.

Despite all the challenges and difficulties in the past, the Group has never stopped moving forward, as it has grown to the scale today by learning from daily experience and renewing its practical knowledge. The Management team will continue to lead the Group with the "KMB spirit" in mind, striving to serve Hong Kong with all-out effort.

Roger LEE Chak Cheong

Managing Director

21 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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, environmentally friendly, value-for-money bus services in Kowloon, the New Territories, on Hong Kong Island and Lantau Island.

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.

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 reasonable returns.

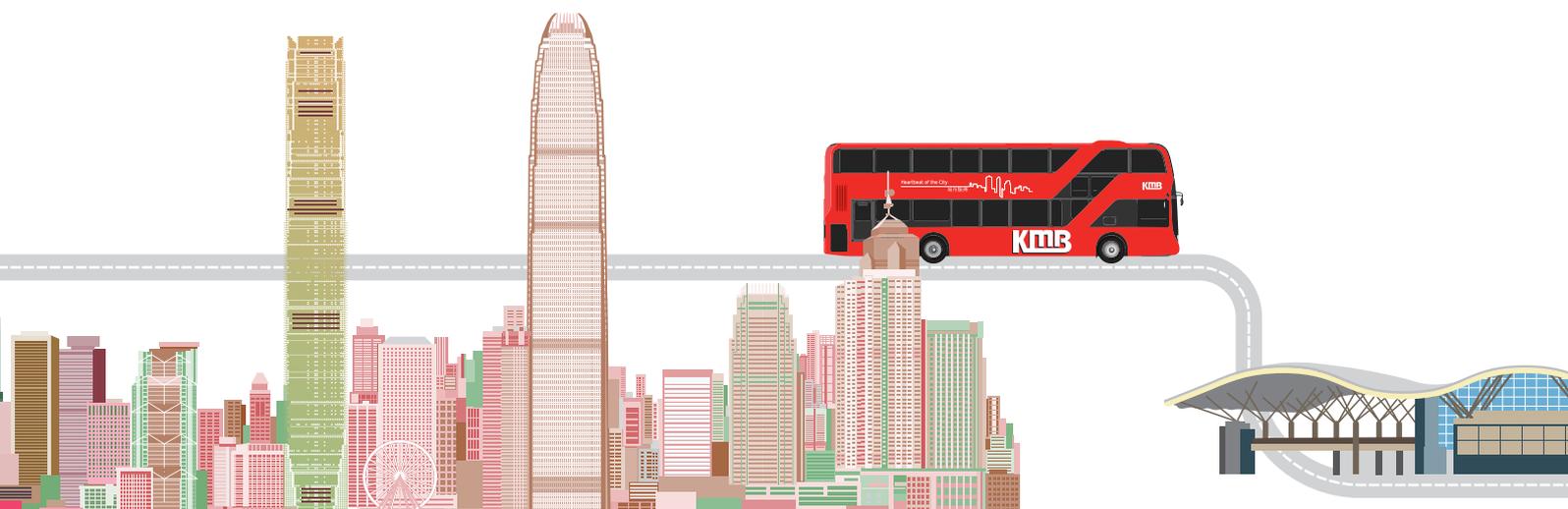
Property Holdings and Development

The Group has a portfolio of investment properties including shopping malls, office buildings and an industrial property, which provides steady rental income, and other property projects in the pipeline.

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 provides 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. 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 43 of this Annual Report. The prospects of the Group's businesses are discussed in the Chairman's Letter on pages 14 to 17 and in the Managing Director's Message on pages 18 to 19 of this Annual Report.



Key Risks and Uncertainties

The Group's businesses face a number of key risks and uncertainties, including those set out in the following paragraphs. 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, any changes in the Government's 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 condition in either the short or the long term. Proposals for a fare increase are subject to the approval of the Hong Kong SAR Government, taking into account a basket of factors including public acceptability and affordability, which may not align with the respective financial condition 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 114 to 129 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, severe weather conditions and climate-related issues, including floods and typhoons.



BUSINESS REVIEW

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 2.5 million passenger-trips each day. A workforce of more than 11,000 employees, of which around 9,000 are bus captains, ensures that customers enjoy high-quality services on a fleet of around 4,000 buses operating on 438 routes.



serving Hong Kong for

90 years



Ⓐ KMB has introduced electric double-deckers to operate on busy corridors in Hong Kong to improve the roadside air quality

Resumption of Normalcy

After three years of the COVID-19 pandemic in Hong Kong, the cancellation of isolation orders and the lifting of mask-wearing requirements in the first quarter of 2023 signalled the full resumption of normalcy in society. The demand for public transport services gradually recovered, accompanied by new customer travel patterns. Measures were implemented to ensure bus service levels met public needs.

New Fare Adjustment

KMB and LWB adjusted their fares with effect from 18 June 2023. As approved by the Chief Executive in Council, KMB fares should be increased by an overall actual weighted average rate of 3.9% after a 1.6 percentage points mitigation effect by its Franchised Bus Toll Exemption Fund, resulting in an average increment of HK\$0.3 per journey.

Preferred Choice of the Public

KMB is dedicated to providing bus services with the best travel experience for the public through a value-for-money service, a comprehensive bus service network, and innovative and eco-technologies.

Value-for-Money Services

KMB Monthly Pass

KMB continues to enhance its service by providing affordable and convenient journeys for passengers. KMB has launched the Monthly Pass Scheme (the "Pass"), the first monthly pass for franchised buses in Hong Kong, under which passengers can take up to ten rides per day on KMB buses (plus two additional trips on Route B1). In May 2023, the Pass extended its coverage to include not only over 400 KMB routes, comprising regular routes, overnight routes and racecourse routes, but also LWB bus routes as a reward for passengers under the new 10-year LWB franchise. For LWB services, the Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X- routes and enjoy a 73% off on bus fare when taking LWB's A and NA routes. The price of the Pass increased to HK\$800 starting from September 2023, three months after the new fare came into effect.

KMB has further rolled out exclusive privileges for Monthly Pass holders under various programmes:

- Ⓐ A "Fare for Upgraded Journey" campaign which offers a discounted fare for KMB Monthly Pass holders travelling on New Long-haul Bus Routes P960 and P968;
- Ⓐ With each purchase of the Pass, passengers can earn 800 points towards redeemable KMB gifts and eCoin under the KMB membership scheme, club1933; and
- Ⓐ A manned hotline with operators dedicated to enhancing the travel experience of Pass holders.

BUSINESS REVIEW

To relieve the financial burden on student passengers, KMB launched two rounds of the Buy-2-Get-1-Free promotion scheme, running from March to June and August to December 2023. Passengers who have purchased a KMB Monthly Pass for three consecutive months will be entitled to a HK\$800 Octopus dollar rebate (equivalent to the price of one KMB Monthly Pass). The scheme was welcomed by student passengers. To provide more transportation information to students in the new school year, information booths were set up on the campuses of some universities and community colleges in September and October 2023.

Rewards to Passengers

In collaboration with a number of corporations, KMB organised Free Ride Days on specific routes and dates, providing passengers with a complimentary and unlimited bus service.

To celebrate KMB's 90th anniversary and encourage passengers to travel to different places in Hong Kong during the summer holiday in 2023, child passengers were offered free rides on more than 450 KMB and LWB routes on thirteen consecutive Sundays and public holidays.

KMB also rolled out a summer promotion for students, under which all student passengers enjoyed a half-fare discount on 30 selected cross-harbour routes from mid-July to early August 2023.

As part of the "Night Vibes Hong Kong" campaign, four KMB and LWB routes were carefully chosen to offer passengers the opportunity to embark on a nighttime excursion and savour the renowned night vistas of Hong Kong, thereby promoting

the evening economy. KMB also offered a 25% off on overnight bus routes from September to November 2023 in support of the "Night Vibes Hong Kong" events.

KMB and LWB launched the membership scheme, club1933, in 2021. Under the scheme, registered passengers can redeem gifts with accumulated points at fifteen designated locations in Kowloon and the New Territories. Selected passengers are invited to enjoy a privileged discount scheme for purchasing the KMB Monthly Pass. A new scheme "eCoin Wallet" was introduced to club1933 members. Their accumulated points can be used to redeem "eCoin" and pay for the bus fare.

Comprehensive Network

At the end of 2023, KMB operated a total of 438 bus routes. In a dynamic operating environment marked by railway commissioning, demographic changes and new highways, KMB reviews and arranges 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 2023, we implemented 83 route re-organisation proposals, with the aim of enhancing the whole service network and bringing 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 new highway infrastructure; and
- Ⓜ Offering greater connectivity between routes making use of Bus-Bus Interchanges ("BBIs").

- Ⓜ The electric double-deckers cover popular areas such as Tsim Sha Tsui, Kwun Tong, and Tuen Mun, and are warmly welcomed by the public





- 📍 At KMB's 90th anniversary ceremony, over 300 guests, including Government officials, Board members, current and retired employees, and business partners, are present to witness KMB's achievements in its 90 years of service in Hong Kong

KMB completed the set-up of 31 BBIs in major locations across Hong Kong in 2023. The BBI hubs have improved network efficiency and encouraged more passengers to take KMB/LWB bus routes by providing more choices and value-for-money services. The BBI network of KMB and LWB covers the entire eighteen districts of Hong Kong to offer more convenient travel options with more fare concessions. It also ensures bus resources are used effectively, contributing towards environmental protection. To facilitate easier passenger interchange, KMB has renamed the BBIs based on the districts where they are located and enhanced information on websites and mobile applications, ensuring passengers can make use of the BBI network for convenient travel across Hong Kong and experience that "interchanging is so simple". A new BBI page was also introduced in app1933 to show locations covered by the BBI network. Routes involving the BBIs are listed by destinations, showing information such as platform numbers, locations of the platforms, estimated travelling time, and interchange discounts.

In view of demographic changes, urban development and evolving passenger needs, particularly the upsurge in cross-boundary demand in the wake of relaxed social distancing measures and travel restrictions, KMB has introduced new boundary routes and enhanced its existing service levels to cater for the demand. To tie in with the completion of residential areas in Ching Fu Court in Tsing Yi, Queen's Hill in Fanling, Kong Ha Wai in Yuen Long and LOHAS Park in Tseung Kwan O, KMB has further strengthened its services in these districts by introducing new routes and improving the frequency of existing routes.

New Franchised Bus Routes serving Tsing Yi and West Kowloon Cultural District

KMB is devoted to allocating resources to provide bus services in newly developed areas and is delighted to have been awarded the operating rights for Routes 49 and 49M through an operator selection exercise in 2022. The two new routes connecting Tsing Yi, Kowloon East and Tseung Kwan O started service in March and September 2023 respectively. On top of Tsing Yi, KMB is also being selected to operate a new Route W4 plying between West Kowloon Cultural District and High Speed Rail Hong Kong West Kowloon Station, serving the demand to and from M+ and Hong Kong Palace Museum in the area.

Green and Smart

KMB shows its commitment to innovation by introducing a bus fleet with technological advances and environmentally friendly features for a more desirable passenger experience. The Company aims to upgrade the entire fleet with new energy buses to tie in with the Government's policy of achieving the carbon neutrality target.

Bus Fleet and Fleet Upgrade

During the year, 107 buses, including 83 double-deck buses and 24 BYD double-deck electric buses, were licensed. The new double-deck buses feature a light-directing glass window alongside the staircase connecting the two decks in place of the traditional sealed design, which lends a brighter ambience to the interior and enhances safety when passengers walk up and down stairs. Moreover, new buses are equipped with safety facilities, including the Advanced Driver Assistance System, the Electronic Stability Programme and the Driving Monitoring System, and all seats are equipped with seat belts

BUSINESS REVIEW

and grab handles to ensure the safety of passengers and bus captains. The addition of four horizontal ventilation windows has become a standard feature on new buses, which allows passengers to open the windows to let fresh air into the compartment.

Tyre Pressure Monitoring System (“TPMS”) are being installed on existing 2,400 buses. Real-time tyre pressure and temperature can be monitored by the bus captain in order to enhance bus safety. TPMS has been adopted to a standard feature in KMB’s new buses.

KMB has continued to invest in the latest environmentally friendly buses. In 2009, it became the first public bus company in Asia to introduce 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 model buses will be completely phased out within the next three years. In 2023, a batch of 24 new-generation double-deck electric buses commenced service. They are equipped with the Battery Management System and the Water Cooling System, which help monitor the efficiency and condition of the battery and control its temperature, effectively extending the battery life cycle and improving performance.

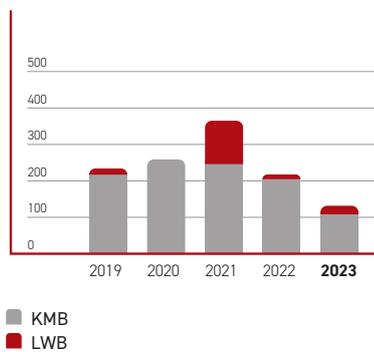
As of 31 December 2023, KMB operated a total of 4,055 licensed buses, comprising 3,904 double-deck buses and 151 single-deck buses. Among them were 24 electric double-deck buses and 26 electric single-deck buses.



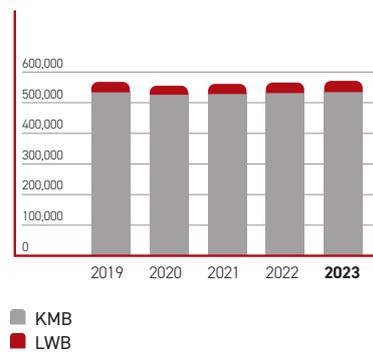
ⓐ KMB has been progressively installing the tyre pressure monitoring system in its bus fleet, allowing bus captains to monitor tyre pressure and temperature in real time, thereby enhancing bus safety

KMB’s Bus Fleet	Double-deck Buses	Single-deck Buses	Total Number of Buses
As of 1 January 2023	3,885	151	4,036
Addition during the year	107	0	107
Disposal during the year	(88)	0	(88)
As of 31 December 2023	3,904	151	4,055

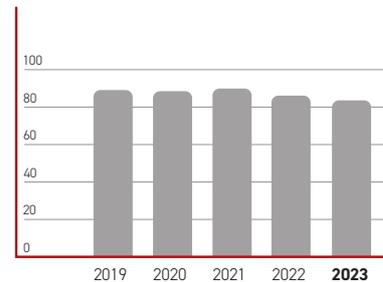
Number of New Buses Introduced to the Fleet



Total Passenger Capacity at 31 December



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



Notes:

- 38 buses transferred from LWB to KMB in 2020.
- 100 buses transferred from LWB to KMB in 2021.
- 5 buses transferred from LWB to KMB in 2022.

Energy Reduction

Dedicated to building a greener future, KMB has explored the application of renewable energy by extending the use of solar panels to depots, bus termini, bus shelters, bus poles and double-decker roofs. KMB brought the third generation Solar Panel Bus from prototype to a mass production stage while the solar panel system has become a standard feature in KMB's new buses. In 2023, 92 new licensed buses were equipped with solar panels on the bus roof. Moreover, KMB retrofitted solar panels on the current bus fleet. By the end of 2023, nearly 2,000 buses were retrofitted with solar panels on the bus roof.

Furthermore, KMB has continued the Solar-powered Bus Shelter Campaign, using solar energy to power up lighting devices. By the end of 2023, 1,907 bus stops were equipped with solar power equipment. KMB now installed 30,000 solar panels in total in order to illustrate how its development blueprint for new energy would apply in practice.

5G Technology

Moving towards a Smart City is one of the key development directions of Hong Kong. With the rise of industry-leading 5G mobile network technology, KMB has explored the use of 5G technology in daily operations. Among the KMB's bus fleet, around 2,500 buses will be gradually upgraded to incorporate 5G technology and provide free 5G Wi-Fi service. The On-board Occupancy Display has been set up in the compartment to show the number of seats available on the upper deck and the real-time bus occupancy rate on app1933 gives information on occupancy for the next three buses with icons.



Electronic Payment System

KMB has introduced electronic payment systems to the entire fleet. The e-payment system, which accepts more payment methods than any other public transport operators' system, now supports sixteen platforms including the newly added American Express along with Discover / Diners Club, WeChat Pay HK, and Weixin Pay, enabling contactless payment, mobile payment and QR code payment. Fare concession schemes, including the Regional Short-haul Two-way Section Fare Scheme and BBI discount schemes between KMB and LWB routes, are also supported by the e-payment system.



Ⓐ Leveraging 5G and innovative technology, KMB designs a graphic display to show the real-time occupancy rate of upcoming buses on its mobile application, app1933

BUSINESS REVIEW



Ⓜ KMB manages its team according to international standards, ensuring a high quality of service among the professional maintenance personnel

app1933

KMB launched the KMB and LWB mobile app, app1933, which has been well received by the public. Passengers may check information about bus routes and their estimated time of arrival conveniently.

app1933 provides the Bus Estimated Time of Arrival ("ETA") service of other franchised bus operators to make bus journey planning more comprehensive and easier for passengers. In spite of receiving nearby route information at bus stops through Bluetooth Beacon signal, app1933 carries an enhanced intrinsic location-based function, enabled by the "KMB Info" feature, to provide relevant traffic conditions, weather information and bus route suggestions based on the current location of the user.

Performance Assurance

KMB has been providing reliable franchised bus services in Hong Kong for 90 years and is an industry leader in operational and service excellence. KMB measures its operational performance by reference to the key performance indicators, mechanical reliability¹ and operational capability². In 2023, KMB achieved 150,249 km:1 in mechanical reliability and 96.78% in operational capability.

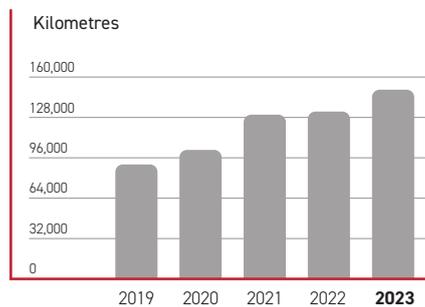
Depots

Routine maintenance and repair services are provided at KMB's four major bus depots in Kowloon Bay, Lai Chi Kok, Sha Tin and Tuen Mun, while minor maintenance services and parking are available at ten smaller depots. 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.

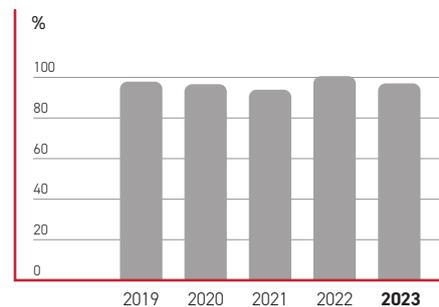
¹ Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board.

² 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 bus network.

Mechanical Reliability¹ – KMB



Operational Capability² – KMB



Note: Operational capability was affected by social distancing measures in 2020 and 2021.

Management System Standards



Quality Management Systems (ISO9001)

Year of Adoption Since
1999

(Adopted to the latest version in 2018)



Environmental Management Systems (ISO14001)

Year of Adoption Since
2003*



Occupational Health and Safety Management Systems (ISO45001)

Year of Adoption Since
2019

(Migrated from OHSAS18001:2007)

* The two largest depots of KMB have been certified.

Major Depots Serving KMB and LWB Buses

Depots	Areas Served/Main Purpose of Depot	Gross Floor Area (Square Feet)	Number of Buses Served as of 31 December 2023	Year in which Operations Commenced	Remarks
KMB Depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,086	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant.
Lai Chi Kok Depot	South and West Kowloon	648,946	858	2002	The depot land has been leased from the Government on a short-term tenancy [#] .
Sha Tin Depot	North and East New Territories	720,005	1,138	1988	The depot land was acquired at a public auction in 1984.
Tuen Mun Depot	West New Territories	148,961	973	1979	The depot land was acquired at a public auction in 1974.
KMB Overhaul Centre	Bus Overhaul	380,915	N.A.	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	285	1998	The depot land has been leased from the Government on a short-term tenancy [#] .
Total		2,749,287	4,340		

[#] Under the short-term tenancy agreement, rentals at market rates are payable to the Hong Kong SAR Government.

BUSINESS REVIEW

Hong Kong Franchised Public Bus Operations

Long Win Bus Company Limited (“LWB”)



new

10-year
franchise granted

LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1997. LWB was granted a new 10-year franchise by the Hong Kong SAR Government, starting from 1 May 2023. LWB's network currently covers the Airport, Tung Chung, Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.





▲ LWB is making multiple measures to meet the travel needs of passengers using the Hong Kong-Zhuhai-Macao Bridge and the Airport in response to the resumption of the normalcy of society and the increasing demand for cross-boundary bus routes

Resumption of Normalcy

LWB's customer sources are mainly tourists and tourism-related activities. After the cancellation of social distancing and inbound and outbound quarantine restrictions in Hong Kong in 2023, locals are generally travelling again, and the number of visitors to Hong Kong has gradually rebounded, significantly improving LWB's passenger flow. LWB implemented measures to increase its bus service level from the pandemic level and ensure that public needs are met.

New Fare Adjustment

KMB and LWB adjusted their fares with effect from 18 June 2023. As approved by the Chief Executive in Council, LWB fares are set to increase by an overall actual weighted average rate of 4.2% after a 0.3 percentage points migration effect by its Franchised Bus Toll Exemption Fund. The average increment of each LWB journey is HK\$0.5.

New 10-year Franchise

LWB has been granted a new 10-year franchise by the Hong Kong SAR Government, starting from 1 May 2023. In the new term, the KMB Monthly Pass Scheme covers LWB bus routes to reward passengers. The Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X- routes operated by LWB and enjoy a 73% off on bus fare when taking LWB's A and NA routes. This provides Pass holders with access to a bus network that connects different boundary control points.

Electronic Payment System

LWB is the first franchised bus company in Hong Kong to provide diversified e-payment services for the convenience of passengers, especially those from overseas without access to the local currency or an Octopus card upon arrival in the city. The Company continued to enhance its e-payment system in 2023 and accepted payments using American Express, Discover / Diners Club, WeChat Pay HK, and Weixin Pay. Currently, the system accepts sixteen payment methods including contactless payment, mobile payment and QR code payment, making it, together with KMB's, the e-payment system which accepts more payment methods than any other public transport operators' system.

Bus Service Network

At the end of 2023, LWB operated 42 routes. Subsequent to the cancellation of social distancing measures and inbound and outbound quarantine restrictions, demand arising from the Hong Kong-Zhuhai-Macao Bridge ("HZMB") and the Airport resumed rapidly. In view of this, LWB strengthened and resumed relevant services to cope with the demand. Especially for the HZMB area, some routes were re-routed to extend the service coverage to include districts such as Sha Tin, Tsuen Wan, Kwai Tsing, Yuen Long, Tai Po and North District.

Bus Fleet and Fleet Upgrade

LWB introduced 24 new buses equipped with the latest safety devices in 2023. As of 31 December 2023, LWB operated 281 double-deck buses, including 136 buses which are 12.8 metres in length, and four electric single-deck buses, all wheelchair accessible and equipped with the On-board Electronic Bus Stop Announcement System.

BUSINESS REVIEW



▲ LWB has equipped its entire fleet with the electronic payment system, offering sixteen different e-payment methods to bring convenience to travellers in Hong Kong

Safety and Customer Service

LWB buses are regularly and thoroughly serviced to make sure that they are maintained at the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, with safety briefings held from time to time and safety reminders circulated to bus captains. To enhance driving safety, the Driving Monitoring System and the Advanced Driver Assistance System were installed on LWB buses, which give early warnings to bus captains and provide assistance in their driving performance. In addition, the LWB customer service and airbus ticket office at the Hong Kong International Airport Ground Transportation Centre offers e-payment methods to provide more options for passengers and tourists.

Environmental Protection

LWB is fully aware of the importance of environmental protection as it continues to invest in environmentally friendly buses to meet the stringent emission standards of the European Council of Environmental Ministers. The proportion of Euro V or above and electric buses in the LWB fleet now stands at over 96.84%.

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

LWB's Bus Fleet	Double-deck Buses	Electric		Total Number of Buses
		Single-deck Buses		
As of 1 January 2023	261	4		265
Addition during the year	24	0		24
Disposal during the year	(4)	0		(4)
As of 31 December 2023	281	4		285

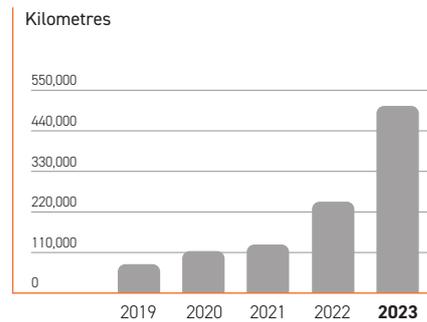
Performance Assurance

LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency are maintained at the highest level across its bus fleet. LWB measures its operational performance by reference to two key performance indicators, mechanical reliability¹ and operational capability². In 2023, LWB achieved 508,657 km:1 in mechanical reliability and 98.84% in operational capability. LWB obtained ISO9001:2008 Quality Management Systems certification in November 2012, and has adopted the latest version of ISO9001 since August 2018.

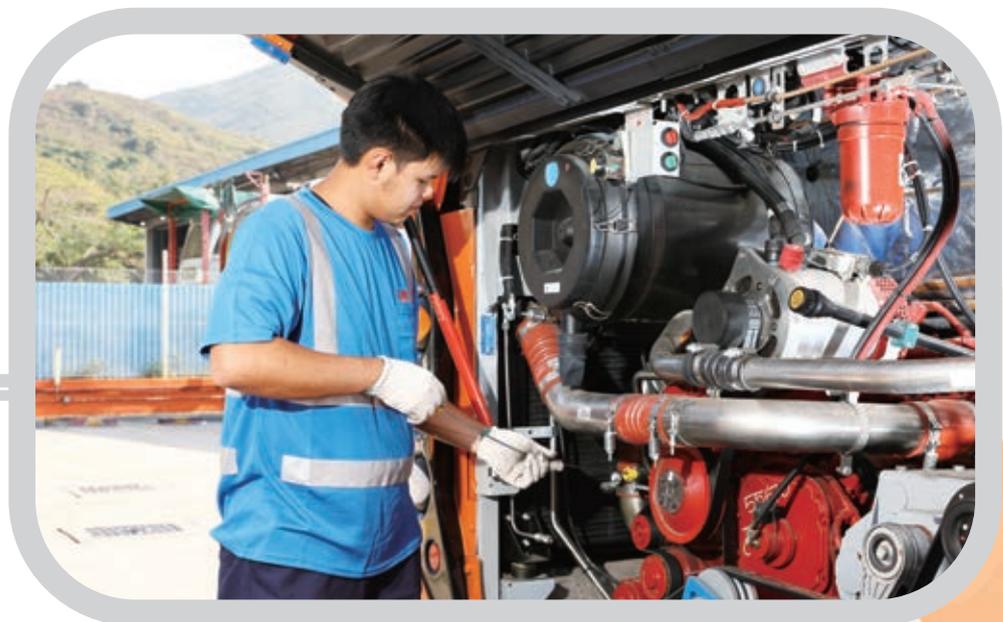
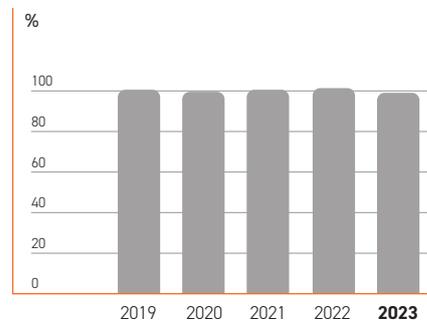
Depot

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 complies with the statutory requirements before discharge into the public drainage system. A rainwater collection and water recycling system was installed at the Siu Ho Wan Depot to increase water saving.

Mechanical Reliability¹ - LWB



Operational Capability² - LWB



Ⓐ LWB regularly conducts rigorous maintenance and inspections for its fleet to ensure bus safety

¹ 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.

² 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 bus network.

BUSINESS REVIEW

Hong Kong Non-franchised Transport Operations

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



newly deployed

50 Euro VI buses

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





Ⓐ The bus fleet of Sun Bus is equipped with double-deckers to meet the travel needs of customers



Corporations



Shopping Malls



Residential Estates



Travel Agents



Schools

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

In 2023, in pace with the gradual resumption of the normal operation of private companies, Government departments and schools, the SBH Group maintained its market-leading position by introducing new coaches to its fleet. To further strengthen its competitiveness, the SBH Group will purchase more electric vehicles and promote wider application of technology. During 2023, 50 new Euro VI buses equipped with seatbelts, speed limiters and tachographs (commonly known as "black boxes") have been deployed.

Hong Kong's aging population has resulted in a continued decline in the labour force, and the public transport industry has witnessed a severe shortage of drivers. In view of this, SBH Group has applied for imported labour from the Mainland through the Government's Labour Importation Scheme. Besides, the optimisation of recruitment and retaining practices have been in place to recruit more drivers and retain experienced staff.

The SBH Group is committed to continuously cultivating its elite management and operation teams so as to establish a reputable service for its customers.

BUSINESS REVIEW

Hong Kong Non-franchised Transport Operations

New Hong Kong Bus Company Limited (“NHKB”)

**24-hour**
cross-boundary shuttle bus service

NHKB operates a direct, value-for-money, 24-hour cross-boundary shuttle bus service known as the “Huang Bus” to cater for the needs of regular commuters, leisure travellers and tourists between Lok Ma Chau, Hong Kong and Huanggang, Shenzhen.





📍 NHKB provides 24-hour cross-boundary shuttle bus services for travellers

The Lok Ma Chau Port has been re-opened since 6 February 2023 when the COVID-19 pandemic started to ebb away. On the same day as the reopening of the port, our Huang Bus was able to resume service simultaneously. This was possible thanks to regular checks and assessments on our fleet and facilities, maintaining our operational and safety performance throughout the service suspension period.

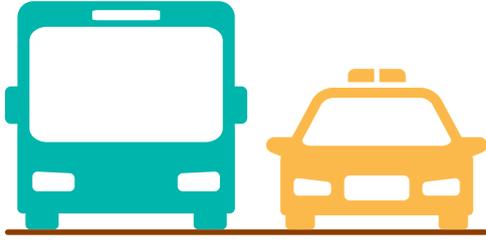
Though patronage of Huang Bus has been on a steady rise since February 2023, it has not yet returned to the pre-pandemic level. Tourists are drawn to the newly opened Liangtang/Heung Yuen Wai Port, commissioned in February 2023, where collaborative inspection and joint clearance are available. In the summer of 2023, the Huang Bus service was impacted by adverse weather conditions. Despite the challenges, the service persevered and stood out as the sole cross-boundary connection between Hong Kong and Shenzhen during an extreme weather event in early September 2023.

Looking ahead in 2024, the advantage of the Lok Ma Chau/Huanggang port as the only one open 24 hours each day could diminish if the service hours of other ports are extended to meet community demands. Despite the challenges ahead, NHKB is devoted to improving the service frequency of Huang Bus, so as to ensure reliable and quality service for passengers under any circumstances.



BUSINESS REVIEW

China Mainland Transport Operations



Shenzhen's patronage
increased by

18%

in 2023

The Group holds 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.





Ⓜ SZBG has over 5,000 taxis, serving customers in Shenzhen for nearly 20 years

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 which has been operating public bus and taxi services in Shenzhen since 2005.

SZBG has a fleet of over 4,900 buses operating on more than 330 routes, and more than 5,000 taxis. As a result of the cross-boundary reopening and the lifting of COVID-19 pandemic measures in 2023, the patronage of SZBG, including that of its bus and taxi operations, increased by 18% to 460.0 million in 2023 as compared to 389.9 million in 2022.

SZBG took the lead in electrifying its bus fleet in 2017 and became the largest public transport operator using new energy in the world. In addition, being ISO9001:2008 certified 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 of the Group, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司).

With a fleet of more than 3,500 taxis, BBKT continues to put service quality first as it explores sustainable new business opportunities.

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.

BBF has more than 1,000 vehicles available for charter, mainly serving Beijing (北京) and Tianjin (天津). Being ISO9001:2008 certified for its Quality Management Systems in the provision of car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions held in the capital.



Ⓜ BBKT owns over 3,500 taxis and it is the first Sino-foreign joint stock company to enter the taxi hire and car rental sector in Mainland China

BUSINESS REVIEW**Property Holdings and Development**

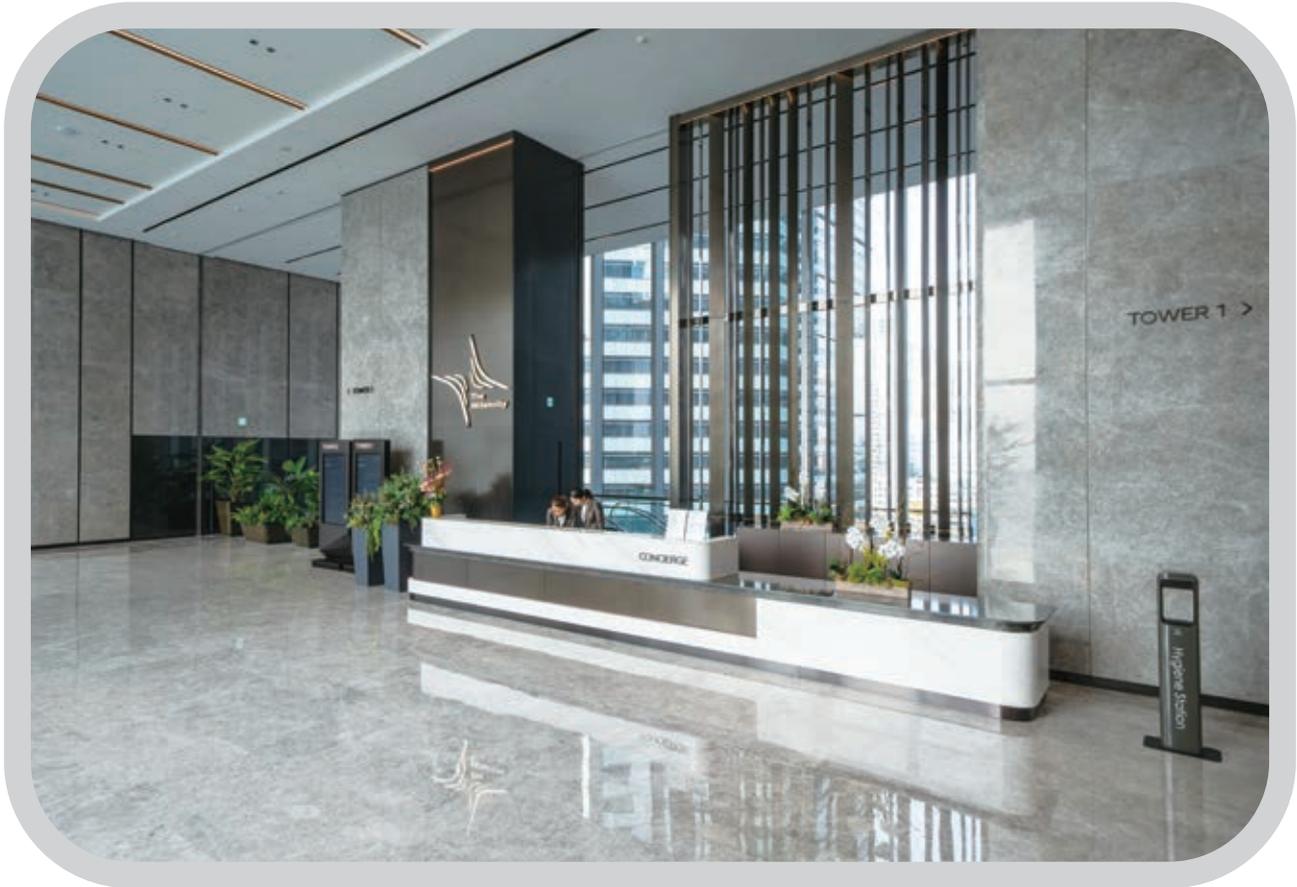
The Group has a portfolio of investment properties which provides steady rental income for the Group.



The Millennity with
a total gross floor
area of

1,150,000
square feet





- Ⓜ The Millennity has completed the construction of its two Grade-A office towers, and some tenants have already moved in and commenced operations

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 The Millennity in equal shares as tenants in common for long-term investment purposes. The property is located at No. 98 How Ming Street, Kwun Tong, Kowloon.

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

The Millennity provides Grade-A offices with a total gross floor area of approximately 650,000 square feet. It consists of two 20-storey towers and a large shopping mall situated on a 10-storey podium covering leisurely retail space of approximately 500,000 square feet. Ample parking spaces are available, all equipped with electric vehicle charging systems. The property project has achieved LEED Platinum pre-certification and WELL Platinum pre-certification. It has also been awarded a Platinum pre-certification for new buildings under BEAM Plus.

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

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

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 lettable area is used by the Group as headquarters while the remaining area is leased out to offices, shops and restaurants.

BUSINESS REVIEW

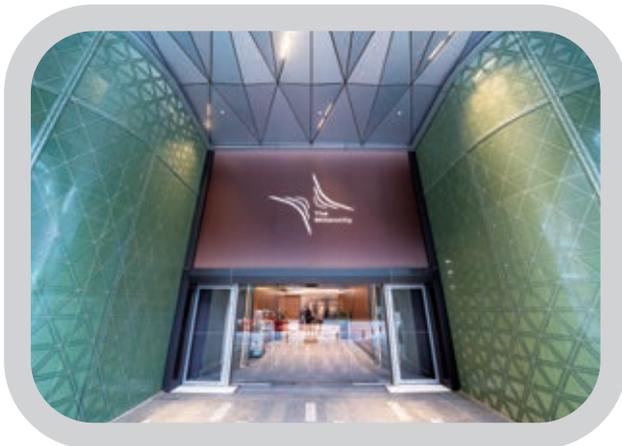


Ⓐ The Millennity has adopted a Building Information Modeling and a high-precision 3D geometric model system to digitalise property information

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 2023, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.



TM Properties Investment Limited ("TMPI")

TMPI is jointly owned by TM Properties Holdings Limited ("TMPH"), an indirect wholly-owned subsidiary of TIH, and Mega Odyssey Limited ("MOL"), an indirect wholly-owned subsidiary of SHKP subsequent to TMPH's disposal of 50% equity interest in TMPI to MOL in 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of TIH.

TMPI owns an industrial property which is currently designated for industrial use, godown purposes, or both. On 23 June 2023, TMPI obtained approvals from the Town Planning Board for a change of use from industrial to office, shop and services. At the end of 2023, the entire lettable area of the property was leased to generate rental income for the Group.

Ⓐ The Millennity, comprising two 20-storey Grade-A office towers and a 10-storey podium with a large shopping mall, is a long-term property investment project of the Group

The Group's Property Holdings and Development:

Property	Usage	Total Gross Floor Area (Square feet)	Group's Interest (%)	Remarks
The Millennity, 98 How Ming Street, Kwun Tong, Kowloon	Office/Retail (Note 1)	1,150,000	50	The site was acquired at a public auction in 1967.
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.
Tuen Mun Town Lot No. 80, 1 Kin Fung Circuit, Tuen Mun, New Territories	Industrial/ Godown	105,364	50	The site was acquired at a public auction in 1974.

Note:

- In 2023, The Millennity completed the construction of its two office towers. Some tenants have already moved in and commenced their operations. On the other hand, the construction of the podium mall beneath The Millennity is still under construction and is scheduled to have its grand opening in 2024.



Ⓜ The Manhattan Mid-town shopping mall, a high-end podium mall located in Lai Chi Kok, has fully leased out the entire lettable area, providing a recurring rental income for the Group

SUSTAINABILITY REPORT

About the Report

In 2023, Transport International Holdings Limited ("TIH") continued to make progress in its journey to create sustainable values for its stakeholders and the community at large. TIH is committed to building sustainable legacies through safe operations, innovative service, community care and environmental protection.



Carbon Footprints of Bus
(tCO₂e per million km)

FY 2023 target: -10%

Result by FY 2023:

-10.21%

(Target Met)



Diesel Oil
(GJ per million km)

FY 2023 target: -10%

Result by FY 2023:

-10.11%

(Target Met)

Reporting Focus

The Sustainability Report (the "Report") of TIH provides descriptions and highlights of the environmental and corporate social responsibility performance and sustainability achievements of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB"), TIH's wholly-owned subsidiaries. These two Hong Kong franchised public bus companies comprise significant business operations of TIH. The Report covers the reporting period from 1 January to 31 December 2023.

There were no significant changes with regard to TIH's size, structure, ownership or supply chain during the reporting period. In the 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 the Report cover the performance of KMB and LWB during the entire reporting period. There is no specific limitation on the scope and boundary of the Report in respect of KMB's and LWB's operations.

Reporting Principles

The Report was prepared in accordance with the latest Global Reporting Initiative ("GRI") Standards 2021 and the Appendix C2: Environmental, Social and Governance Reporting Guide ("the ESG Reporting Guide") issued by the Hong Kong Exchanges and Clearing Limited ("HKEX"). The GRI Content Index correlates GRI disclosures with associated sections in this report. The Group strictly adheres to the reporting principles of materiality, quantitative, balance and consistency which are set out in the ESG Reporting Guide.

SUSTAINABLE DEVELOPMENT GOALS



**Responsible
Consumption and
Production**



**Peace, Justice
and Strong
Institutions**

Six Environmental Targets for Key Performance Indicators from FY 2021-2023 (Baseline: FY 2019)



Electricity
(kWh per m²)

FY 2023 target: -20%

Result by FY 2023:
-43.06%*
(Beyond Target)



Water
(m³ per bus)

FY 2023 target: -25%

Result by FY 2023:
-22.54%*
(Near Attainment of Target)



Solid Chemical Waste
(kg per million km)

FY 2023 target: -8%

Result by FY 2023:
-16.75%*
(Beyond Target)



Metal
(kg per million km)

FY 2023 target: -4%

Result by FY 2023:
-4.51%
(Target Met)

* In 2022, given the local impact of the COVID-19 epidemic since 2020, we adjusted our investments in environmental initiatives for electricity and water reduction, rescheduled the deployment of electric buses, and revised our electricity and water consumption targets accordingly. In 2023, KMB and LWB introduced a series of initiatives to reduce electricity consumption, including the forming of "Green and Clean Teams" among staff members to ensure the adoption of best practices for electricity saving. While society has returned to normalcy, KMB and LWB continued to enhance the cleansing and hygiene standards of their bus fleets in 2023, resulting in an increase in water consumption. Also, the reduction of solid chemical waste was beyond expectation mainly based on the successful measures by using a new tyre model which has extended its lifecycle and implementing the advanced engine oil replacement cycle.

Reporting Principles	Application
Materiality	To identify the material ESG-related issues, a stakeholder engagement exercise was conducted to collect opinions and feedback from stakeholders. The material ESG issues are incorporated into the Group's core business strategy. For details, please refer to the section "Stakeholder Engagement and Materiality Assessment".
Quantitative	The Group discloses its ESG performances in a quantitative manner. Data and statistics are presented as absolute figures and are normalised into comparable terms as far as possible. For details, please refer to the section "Performance Statistics".
Balance	The Group prepares this report and discloses its ESG performance and achievements in a transparent, unbiased and fair manner.
Consistency	The Report has been prepared in accordance with the latest Global Reporting Initiative ("GRI") Standards 2021 and the Appendix C2: Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by the Hong Kong Exchanges and Clearing Limited ("HKEX").

To align our strategies with international sustainability principles, the Report also makes reference to the United Nations Sustainable Development Goals ("UNSDGs") and the recommendations on the Task Force on Climate-related Financial Disclosures ("TCFD") established by the Financial Stability Board ("FSB"). In addition, through engagement exercises such as annual passenger liaison group meetings and interviews with representatives of different interest

groups, we have identified stakeholder concerns and incorporated them into our sustainability strategies. 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 the Report, please contact us via ccd@kmb.hk.

SUSTAINABILITY REPORT



服務業 Services Sector
銀獎 SILVER AWARD
中銀香港 BOCHK
企業低碳環保領先大獎2022
Corporate Low Carbon Environmental Leadership Award

Major Recognition and Awards

We aim to deliver excellent public transport services in a sustainable manner, we are pleased to announce that we received a number of prestigious awards in 2023.



Corporate Social Responsibility

- Ⓐ 2021 Hong Kong Awards for Environmental Excellence (Transport and Logistics) - Gold Award from the Environmental Campaign Committee;
- Ⓐ Best Corporate Governance and ESG Awards 2023 - Special Mention Corporate Governance, Non-Hang Seng Index Category (Small Market Capitalisation) from The Hong Kong Institute of Certified Public Accountants;
- Ⓐ 20 Years Plus Caring Company Logo from The Hong Kong Council of Social Service;
- Ⓐ BOCHK Corporate Environmental Leadership Awards 2022 - Services Sector Silver Award, Low-Carbon Commitment and Eco Challenger from the Federation of Hong Kong Industries;
- Ⓐ People Development Award - Bronze and Environmental, Social and Governance Award - Merit in the Customer Service Excellence Award from the Hong Kong Association for Customer Service Excellence;
- Ⓐ Manpower Developer Award Scheme - Super MD 2023-28 from the Employees Retraining Board;
- Ⓐ The Good MPF Employer Award 2022-23 from the Mandatory Provident Fund Schemes Authority;
- Ⓐ Industry Cares Recognition Scheme (Enterprise Group) - Outstanding Caring Award and The Most Innovative Award from the Federation of Hong Kong Industries;
- Ⓐ Hong Kong Green Organisation Certification - Energywise Certificate (Excellent Level) from the Environmental Campaign Committee;
- Ⓐ Hong Kong Green Organisation Certification - Wastewise Certificate (Excellent Level) from the Environmental Campaign Committee;
- Ⓐ 2022/2023 Annual Presentation of Awards Ceremony - Award of Excellence from The Community Chest of Hong Kong;
- Ⓐ TVB ESG Awards 2023 - ESG Special Recognition Award from the Television Broadcasts Limited;

- Ⓐ Charter on Employment Friendly from The Hong Kong Council of Social Service;
- Ⓐ The 21st Hong Kong Occupational Safety & Health Award - Best OSH Video Performance Award (Gold Award), OSH Strategic Partnership and OSH Enhancement Program Award from Occupational Safety & Health Council;
- Ⓐ ESG Pledge Scheme from The Chinese Manufacturers' Association of Hong Kong;
- Ⓐ Charter on BEC Net-zero Carbon from Business Environment Council;
- Ⓐ Recognition of the Jockey Club Age-friendly City Partnership Scheme 2022 from The Hong Kong Jockey Club Charities Trust;
- Ⓐ The Racial Diversity & Inclusion Charter for Employers from the Equal Opportunities Commission; and
- Ⓐ Sport-Friendly Action Decal from Chinese YMCA of Hong Kong.

Brand

- Ⓐ IFAPC Outstanding Listed Companies Award 2023 from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited (IFAPC);
- Ⓐ Gold Award for Interior Design, Bronze Award for Infographics and Honours for Photography in the Transportation and Leasing category of the 2023 International ARC Awards from MerComm, Inc;
- Ⓐ Silver Award for Hong Kong ICT Awards 2023 - Smart Mobility (Smart Transport) from the GS1 Hong Kong;
- Ⓐ Reader's Digest Trusted Brands 2023 Gold Award - Public Transport category from the Reader's Digest;
- Ⓐ Smart Living Partnership Awards 2022 - Outstanding All Man Kind Inclusive Bus App from ET Net;
- Ⓐ Eco-Brand Awards 2022 from East Week magazine; and
- Ⓐ Excellence in Living Smart Award 2023 - Chill Out from Ming Pao.



Sustainability Governance

We adhere to the recommended best corporate governance practices to achieve sustainable business development. We ensure compliance with applicable legal and regulatory requirements while considering the interests of our stakeholders. The Group has adopted an integrated management approach to guide the sustainable development of TIH based on the principles of integrity, equity and transparency. This integrated management approach is strengthened by ongoing staff training and communication with stakeholders. The Board of Directors of TIH (the "Board"), as its highest governance body, is responsible for stewarding the long-term development of the Group and 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 158 to 166 of our 2023 Annual Report.

The overall strategic planning and accountability for the Group's sustainable development rest with our Board, which determines the sustainability strategy and oversees its progress. Our ESG Task Force, under the oversight of the Board, implements the Board's ESG strategy and policies to drive sustainable initiatives throughout our operations, including safety, environmental protection, staff welfare,

community engagement and volunteering. The ESG Task Force is also responsible for optimising environmental performance, raising staff awareness on corporate social responsibilities, sharing knowledge and industry best practices 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 adopts a systematic approach and uses a set of consistent risk assessment criteria to identify and manage risks. Accurate risk information is provided for the Management to assist them in decision-making and risk control without compromising cost-effectiveness and efficiency. In addition, with the Enterprise Risk Management System, the Management monitors and reviews risk levels of various issues that might impact the Group, including climate change, to ensure that risk exposure remains at an acceptable level. A Key Risk Indicator Report ("KRI Report") summarises the Group's major risks identified by the Management and is submitted to the Audit and Risk Management Committee three times a year. The KRI Report provides a comprehensive profile of the major risks and the mechanisms established by the Management for monitoring these risks.

For details of our corporate governance, please refer to pages 130 to 153 of our 2023 Annual Report.

SUSTAINABILITY REPORT

Legal and Regulatory Compliance

TIH is committed to conducting business activities in compliance with the laws of Hong Kong. All directors and staff of the Group are subject to a written Code of Conduct when discharging their delegated duties. The Code of Conduct provides guidance on personal conduct, relations with suppliers and contractors, responsibilities to shareholders and the community, customer relations, and employment practices, as well as procedures for monitoring compliance and enforcement to promote ethical values in business activities. The Code of Conduct is available on the staff website for easy access and is reviewed and updated periodically to reflect the latest regulatory changes.

TIH's employment practices are also reviewed on a regular basis. We strictly adhere to the Employment Ordinance of Hong Kong and prohibit the hiring of child labour (a person below the local minimum age for employment or under the age of 15) and any form of forced labour.

The Group has a whistleblowing policy to encourage employees and related third parties 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. The Group will take appropriate follow-up actions, including disciplinary actions, 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), the Group will make a report to the Independent Commission Against Corruption ("ICAC"). We have not committed any offence of corruption under this Ordinance. Furthermore, we invited the ICAC to provide training to the Board and employees to enhance their awareness of anti-corruption and integrity management bi-yearly. We had zero concluded legal cases regarding corruption during the reporting year.

Stakeholder Engagement and Materiality Assessment

Stakeholder engagement exercises and materiality assessments provide a solid basis for developing our sustainability reports. This exercise helps identify sustainability topics that are most relevant to both our operations and 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 Chatbot 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.

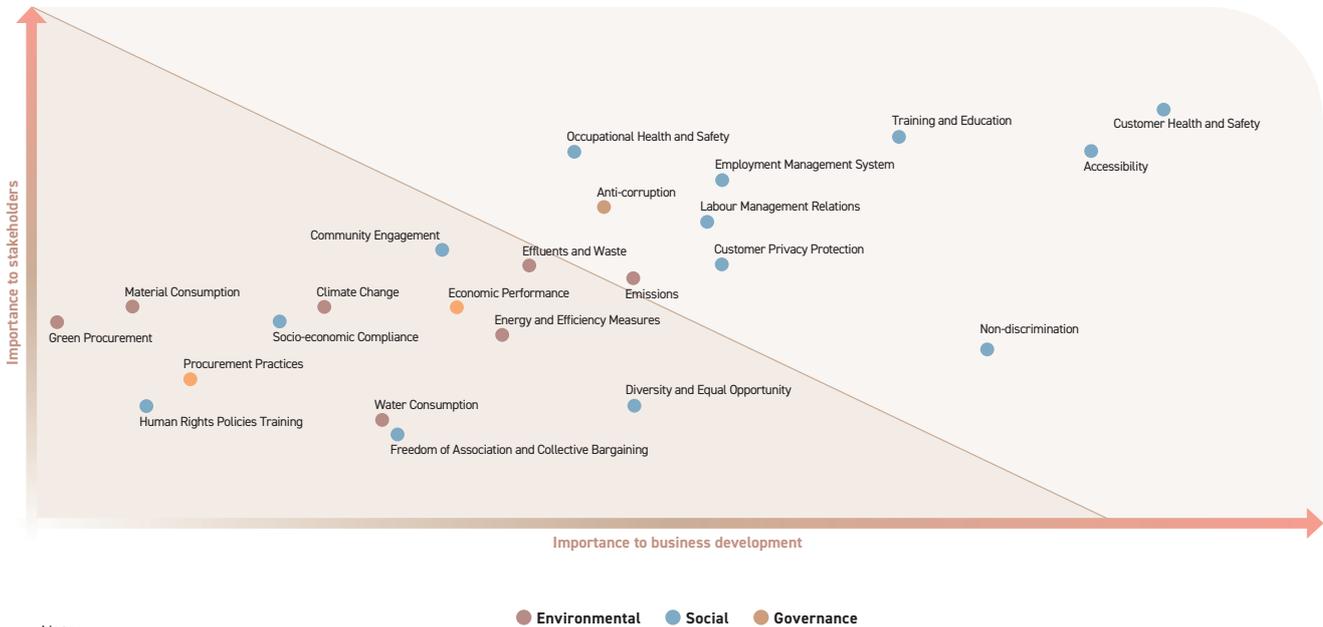
TIH engaged an external consultant to carry out a series of stakeholder engagement activities to define the scope of the Report and to identify material economic, environmental and social topics concerning the principles and requirements of the GRI Standards, the HKEX ESG Reporting Guide, the UNSDGs and the TCFD climate-related disclosures. We invited representatives from various stakeholder groups, including passengers, employees, members of the KMB volunteer team, suppliers, non-governmental organisations (e.g. social organisations and green groups) to participate in stakeholder engagement activities involving surveys, focus group meetings and interviews.

Taking into account the findings from the survey results and annual materiality assessments carried out over the past few years, we have mapped the materiality of twelve 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 identified as emerging in importance. The top ten issues were prioritised as material for TIH to address and report. The eleventh and twelfth issues, community engagement and energy and efficiency measures, which have been reported in the previous years, are also included for consistency. The ESG Task Force further reviewed and validated the material topics to ensure a consistent and balanced representation of the Group's sustainability performance and impacts. The following material topics have been prioritised for disclosure in TIH's Sustainability Report with corresponding boundaries specified:

Aspects	Material Topics	Reporting Boundaries				
		Internal Stakeholders	Customers	Suppliers	Contractors	NGOs
Environmental	Emissions	✓			✓	✓
	Effluents and Waste		✓		✓	
	Energy and Efficiency Measures		✓		✓	
	Water Consumption				✓	
	Environmental Compliance	✓	✓		✓	
	Green Procurement				✓	
	Material Consumption				✓	✓
	Climate Change				✓	✓
Social	Customer Health and Safety	✓	✓	✓	✓	✓
	Customer Privacy Protection	✓	✓		✓	
	Employment Management System	✓	✓	✓	✓	✓
	Labour Management Relations	✓	✓	✓	✓	
	Training and Education	✓	✓	✓	✓	
	Occupational Health and Safety	✓	✓	✓	✓	✓
	Community Engagement			✓	✓	✓
	Socio-economic Compliance			✓	✓	✓
	Diversity and Equal Opportunity	✓				
	Forced and Child Labour	✓	✓	✓	✓	
	Human Rights Policy Training				✓	
	Freedom of Association and Collective Bargaining	✓		✓	✓	
	Accessibility	✓	✓	✓	✓	✓
	Non-discrimination	✓			✓	✓
Governance	Anti-corruption	✓	✓	✓	✓	✓
	Procurement Practices		✓	✓	✓	✓
	Economic Performance		✓	✓		

SUSTAINABILITY REPORT

Materiality Matrix



Note:

The topics "Environmental Compliance" and "Forced and Child Labour" are excluded from the materiality matrix given that they are standard practices in operations.

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

Key Areas of Interest	Stakeholders' Comments	Our Responses and Relevant Disclosures in the Report
Safety	<ul style="list-style-type: none"> ⬆ To enhance bus safety through innovative technologies; ⬆ Strengthen public safety education; and ⬆ Upgrade bus safety facilities such as installing safety belts for all seats. 	Safety has been a top priority of our operations. We make great efforts to implement safety measures and promote safety awareness. (See details in Safety First)
Environment	<ul style="list-style-type: none"> ⬆ To recycle waste from the operation; and ⬆ Further explore green energy opportunities and clean energy infrastructure. 	We seek to minimise the impact of our operations on the environment by employing energy-efficient buses and exploring green energy and zero-emission bus technologies. (See details in Caring for the Environment)
Customers	<ul style="list-style-type: none"> ⬆ To improve accessibility for the elderly and people with disabilities; ⬆ Design bus routes that cover more areas; and ⬆ Explore further digitalisation of the bus management system. 	Bus facilities and compartment designs have been upgraded to provide better accessibility and comfort for passengers. (See details in Caring for Customers)
Employees	<ul style="list-style-type: none"> ⬆ To enhance communication with internal stakeholders. 	To strengthen bilateral communication, we have built a variety of internal communication channels and platforms for employees. (See details in Caring for Employees)
Community	<ul style="list-style-type: none"> ⬆ To participate more actively in key environmental and social sustainability issues (business operation and engagement with external stakeholders) and improve transparency on progress and performance. 	We play an active role in various community activities and make good use of different platforms and occasions to communicate with the public. (See details in Stakeholder Engagement)

Supply Chain Management

We believe an integrated upstream supply chain management is key to quality and logistics control. We work closely with our business partners to develop new buses and services that are adapted to the local climate and operational environment, whilst prioritising energy efficiency and the latest emission standards.

We encourage fair and open competition with the aim of developing long-term relationships with suppliers based on mutual trust. Our supply chain policies and procedures are in place to ensure ethical procurement of supplies and services, which allow us to deliver high-quality end products that our customers can trust. In 2023, KMB and LWB added 70 new suppliers considering their potential capability and also considering social criteria (100% of new suppliers were screened). Meanwhile, in 2023, KMB and LWB procured from 408 local and 34 non-local suppliers and carried out vendor appraisal on 116 active suppliers (26% of active suppliers) assessing on their performance on quality, continuity of supply and their general services, allowing us to continually improve their services or terminate relationships if they fail. The proportion of spending on local suppliers was 83%.

Our Green and Sustainable Procurement Policy spells out the environmental and social risk considerations that should be taken into account in every purchasing decision. To ensure

our suppliers comply with our social and environmental requirements, we require all of them to declare 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

Our criteria for procurement and tendering of services and goods are based on price, quality, requirements, green and sustainable procurement and other relevant factors. The principles of our procurement and tendering procedures are as follows:

- Ⓐ Fair competition;
- Ⓐ Selection of appropriate contract types according to requirements;
- Ⓐ Compliance with laws, relevant regulations and contractual obligations;
- Ⓐ Consideration on environmental and social factors; 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 interest by staff involved in the selection.

Performance Highlights



Safety

Number of mechanical failures of bus fleet ↓ over 20% in December compared to the same period last year.



Environment

The largest electric bus fleet in Hong Kong.



Customer

Newly-added 1,000 priority seats in bus fleet.



Employee

8.16% of employees were female.



Community

Over 21,000 voluntary hours.



Supply Chain

A Green and Sustainable Procurement Policy is in place.

SUSTAINABILITY REPORT

Safety First



↓20%

mechanical failure of bus fleet
in December compared to the
same period last year

Safety is in everything we do. It is our highest priority and an integral part of our business strategy. We strive to raise our safety standards and performance and continue to invest heavily in improving the safety of our bus operations.





3 Good Health and Well-Being

Safety Policy

The KMB and LWB Safety Policy ensures that injury and health risks are minimised to provide a safe and healthy environment for our employees and the public. All our employees are required to comply with all legal requirements applicable to our operations, and we regularly consult employees to identify opportunities for improvement in our safety management system.

Safety Committees

Safety Committees oversee internal communication on occupational safety and health information, including risks, trends and policies. All Safety Committees meet regularly to discuss safety issues at different levels across the Company.

At the corporate level, there is the Working Committee for Safety that oversees safety issues. The Departmental Safety Committees, Maintenance Safety Committees and Operations Safety Committees are responsible for safety issues relating to departments and sections. Departmental Safety Committees may vary the frequency of meetings depending on the scale of departmental safety risks.

Safety Management

We are dedicated to advancing occupational health and safety. We fully comply with the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance (Chapters 509 and 59, Laws of Hong Kong, respectively). The KMB Occupational Health and Safety Management System adopted to ISO 45001:2018 which promotes continuous improvement of safety performance across all aspects of our business, including bus maintenance and design upgrades.

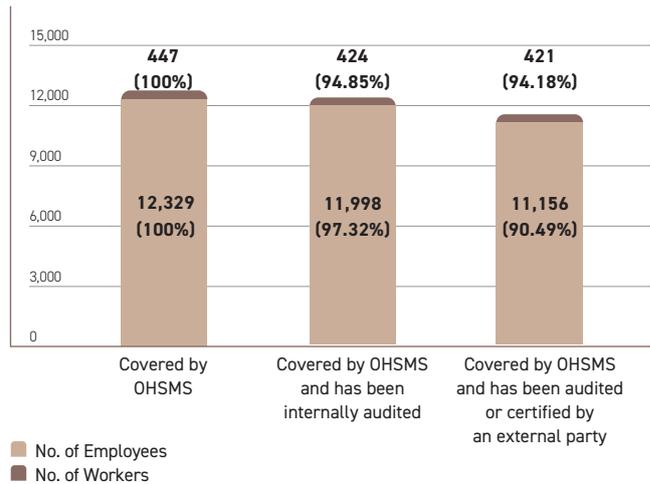
The key benchmarks of our operational performance are mechanical reliability¹ and operational capability². In 2023, the mechanical reliability of KMB's bus fleet was 150,249 km: 1, while LWB's bus fleet was 508,657 km: 1. In 2023, KMB and LWB attained an operational capability of 96.78 % and 98.84% respectively.

Operational Excellence

KMB and LWB are certified to the ISO 9001:2015 Quality Management Systems ("QMS") Standard, demonstrating our commitment to achieving up-to-date operational and service standards through the implementation of robust processes and practices.

Safety Statistics

The number and the percentage of staff and workers covered by our Occupational Health and Safety Management System (OHSMS) are tabulated as follows:



Ⓐ KMB is dedicated to delivering safe and reliable bus services, relying on the KMB Academy to cultivate professional talents for the local bus industry

¹ 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.
² 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 bus network.

SUSTAINABILITY REPORT



- Ⓐ The bus fleet is equipped with multiple safety devices, including the GST System, which provides real-time feedback to help bus captains enhance driving performance

Job Hazard Analysis

With an aim to ensure that both the working environment and staff performance comply with legal requirements, in-house safety rules, and industry best practices; job hazard analysis is conducted by managerial staff together with the relevant workers to assess the risk for a work task. Based on the assessment result, appropriate safety measures will be formulated and implemented to minimise the risk of a work activity.

Regular safety inspections and audits will be performed to ensure that these safety measures are properly implemented and to identify whether there are any improvement opportunities. The inspection result and audit result serve as a basis for reviewing our job hazard analysis. This Plan-Do-Check-Act management approach is employed to sustain a cycle of continuous improvement in safety performance.

Bus Safety Facilities and Maintenance

A number of technological devices, including speed-limiting devices and telematics systems, have been installed 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 spot checks from the Transport Department of the Hong Kong SAR Government.

Latest Bus Safety Measures

GST Safe & Eco Driving System

GST System is a safety and eco-driving system. It replaced the GreenRoad System on the whole KMB and LWB fleets in July 2023. GST System helps evaluate the driving performance and calculate the engine idling time of each and every bus trip, as well as encourage the bus captain to enhance their driving skills and pattern. The driver feedback unit at the dashboard provides real-time audio and visual alerts to the bus captain behind the wheel immediately after he/she has committed a driving behaviour that needs attention or instant rectification in five key driving aspects, including cornering, braking, acceleration, pedal control and speeding.

In addition to receiving instant feedback on his/her driving behaviour, the bus captain can also review his/her performance via the "GST Driver" app, which clearly shows the time, date and location of his/her improper driving behaviour as well as the duration and location where he/she let the engine idle.

Since 2020, KMB has introduced a reward scheme to demonstrate our appreciation to bus captains with good performance in the safety and eco-driving system. The reward scheme is well received by bus captains, who compete among themselves in their respective depots and share knowledge with one another regarding techniques for achieving greater driving safety.

The GST System is conducive to identifying bus captains who need further training and monitoring. With the implementation of such safety and eco driving system, KMB and LWB are further equipped for providing safe and environmentally friendly service to the public.



- Ⓐ The bus fleet has installed a Speed Limiting Retarder that can automatically activate the brake to prevent speeding downhill



Driving Monitoring System (“DMS”)

This monitoring device, mounted on the dashboard, uses image processing and advanced facial recognition technology to detect the level of alertness of a driver. Early audio alerts and vibration warnings through the bus captain seat will be activated when it is suspected that the driver is showing signs of fatigue or abnormality.



Advanced Driver Assistance System (“ADAS”)

The device is installed on the lower saloon windscreen and uses image-processing technology to detect obstacles on the road and calculate the obstacle distance. Early audio alerts and vibration warnings will be activated when “unsafe” conditions are detected.



Electronic Stability Programme (“ESP”)

The ESP is an important safety feature to prevent a bus from skidding or overturning when cornering or operating on a slippery road surface.



Speed Limiting Retarder (“SLR”)

SLR enhances the speed limiters of our fleets. The current speed limiters cut off the fuel supply to the engine when the speed limit is reached. The SLR automatically activates the brakes or retarder to prevent speeding when travelling downhill.



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. Meanwhile, KMB has been working on retrofitting existing buses with safety belts in order to provide better protection to passengers.

SUSTAINABILITY REPORT



- Ⓐ The KMB Academy provides HKQF-accredited professional and comprehensive training courses for new recruits, in-service bus captains and bus captain training instructors

KMB Academy

KMB established the KMB Academy ("the Academy") in January 2022, aiming to nurture talents for the bus industry. The Academy provides professional and comprehensive training programmes for franchised bus maintenance personnel and all bus captains. In 2023, two training programmes, the "Certificate in Continuing Development for In-service Bus Captains" and the "Professional Certificate for Instructors in Franchised Bus Industry" were recognised at Level Three and Level Four respectively under the Qualifications Framework ("HKQF") by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. The number of HKQF programmes in the KMB Academy now totals four.

The "Certificate in Bus Maintenance" at HKQF Level Two for franchised bus maintenance personnel offers knowledge of mechanical operation and industrial safety. Students will also undergo basic technical training, including engine, drivetrain, chassis, electrical appliances, and air-conditioning, with on-the-job training available in KMB and LWB depots. In addition to the HKQF Level Two accreditation, graduates will also receive professional bus maintenance certificates recognised by two European bus manufacturing giants, Alexander Dennis Ltd and Volvo Buses, making them semi-skilled workers with a clear progression ladder through further training.

The "Certificate in Public Bus (Franchised) Driving training"

at HKQF Level Three is planned around building safety consciousness, bus maneuvering skills, and bus route and bus type knowledge. In addition to driving, students will also be trained in customer service and emotional management to further enhance their service standards. Before graduation, assessments are conducted by instructors to ensure student performance meets the standards of KMB.



- Ⓐ In addition to receiving recognition from the HKQF for completing the "Certificate in Bus Maintenance" course, graduates are also recognised by two major European bus manufacturers

The “Certificate in Continuing Development for In-service Bus Captains” is at HKQF Level Three; the training aims at enhancing our in-service bus captains on road safety awareness, driving skills and attitude, including defensive driving techniques.

The “Professional Certificate for Instructors in Franchised Bus Industry” at HKQF Level Four is set to provide our instructors (both Driving Instructors and Technical Instructors) with a better understanding of the role of an instructor at the KMB Academy in terms of enhancing teaching skills, improving teaching quality and fostering professional development whilst taking into consideration their teaching performance, professional behaviour and attitude.

Other than taking care of the training needs of bus maintenance staff and bus captains, the Academy also provides short-term courses and workshops for tertiary institutions covering various topics, aiming to widen students’ understanding of the bus industry, business operations and public institutions. For primary and secondary schools, the Academy offers a variety of on-campus STEM education courses and activities in which students can apply interdisciplinary knowledge and cultivate innovative thinking through “hands-on” and “minds-on” activities.

Public Safety Awareness Programme

Ensuring passenger safety is of utmost importance in our bus operations. Through the use of different channels, we are able to raise public awareness of passenger safety. A series of safety messages are broadcast on the Bus Stop Announcement System in Cantonese, English and Putonghua to remind passengers to hold the handrail at all times. Safety stickers such as “Hold the handrail” and “Fasten the seatbelt” were placed in bus compartments. We also periodically communicate educational messages to the public through our mobile app, app1933, and KMB’s Facebook page.



- Ⓐ KMB and LWB have always prioritised passenger safety and frequently reminded passengers to “Hold the handrail” by putting up stickers in the bus

Safety Bus

KMB is dedicated to promoting road and passenger safety. We modified a single-deck bus into a “Safety Bus” with the theme of “Stop, Look, Listen and Give Way” to reach out to the community. Combining learning with playing through motion-sensing games and virtual reality activities inside the compartment, the Safety Bus allows participating students to learn public transport etiquette, such as fastening the seatbelt, holding the handrail, and learning about blind spots of buses. In order to raise awareness of the participants, staff members from the Safety Department are also present to play quiz games and give short talks on road and passenger safety. In 2023, a total of 587 students visited the Safety Bus.

Apart from safety promotion for school kids, KMB has also worked together with the Hong Kong Police Force to organise safety seminars for the elderly. Our staff deliver road safety messages via various interactions with the elderly so as to promote their safety awareness. In 2023, about 100 elderly persons attended our safety seminars.

Mobile Classroom

The first Mobile Classroom activity was launched by the KMB Academy and the Safety Department in 2023 to promote road and driving safety especially when bicycles and buses are on the road concurrently. More than 200 bus captains and public members were engaged in the activity. They welcomed and appreciated our efforts in engaging different road users (bus captains, cyclists, pedestrians and also bus passengers) while promoting road safety messages.



- Ⓐ Safety Bus pays visits to schools

SUSTAINABILITY REPORT

CASE STUDY



Introducing a Preventive Maintenance System and utilising data analysis to mitigate potential risks associated with mechanical failure

As the "Heartbeat of the City" in Hong Kong, the KMB and LWB fleets must perform at an optimal level of mechanical reliability and operational capabilities, which is crucial to the overall operation of bus services across the city. The KMB engineering team consistently reviews the parts replacement plan, enhances mechanical durability, and improves the quality of components to ensure the fleet maintains the highest standards of safety and service. Recently, they have proactively introduced a Preventive Maintenance System for the fleet, believing that the maintenance policy of "prevention is better than cure" can effectively monitor the condition of various systems and utilise resources for targeted repairs and maintenance.

The Preventive Maintenance System introduced by KMB for the fleet remotely monitors vehicles and major components such as engines, cooling systems, transmissions, braking systems, and

batteries. The monitoring system transmits real-time performance data of vehicle systems to the company's servers for analysis and regularly sends abnormal reports to the engineering staff, helping them to determine the priority of inspections and repairs. By conducting necessary repairs and maintenance in advance based on data analysis, potential risks of components failure are avoided, thereby increasing the safety coefficient of the vehicles.

Since the launch of the Preventive Maintenance System in March last year, the number of mechanical failures of bus fleets in December 2023 decreased by over 20% compared to the same period in 2022, which is concrete evidence of our ongoing commitment to enhancing bus safety by strategically using technology.



“

KMB and LWB operate over 4,000 buses daily, making us one of the largest bus companies globally. We make it our mission to provide safe, reliable, and comfortable bus services to passengers. The KMB engineering team constantly researches and implements various safety and monitoring systems, aiming to achieve the goal of “prevention being better than cure” for the entire bus fleet.

The Preventive Maintenance System was recently introduced to our fleet, which remotely collects real-time performance data of vehicle components. This allows engineers to promptly identify potential issues and accurately predict the probability of component failures, enabling them to devise appropriate repair and maintenance measures to enhance the mechanical reliability and operational efficiency.

Furthermore, the collected data are also used to enhance the efficiency of bus maintenance and servicing. Engineers can prioritise maintenance and servicing tasks based on the performance of vehicle components, effectively allocating manpower and planning parts ordering. This ensures optimal resource utilisation and improves cost-effectiveness.

Andrew Kwan, KMB Operations Director

”



SUSTAINABILITY REPORT

Caring for the Environment



82 electric buses in fleet

We are driving into a new and green era with our eco-friendly bus fleets and many other sustainable innovations and technologies. We strive to become a carbon-neutral bus operator to set a new industry standard in Hong Kong.





Good Health and Well-Being



Clean Water and Sanitation



Affordable and Clean Energy



Industry, Innovation and Infrastructure



Sustainable Cities and Communities



Responsible Consumption and Production



Climate Action

Environmental Policy

We recognise the inherent environmental impacts of our bus services and we 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;
- Ⓐ Reducing our environmental footprint and combating climate change;
- Ⓐ Enhancing staff environmental awareness by providing training in line with our environmental policy, objectives and targets, as well as in relation to the potential environmental impacts arising from our operations;
- Ⓐ Communicating our environmental policy and requirements to our suppliers and making the policy available to the public;
- Ⓐ Responding to environmental enquiries promptly and ensuring effective internal communication on environmental issues; and
- Ⓐ Ensuring compliance with all applicable local environmental legislation and other relevant requirements.

Environmental Management

KMB has been ISO 14001:2015 certified for the Environmental Management Systems implemented in its 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 the Senior Management, the Engineering Team is introducing new and innovative technologies applicable to both bus fleets and bus operations.



- Ⓐ In collaboration with the Environment and Ecology Bureau, the "KMB Green Journey" events introduce the latest environmentally friendly bus fleet to members of the public

SUSTAINABILITY REPORT

TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Adopting TCFD Reporting

The Task Force on Climate-related Financial Disclosures ("TCFD"), developed by the Financial Stability Board ("FSB"), aims to provide a framework for climate-related reporting and offers recommendations on the type of information companies should disclose to better inform investors and other stakeholders of the potential risks and opportunities associated with climate change.

TIH adopted the framework recommended by TCFD, discussing in detail the risks and opportunities associated with climate change, the potential impact on our business, and the actions we are taking to cope with these risks and opportunities. TIH is committed to communicating our approach and strategies through the TCFD's four thematic areas: governance, strategy, risk management, and metrics and targets.

Governance

The overall strategic planning and accountability for the Group's sustainable development rests with TIH's Board-level Committee, which determines the sustainability strategy

and oversees its progress. The Board-level Audit and Risk Management Committee is appointed to oversee strategic ESG-related issues concerning TIH, including climate-related strategies, policies, actions and disclosures. It informs the Board of the strategic risks and opportunities presented by climate change, which forms part of the Board's discussion of TIH's strategic plans.

Our ESG Task Force, under the oversight of the Committee, implements the Board's ESG strategy and policies to drive sustainable initiatives throughout our operations, including safety, environmental protection, staff welfare, community engagement and volunteering. The ESG Task Force is also responsible for optimising environmental performance, raising staff awareness of corporate social responsibilities, sharing knowledge and industry best practices and working with the Enterprise Risk Management Task Force of the Company to assess new emerging ESG-related risks.

Our Vision and Strategy

To ensure our business remains resilient against climate change, we consider potential impacts on different business units and develop plans to mitigate and adapt to climate change. When refining our business strategy, the Group recognises that sustainable development is crucial for long-term success. The Group has identified physical risks, including more frequent extreme weather events, and transition risks, such as regulatory changes and customer



demands, which may affect operations to varying degrees. By identifying and effectively managing the financial risks and opportunities associated with climate change, the Group acknowledges the potential for growth that comes with transitioning towards a low-carbon economy.

As such, to align with the National 14th Five-Year Plan and the emission reduction target of the Hong Kong SAR Government, the Group has determined a clear roadmap on upgrading its whole fleet with new energy buses. In addition, we have set a 3-year six environmental targets for key performance indicators for the financial year ("FY") 2023. Using FY 2019 as the baseline, we plan to reduce the carbon intensity and energy intensity, comprising carbon footprints of bus, oil consumption, electricity consumption and water consumption. We are pleased to announce that both KMB and LWB have reached positive results in six environmental targets by 2023, with more details disclosed from pages 44 to 45.

Risk Management

We have incorporated climate-related risks into the Group's Enterprise Risk Management, utilising a systematic approach and consistent risk assessment criteria to identify and manage risks. Accurate risk information is provided to the Management to assist them in decision-making and risk control without compromising cost-effectiveness and efficiency.

A Key Risk Indicator Report ("KRI Report"), summarising the Group's major risks as identified by the Management, is submitted to the Audit and Risk Management Committee three times a year. The KRI Report offers a comprehensive profile of the major risks and outlines the established mechanism for monitoring them.

Our Environmental Targets

In 2023, TIH appointed an external consultant to review the environmental performance of the Group. To move forward, the Board has already established new Environmental Targets for the period from FY 2024 to FY 2028. We have ensured consistency in our targets by once again using FY 2019 as the baseline year. Additionally, we have expanded the scope to include Hong Kong Franchised Public Bus Operations, Hong Kong Non-franchised Transport Operations and Property Holdings and Development, incorporating six modified environmental targets that specifically address Diesel Consumption (Scope 1), Electricity Consumption (Related to Property/ Real Estate Operations only) (Scope 2), GHG Emissions (Scope 1&2), Water Consumption, Solid Chemical Waste (Hazardous), and Metal Waste (Non-hazardous).



SUSTAINABILITY REPORT

Environmental Targets for Key Performance Indicators by FY 2028

(Baseline: FY 2019)

GHG Emissions

(Scopes 1 & 2)

CO₂e tonnes
(Absolute)

-11%

'000 CO₂e tonnes/km
(Intensity)

-34%

Diesel Consumption

(Scope 1)

'000 GJ/km
(Intensity)

-33%

Electricity Consumption

(Related to Property/Real Estate Operations only) (Scope 2)

kWh/m²
(Intensity)

-35%

Metal Waste (Non-hazardous)

'000 kg/km
(Intensity)

-7%

Solid Chemical Waste (Hazardous)

'000 kg/km
(Intensity)

-13%

Water Consumption

m³/no. of buses
(Intensity)

-34%





▲ LWB signs its first sustainability-linked loan facility with BOCHK, demonstrating the Group's commitment to promoting green transportation

Green Finance

LWB recently closed a HK\$200 million sustainability-linked loan facility with Bank of China (Hong Kong) Limited ("BOCHK") in 2023, bringing the Group's total green loan and sustainability-linked loan facilities to HK\$3,800 million. This figure represents more than 50% of our overall loan facilities, demonstrating the Group's significant efforts to propel Hong Kong towards achieving zero emissions through the use of green finance.

We have established key sustainability performance targets that focus on reducing greenhouse gas emissions from our buses, increasing green procurement practices, and enhancing average training hours for employees. Moving forward, TIH Group will continue to identify suitable financing solutions that will drive Hong Kong's transportation industry into a new era of sustainability.

Greenhouse Gas Emissions Reduction

KMB and LWB seek to minimise greenhouse gas emissions by judicious application of the latest technologies and interventions.

Environmental Bus Fleet

We invest in eco-friendly buses that meet the strict exhaust emission standards of the European Council of Environmental Ministers to create a better environment and minimise climate-related impacts.

At the end of 2023, the KMB fleet comprised 855 Euro VI buses (including three Euro VI diesel-electric hybrid buses), 2,934 Euro V buses, and 56 battery-electric buses, including an addition of 24 new-generation electric buses; while the LWB fleet consisted of 156 Euro VI buses, 116 Euro V buses and four battery-electric buses. The new double-decker electric buses are zero-emission buses that meet the latest standards of KMB, including equipped with solar panel systems, and providing free 5G Wi-Fi internet connection services and featuring ventilation windows. The majority of these buses have been deployed on routes passing through busy corridors to improve the roadside air quality in high-traffic areas.

We have been replacing older bus models with the latest and more energy-efficient bus models to enhance our bus fleet's longevity and environmental performance to achieve zero emissions. The average age of the KMB bus fleet is 7.5 years, while that of LWB is 4.4 years.



▲ The first batch of electric double-deckers has been deployed in the Anderson Road Development Area, receiving strong support from a large number of locals on its maiden trip

SUSTAINABILITY REPORT

Exploring Renewable Energy and Zero-emission Bus Technologies

KMB and LWB strive to explore renewable energy and zero-emission technologies, demonstrating KMB's and LWB's determination to introduce green public transport in Hong Kong. Attaching great importance to pursuing the Government policy of achieving carbon neutrality by 2050, KMB and LWB have rolled out an electrification roadmap. In the long run, KMB hopes that new energy buses will be deployed in the entire fleet to help make Hong Kong a green city. Currently, KMB and LWB have 30 single-deck electric buses. Together with the 52 double-deck electric buses, KMB and LWB have over 80 electric buses, forming the largest electric bus fleet in Hong Kong.

Other environmental facilities in KMB and LWB's bus fleet:

- Ⓐ KMB has introduced the third-generation solar panels on double-deckers, which reduce the air temperature in the bus compartment and supply power to electronic devices in the bus compartment, thereby reducing fuel consumption. The third-generation solar panel bus can save 3-4% of fuel consumption on each bus daily, which is equivalent to reducing about six tonnes of carbon emissions per bus annually. The system has now become a standard feature in newly purchased buses;
- Ⓐ KMB has successfully designed wind curtains that help reduce energy wasted due to the loss of cooled air of buses and obtained patents that were granted by the Intellectual Property Department. The facility, installed at the rear exit of a bus, will be activated when the exit door is opened, creating an airflow to separate the hot air outside from the cooled air inside. According to tests conducted at the ambient temperature of 32°C, the temperature measured in the area near the exit door inside a bus compartment with wind curtains is 4°C lower than that in a bus without. KMB installed the facility on 600 buses; and
- Ⓐ The scheme to retrofit the fleet with lower-powered LED strips, which will create a softer and more comfortable travel environment for passengers compared to the old LED lighting, is completed. This initiative helps reduce the carbon emissions of our buses by 5,600 tonnes of carbon emissions per year. The old LED light strips will be reused across bus depots and bus stops for lighting.



- Ⓐ The 52 electric double-deck buses self-purchased by KMB, with solar panel systems being a standard feature in its new purchases, have made a substantial contribution to achieving carbon neutrality in Hong Kong

CO₂ Concentration Checks

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 requirements.

Emissions Reduction

KMB and LWB adopt the latest technologies to reduce roadside emissions and maintain good air quality in bus compartments. We have in place a number of measures to meet the high standards of exhaust emissions laid down by the European Council of Environmental Ministers, which include using near-zero sulphur diesel, renewing bus models and upgrading older buses by retrofitting exhaust treatment devices such as diesel oxidation catalysts, diesel particulate filters, and selective catalytic reduction units.

As part of our environmental protection commitment, KMB and LWB invest regularly to upgrade the environmental performance of their bus fleets and patrol cars. KMB and LWB have introduced electric patrol cars as back-up support and set up electricity-recharging facilities at their main depots.

Energy Saving

KMB and LWB take all practicable measures to reduce resource consumption and streamline waste disposal procedures. We handle and dispose of all materials in compliance with applicable laws and regulations, and in a responsible way without posing risks to human health or the environment.



- ⓐ KMB adopts the aircraft-style "Posilock" refuelling system to prevent fuel spillage

Fuel

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

- ⓐ The aircraft-style "Posilock" fuel filling system is used to refuel buses;
- ⓐ Ambient sensors are installed on air-conditioned buses to reduce unnecessary cooling;
- ⓐ The use of synthetic gearbox oil extends oil drain intervals to reduce waste oil by 80%; and
- ⓐ The mileage-based oil change scheme reduces engine oil consumption and waste oil by 40%.

- ⓐ KMB has installed a total of 30,000 solar panels on bus roofs, bus stops and other facilities, enhancing the utilisation of renewable energy

SUSTAINABILITY REPORT



- ⓐ To enhance eco-working awareness among employees, KMB promotes a "Clean and Green" environmental protection culture by launching activities such as The Bus Terminus Cleanliness Competition and The Bus Terminus Energy Reduction Competition, and selecting the best bus terminus practice every month

Electricity

We continue to explore environmentally friendly initiatives and invest in the latest technologies to minimise energy use and reduce greenhouse gas emissions.

In addition to our one-off LED light replacement and continuous housekeeping measures, we have dynamically adjusted our electricity consumption pattern in accordance with the latest operation scales, including the adjustment of illumination time of parking depots and the optimisation of equipment used to support our facilities' operation duration.

We cooperate with a power company to install 30,000 solar panels at depots, bus termini, bus shelters and other facilities to extend the application of renewable energy and reduce greenhouse gas emissions.

Green Measures in the Office

The Green Office concept drives both the design and renovation of our premises. We run our air-conditioning systems at 25.5°C to align with the Government's Action Blue Sky Campaign and save energy. Operating hours have also been rearranged to reduce energy waste during non-office hours. High-efficiency air conditioning units are installed in all newly renovated offices. Moreover, we have also set up recycling arrangements for used toners, plastic materials and used papers and have regularly promoted good housekeeping practices for energy saving to all staff members.

Waste Reduction

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:

Waste Water

As responsible corporate citizens, KMB and LWB are committed to reducing water consumption and properly treating effluents before discharge. Our depots are equipped with nine automatic wastewater treatment systems handling 400 cubic metres per day. The water used for bus washing was collected and recycled, reducing total water consumption at depots by around 4%. Newly setup rainwater collection and water recycling systems have been introduced in some of our satellite depots.

Tyres and Metals

Used KMB and LWB tyres were retreaded by KMB's appointed contractors, and waste metals were sent to recycling companies.

Oil and Chemicals

Solid chemical waste is processed and stored by type in designated areas at bus depots before disposal by a registered chemical waste collector at the Government's Chemical Waste Treatment Centre, while waste oil is recycled or disposed of in accordance with the statutory standards. In the reporting period, KMB and LWB have improved the engine oil replacement cycle by changing new engine oil with extended oil drain intervals to reduce solid chemical waste.

Batteries are disposed of by a licensed contractor complying with the instructions of the Environmental Protection Department ("EPD"), with some of them exported to overseas facilities approved by the EPD under the Basel Convention.



Ⓜ The fleet is now using a new tyre model to extend the lifespan of tyres and reduce solid waste disposal

SUSTAINABILITY REPORT

CASE STUDY



KMB's double-deck electric buses entering service validates their suitability for Hong Kong and lays a crucial foundation for green transportation

Hong Kong has stringent operational requirements for double-deck buses. They must accommodate passenger capacity and load capacity, in addition to dealing with all-weather air conditioning, narrow and winding roads, and steep slopes. KMB recognises the long-term negative impacts of climate change on a global scale and has introduced new energy buses to reduce carbon emissions and improve roadside air quality. The engineering team of KMB closely collaborates with bus manufacturers from the Mainland and overseas to bring in "zero-emission" electric double-deck buses that not only meet daily operational needs but are also well suited for use in Hong Kong.

Among the discussions surrounding various new energy buses, particular concern has been raised about the charging time and the environmental benefits of electric buses. Typically, buses are

parked at depots for approximately 4 to 5 hours overnight for cleaning, simple maintenances and repairs. Electric buses take advantage of this period for charging meaning the charging process for electric buses not only has no impact on daily operations but also takes only about two hours. Electric buses are able to travel up to 300 kilometers, which is sufficient to meet the operational needs of nearly 80% of KMB buses for an entire day.

In order to meet the fast-charging needs of electric buses, KMB has installed sufficient direct current (DC) fast charging facilities at bus depots. Each charging facility can accommodate up to three electric buses charging simultaneously every night, reducing the waiting time for buses in need of a charge. KMB is preparing to build two

multi-storey electric bus depots in Tuen Mun and Tai Po which will provide 850 bus parking spaces. These depots are expected to be complete and operational within three to five years.

KMB is currently collaborating with two electric bus manufacturers, including China's BYD and the United Kingdom's Alexander Dennis Limited. Recently, the Hong Kong exclusive electric double-deck bus, Alexander Dennis Enviro500EV, participated in the manufacturer's product launch event in the United Kingdom. The manufacturer showcased the latest electric double-deck bus in Hong Kong to 150 bus service operators and suppliers from around the world. The design of the electric bus, combining a sense of modernity, technology and environmental friendliness, has garnered unanimous praise from global bus industry leaders.



KMB has faced various challenges in the development of new energy buses, particularly in the area of technology. In the past, bus manufacturers predominantly produced two-axle electric single-deck buses with left-hand drive, and they had limited experience in manufacturing three-axle electric double-deck buses in both China and Europe. In view of this, to meet the high passenger capacity and endurance requirements in Hong Kong, KMB has engaged in extensive discussions and exchanges with bus manufacturers during the early stage of the electric double-deck bus development, with a particular focus on the operational requirements and relevant production techniques specific to Hong Kong. When KMB's first electric double-deck bus arrived in Hong Kong for vehicle type approval by the Transport Department, both KMB and the bus manufacturer made continuous adjustments to ensure compliance with the specified requirements of the Transport Department and the bus's full suitability for use in Hong Kong.

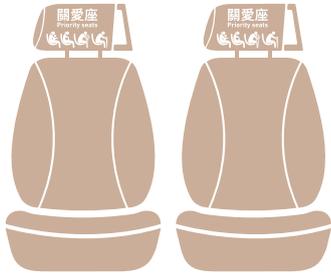
Since electric double-deck buses entered into service, they have gained popularity among the public. Their mechanical performance and endurance have received positive feedback, affirming that KMB's electric buses are well suited for Hong Kong. As an engineer, I am highly encouraged by this. In addition to its continuous efforts in sourcing electric double-deck buses suitable for local use, the company is actively collaborating with bus manufacturers to engage in in-depth discussions on maintenance, repairs, and battery technology for electric double-deck buses. This ensures that electric buses provide the public with a safe, reliable, quiet, and comfortable service.

Brad Leung, KMB Assistant Engineer



SUSTAINABILITY REPORT

Caring for Customers



Newly-added

1,000

priority seats in bus fleet

As a public transport provider, we are dedicated to delivering excellent bus travel experience for all. We work to identify and understand customer needs and expectations to ensure our bus services are safe, smart, efficient, comfortable and good value-for-money.





9 Industry, Innovation and Infrastructure



11 Sustainable Cities and Communities

Innovation and Convenience

We believe that innovation and technology are the key to benefitting the industry and communities by facilitating a convenient, diversified and sustainable travel environment.

Electronic Payment System

LWB was the first franchised bus company in Hong Kong to install a diversified electronic payment system in its fleet in 2020, the e-payment system has become applicable to all KMB routes since 2022, also supporting all existing routes under the KMB Regional Two-way Section Fare Schemes. With the newly accepted American Express, Discover/ Diners Club, WeChat Pay HK and Weixin Pay, the number of electronic payment methods supported by the KMB and LWB e-payment systems increased to sixteen in 2023. This makes KMB and LWB the industry players that accept the most diverse electronic payment methods among local public transport operators. The sixteen contactless payment options available include credit cards, digital wallets on mobile devices, smartwatches, and QR codes for an easy, fast and convenient bus fare payment.

app1933

With one million daily unique users and approximately seven million downloads, the KMB and LWB mobile app, app1933, elevates customer experience with a more convenient and personalised service offering.

app1933 allows users to check bus route information and the estimated time of bus arrivals. Highlighted functions include:

- Ⓐ The Estimated Travelling Time and the Bus Estimated Time of Arrival ("ETA") services enable users to plan their trips more easily and check the ETAs provided not only for KMB and LWB but also for other franchised bus companies;
- Ⓐ The built-in location-based function, with which users can check real-time traffic conditions, weather information, flight schedules and ferry information under the "Info Corner" feature, a seamless and efficient travel experience across different transportation modes;

- Ⓐ The function of displaying real-time occupancy levels on upcoming buses has been introduced, enabling passengers to better plan their itinerary;
- Ⓐ The "Reminder function" which has been upgraded with boarding reminders, allowing passengers to create reminders by selecting bus routes and boarding times, offering a stress-free solution for everyday commuting;



Bluetooth Beacon Signal



Estimated Travelling Time



Real-time Weather Information



Estimated Bus Arrival Time



Chatbot

SUSTAINABILITY REPORT



- Ⓐ In response to the further opening of the Sha Tau Kok Frontier Closed Area, KMB has introduced a special Route 78S for customers visiting Sha Tau Kok
- Ⓐ Further engaging with customers through an exclusive loyalty programme, the membership scheme club1933, which allows passengers to enjoy bus rides while earning points for gifts, or eCoins which can be used to settle bus fare payment; and
- Ⓐ Allowing passengers to make enquiries and comments on the artificial intelligence Chatbot channel, bot1933, at any time of the day or night.

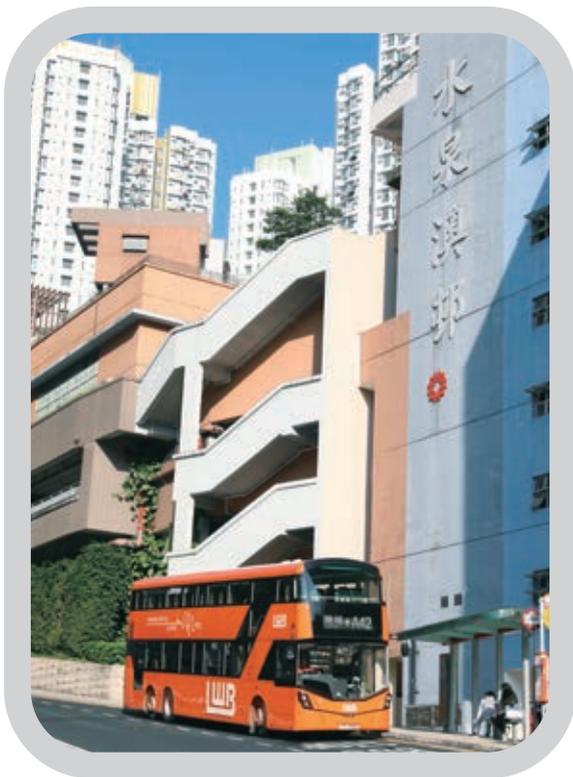


New Bus Services

We have implemented a number of enhancements to our bus service over the past few years to deliver a more pleasant and comfortable journey for our passengers.

- Ⓐ To enhance the connection between the Anderson Road Development area and Hong Kong Island, KMB introduced Route 613A in February 2023. The service is the first solely operated cross-harbour route reaching Chai Wan Area;
- Ⓐ Tying in with the opening of Heung Yuen Wai Control Point, KMB introduced Route B9 to operate between the Control Point and Tuen Mun Station. The route was enhanced to provide an all-day service starting mid-2023. Apart from this, Route 79K also provides an all-day service connecting North District and Heung Yuen Wai Control Point. Passengers of Route 79K can interchange on multiple KMB routes at Fanling Station Bus-bus Interchange ("BBI") to travel to other districts with a discount offered;
- Ⓐ To facilitate residents of North District commuting to and from Hong Kong Island, KMB introduced Route 673A (Sheung Shui ⇌ Central) in April 2023. This provides residents of North District, including those who live in Sheung Shui, Wah Ming and Fanling, with an additional choice of bus service travelling to Hong Kong Island. Route 673A travels via Hennessy Road and Des Voeux Road Central, offering passengers who work along these roads a point-to-point bus service;
- Ⓐ To cope with the increase in passenger demand in Queen's Hill area, KMB added a special departure to Route 78B (Queen's Hill ⇌ Sheung Shui) in September 2023. This has strengthened bus services in both Queen's Hill and North District, facilitating the commuting of students and the working population;
- Ⓐ To accommodate the growing population in residential areas of Tsing Yi, KMB introduced Route 49 and 49M in 2023, connecting Ching Fu Court to Tsing Yi Station and Tseung Kwan O;

- Ⓜ To respond to the increasing trend of outbound travel, LWB introduced Routes A42 and A46 in December 2023. Apart from this, to enhance the overall network coverage, the existing Route A41 was re-routed such that the whole Sha Tin District was covered by the LWB A-bus network. These routes aim to enhance bus services between Sha Tin, Tai Wai, the Airport, and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, providing a wider and more comprehensive network coverage; and
- Ⓜ Starting January 2024, the once restricted area of Sha Tau Kok has been further opened up to the public. To enhance accessibility to the area, KMB has introduced a new express Route 78S, running from Sheung Shui to Sha Tai Kok, to facilitate weekend and holiday travel for visitors. Since then, it has become easier for passengers to explore the mystic surroundings, enjoy the scenic beauty and appreciate the historical buildings in Sha Tau Kok.



- Ⓜ LWB has introduced two new Routes A42 and A46 to enhance the bus service between Sha Tin District, the Airport and the Hong Kong-Zhuhai-Macao Bridge

Facility Upgrades

- Ⓜ Display screens have been installed on the lower deck of KMB buses to show the number of remaining seats on the upper deck. This facilitates passengers in finding available seats on the upper deck, contributing to more even distribution of space and elevating the overall passenger experience;

- Ⓜ KMB has launched a comprehensive upgrade of its 5G services and planned to upgrade the entire bus fleet to 5G-enabled buses with free 5G Wi-Fi service on board. For an elevated travel experience, passengers can now enjoy unlimited sessions of complimentary 5G Wi-Fi service with an ultra-fast, stable and smooth 5G network connectivity;
- Ⓜ A total of four horizontal ventilation windows, located on both the upper and lower decks, are designed to facilitate natural ventilation and ensure a comfortable journey for passengers;
- Ⓜ The Solar-powered Bus Shelter Campaign promotes green energy by installing solar panels to power lighting. To date, 1,907 bus stops have been equipped with solar power equipment;
- Ⓜ 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 bus stops for bus frequency and other bus route information;
- Ⓜ KMB and LWB have installed the Bus Information Panel System on 4,123 buses. Passengers can obtain real-time bus stop information through the display screens on the upper and lower decks and the alighting reminder function on app1933;
- Ⓜ 1,219 bus stop locations are equipped with display panels showing the estimated time of bus arrivals;
- Ⓜ The air quality in bus compartments has been improved with electrostatic air filters installed in KMB and LWB buses; and
- Ⓜ 4,051 KMB and 285 LWB buses 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 feature a fresh air function that extracts fresh air outside the compartment and purifies it through a double-layer filter system.



- Ⓜ Passengers can notice the number of remaining seats on the upper deck via the device installed on the lower deck

SUSTAINABILITY REPORT

Accessibility

Access to transportation is vital for independent living, and an accessible transport system is the building block of an inclusive society.

Accessible Bus Fleet

The entire KMB and LWB fleets deploy super-low floor buses for easy boarding and alighting, with wide entrances and exit doors for better passenger access. These features have made all KMB and LWB buses easily accessible to the elderly and wheelchair users. In addition, KMB has approximately 300 buses fitted with two wheelchair spaces, which run mainly on routes travelling to and from hospitals. Besides, KMB has introduced foldable armrests in the wheelchair areas of over 110 buses. The new armrests not only make wheelchair passengers feel more comfortable on board but can also help prevent wheelchairs from overturning or skidding on the gangway. The new design has become one of the standard features on every newly purchased bus.

KMB has been a pioneer in introducing "priority seats" on buses. These seats are strategically located near the bus doors to ensure easy access for passengers in need. KMB actively promotes to the public that these seats are intended for anyone requiring assistance, fostering a culture of offering assistance to those who need it. To further promote the spirit of assisting those in need, KMB is adding two extra priority seats on 500 buses, bringing the total number of newly added priority seats to 1,000. These buses will be identified by a "Priority Seats x6" label sticker on the windscreen, and will primarily serve routes frequented by seniors.

Upgrade of Depots, Termini and Bus Stops

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

- Ⓐ The renovation of 31 Bus-bus Interchanges was completed in 2023. There are clearer signage and platform numbers in the interchanges so that passengers can find their way to the interchange platform more easily. Route information is also available in both interchanges and on the mobile application app1933 to facilitate passengers; and
- Ⓐ KMB has upgraded 70 bus stops or termini, which are frequently used by the elderly, to transform them into "Age-friendly Bus Stops". These bus stops, located near public housing estates or hospitals commonly visited by the elderly, now provide extra seating and age-friendly signage to improve the waiting environment for all passengers as a whole.

Affordability

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 2023, including the following:

KMB

- Ⓐ KMB has launched the Monthly Pass Scheme, the first monthly pass for franchised buses in Hong Kong, under which passengers can take up to ten rides per day on KMB buses, with an additional two trips permitted on Route B1. In May 2023, other than encompassing 400 KMB routes, including regular routes, overnight routes and racecourse routes, the Pass also covers LWB bus routes to reward



- Ⓐ Locals and tourists can receive a fare discount at the KMB Fare Saver Kiosk located at the Hong Kong Palace Museum to enjoy the bus service at a more affordable price when they visit West Kowloon



- 70 bus stops or termini frequented by seniors have been upgraded to “Age-Friendly Bus Stops”, where additional seats have been installed to care for the elderly

passengers under the new 10-year LWB franchise. For LWB services, Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X- routes and enjoy a 73% off on the bus fare when taking LWB A- and NA- routes;

- KMB rolled out the Regional Short-haul Two-way Section Fare Schemes in Tuen Mun, Yuen Long, Tin Shui Wai, Tseung Kwan O and North District. Passengers can enjoy the concessions by tapping an Octopus card, contactless bank card or mobile device or by scanning the QR code on the designated one-stop validators at bus stops upon alighting;
- The KMB Fare Saver Scheme offered a fare discount of up to HK\$4.0, covering some campuses of educational institutions, shopping malls and residential areas. On top of the existing Fare Saver Kiosks in Mei Foo, Kowloon Mosque, United Court in Yuen Long and two private housing estates in Tin Shui Wai and Tseung Kwan O, KMB has further expanded the Fare Saver Scheme to cover West Kowloon Cultural Area and Yuen Long. The new Fare Saver Kiosks are located at M+, Hong Kong Palace Museum and Kong Ha Wai Transitional Housing;
- ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when paying for KMB and LWB rides; while Citibank cardholders enjoyed a 15% bus fare rebate year-round under another fare rebate scheme;



- Two additional priority seats have been added to 500 in-service buses which are now deployed to operate on routes commonly used by elderly passengers
- Partnering with Hong Kong Tramways Limited and some Green Minibus operators, KMB provided inter-modal interchange fare concessions covering routes on Hong Kong Island and in the New Territories;
- A KMB-MTR interchange discount was offered to passengers interchanging from designated routes solely operated by KMB to designated MTR stations, and vice versa;
- New Bus-bus Interchange Concession Schemes were offered alongside the introduction of the new Routes 49, 49M, B9 and W4;

SUSTAINABILITY REPORT

- Ⓐ In response to the northward consumption patterns observed among locals, KMB introduced Border Routes B1 and B9 interchange discounts. Passengers were entitled to a free ride after taking two designated trips, with a fare discount of nearly 50% off at maximum;
- Ⓐ To celebrate KMB's 90th anniversary and encourage people to travel to different places in Hong Kong during the summer holiday in 2023, child passengers were offered free rides on more than 450 KMB and LWB routes on thirteen consecutive Sundays and public holidays;
- Ⓐ A summer promotion offering students a half-fare discount on 30 selected cross-harbour routes was implemented from mid-July to early August 2023; and
- Ⓐ As part of the "Night Vibes Hong Kong" campaign, four KMB and LWB routes were carefully chosen to offer passengers to embark on a nighttime excursion and savour the renowned night vistas of Hong Kong, thereby promoting the evening economy. KMB also offered a 25% off on overnight bus routes from September to November 2023 in support of the "Night Vibes Hong Kong" event.

LWB

- Ⓐ ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when paying for KMB and LWB rides;
- Ⓐ Citibank cardholders enjoyed a 15% bus fare rebate year-round through a fare rebate scheme;
- Ⓐ A new Bus-bus Interchange Concession Scheme was launched in collaboration with New Lantau Bus, offering passenger rides to leisure spots in Mui Wo, Tai O, Ngong Ping and Disneyland;
- Ⓐ Passengers were entitled to a maximum of 50% fare discount when interchanging with the KMB designated routes to and from the Airport and HZMB under the "Ride two journeys, get one journey free" campaign;
- Ⓐ To celebrate KMB's 90th anniversary and encourage people to travel to different places in Hong Kong during the summer holiday in 2023, child passengers were offered free rides on more than 450 KMB and LWB routes on thirteen consecutive Sundays and public holidays; and



- Ⓐ KMB has completed the renovation of 31 Bus-Bus Interchanges, providing clear signage and platform numbers for customers

- Ⓐ As part of the “Night Vibes Hong Kong” campaign, four KMB and LWB routes were carefully chosen to offer passengers to embark on a nighttime excursion and savour the renowned night vistas of Hong Kong, thereby promoting the evening economy.

Bus-bus Interchange (“BBI”) Schemes

KMB and LWB are dedicated to enhancing their Bus-bus interchange (“BBI”) networks, offering fare concessions to ensure value-for-money, convenient, and environmentally friendly bus services. This commitment aims to provide passengers with a better quality of life and the experience that “Interchange is so simple”.

- Ⓐ KMB and LWB offer fare discounts to passengers on the second leg of their journeys and broaden the network coverage under their BBI Schemes. As of the end of 2023, KMB completed setting up 31 BBIs in major locations across the entire eighteen districts of Hong Kong. Those BBI hubs benefitted passengers as they offered more route choices, along with new interchange discounts offered by the BBIs; and
- Ⓐ KMB completed the renovation for 31 BBIs in 2023 to provide clearer signage and platform numbers in the interchanges for easy wayfinding. Through their respective websites and on app1933, KMB and LWB also provide detailed and comprehensive route-to-route BBI information for passengers.

KMB Monthly Pass

The KMB Monthly Pass Scheme, under which passengers can take up to ten rides per day on KMB and LWB buses for HK\$800 and two additional trips on Route B1, covers 450 KMB and LWB routes, including regular routes, overnight routes, racecourse routes and the joint-operated Cross-Harbour Routes.

KMB Monthly Pass holders can unlock some exclusive privileges, which include the following:

- Ⓐ With each purchase of the Pass, passengers can earn 800 points towards redeemable KMB gifts and eCoins under the KMB membership scheme, club1933;
- Ⓐ Enquiries made via the KMB Monthly Pass Exclusive Hotline (3974 7888) will be handled by assigned operators;
- Ⓐ The passenger rewards offered by the KMB Monthly Pass Scheme also covers LWB bus routes. Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X-routes operated by LWB and enjoy a 73% off on bus fare when taking LWB A- and NA- routes, benefitting from a bus network that connects different boundary control points;

- Ⓐ Experience a comfortable bus ride on Routes P960 and P968 by paying a “Fare for Upgraded Journey”; and
- Ⓐ KMB has launched a “Buy-2-Get-1-Free” promotion, offering Student Identity Octopus cardholders a HK\$800 Octopus dollar rebate with the purchase of an KMB Monthly Pass for only three consecutive months.

Customer Privacy Protection

As the public relies on our transport services daily, we acknowledge the crucial role we play in safeguarding our customers’ privacy and endeavour to maintain our status as a trusted bus company.

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

CCTV cameras, including forward-looking cameras, to monitor road and saloon conditions have become standard features on all new buses since 2015. CCTV cameras are installed in all KMB and LWB buses to protect the interests of bus captains in the event of police investigations or legal proceedings.



- Ⓐ The KMB Monthly Pass covers 450 KMB and LWB routes, and also provides students with “buy two, get one free” offers

SUSTAINABILITY REPORT

CASE STUDY



Enhancing passenger riding experience through attention to detail

For residents in Hong Kong, buses have become an integral part of daily life, serving as a popular mode of transport for commuting to work, attending school and conducting routine travel. With over 2.5 million passenger trips on KMB buses each day, our mission is to ensure not only their safe arrival at destinations but also an enhanced riding experience for each customer. Over the past year, KMB has continued to listen to customers' feedback and monitor market demands. We have diligently conducted research and implemented follow-up actions to optimise our service across various aspects, including the interior design of bus compartments, payment methods, as well as the layout of bus termini. We have introduced a series of innovative measures aimed at providing our customers with a more comfortable and convenient bus service, seamlessly enhancing their experience without them even noticing.

In response to the changing times, we have been introducing more scientifically based and user-friendly designs for the interior of our buses. For instance, recognising the importance of enabling family members or groups of friends to sit together and communicate during bus journeys, KMB is the first bus company in Hong Kong to introduce four-person "face-to-face seats" on the upper deck of buses. This innovative design allows families or friends to interact and enjoy the scenery together. To ensure a more comfortable

journey for passengers, the "face-to-face seats" have been specially arranged to provide expanded legroom and seat width, creating a more spacious environment and elevating the riding experience for passengers. In addition, we have also upgraded the general seating, widening the spacing to allow passengers more room to stretch their bodies. Therefore, passengers will not feel burdened, even during longer bus journeys. Furthermore, the bus cabin is designed with additional storage space to facilitate passengers in storing their luggage or other belongings, thereby enhancing overall customer satisfaction.

In terms of payment methods, there are increasing number of options available in the market. In response to this, KMB and LWB began introducing a diversified e-payment system since 2020. The system has evolved from initially supporting nine e-payment methods and being applicable only to certain routes to accepting 16 e-payment methods, including contactless payments, mobile payments, and QR code payments. Also, the system is now available across all 450 routes, providing passengers with a comprehensive range of payment options.

In addition to continuously upgrading the hardware and software on buses, KMB has also enriched the customer experience through the introduction of additional non-bus services. Among them, to facilitate parcel collection, KMB proactively collaborated with a logistics company, pioneering the installation of self-service lockers at 35 bus termini in Kowloon and the New Territories. This enables our customers to conveniently collect packages before or after taking the bus. Furthermore, as the self-service lockers are available 24 hours a day, our customers can apply online to retrieve lost items from these lockers.

KMB is committed to working hand in hand with customers to promote environmental protection and encourage more locals to

use public transportation, thereby collectively improving the environment. To this end, we have launched a "Green Rewards Programme", in which passengers can earn an extra one club1933 point when they ride on our buses with solar panels. Also, we have launched our own electronic wallet called "eCoin Wallet", allowing passengers to earn club1933 points by taking KMB buses or playing games in the app1933 game room. These points can be redeemed for "eCoins", which can be used to pay for bus fares or exchange for other gift rewards. This not only enables customers to contribute to environmental protection but also provides them with a more cost-effective riding experience.



Customer satisfaction and experience are fundamental to KMB's business success. Therefore, enhancing the riding experience and meeting our customers' needs are at the core of KMB's operational strategy. We fully understand that our customers' expectations of KMB extend beyond punctual arrivals, they also seek convenience and comfort while riding on our buses. Given this, KMB continuously assesses and implements various measures to meet our customers' expectations. For example, efforts have been made to improve the seating design for the comfort of passengers in various seating postures. In addition, we also offer a variety of payment methods to accommodate passengers' preferences. Through these efforts, our goal to enhance the riding experience of our customers, thereby attracting more people to use KMB services.

Meanwhile, KMB actively seeks additional sources of non-farebox revenue. We have introduced more value-added services, such as self-service lockers at bus termini and convenience stores at bus-bus interchanges. These services not only provide convenience for our customers but also attract advertisers, partners, and sponsors to engage in relevant collaborative projects. By offering better bus services and facilities, we aim to attract more partners and further widen KMB's revenue sources. These efforts will create more value for our customers and contribute to KMB's sustainable development.

We firmly believe that these efforts will not only enhance customer satisfaction but also reinforce KMB's leading position in Hong Kong's public transport services. In the future, KMB will continue to pursue improvement and innovation, aiming to provide our customers with high quality, convenient, and comfortable riding experience.

Joseph Leung, KMB Finance Director



SUSTAINABILITY REPORT

Caring for Employees



> 8%
female employee

We are committed to building a community where our employees can thrive, be respected and feel empowered. We maintain our focus on advancing employee welfare and the working environment to promote a healthy and positive work culture across TIH.





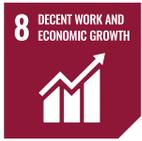
Good Health and Well-Being



Quality Education



Gender Equality



Decent Work and Economic Growth



Reduced Inequalities

Human Resources Policy

We take care of our employees by maintaining a safe, respectful and harmonious work environment. We have implemented a set of comprehensive human resources policies to promote gender equality, offer protection against sexual harassment, foster occupational health and safety, prevent bribery, and protect 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, gender, 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 Chapter 486, 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 Chapter 201, 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.

We remind our employees to comply with our Human Resources Policies at all times. In addition, we have a complete complaint handling mechanism in place. In case we receive complaints, we thoroughly investigate all complaints in breach of the above policies and take appropriate action. Depending on the severity of the complaint, an ad-hoc committee may be set up to investigate the case. Appropriate disciplinary action, including summary dismissal, will be instigated in the event of any violation.



Ⓐ Dr. Norman Leung Nai Pang, GBS, JP, Chairman of the Board of Directors (fifth from the right in the front row), and Mr. Lam Sai-hung, GBS, JP, Secretary for Transport and Logistics (fifth from the left in the front row), along with various Government officials and Board members, attend the KMB's 90th anniversary dinner and award presentation ceremony

SUSTAINABILITY REPORT



- Ⓐ Events are organised in the Staff Appreciation Month to promote a work culture of unity, mutual appreciation, and support among employees

Staff Benefits and Well-being

To attract and retain talent, competitive benefits packages are offered, including annual leave, medical benefits, hospitalisation insurance, accident insurance and free bus travel for staff and dependents.

During the reporting period, KMB and LWB strengthened their benefits packages for full-time employees by increasing the annual leave entitlement of frontline and clerical staff. Despite challenging market conditions, the Company made a remarkable gesture by granting a HK\$900 bonus to every staff member to celebrate KMB's 90th anniversary. This gesture not only recognised the contributions of our staff but also served as a testament to their resilience during difficult times. It demonstrated KMB and LWB's commitment to fostering a positive work environment and acknowledging the collective efforts that have shaped our company's success over the past 90 years.

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 to alleviate the financial burden on staff members. This programme supports the tertiary education of the Company's young generation, including children of staff. As of 31 December 2023, approximately 500 children of KMB and LWB staff members had received a scholarship. In addition, the Company has established benevolent funds and schemes, including financial assistance, healthcare support, and emergency relief, to provide support for staff members and their family members during times of needs or unexpected challenges.

We also organise a series of activities for staff and their family members during the summer holiday with the aim of strengthening the parent-child relationships among our staff members and promoting a healthy work-life balance. These activities provided opportunities for quality family time, bonding and enjoyment.

Festive joy was shared with our staff throughout various festivals. The celebration of Chinese New Year and Christmas, marked by the distribution of red packets and special gifts sourced from social enterprises, lucky draws, visits to bus termini and depots, as well as heartfelt greetings to staff members, significantly enhanced staff engagement, fostered cultural celebration, and elevated staff appreciation.

During the year, several initiatives were implemented which received overwhelming feedback from our staff. A series of "Appreciation Month" events were held to develop a work culture of unity, mutual appreciation and support. These events included distributing e-vouchers and portable fans to staff members and shooting a "Thank You Video" featuring the Management team and colleagues from both the frontline and back office. The purpose of the video was to thank all our



- Ⓐ KMB and LWB have made seasonal influenza vaccination outreach service available to employees for free

colleagues for their contributions and support to the Company, and bring positive energy to everyone working for KMB and LWB.

In KMB and LWB, we passionately believe that the well-being of our staff is paramount. Recognising that our team is our most valuable asset, we are committed to fostering a work environment that prioritises their health and wellness. We organised various initiatives throughout the year to encourage healthy lifestyles and self-care among staff members. These include health talks and seminars, posters with health messages, and special events such as "Health Month" held every October. During the Health Month, we organised talks on mental health, cardiovascular health and sleeping well, an interest class on "Singing Bowl" and stretching exercises in the office, a Depot Wellness Day, a talk on financial well-being for our staff, dependents, and retirees, and provided a company subsidy for flu vaccinations for staff and dependents, to promote a healthy lifestyle encompassing four key aspects: physical, mental, social and financial well-being.

Furthermore, we also care deeply about the mental and emotional well-being of our staff. We offered confidential counselling and support services through our Employee Assistance Programme ("EAP"). The EAP provides 24-hour



▲ KMB organises 3D Origami Art classes to help employees foster parent-child relationship with their children

crisis support, short-term counselling services, and referrals to mental health professionals. These services are available not just to employees, but to their family members as well.



▲ To celebrate KMB's 90th anniversary and recognise the long-term service and outstanding performance of its employees, KMB invites staff members to attend the award presentation ceremony and dinner

SUSTAINABILITY REPORT

To promote work-life balance and boost team spirit, KMB and LWB staff members are encouraged to participate in sports and leisure activities as well as voluntary work. A total of ten Staff Interest Clubs, including singing, hiking, photography, basketball, table tennis, badminton, football, running, chess and dragon boat racing, were maintained throughout 2023. We organised a company-wide sports tournament to promote teamwork, camaraderie, and a healthy work-life balance among staff members. Throughout the year, KMB and LWB won 16 awards in total from external competitions, and fundraising events, such as the Sowers Action Challenging 12 Hours 2023, the Community Chest Corporate Challenge, Green Power Hike, Race for Water, and Sacramento Homeless World Cup (Hong Kong) Fundraising Tournament.

Occupational Safety and Health

KMB and LWB staff members are encouraged to make suggestions on possible improvements to health and safety measures. We have incorporated health and safety practices proposed by our staff during our regular health and safety meetings and introduced a series of health and safety control measures. Our staff are also protected from any discrimination for their speech in these health and safety meetings. We continued to make Automated External Defibrillators ("AED") available at the Customer Service Centres located in major bus termini and depots for the use of the public and staff in case of emergency.

TIH Retiree Association

The TIH Retiree Association was formed to maintain close contact with retired colleagues through various activities.



- Ⓐ KMB has set up ten Staff Interest Clubs to promote work-life balance among its employees. Members of the running club have completed the full marathon race at the Standard Chartered Hong Kong Marathon within three hours.

With the community returning to normalcy, afternoon tea gatherings and festive gifts distribution resumed for KMB and LWB retirees in 2023. We used our Facebook page and set up a KMB retiree website to actively communicate and stay connected with the retirees so as to promote mutual support.

Staff Development and Training

The KMB Academy was established to demonstrate our determination to strive for continuous service improvements and staff training while also ensuring that a stable team is in place to provide maintenance service for KMB and LWB as well as the transportation industry in general. "Mission Safety • Act with Self-discipline" is adopted as the motto of the KMB



- Ⓐ In 2023, KMB and LWB collectively received 16 awards in external competitions and fundraising events. Among them, KMB encourages its employees to participate in Pok Oi Cycle for Millions, not only to motivate them to engage in physical activity but also take concrete actions to support charity cause.

Academy, emphasising the pivotal role of safety and discipline in the industry.

The KMB Academy is the first institution in Hong Kong accredited by the Qualifications Framework ("HKQF") to provide professional training programmes for franchised bus maintenance personnel and bus captains. The "Certificate in Bus Maintenance" at HKQF Level Two and "Certificate in Public Bus (Franchised) Driving" at HKQF Level Three offered by the KMB Academy were previously approved by the Hong Kong Council for Accreditation and Academic and Vocational Qualifications ("HKCAAVQ").

In 2023, two additional training programmes, the "Certificate in Continuing Development for In-service Bus Captains" and the "Professional Certificate for Instructors in Franchised Bus Industry" were recognised at HKQF Level Three and Level Four respectively. The number of HKQF programmes in the KMB Academy now totals four.

In addition, the KMB Academy provides on-the-job training for current maintenance staff and bus captains, through which they can learn the latest technology in the bus maintenance industry and refresh their driving and customer service skills.

Continuous Learning

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 for the Customer Engagement Team to enhance their knowledge and skills on taking care of passengers in a traffic incident.

Recognition for Service Excellence

In 2023, 104 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 35 employees received the 35-year award and a gold medal, 96 and 42 employees received the 30-year and 20-year awards, respectively, together with a plaque and a pin, and 395 employees with ten years of service received a certificate of appreciation.

▲ KMB Safety and Green Awards aims to recognise the outstanding and safe driving performance of our bus captains

Besides, a total of 100 bus captains were granted the Annual Safety and Green Awards. The top ten Gold Awardees were presented with a HK\$10,000 cash prize and a certificate of appreciation. Including the Retirement Awards, over 400 employees received awards in appreciation of their loyal and outstanding service.

Staff Communication

To strengthen bilateral communication and employee well-being, the Joint Consultative Committees, comprising the Management and staff representatives representing around 90% of the total workforce, held regular meetings. The meetings aim to review issues including safety, operations, work environment and staff welfare.

Through the staff website, staff members are kept informed 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 through the internal application, OPS1933, and the internal portal, as well as using the e-learning training platform. The 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 media and online platforms to share up-to-date information with our staff. Several online activities and programmes, including online health talks, interest classes and financial seminars, were held on the KMB Staff Facebook page, Teams and Zoom platforms to maintain our connection with staff members.

Senior Management Visits

KMB and LWB Senior Management members visited bus termini, depots and offices during the year to support and engage with our colleagues. These visits provided an excellent opportunity for staff members to share their views about operational matters and workplace-related issues with the Management team members.



SUSTAINABILITY REPORT

CASE STUDY



KMB Academy introduces two new courses recognised by the Qualifications Framework, aligning with international standards to enhance staff professional recognition

The safe and smooth operation of buses relies on the collective efforts of over 12,000 employees at KMB and LWB. Indeed, the bus industry encompasses various professions that are specialised and unique, each with its own professional standards.

To help our employees pursue further professional recognitions, the KMB Academy has introduced two new certificate courses, namely the "Certificate in Continuing Development for In-service Bus Captains" and the "Professional Certificate for Instructors in Franchised Bus Industry". These courses have been recognised as equivalent to Level Three and Level Four under the Qualifications Framework in Hong Kong respectively. Along with the "Certificate in Public Bus (Franchised) Driving" and the "Certificate in Bus Maintenance", the KMB Academy now offers a total of four certificate courses recognised by the Qualifications Framework.

As the only academy in Hong Kong dedicated to training talents for the bus industry, the KMB Academy actively enhances the professional qualifications of its employees. The newly introduced "Professional Certificate for Instructors in Franchised Bus Industry" course requires a total of 180 hours of learning, aiming to instill teaching concepts and enhance the teaching skills of bus captain training instructors and technical training instructors at KMB and LWB.

The course content is seamlessly integrated into the instructors' daily teaching activities, with a particular emphasis on fostering systematic and effective communication with trainees. This approach enables trainees to grasp the course content more easily. Currently, the course has been recognised at Level Four

of the Qualifications Framework. In-service instructors are required to take the course and pass the examination. Upon completion of the course, they will obtain a qualification equivalent to a Higher Diploma.

The “Certificate in Continuing Development for In-service Bus Captains” is another new course which includes a total of 50 hours of learning, aiming to provide in-depth training on comprehensive driving techniques and promote a positive attitude with an emphasis on road safety, defensive driving and handling emergencies. Guided by instructors and through practical training, current bus captains can strengthen their professional and safe driving skills while gaining knowledge about the latest developments and technological applications in the industry. The course has currently been recognised at Level Three of the Qualifications Framework. Upon completion and passing of the examination, in-service bus captains will receive recognition equivalent to a diploma qualification.



The “Professional Certificate for Instructors in Franchised Bus Industry” course primarily teaches us to systematically handle teaching content, improve techniques, and develop effective teaching plans, thereby improving the overall quality of instruction. In the past, while we had extensive driving experience, most teaching skills were primarily acquired through oral tradition from senior colleagues and observation.

In contrast, the current certificate courses are designed to facilitate more systematic planning and organisation of teaching, allowing us to gradually master a comprehensive range of teaching techniques. Moreover, the systematic teaching methods also improves the way we develop our teaching plans, thereby enhancing the KMB Academy’s recognition in terms of teaching quality.

Currently, the course has obtained recognition at Level Four of the Qualifications Framework, which is equivalent to obtaining a Higher Diploma certificate. We are very grateful to the Company for affording us the opportunity of continuous learning. This certificate will not only benefit our work, but also boost our self-confidence and inspire confidence in others. My fellow bus captain training instructors and I will continue to train more outstanding and professional bus captains in the city, so the public can enjoy a safe and comfortable bus journey.



Lee Kam Fai, KMB Academy Chief Instructor (Bus Captain Training)



SUSTAINABILITY REPORT

Stakeholder Engagement



>21,000
voluntary hours

We support various initiatives to advance the well-being of the community and engage with our stakeholders through effective communication channels.





Good Health and Well-Being



Industry, Innovation and Infrastructure



Sustainable Cities and Communities



Partnerships For The Goals

Engaging the Public

With a close relation with the community, we actively engage the public to connect and solicit feedback helping us build a strong community to create shared values for all.

Events

In 2023, a number of events were organised to interact with the public we serve:

- Ⓐ KMB held the 90th Anniversary Ceremony and Carnival at KMB Shatin Depot on 22 April 2023 to celebrate our 90th birthday with the general public. The event featured an exhibition of both vintage and the latest electric buses, a VR experience, interactive game booths and a pop-up store, with a total of 10,000 participants joining the event;
- Ⓐ KMB organised four “KMB Journeys” between May and August, which included a bus exhibition, staff recruitment and public engagement. These events were well-received by the public;

- Ⓐ In June, KMB organised a KMB x UNO competition and a pop-up store in Sham Shui Po V Walk to engage KMB fans and UNO fans, which attracted over 100 participants to join the competition;
- Ⓐ In July, KMB joined the Hong Kong Book Fair held at the Hong Kong Convention and Exhibition Centre;
- Ⓐ In December, KMB and the Environment and Ecology Bureau co-organised the “KMB Green Journey” event to introduce the latest new energy buses and the roadmap of electrification to the general public;
- Ⓐ KMB and LWB held a total of twelve Passenger Liaison Group meetings at bus termini across their operating areas to collect customer views on a variety of issues, including interchange schemes, environmentally friendly buses, passenger facilities and network connectivity; and
- Ⓐ KMB organised free ride days with business partners and sponsors in January, March and April.



- Ⓐ KMB has organised multiple “KMB Journey” events, featuring bus exhibitions and booth games, to bring joy to the public



- Ⓐ KMB and UNO™ collaborate for the first time in organising a competition, attracting over a hundred participants

SUSTAINABILITY REPORT

Media and Social Media Platforms

In 2023, we invited the media to our events to strengthen public communication and promoted greater adoption of social media platforms such as Facebook and Instagram to disseminate information related to KMB and LWB. Our interaction with netizens included a number of cross-media activities, these activities proved popular, as our Facebook page reached more than 1.6 million netizens in 2023. Likewise, the number of followers of our Instagram account reached over 22,300 followers at the end of December.

Firmly believing that social media platforms play a pivotal role in communication between the public and the Group, we are committed to continue leveraging online communication platforms to strengthen our ties with the public.

Throughout the year, KMB Facebook has showcased various events using images, GIFs and videos. In particular, bus safety and etiquette have been actively promoted on this online and other social media platforms.

app1933

KMB's smartphone application has been continuously updated with newly added features such as the "Estimated Alighting Time" to cater to passengers' trip planning needs. To facilitate trip planning, the application calculates passenger alighting times at different bus stops based on real-time traffic conditions.

More mini-games have been introduced to the "Game Room" on app1933, allowing users to earn extra club1933 points that can be converted into eCoins for bus rides.

club1933

A new scheme, eCoin, was launched in August 2023 for club1933 members. Under the scheme, members can convert their club1933 points into eCoins which can be used, without an expiry date, for paying bus fares and redeeming gifts.

Websites

The KMB and LWB website (www.kmb.hk) provides a user-friendly experience with enhanced information integration, allowing users to easily acquire information on our service details.

Depot Visits

To increase our stakeholders' understanding of the daily operations at our bus depots, we hosted 31 delegations in 2023, among them were social service organisations, professional associations, Government departments and higher education institutes. We also engaged with schools and non-government organisations through a depot visit programme to promote good manners and safety awareness on the bus, especially for students and families.

Excellent Customer Service

KMB and LWB place great emphasis on delivering quality services to customers and welcome their feedback on our bus services. At KMB and LWB, we treat substantive feedback as a reference for continuous service improvement and future service development.

Chatbot for Enquires

KMB and LWB provide an artificial intelligence Chatbot channel, bot1933, on their websites and app1933, enabling customers to receive instant year-round responses to enquiries and provide feedback on bus services. Since its launch, the Chatbot channel has continually been enhanced to handle customer enquiries and has received positive feedback.



Ⓐ The customer service hotline, with human operators to answer customer inquiries, provides assistance in finding lost elderly people

Customer Service Hotline

Both KMB and LWB offer a manned customer service hotline (2745 4466 and 2261 2791, respectively) with human operators available for enquiries daily, complemented by a 24-hour hotline system. Shortcut keys are provided to get through to a live operator. These shortcut keys are designed to facilitate prompt reporting of illegal parking that may affect bus services and providing assistance in locating lost elderly people.

Customer Service Centres

Our Customer Service Centres provide customers with a one-stop service, which includes offering KMB and LWB souvenirs, Octopus card add-value services and the provision of bus route information. Likewise, at our Tai Lam Customer Service Kiosk, we provide a comprehensive range of services, including cash withdrawal, free Wi-Fi service and convenience goods, offering a handy one-stop service to customers. A new convenience store was opened at Tuen Mun Road Bus-bus Interchange (Kowloon bound) to provide food and beverages for passengers, catering to their daily needs and indulgences while waiting.

Smart Lockers

KMB has installed self-service lockers at 35 bus termini to provide customers with the convenience of picking up parcels easily at bus termini, elevating customers' riding experience to a new level. To provide additional assistance for passengers retrieving their lost items on the bus, these smart lockers at bus termini also serve as collection points for lost property retrieval.

Membership of Associations and Advocacy

During the reporting period, we further strengthened our connection with stakeholders by joining the following organisations:

- Ⓐ Business Environment Council;
- Ⓐ Employers' Federation of Hong Kong;
- Ⓐ Federation of Hong Kong Industries;
- Ⓐ Hong Kong Association for Customer Service Excellence;
- Ⓐ The Chartered Institute of Logistics and Transport in Hong Kong; and
- Ⓐ The Hong Kong General Chamber of Commerce.

Serving the Community

We continually 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 the elderly and nurturing youth development.

Donation of Retired Bus and Bus Stop Pole

To support sustainability and recycling as well as helping people in need, we have donated retired buses and bus stop poles to schools and elderly homes. KMB launched

the Donation of Used and Retired Bus Programme in 2016 to donate used and retired buses to schools and non-profit organisations. These buses can be regenerated explicitly to meet the creative learning needs of schools or non-profit organisations. For the Donation of Caring Bus Stop Pole Programme, we donated tailor-made bus stop poles to elderly homes to help prevent seniors with dementia from wandering and going missing as well as assisting them in receiving treatment.

The list of beneficiary schools/non-profit organisations that received a donated bus or bus stop pole in 2023 is as follows (by alphabetical order):

Retired Bus Donation

- Ⓐ Yan Chai Hospital Ho Sik Nam Primary School.

Bus Stop Pole Donation

- Ⓐ Aura Nursing Home;
- Ⓐ Azure Elderly Care;
- Ⓐ (Sydney, Australia) CASS Residential Aged Care Facility;
- Ⓐ Chau Lin Day Care Centre for the Elderly;
- Ⓐ Chow Hung Piu Day Care Centre for the Elderly;
- Ⓐ HKYWCA Lam Woo Memorial Day Care Centre for the Elderly;
- Ⓐ Helping Hand Father Sean Burke Care Home for the Elderly;
- Ⓐ Ka Shui Garden Nursing Home for the Elderly;
- Ⓐ Koo Bin Kau Lee Day Care Centre for the Elderly;
- Ⓐ Po Hing (Po Tin) Centre for the Elderly Limited;
- Ⓐ Po Leung Kuk Merry Court for the Senior;
- Ⓐ Po Leung Kuk Siu Ming Memorial Home cum Care & Attention Unit;
- Ⓐ The Hong Kong Society for the Blind Kowloon Home for the Aged Blind; and
- Ⓐ Yuen Yuen Home for the Aged.



- Ⓐ In 2023, KMB donated fourteen Caring Bus Stop Poles to local and overseas elderly homes, including Kowloon Home for the Aged Blind, to serve elderly individuals with cognitive and visual impairments



- Ⓐ The KMB engineering team retrofits retired buses to cater for the educational needs of schools, and arranges bus delivery and fixation at schools

SUSTAINABILITY REPORT



- Ⓐ KMB collaborates with the Hong Kong Society for the Blind and The Hong Kong Polytechnic University to create a simulated bus environment for elderly individuals receiving cognitive stimulation therapy

Collaboration with Hong Kong Society for the Blind and Polytechnic University

As part of its collaboration with The Hong Kong Society for the Blind ("HKSB") and the Department of Rehabilitation Sciences, the Hong Kong Polytechnic University ("PolyU"), KMB has donated a Caring Bus Stop Pole and provided a soundtrack with the bus stop information of Route 2F to HKSB's Kowloon Home for the Aged Blind. Technical support is also provided to assist in setting up a smart bus stop and creating a simulated environment for waiting and boarding buses. This initiative, together with the cognitive stimulation therapy developed by PolyU and HKSB, enhances the effectiveness of assessing and treating visually impaired elderly individuals with cognitive problems.

Collaboration with Jockey Club Centre for Positive Aging and The Hong Kong University of Science and Technology

In February 2023, a Memorandum of Understanding was signed between the Jockey Club Centre for Positive Aging, Professor Gary Chan from The Hong Kong University of Science and Technology and KMB for installing 50 "Angel Boxes" at bus termini to expand the protection network for the elderly. KMB installed the first batch of Angel Boxes at five major KMB bus termini in 2022. The Angel Boxes are Bluetooth signal detectors that can identify iBeacon tags registered under the campaign and carried by seniors with dementia. When an elderly person carrying a registered iBeacon tag is out in the street, the Bluetooth signal emitted by the iBeacon tag will be detected by the Angel Boxes.

Business-school Partnership

In collaboration with Hong Chi Association, KMB takes students with Special Educational Needs ("SEN") out of the classroom to showcase their talents through a multi-platform and various placements. For example, the Café1933, a staff coffee shop, offers retail placements to students as well as food and beverages. Under the partnership, KMB has also recruited SEN graduates as bus cleaning workers, office assistants, customer service assistants, and gardening assistants.

Nurturing Talents

KMB is committed to cultivating young people and nurturing talents for the transportation industry in Hong Kong. The following activities were organised throughout the year:

- Ⓐ KMB organised a career-oriented seminar for secondary school students. The seminar includes a depot tour and career talk session, allowing students to grasp various job roles and work settings whilst gaining insight into KMB's organizational structure. The activity aimed to expand the horizon of the students and inspire them to plan for future studies and career paths.



- Ⓐ When interviewed by the publication "SCOM Talk Show" of the School of Communication, The Hang Seng University of Hong Kong, KMB Managing Director, Roger Lee Chak Cheong (first from the left), shares KMB's operational philosophy and future development with young adults



- Ⓐ FRN regularly organises volunteers to participate in beach cleaning activities



▲ KMB, LWB, and FRN actively participate in The Community Chest Walk for Millions event, demonstrating their commitment to society

Community Participation

- ▲ KMB and LWB offer free rides on all bus routes for people with disabilities, together with one accompanying caregiver, to support the International Day of Persons with Disabilities every year;
- ▲ KMB and LWB support the annual Senior Citizens Day by offering free rides to people aged 65 and over;
- ▲ KMB has rolled out several new electric bus engagement activities to encourage more customers to experience our new-generation electric buses. Students with SEN and their family members, and physically handicapped passengers were invited to make a trial run on the latest electric buses;
- ▲ KMB has organised a bus drawing competition to connect with the new developed area, Anderson Road in Kwun Tong. The winning entries are painted on buses that serve Kowloon East, bringing art, culture and green transportation ideas into the community; and
- ▲ KMB has long supported the Community Chest activities. In 2023, a group of KMB staff participated in The Community Chest Sports for Millions.

FRIENDS OF KMB

KMB's volunteer club FRIENDS OF KMB ("FRN") has been promoting environmental protection, civic education and social service activities since it was formed in 1995. In the reporting period, FRN comprised 2,330 members, including passengers, KMB and LWB staff and their dependents.

During the reporting period, FRN volunteers worked with the KMB Bus Stop Management Team to tailor-make and deliver bus stop poles to elderly homes for treatment and therapy specifically designed for seniors with dementia.

FRN participated in regular home visits and made care calls to elderly people experiencing depression. The programme was organised by the Suicide Prevention Service, with which FRN has maintained a partnership since 2013. FRN also launched a civic education programme, "Safety Junior Mentor", to enhance the awareness of primary school students regarding road safety, bus safety and bus etiquette through various interactive games.

In October 2023, KMB held an appreciation ceremony to commend FRN volunteers who served 50, 100, 200, 500 and 1,000 hours.



- ▲ In support of The Community Chest Hong Kong, KMB deploys 60 buses and over a hundred staff members to provide feeder service for participants joining The Community Chest Walk for Millions

SUSTAINABILITY REPORT

CASE STUDY



The Bus Captain Experience Programme helps SEN students fulfil their dreams of becoming bus captains

Equality, inclusivity and care have always been the core cultural values of KMB. It is especially important to provide equal learning opportunities for young people and help them unleash their full potential. KMB has become aware that a group of youth with special educational needs ("SEN") dreams of becoming bus captains. To encourage these young people to pursue their dreams, the KMB Academy has invited them to participate in its bus captain experience programme. Through the programme, they can understand firsthand the duties of a bus captain and prepare themselves for their future careers.

The bus captain experience programme offers a rich curriculum. In addition to theory classes provided by experienced bus captain training instructors, the programme also features a simulated demonstration, allowing participants to experience driving an electric bus in various scenarios such as navigating to a bus stop, parking at the stop and manoeuvring through narrow roads. Students can also gain hands-on experience in the pre-driving preparations of a bus captain, such as checking tyres, adjusting the driver's seat and the rearview mirrors, and inspecting safety and electronic devices. To enhance engagement, the KMB Academy even provided these students with personalised bus captain uniforms and staff cards displaying their photos, names and school names to foster a greater interest in learning.



“

Through the programme, KMB aims to promote equal learning opportunities by providing work-tasting opportunities for SEN students. The experience not only gives them an insight into the fundamental duties and responsibilities of a bus captain, but also fosters a better understanding of their own interests and strengths. This in turn contributes to their potential development and helps in making their dreams come true.

Our students thoroughly enjoy the bus captain experience programme. The visit to bus depots allows students to have firsthand experience of how KMB operates, including insights into vehicle maintenance and the opportunity to ride the bus. This is a rare and valuable experience for them.

Meanwhile, the activity also allows students to experience the role of a bus captain and understand the job responsibilities of various positions within KMB. This practical and hands-on learning experience helps students to apply theoretical knowledge to real-life situations, deepening their understanding of related occupations. The activity also helps students in character building, cultivating a sense of responsibility in them and sharpening their skills in teamwork, communication, and problem-solving. All these are crucial abilities highly valued in the workplace, which contribute to the personal growth of our students and their future career development.

We hope that more companies will follow KMB's example and promote equal learning opportunities, allowing students with special educational needs to experience different positions in the workplace and integrate into society.

Yiu Ching Yee, Principal of CCC Kei Shun Special School

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SUSTAINABILITY REPORT

Performance Statistics

	Units	FY 2023	FY 2022	Year-On-Year Change
Environmental				
Emissions				
GHG Emissions of Bus (Scope 1) ¹	tCO ₂ e	498,289	458,518	8.67%
GHG Emissions of Bus (Scope 1) Intensity	tCO ₂ e per million km	1,599	1,649	-3.03%
GHG Emissions of Electricity (Scope 2) ^{2,3}	tCO ₂ e	6,246	6,518	-4.17%
GHG Emissions of Electricity (Scope 2) Intensity ¹	tCO ₂ e per m ²	0.015	0.015	0.00%
Nitrogen Oxides (NOx) ^{4,5}	tonnes	1,779	1,588	12.03%
Sulphur Oxides (SOx) ^{4,6}	tonnes	3.05	2.81	8.54%
Particulate Matter (PM) ^{4,7}	tonnes	128	114	12.28%
Waste				
Hazardous Waste				
Solid Chemical Waste (recycled)	kilograms (kg)	1,294,968	1,285,460	0.74%
Solid Chemical Waste Intensity	kilograms (kg) per million km	4,156	4,623	-10.10%
Tyres (recycled) ⁸	kilograms (kg)	921,060	974,760	-5.51%
Fluorescent Tubes	kilograms (kg)	0	0	n.a.
Waste Oil (recycled)	kilograms (kg)	457,400	456,600	0.18%
Battery (recycled) ³	kilograms (kg)	166,658	164,200	1.50%
Non-hazardous Waste				
Metal (recycled) ⁹	kilograms (kg)	745,206	679,852	9.61%
Metal Intensity	kilograms (kg) per million km	2,391	2,445	-2.21%
Waste directed to disposal (paper waste) ¹⁰	tonnes	38.59	33.60	14.85%
Use of Resources				
Diesel Oil Consumption ¹¹	gigajoules (GJ)	7,295,900	6,716,564	8.63%
Diesel Oil Consumption Intensity	GJ per million km	23,414	24,154	-3.06%
Water Consumption ^{12,13}	m ³	237,517	197,855	20.05%
Water Consumption Intensity ^{12,13}	m ³ per bus	55	46	19.57%
Non-renewable Electricity Consumption ^{12,14}	kWh	16,880,249	17,615,264	-4.17%
Non-renewable Electricity Consumption Intensity ^{12,14}	kWh per m ²	41	42	-2.38%

¹ The GHG emissions of bus (scope 1) increased due to the total distance travelled by KMB and LWB bus fleet in 2023 exceeded that of 2022.

² The emission factors of greenhouse gas emissions for electricity consumption were obtained from the 2022 HKEX published document, "How to prepare an ESG Report, Appendix 2: Reporting Guidance on Environmental KPIs": 0.37kg CO₂e/kWh.

³ The GHG emissions of electricity (scope 2) of KMB and LWB decreased due to the adoption of environmentally-friendly initiatives and the installation of solar panels across depots, bus termini and bus shelters.

⁴ The emission factors were obtained from the 2022 HKEX published document, "How to prepare an ESG Report, Appendix 2: Reporting Guidance on Environmental KPIs".

⁵ There was an increase in Nitrogen Oxides due to the increased distance travelled across the KMB and LWB bus fleet during the reporting period.

⁶ There was an increase in Sulphur Oxides due to the increased fuel usage and increased distance travelled across the KMB and LWB fleet during the reporting period.

⁷ There was an increase in Particulate Matter due to the increased distance travelled across KMB and LWB bus fleet during the reporting period.

⁸ The reduction of recycled tyres during the reporting period was due to the use of new tyre model.

⁹ There was an increase in Metal (recycled) due to the increased distance travelled across KMB and LWB bus fleet during the reporting period.

¹⁰ There was an increase in Paper Waste due to the increased distance travelled across KMB and LWB bus fleet during the reporting period.

¹¹ The diesel oil consumption increased due to the total distance travelled by KMB and LWB bus fleet in 2023 exceeded that of 2022.

¹² The water consumption and electricity consumption in all KMB and LWB premises, excluding tenants, were taken into account.

¹³ There was an increase in water consumption as KMB and LWB diligently improved the cleanliness and hygiene standards of their bus fleets. This occurred despite the social epidemic returning to normal.

¹⁴ The non-renewable electricity consumption of KMB and LWB decreased due to the adoption of environmentally friendly initiatives and the installation of solar panels across depots, bus termini and bus shelters.

	Units	FY 2023	FY 2022	Year-On-Year Change
Social				
Employment				
Total Workforce	no. of employees	12,355	12,837	-3.75%
By Gender				
Female	no. of employees	1,008	1,005	0.30%
Male	no. of employees	11,347	11,832	-4.10%
By Age Group				
Below 40 Years Old	no. of employees	2,468	2,743	-10.03%
40-50 Years Old	no. of employees	3,718	3,665	1.45%
Over 50 Years Old	no. of employees	6,169	6,429	-4.04%
By Employment Category				
Senior Level	no. of employees	22	23	-4.35%
Middle Level	no. of employees	244	248	-1.61%
Entry Level	no. of employees	12,089	12,566	-3.80%
By Employment Type by Gender				
Full Time Female	no. of employees	901	914	-1.42%
Full Time Male	no. of employees	10,509	11,114	-5.44%
Non Full Time Female	no. of employees	107	91	17.58%
Non Full Time Male	no. of employees	838	718	16.71%
By Employment Contract by Region				
Permanent in Hong Kong	no. of employees	11,194	11,749	-4.72%
Permanent in Other Region	no. of employees	0	0	n.a.
Temporary in Hong Kong	no. of employees	1,161	1,088	6.71%
Temporary in Other Region	no. of employees	0	0	n.a.
By Employment Contract by Gender				
Permanent Female	no. of employees	891	900	-1.00%
Permanent Male	no. of employees	10,303	10,849	-5.03%
Temporary Female	no. of employees	117	105	11.43%
Temporary Male	no. of employees	1,044	983	6.21%
Parental Leave				
Return to work	rate	100	100	0.00%
Retention	rate	100	0	n.a.

SUSTAINABILITY REPORT

	Units	FY 2023	FY 2022	Year-On-Year Change
Social				
Turnover Rate				
By Gender				
Female	no. of employees	190	181	4.97%
Male	no. of employees	2,076	1,900	9.26%
By Age Group				
Below 40 Years Old	no. of employees	622	656	-5.18%
40-50 Years Old	no. of employees	515	405	27.16%
Over 50 Years Old	no. of employees	1,129	1,020	10.69%
By Geographical Region				
Hong Kong	no. of employees	2,266	2,081	8.89%
Other Region	no. of employees	0	0	n.a.
Health and Safety				
Total Number of Work-related Fatalities Occurred	no. of employees	1	0	n.a.
	rate (no. of employees/ total workforce)	0.00008	0	n.a.
Lost Days Due to Work Injury	no. of days	17,071	18,525	-7.85%
Work-related injuries	no. of injuries	230	242	-4.96%
Work-related ill health	no. of ill health	0	0	n.a.
Development and Training				
By Gender				
Female	% of employees trained	6.65	6.11	8.84%
Male	% of employees trained	93.35	93.89	-0.58%
By Employment Category				
Senior Level	% of employees trained	0.02	0.03	-33.33%
Middle Level	% of employees trained	0.64	0.73	-12.33%
Entry Level	% of employees trained	99.34	99.23	0.11%
Training Hours				
Total Training Hours	no. of hours	348,334	315,824	10.29%
Average Training Hours By Gender				
Female	no. of hours	28.02	23.00	21.83%
Male	no. of hours	28.21	24.00	17.54%
Average Training Hours By Employment Category				
Senior Level	no. of hours	1.55	2.00	-22.50%
Middle Level	no. of hours	9.32	11.00	-15.27%
Entry Level	no. of hours	28.62	25.00	14.48%

	Units	FY 2023	FY 2022	Year-On-Year Change
Social				
Employees receive regular performance and career development reviews By Gender				
By Gender				
Female	% of employees received	88.36	91.59	-3.53%
Male	% of employees received	90.75	88.65	2.37%
By Employment Category				
Senior Level	% of employees received	95.5	94.7	0.84%
Middle Level	% of employees received	100	100	0.00%
Entry Level	% of employees received	90.40	91.3	-0.99%
Diversity and Equal Opportunity				
Senior Level	Ratio of basic salary and remuneration of women to men	0.53	0.91	-41.76%
Middle Level	Ratio of basic salary and remuneration of women to men	0.92	0.95	-3.16%
Entry Level	Ratio of basic salary and remuneration of women to men	0.87	1.11	-21.62%
Number of incidents of discrimination and corrective actions taken	No. of cases	0	0	n.a.
Supply Chain Management				
By Region				
Hong Kong	no. of suppliers	408	408	0.00%
Other Region	no. of suppliers	34	34	0.00%
Product Responsibility				
Service-Related Complaints Received	no. of complaints received per million passenger trips	2.66	1.91	39.27%
Anti-corruption				
Concluded Legal Cases	no. of cases	0	0	n.a.

SUSTAINABILITY REPORT

Reporting Content Index Table

Transport International Holdings Limited (“TIH”) has reported in accordance with the GRI Standards from 1 January 2023 to 31 December 2023. 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.

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
2: General Disclosures 2021					
Organizational Profile					
		2-1	Organizational details	About the Report Reporting Focus	44-51 44
		2-2	Entities included in the organization’s sustainability reporting	About the Report Reporting Principles Reporting Focus	44-51 44-45 44
		2-3	Reporting period, frequency and contact point	About the Report Reporting Principles Reporting Focus	44-51 44-45 44
		2-4	Restatements of information	Reporting Principles Reporting Focus	44-45 44
		2-5	External assurance	Reporting Principles +External assurance was not carried out by an independent third-party.	44-45
Activities and workers					
KPI B5.1		2-6	Activities, value chain and other business relationships	Business at a Glance	4-5 [^]
KPI B5.2				Key Franchised Bus Network in Hong Kong	6-7 [^]
KPI B5.3				Financial and Operational Highlights	8-9 [^]
KPI B5.4				Supply Chain Management	51
KPI B1.1		2-7	Employee	Caring for Employees Performance Statistics	82-89 98-101
		2-8	Workers who are not employees	Safety First Performance Statistics	52-59 98-101

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
Governance					
		2-9	Governance structure and composition	Sustainability Governance Corporate Governance Report	47 130-153^
		2-10	Nomination and selection of the highest governance body	Corporate Governance Report	130-153^
		2-11	Chair of the highest governance body	Corporate Governance Report	130-153^
		2-12	Role of the highest governance body in overseeing the management of impacts	Adopting TCFD reporting: Governance	62
		2-13	Delegation of responsibility for managing impacts	Adopting TCFD reporting: Governance	62
		2-14	Role of the highest governance body in sustainability reporting	Corporate Governance Report	130-153^
		2-15	Conflicts of interest	Financial Review	114-129^
		2-16	Communication of critical concerns	Caring for Employees	82-89
		2-17	Collective knowledge of the highest governance body	Corporate Governance Report	130-153^
		2-18	Evaluation of the performance of the highest governance body	Corporate Governance Report Adopting TCFD reporting: Risk Management	130-153^ 63
		2-19	Remuneration policies	Remuneration Report	154-157^
		2-20	Process to determine remuneration	Remuneration Report	154-157^
		2-21	Annual total compensation ratio	Directors' emolument	225-226^

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ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
Strategy, policies and practices					
		2-22	Statement on sustainable development strategy	Chairman's Letter Managing Director's Message	14-17^ 18-19^
		2-23	Policy commitments	Caring for Employees Caring for the Environment Stakeholder Engagement	82-89 60-71 90-97
		2-24	Embedding policy commitments	Caring for Employees Caring for the Environment	82-89 60-71
		2-25	Processes to remediate negative impacts	Safety First Caring for Employees Caring for the Environment	52-59 82-89 60-71
KPI B7.2		2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Engagement	90-97
GD A1 GD B6	16: Peace, Justice and Strong Institutions	2-27	Compliance with laws and regulations	Legal and Regulatory Compliance	48
	17: Partnerships for the Goals	2-28	Membership associations	Stakeholder Engagement	90-97
Stakeholder engagement					
KPI B6.2		2-29	Approach to stakeholder engagement	Stakeholder Engagement Stakeholder Engagement and Materiality Assessment	90-97 48
	8: Decent Work and Economic Growth	2-30	Collective bargaining agreements	Legal and Regulatory Compliance Stakeholder Engagement and Materiality Assessment Caring for Employees	48 48 82-89
GRI 3: Material Topics 2021					
		3-1	Process to determine material topics	Stakeholder Engagement and Materiality Assessment	48
		3-2	List of material topics	Stakeholder Engagement and Materiality Assessment	48

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 201: Economic Performance 2016					
GD A4 KPI A4.1		3-3	The management approach and its components	Financial Review Management Discussion and Analysis Caring for the Environment	114-129^ 20-21^ 60-71
		201-1	Direct economic value generated and distributed	Financial Review	114-129^
	8: Decent Work and Economic Growth 13: Climate Action	201-2	Financial implications and other risks and opportunities due to climate change	Management Discussion and Analysis Caring for the Environment Adopting TCFD reporting: Risk Management	20-21^ 60-71 63
	8: Decent Work and Economic Growth	201-3	Defined benefit plan obligations and other retirement plans	Caring for Employees Remuneration Report Directors' Report Financial Review	82-89 154-157^ 169-181^ 114-129^
		201-4	Financial assistance received from government	Financial Review	114-129^
GRI 204: Procurement Practices 2016					
GD B5 KPI B5.2 KPI B5.3 KPI B5.4		3-3	The management approach and its components	Supply Chain Management	51
KPI B5.1		204-1	Proportion of spending on local suppliers	Supply Chain Management	51
GRI 205: Anti-corruption 2016					
GD B7 KPI B7.2 KPI B7.3		3-3	The management approach and its components	Legal and Regulatory Compliance	48
	16: Peace, Justice and Strong Institutions	205-1	Operations assessed for risks related to corruption	*TIH conducts an Enterprise Risk Assessment annually, corruption was not an identified risk.	-
KPI B7.3	16: Peace, Justice and Strong Institutions	205-2	Communication and training about anti- corruption policies and procedures	Legal and Regulatory Compliance	48
KPI B7.1	16: Peace, Justice and Strong Institutions	205-3	Confirmed incidents of corruption and actions taken	Legal and Regulatory Compliance Performance Statistics	48 98-101

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ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 207: Tax 2019					
		3-3	The management approach and its components	Financial Review	114-129 [^]
		207-1	Approach to tax	Financial Review	114-129 [^]
		207-2	Tax governance, control, and risk management	Financial Review	114-129 [^]
		207-3	Stakeholder engagement and management of concerns related to tax	Financial Review Stakeholder Engagement and Materiality Assessment	114-129 [^] 48-50
		207-4	Country-by-country reporting	Financial Review	114-129 [^]
GRI 302: Energy 2016					
GD A2 GD A3 KPI A2.3		3-3	The management approach and its components	Caring for Customers Caring for the Environment	72-81 60-71
KPI A2.1	7: Affordable and Clean Energy 12: Responsible Consumption and Production 13: Climate Action	302-1	Energy consumption within the organization	Caring for the Environment Performance Statistics	60-71 98-101
	12: Responsible Consumption and Production 13: Climate Action	302-2	Energy consumption outside the organization	+Information incomplete: TIH is not ready to explore these voluntary disclosures yet but has been reviewing the feasibility to do so in the future.	-
KPI A2.1	12: Responsible Consumption and Production 13: Climate Action	302-3	Energy intensity	Caring for the Environment Performance Statistics	60-71 98-101
KPI A2.3	12: Responsible Consumption and Production 13: Climate Action	302-4	Reduction of energy consumption	Caring for the Environment Performance Statistics	60-71 98-101
KPI A2.3	12: Responsible Consumption and Production 13: Climate Action	302-5	Reductions in energy requirements of products and services	Caring for the Environment	60-71

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 303: Water and Effluents 2018					
GD A2 GD A3		3-3	The management approach and its components	Caring for the Environment	60-71
KPI A2.2 KPI A2.4 KPI B5.3	6: Clean Water and Sanitation	303-1	Interactions with water as a shared resource	Caring for the Environment *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 during the reporting year.	60-71
GD A3 KPI A3.1	6: Clean Water and Sanitation	303-2	Management of water discharge-related impacts	Caring for the Environment *We ensure water discharge to drainage systems and water bodies were in compliance with local government requirements.	60-71
KPI A2.4	6: Clean Water and Sanitation	303-3	Water withdrawal	Caring for the Environment	60-71
	6: Clean Water and Sanitation	303-4	Water discharge	Caring for the Environment *Effluents are discharged into municipal sewage treatment systems and comply with local regulatory standards of effluents discharge.	60-71
KPI A2.2	6: Clean Water and Sanitation	303-5	Water consumption	Caring for the Environment Performance Statistics *No specific regions are water stressed in Hong Kong.	60-71 98-101
GRI 305: Emissions 2016					
GD A1 GD A3 KPI A3.1		3-3	The management approach and its components	Caring for the Environment	60-71
KPI A1.1 KPI A1.2	12: Responsible Consumption and Production 13: Climate Action	305-1	Direct (Scope 1) GHG emissions	Caring for the Environment Performance Statistics	60-71 98-101
KPI A1.1 KPI A1.2	12: Responsible Consumption and Production 13: Climate Action	305-2	Energy indirect (Scope 2) GHG emissions	Caring for the Environment Performance Statistics	60-71 98-101

SUSTAINABILITY REPORT

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
KPI A1.1		305-3	Other indirect (Scope 3) GHG emissions	+Information incomplete: TIH is not ready to explore these voluntary disclosures yet but has been reviewing the feasibility to do so in the future.	-
KPI A1.2	12: Responsible Consumption and Production 13: Climate Action	305-4	GHG emissions intensity	Caring for the Environment Performance Statistics	60-71 98-101
KPI A1.5	7: Affordable and Clean Energy 12: Responsible Consumption and Production 13: Climate Action	305-5	Reduction of GHG emissions	Caring for the Environment Performance Statistics	60-71 98-101
KPI A1.1		305-6	Emissions of ozone- depleting substances (ODS)	+Not applicable: TIH does not produce, import and export ODS.	-
KPI A1.1	12: Responsible Consumption and Production 13: Climate Action	305-7	Nitrogen oxides (NOx), sulfur oxides (Sox), and other significant air emissions	Caring for the Environment Performance Statistics	60-71 98-101
GRI 306: Effluents and Waste 2016					
GD A1		3-3	The management approach and its components	Caring for the Environment	60-71
	6: Clean Water and Sanitation 13: Climate Action	306-3	Significant spills	*TIH has not recorded any significant spills during the reporting year.	-
GRI 306: Waste 2020					
GD A1 GD A3 KPI A1.6		3-3	The management approach and its components	Caring for the Environment	60-71
KPI A3.1		306-1	Waste generation and significant waste-related impacts	Caring for the Environment Performance Statistics	60-71 98-101

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
KPI A3.1	12: Responsible Consumption and Production	306-2	Management of significant waste-related impacts	Caring for the Environment Performance Statistics	60-71 98-101
KPI A1.3 KPI A1.4 * KPI A2.5	12: Responsible Consumption and Production	306-3	Waste generated	Performance Statistics *Quantitative data of total packaging materials are not available as they are not applicable to KMB & LWB's business.	98-101
KPI A1.6	12: Responsible Consumption and Production	306-4	Waste diverted from disposal	Performance Statistics	98-101
KPI A1.6	12: Responsible Consumption and Production	306-5	Waste directed to disposal	Performance Statistics	98-101
Employment					
GRI 401: Employment 2016					
GD B1		3-3	The management approach and its components	Caring for Employees	82-89
KPI B1.2		401-1	New employee hires and employee turnover	Caring for Employees Performance Statistics	82-89 98-101
	8: Decent Work and Economic Growth	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Caring for Employees	82-89
	10: Reduced Inequalities	401-3	Parental leave	Caring for Employees Performance Statistics	82-89 98-101
GRI 403: Occupational Health and Safety 2018					
GD B2 KPI B2.3		3-3	The management approach and its components	Caring for Employees Safety First	82-89 52-59
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-1	Occupational health and safety management system	Caring for Employees Safety First Business Review: KMB & LWB	82-89 52-59 22-33

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					Page(s) ^: refer to TIH 2023 Annual Report
ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-2	Hazard identification, risk assessment, and incident investigation	Safety First Caring for Employees Sustainability Governance	52-59 82-89 47
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-3	Occupational health services	Caring for Employees Safety First	82-89 52-59
GD B2	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-4	Worker participation, consultation, and communication on occupational health and safety	Caring for Employees Safety First	82-89 52-59
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-5	Worker training on occupational health and safety	Caring for Employees Safety First	82-89 52-59
GD B2	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-6	Promotion of worker health	Caring for Employees	82-89
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety First	52-59
GD B2 KPI B2.3	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-8	Workers covered by an occupational health and safety management system	Safety First	52-59
KPI B2.1 KPI B2.2	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-9	Work-related injuries	Caring for Employees Performance Statistics	82-89 98-101
KPI B2.1	3: Good Health and Well-Being 8: Decent Work and Economic Growth	403-10	Work-related ill health	Caring for Employees Performance Statistics	82-89 98-101

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 404: Training and Education 2016					
GD B3		3-3	The management approach and its components	Caring for Employees Safety First	82-89 52-59
KPI B3.1 KPI B3.2	4: Quality Education	404-1	Average hours of training per year per employee	Performance Statistics *The breakdown of employees trained in 2022 has been restated.	98-101
	4: Quality Education	404-2	Programs for upgrading employee skills and transition assistance programs	Caring for Employees	82-89
	4: Quality Education	404-3	Percentage of employees receiving regular performance and career development reviews	Caring for Employees Performance Statistics	82-89 98-101
GRI 405: Diversity and Equal Opportunity 2016					
GD B1		3-3	The management approach and its components	Caring for Employees	82-89
KPI B1.1	5: Gender Equality 10: Reduced Inequalities	405-1	Diversity of governance bodies and employees	Caring for Employees Corporate Governance Report Performance Statistics	82-89 130-153^ 98-101
	5: Gender Equality 10: Reduced Inequalities	405-2	Ratio of basic salary and remuneration of women to men	Caring for Employees Performance Statistics	82-89 98-101
GRI 406: Non-discrimination 2016					
GD B1		3-3	The management approach and its components	Caring for Employees	82-89
GD B1	5: Gender Equality 10: Reduced Inequalities	406-1	Incidents of discrimination and corrective actions taken	Caring for Employees Performance Statistics	82-89 98-101
GRI 407: Freedom of Association and Collective Bargaining 2016					
GD B5		3-3	The management approach and its components	Legal and Regulatory Compliance Caring for Employees	48 82-89
	8: Decent Work and Economic Growth 10: Reduced Inequalities	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	*TIH suppliers are all in regions in which workers' rights is unlikely to be violated. Collective bargaining is not recognized as a legally enforceable right in Hong Kong.	-

SUSTAINABILITY REPORT

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 408: Child Labor 2016					
GD B4		3-3	The management approach and its components	Legal and Regulatory Compliance	48
KPI B4.1	8: Decent Work and Economic Growth	408-1	Operations and suppliers at significant risk for incidents of child labor	Legal and Regulatory Compliance	48
KPI B4.2				Supply Chain Management	51
GRI 409: Forced or Compulsory Labor 2016					
GD B4		3-3	The management approach and its components	Legal and Regulatory Compliance	48
KPI B4.1	8: Decent Work and Economic Growth	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Legal and Regulatory Compliance	48
KPI B4.2					
GRI 413: Local Communities 2016					
GD B8		3-3	The management approach and its components	Stakeholder Engagement	90-97
KPI B8.1	9: Industry, Innovation and Infrastructure	413-1	Operations with local community engagement, impact assessments, and development programs	Stakeholder Engagement	90-97
KPI B8.2				11: Sustainable Cities and Communities	Caring for Customers
	9: Industry, Innovation and Infrastructure	413-2	Operations with significant actual and potential negative impacts on local communities	+Not applicable: Due to the nature of TIH's operations, this disclosure is not applicable.	-
GRI 414: Supplier Social Assessment 2016					
GD B5		3-3	The management approach and its components	Supply Chain Management	51
KPI B5.2	12: Responsible Consumption and Production	414-1	New suppliers that were screened using social criteria	Supply Chain Management	51
	12: Responsible Consumption and Production	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	51

ESG Guide, HKEX	UNSDG	GRI Standards	Material Topics	Reference / * Direct Answer / + Reason for omission	Page(s) ^: refer to TIH 2023 Annual Report
GRI 416: Customer Health and Safety 2016					
GD B6		3-3	The management approach and its components	Safety First Stakeholder Engagement	52-59 90-97
GD B6	3: Good Health and Well-Being	416-1	Assessment of the health and safety impacts of product and service categories	Caring for Environment Safety First	60-71 52-59
GD B6 KPI B6.1 *KPI B6.3 KPI B6.4	3: Good Health and Well-Being	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Safety First *TIH has not identified any non-compliance with regulations and/or voluntary codes.	52-59 -
GRI 418: Customer Privacy 2016					
GD B6		3-3	The management approach and its components	Safety First	52-59
KPI B6.5		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Safety First Caring for Customers	52-59 72-81

FINANCIAL REVIEW

The Group

Summary of Financial Performance

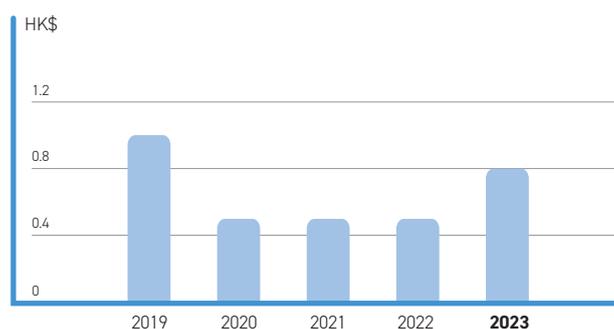
	2023	2022	Favourable/(Unfavourable) Change	
	HK\$ million		HK\$ million	HK\$ million
Revenue	7,884.8	6,607.2	1,277.6	19.3
Other income	68.1	705.8	(637.7)	(90.4)
Operating expenses	(7,738.3)	(7,274.4)	(463.9)	(6.4)
Profit from operations	214.6	38.6	176.0	456.0
Change in fair value of investment properties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

Review of 2023 Financial Performance

The Group's Results for the Year

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

Dividends per Share



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

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

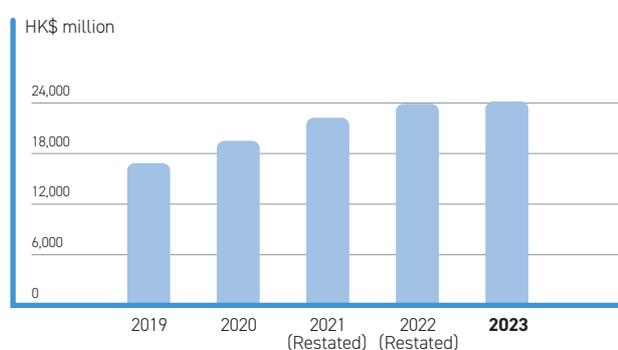
HK\$ million	Revenue		Profit/(loss) before taxation	
	2023	2022	2023	2022 (Restated)
Franchised Public Bus Operations Division	7,563.9	6,360.0	129.7	(158.5)
Non-franchised Transport Operations Division	238.0	195.7	17.2	(0.4)
Property Holdings and Development Division	82.9	51.5	364.6	514.7
China Mainland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

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

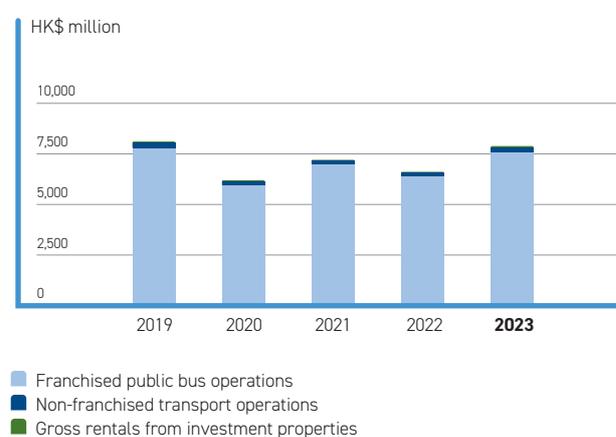
Key Changes to the Group's Revenue, Other Income and Operating Expenses

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

Total Assets at 31 December



Group Revenue



FINANCIAL REVIEW

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

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

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

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

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

Dividend

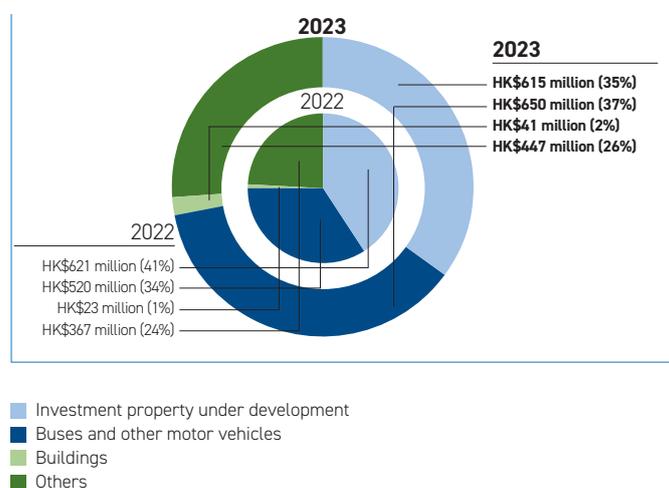
The Board has recommended an ordinary final dividend of HK\$0.50 per share (2022: HK\$0.50 per share). Together with the interim dividend of HK\$0.30 per share, total dividend for the year will be HK\$0.80 per share (2022: HK\$0.50 per share), subject to the approval of the shareholders at the Annual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

Key Changes to Financial Position

Capital Expenditure

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

Capital Expenditure



Intangible Assets and Goodwill

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

Current Assets and Current Liabilities

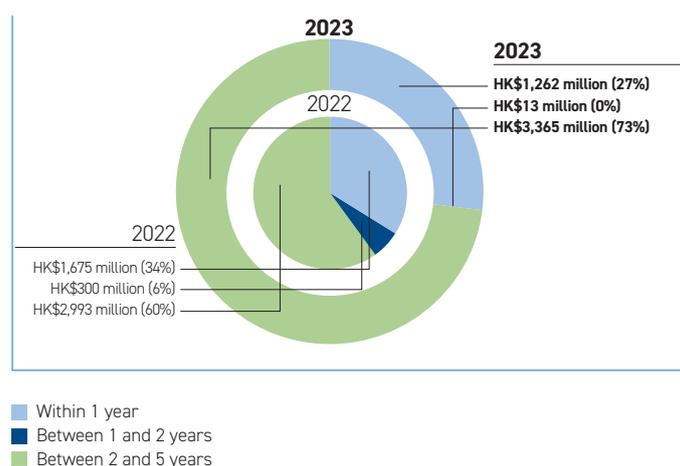
The Group's total current assets as at 31 December 2023 amounted to HK\$3,299.2 million (2022: HK\$3,545.7 million), mainly comprising liquid funds of HK\$1,655.3 million (2022: HK\$2,242.5 million) and accounts receivable of HK\$1,025.1 million (2022: HK\$957.2 million). The Group's liquid funds as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

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

Bank Loans

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

Debt Maturity Profile at 31 December



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

Capital Commitments

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

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

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

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Funding and Financing

Financial Liquidity and Resources

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

Net Cash/(Net Borrowing) and Liquidity Ratio

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

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

Finance Costs and Interest Cover

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

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

Net Cash Flow

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

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

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

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

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

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

Treasury Risk Management

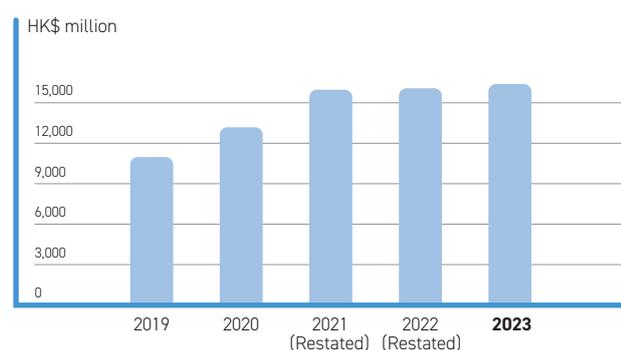
The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

Foreign Currency Risk

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

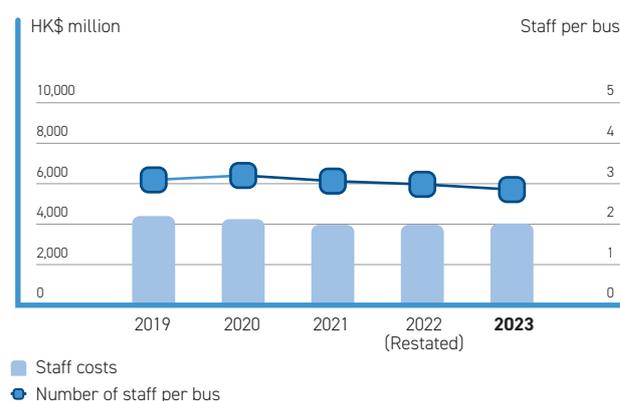
As at 31 December 2023, the Group had outstanding GBP forward contracts totalling GBP5.0 million (2022: GBP5.0 million), which had maturities of less than one year after the end of the reporting period.

Shareholders' Fund at 31 December



Staff Costs and Staff per Bus

(Franchised public bus operations)



FINANCIAL REVIEW

Interest Rate Risk

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

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

Fuel Price Risk

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

Credit Risk

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

Cash Flow and Liquidity Risk

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

Employees and Remuneration Policies

Running a transport operation is a labour intensive business, and staff costs accounted for about 54% (2022 (restated): 56%) of the total operating expenses of the Group in 2023. The Group closely monitors its headcount and staff remuneration in line with productivity and the prevailing market trends. The Group's total remuneration excluding retirement costs and equity-settled share-based payment expenses for 2023 amounted to HK\$3,968.8 million (2022: HK\$3,805.6 million). As at 31 December 2023, the Group employed over 13,000 staff (2022: over 13,000 staff).

Individual Business Units

Franchised Public Bus Operations

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

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

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

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

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

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Long Win Bus Company Limited (“LWB”)

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

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

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

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

Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$13.9 million for 2023, compared to the restated profit after taxation of HK\$1.4 million for 2022. A review of the operations of the principal business units in this Division is set out as follows:

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

The SBH Group is one of the leading non-franchised bus operators in Hong Kong, providing customised, premium, safe, reliable, and value-for-money transport services to a wide range of customers, including large residential estates, shopping malls, major employers, travel agents and schools, as well as the general public through chartered hire services.

The revenue of the SBH Group for 2023 increased by 7.4% compared with 2022. The increase was mainly due to the increase in local business and the resumption of cross-boundary services. Total operating expenses for 2023 decreased by 4.1% compared with 2022 as management implemented various cost control measures to streamline its business.

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

New Hong Kong Bus Company Limited (“NHKB”)

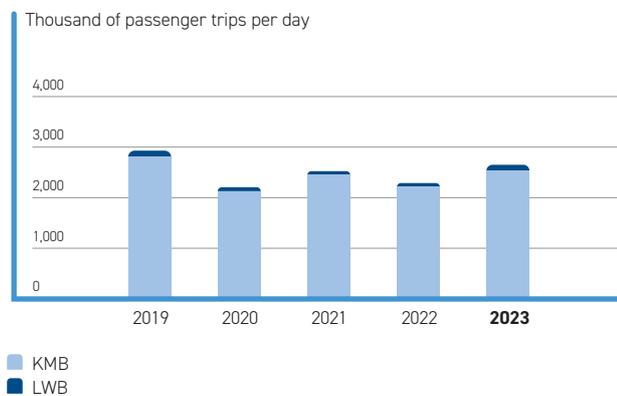
NHKB operates a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

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

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

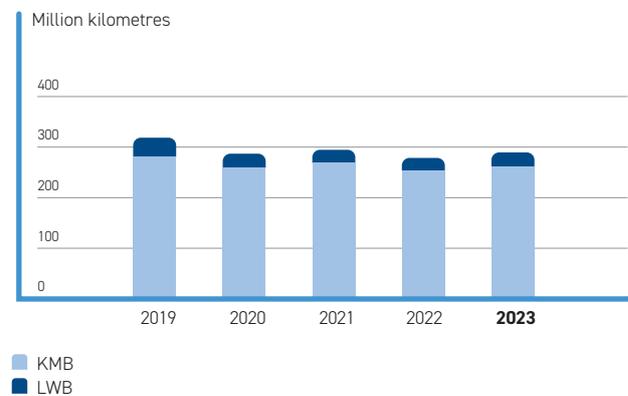
Average Number of Passenger Trips per Day

(Franchised public bus operations)

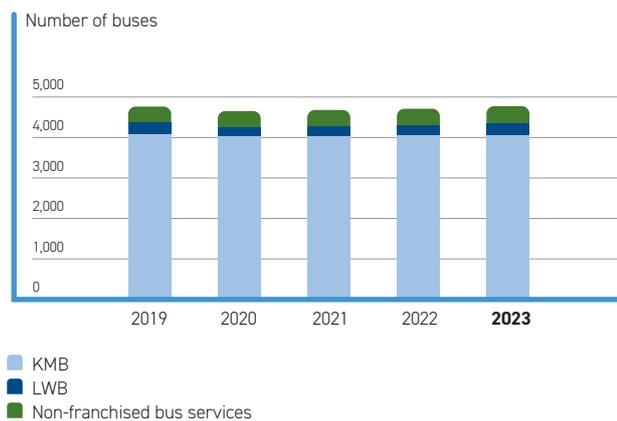


Bus Kilometres Operated

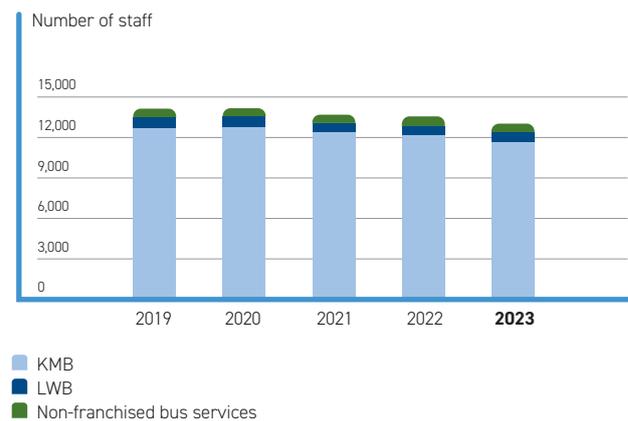
(Franchised public bus operations)



Number of Licensed Buses at 31 December



Number of Staff at 31 December



FINANCIAL REVIEW

Property Holdings and Development

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

KT Real Estate Limited ("KTRE")

KTRE, a wholly-owned subsidiary of the Group, together with Turbo Result Limited ("TRL"), a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), owns The Millennity situated at 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong in equal shares as tenants in common for long-term investment purpose.

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

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

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

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

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

LCK Real Estate Limited ("LCKRE")

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is situated next to Manhattan Hill. A portion of the lettable area is used by the Group as headquarters with the remaining lettable area leased out to offices, shops and restaurants, and classified as investment property in the consolidated statement of financial position.

LCK Commercial Properties Limited ("LCKCP")

LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in March 2009. As at 31 December 2023, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group, and classified as investment property in the consolidated statement of financial position.

TM Properties Investment Limited ("TMPI")

TMPI is jointly owned by TM Properties Holdings Limited ("TMPH"), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited ("MOL"), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH's 50% equity interest in TMPI to MOL in 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of the Group.

TMPI owns an industrial property which is currently used for industrial use or godown purposes or both. On 23 June 2023, TMPI obtained approval from the Town Planning Board for a change of use from the existing industrial use to office, shop and services uses. As at 31 December 2023, the entire lettable area of the property has been leased out to generate rental income for the Group.

China Mainland Transport Operations

The Group's China Mainland Transport Operations Division reported a profit after taxation of HK\$31.1 million for 2023, compared to the loss after taxation of HK\$6.9 million for 2022.

As at 31 December 2023, the Group's total interest in associates within the China Mainland Transport Operations Division amounted to HK\$609.1 million (2022: HK\$599.8 million). Such investments are mainly related to the operation of public transport services in Shenzhen, as well as taxi and car rental services in Beijing.

Summary of Investments in China Mainland Transport Operations as at 31 December 2023

	Shenzhen	Beijing
Nature of business	Bus and taxi hire services	Taxi and car rental services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	January 2005	April 2003
The Group's investment cost (RMB million)	387	80
The Group's effective interest	35%	31.38%
Fleet size at year-end 2023 (Number of vehicles)	10,461	5,321
Bus passenger volume (Million trips)	335	N/A
Bus kilometres travelled (Million km)	286	N/A
Staff number at year-end 2023	23,126	1,967

Shenzhen Bus Group Company Limited

(深圳巴士集團股份有限公司) ("SZBG")

SZBG, which commenced operations in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB387.1 million (equivalent to HK\$363.9 million at the investment date) in SZBG, representing a stake of 35%. SZBG mainly provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), operating a fleet of over 4,900 buses running on more than 330 routes and over 5,000 taxis. As a result of the cross-boundary reopening and the lifting of COVID-19 pandemic measures in 2023, the patronage of SZBG including its bus and taxi operations increased by 18.0% to 460.0 million in 2023 as compared to 389.9 million in 2022.

Beijing Beiqi Kowloon Taxi Company Limited

(北京北汽九龍出租汽車股份有限公司) ("BBKT")

BBKT, a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, and four other China Mainland investors. The Group has invested RMB80.0 million (equivalent to HK\$75.5 million at the investment date) in BBKT, representing an equity interest of 31.38%. BBKT operated both taxi hire and car rental businesses in Beijing until April 2013, when, to sharpen its focus on the business opportunities provided by the booming but challenging car rental market, BBKT spun off its car rental business to another Sino-foreign joint stock company, namely Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司), which has the same shareholding structure as BBKT. As at 31 December 2023, BBKT had a fleet of over 3,500 taxis and around 2,000 employees.

Beijing Beiqi First Company Limited

(北京北汽福斯特股份有限公司) ("BBF")

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. Being ISO 9001:2008 certified for its Quality Management Systems in the provision of car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2023, BBF had over 1,000 vehicles available for charter mainly in Beijing and Tianjin.

FINANCIAL REVIEW

Connected Transaction and Continuing Connected Transactions

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

1. Connected Transaction

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

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

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

2. Continuing Connected Transactions

(a) THE GROUP

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

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

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

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

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

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

(b) SUN BUS LIMITED

Shuttle Bus Services Agreements with certain subsidiaries of SHKP

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

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

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

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

FINANCIAL REVIEW

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

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

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

(d) KMB

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Good corporate governance provides the basis for stakeholder confidence and sustainable returns for shareholders and is therefore the foundation of business success.

The Board believes that maintaining good corporate governance can build a strong and healthy culture within the Group. It also strengthens management effectiveness, improves control mechanisms, enhances shareholder values, and fulfills satisfaction among shareholders and stakeholders. Board members and staff observe a set of sound policies, procedures, and rules.

The governance of sustainability is integrated into our corporate governance structure throughout the Group. The Group takes into account the long-term interest of shareholders and stakeholders by balancing business development and the responsibility for the community.

Corporate Governance Framework

The Group's Corporate Governance Framework (the "Framework") is built upon 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 the implementation of the following measures:

- ④ 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;
- ④ 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
- ④ 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 (the "Listing Rules"). The CG Code sets out (a) the mandatory requirements for disclosure; and (b) 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 2023, except that three Directors of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2023 (the "2023 AGM") as provided for in Code Provision C.1.6 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 of 31 December 2023, the Board comprised 15 members, including five Independent Non-executive Directors, nine Non-executive Directors and one 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 on 31 December 2023 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	2	–	5
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 performance of the Management 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 terms of appointment of Non-executive Directors is three years. A mechanism is established to ensure that independent views and input are available to the Board and the implementation and effectiveness of such mechanism is reviewed on an annual basis.

Independent Non-executive Directors review critically and objectively issues that come before the Board. 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 Mandatory Disclosure Requirement B(h) of Appendix C1 to the Listing Rules, the relationship between members of the Board is disclosed in the Directors' Profiles section of the Annual Report.

CORPORATE GOVERNANCE 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, as well as the development for a pipeline of potential successors to Senior Management of the Company to achieve diversity. All candidates are considered against these criteria. In 2023, 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 leaders, academia and professionals, which helps to deliver sustainable values and safeguard shareholders' interests.

The age group and gender diversity of the Board of Directors as of 31 December 2023 are set out below:

Age Group	Male	Female
Under 50	1	0
51-60	2	1
61-70	6	0
Over 70	5	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 2023, the meeting was held on 21 December 2023.

CORPORATE GOVERNANCE REPORT

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 various business areas of the Group. 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, and 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 2023, the Company entered into several continuing connected transactions, details of which are given on pages 126 to 129 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 C3 to 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 making specific enquiries, all Directors confirmed that they had complied with the standard of dealings set out in the Model Code throughout 2023. Details of the shareholding interests held by the Directors in the Company as of 31 December 2023 are set out on pages 171 to 172 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 a 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 for 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 19 October 2023, a seminar was run by KPMG to brief the Directors on The Future of Board Leadership and a presentation was given by Hong Kong Productivity Council on ESG Audit and Setting on Environmental Targets. 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 the Directors. The training record of each Director is set out on page 141 of this Annual Report.

Time Commitment of Directors

For the year ended 31 December 2023, 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.

CORPORATE GOVERNANCE REPORT

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 no 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 reappointment 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 and Appointment of Directors

At the 2023 AGM, 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.

Following the passing away of Mr NG Siu Chan, who was a Non-executive Director of the Company, Mr Christopher KWOK Kai-wang, JP was appointed as a Non-executive Director of the Company with effect from 15 June 2023. Mr Christopher KWOK Kai-wang, JP will retire as Director of the Company and offer himself for re-election at the 2024 AGM.

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, BBS, JP will also retire as Directors of the Company and offer themselves for re-election at the 2024 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 2024 AGM. The re-election of each Director will be subject to the voting 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 Protection

The Company has taken out an appropriate insurance policy covering any potential legal actions against the Directors of the Company, which indemnifies the Directors for liabilities incurred in connection with the Company's activities. These indemnities were in force during 2023 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 of 1 January 2024) 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 2023, 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.

CORPORATE GOVERNANCE REPORT

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 158 to 166 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 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 respective websites of the Company and the Stock Exchange.

In 2023, the Audit and Risk Management Committee and the Senior Management held three meetings focusing on safety issues and risk management 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 works undertaken by the Audit and Risk Management Committee in the financial year ended 31 December 2023 included:

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

- Ⓐ Reviewed with the 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 the external auditors the effectiveness of the audit procedures, their findings concerning the interim and annual financial statements and results announcements, and the 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 performed 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 the 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 2023 and the audited annual financial statements for the year ended 31 December 2023 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 2024.

(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 risks; 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 2023 are set out in the Remuneration Report on pages 154 to 157 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board has appointed the Nomination Committee to identify suitable candidates of 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:

- ④ Formulating nomination policy for consideration by the Board and implementing the nomination policy established by the Board;
- ④ Identifying and nominating for the approval of the Board appropriately qualified candidates for appointment as Directors;
- ④ Making recommendations to the Board for the appointment or re-appointment of Directors and making recommendations regarding succession planning at the Board level including, in particular, the Chairman and the Managing Director;
- ④ 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
- ④ Evaluating the degree of independence of candidates for appointment or re-election of Independent Non-executive Directors.

In 2023, the Nomination Committee also performed the following main tasks:

- ④ Recommended the re-election of retiring Directors;
- ④ Evaluated all Independent Non-executive Directors' confirmation of independence;
- ④ Reviewed and confirmed the structure, size and composition of the Board;
- ④ Reviewed the Board Diversity Policy; and
- ④ Reviewed the Nomination Policy.

The Nomination Policy has been adopted by the Company since 2019, which sets out the latest nomination practice, such as the criteria and procedures for selections, 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, Board Meetings and Committee Meetings together with training records in 2023 is given below:

Members of the Board of Directors	2023 AGM	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	6/6	6/6					A, B
Dr. John CHAN Cho Chak, GBS, JP (Deputy Chairman)	1/1	6/6	6/6		2/2		1/1	A, B
Dr. Eric LI Ka Cheung, GBS, OBE, JP	1/1	6/6		3/3	1/2		1/1	A, B
Professor LIU Pak Wai, SBS, JP	0/1	5/6		3/3	2/2			A, B
Mr. TSANG Wai Hung, GBS, PDSM, JP	1/1	6/6	5/6	3/3				A, B
Non-executive Directors								
Mr. Raymond KWOK Ping Luen, JP (with Mr. WONG Hong Kit as alternate)	0/1	0/6	4/6					B
Mr. NG Siu Chan (deceased in May 2023)	0/1	0/2						B
Mr. Charles LUI Chung Yuen, M.H.	1/1	6/6	6/6					A, B
Mr. William LOUEY Lai Kuen (with Mr. GAO Feng as alternate)	1/1	5/6	6/6					A, B
Ms. Winnie NG, JP	1/1	6/6	6/6		2/2			A, B
Mr. Allen FUNG Yuk Lun	1/1	6/6		3/3			1/1	A, B
Dr. CHEUNG Wing Yui, BBS	1/1	6/6						A, B
Mr. LEE Luen Fai, BBS, JP	1/1	6/6						A, B
Mr. LUNG Po Kwan	1/1	6/6			1/2			A, B
Mr. Christopher KWOK Kai-Wang, JP (with effect from 15 June 2023)	-	4/4						A, B
Executive Director								
Mr. Roger LEE Chak Cheong (Managing Director)	1/1	6/6	6/6					A, B
Alternate Directors								
Mr. GAO Feng (Alternate Director to Mr. William LOUEY Lai Kuen)	0/1	0/6						B
Ms. Winnie NG, JP (Director and Alternate Director to Mr. NG Siu Chan until May 2023)	1/1	2/2						A, B
Ms. Susanna WONG Sze Lai (Alternate Director to Mr. Raymond KWOK Ping Luen, JP until 15 June 2023)	1/1	2/2						B
Mr. WONG Hong Kit (Alternate Director to Mr. Raymond KWOK Ping Luen, JP with effect from 15 June 2023)	-	4/4						A, B

Notes:

- Particulars of the 2023 AGM are set out on page 151 of this Annual Report.
- A: Attending seminars, conferences, forums or briefings.
- B: Reading materials which covered the Company's business, corporate governance matters, Directors' duties and responsibilities

The Board held six meetings in 2023, 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.

CORPORATE GOVERNANCE REPORT

Delegation of Responsibilities to Senior Management

The 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, the 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 Company Secretary

The post of Company Secretary is held by Ms Lana WOO, who is a fellow member of The Hong Kong Chartered Governance Institute throughout 2023. 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 2023, 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 2023 on pages 190 to 274 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 2023.

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. 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 of the Group.

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 that all staff members are appropriately trained for their relevant positions to 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 that 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:

CORPORATE GOVERNANCE REPORT

Control Environments

The Group complies with the requirement of 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 that 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 range.

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 Key Risk Indicators Report (“KRI 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 KRI Report, together with a comprehensive profile of such risks and the monitoring mechanism as established by the Management.

TIH Risk Management Framework

Internal Audit

Internal Audit

Board of Directors
<ul style="list-style-type: none"> Ⓐ Evaluates and provides direction to the Group on the nature and extent of the risks that shall be taken in achieving its strategic objectives (i.e. setting the Risk Appetite). Ⓐ Ensures review of the effectiveness of the risk management and internal control systems.
Audit and Risk Management Committee
<ul style="list-style-type: none"> Ⓐ Ensures that the Risk Management Taskforce (“RMTF”) and Business Lines have fulfilled their duties in establishing and maintaining an effective risk management programme. Ⓐ Reviews the KRI Reports semi-annually.
Risk Management Taskforce (“RMTF”)
<ul style="list-style-type: none"> Ⓐ Comprises the Operations Director, Administration Director, Finance Director, Safety Director and Legal Director. The RMTF is chaired by the Operations Director. Ⓐ Maintains an oversight of the Group’s risk management system, framework and programme. Ⓐ Proposes to the Board for approval at least annually enhancements as needed, including those to fulfil the statutory requirements of regulators or governance bodies. Ⓐ Reviews and/or approves the Risk Inventory in the risk management programme and monitors the KRI Reports. Ⓐ Ensures the Business Lines of the Group commit sufficient resources to carrying out the risk management exercise.
Individual Department Head/Director (Collectively Referred to as “Business Lines”)
<ul style="list-style-type: none"> Ⓐ Develops policies and controls to effectively embed the Group’s risk management directions into day-to-day operations. Ⓐ Promotes the risk management culture to those working under the Business Lines so that they comply with the risk management policies and procedures when conducting day-to-day operations. Ⓐ Identifies the risks associated with business activities (including new business) within his/her own Business Lines, and implements appropriate action plans to manage the identified risks and opportunities.

CORPORATE GOVERNANCE REPORT

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; and
- ⬆ 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 the QMS to assess its effectiveness, efficiency and conformity. In 2023, no non-conformity in the QMS was noted during the ISO audit of the operations of both KMB and LWB.

As of December 2023, both KMB and LWB possessed ISO9001:2015 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 ISO14001-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 its key business and IT operations. The BCP is reviewed and updated from time to time according to changes in circumstances. The BCP, which is an integral part of the risk management process, creates a systematic approach for providing effective response that enables the Management to safeguard shareholder values 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 the internal control and risk management mechanisms.

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 the 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 2023, 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 2023.

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 the 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.

CORPORATE GOVERNANCE REPORT

External Audit

The external auditors play a crucial role in ensuring the integrity of the disclosure of financial information. If the external auditors discover any major irregularities during the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements, 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 2023. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2023 and up to the date of this Annual Report, it has remained 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 2023 are set out below:

	HK\$ million
Audit related services	4.8
Non-audit related services (Note)	1.2
Total	6.0

Note:

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

Engagement with Stakeholders

Shareholders

The Company had 3,572 registered shareholders as of 31 December 2023. The shareholders comprise individual shareholders, institutional investors, and individuals 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 of 31 December 2023, other than those who are also the Directors of the Company, are disclosed in the Report of the Directors on page 178 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 42.75% in the Company.

As of 31 December 2023, 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	1,377	38.55	427,842	0.09
1,001-5,000	1,308	36.62	3,109,740	0.63
5,001-10,000	342	9.57	2,580,490	0.52
10,001-100,000	445	12.46	12,955,377	2.62
Above 100,000	100	2.80	475,269,669	96.14
	3,572	100	494,343,118	100

Note:

46.1% 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 2023.

Shareholders' Communication Policy

Transparency is vital to good corporate governance. The Board has formulated the Shareholders' Communication 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 Shareholders' Communication Policy is posted on the Company's website and has been reviewed in 2023 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.

CORPORATE GOVERNANCE REPORT

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.

Awards

Over the years, the Company has won widespread recognition in local and international award programmes. In 2023, the Company won the Best Corporate Governance and ESG Awards 2023 – Special Mention Corporate Governance in Non-Hang Seng Index Category (Small Market Capitalisation), presented by Hong Kong Institute of Certified Public Accountants, the IFAPC Outstanding Listed Companies Award 2023 organised by The Hong Kong Institute of Financial Analysts and Professional Commentators Limited (IFAPC), and the Gold Award for Interior Design, Bronze Award for Infographics and Honours for Photography in the Transportation and Leasing category of the 2023 International ARC 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 the 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. A 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 21 clear business days before the annual general meeting.

Annual General Meeting

The 2023 AGM was held on 18 May 2023 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 2022;
- Ⓐ Approval of an ordinary final dividend of HK\$0.50 per share for the year ended 31 December 2022;
- Ⓐ 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
- Ⓐ Extension of the share issue mandate granted to the Board of Directors.

The details and poll voting results of the 2023 AGM were published on the respective websites of the Company and the Stock Exchange on 18 May 2023.

The 2024 Financial Calendar of the Company is set out as follows:

Ⓐ Announcement of 2023 final results	21 March 2024
Ⓐ Dispatch of 2023 Annual Report and the accompanying circular to shareholders	18 April 2024
Ⓐ Last day to register transfer to qualify for attending and voting at 2024 AGM	9 May 2024
Ⓐ Book closure for 2024 AGM (both dates inclusive)	10 May 2024 to 16 May 2024
Ⓐ Date of 2024 AGM	16 May 2024
Ⓐ Last day to register transfer to qualify for 2023 final dividend	21 May 2024
Ⓐ Book closure for 2023 final dividend	22 May 2024
Ⓐ Payment of 2023 final dividend	28 June 2024
Ⓐ Announcement of 2024 interim results	mid-August 2024
Ⓐ Payment of 2024 interim dividend (if any)	mid-October 2024
Ⓐ Financial year end date	31 December 2024

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

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 an SGM by serving sufficient notice to all 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 all shareholders having the right to vote at a general meeting, or not less than 100 shareholders holding shares in the Company, can submit a written request to move a resolution at a general meeting. The procedures for making proposals at a general meeting are laid down in the Shareholders' Communication Policy of the Company, which is available on the Company's website.

Procedures 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.

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 scheme, which enables its shareholders to elect to receive new fully paid shares in lieu of cash dividend.

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 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 of 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 to keep the public updated on their services and operations. These publications can be accessed on the companies' website (www.kmb.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, provides members of staff with information about the Company's human resources policies and employment guidelines.

REMUNERATION REPORT

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 members and other stakeholders of the Company. The Committee is composed of five members, three of whom are Independent Non-executive Directors and the other two are Non-executive Directors. 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, Non-executive Director Ms Winnie NG, JP and Non-executive Director Mr LUNG Po Kwan.

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 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 C1 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 said 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 2023, the work conducted by the Remuneration Committee included:

- Ⓐ Reviewing the Remuneration Policy for 2023;
- Ⓐ Reviewing the annual performance-related bonuses for the Group's employees, with reference to the performance of the Group, individual achievements, assessment criteria and market norms;
- Ⓐ Examining the wage and salary increments of employees 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 the 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 practice and a tried-and-tested methodology. As in previous years, Directors' fees for 2023 were determined based on the methodology developed in the United Kingdom under the "Higgs Report" on the "Review of the Role and Effectiveness of Non-executive Directors". The said methodology takes into consideration 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. The fee structure for the Directors in 2023 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

* comprising of (i) HK\$369,600 per annum being the fees for the Chairman of the Standing Committee and (ii) HK\$1,200,000 per annum being the additional remuneration for the Standing Committee Chairman in respect of his additional responsibilities and commitments

Except as disclosed above, no Independent Non-executive Director or Non-executive Director received any pension benefits or bonuses from the Group in 2023.

REMUNERATION REPORT

The remuneration package of each Director, on a named basis, for the year ended 31 December 2023, together with a comparison to 2022, is given in Note 7 to the consolidated financial statements on pages 225 to 226 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 considering 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 of 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.

Details of the Share Option Scheme and options granted to eligible persons under the Share Option Scheme are set out on pages 172 to 177 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 actuarial 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 emoluments 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.

DIRECTORS' PROFILES



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

Chairman and Independent Non-executive Director, aged 83. 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 was the Council Chairman of The Chinese University of Hong Kong from May 2016 to April 2022.



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

Deputy Chairman and Independent Non-executive Director, aged 80. 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 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, 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, and an Independent Non-Executive Director of Hang Seng Bank Limited from August 1995 to May 2022. He was 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 is the Pro-Chancellor of The Hong Kong University of Science and Technology with effect from 6 March 2023 and a member of the Board of Directors and Chairman of the 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 70. 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 Hong Kong Metropolitan University 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 Director of The Real Estate Developers Association of Hong Kong.

Mr Kwok is the father of Mr Christopher Kwok Kai-wang.



William LOUEY Lai Kuen
BSc(Econ)

Non-executive Director, aged 64. 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 89. 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 redesignated 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. Mr Lui has joined KMB in 1960 as Accountant and promoted to Chief Accountant and Assistant General Manager before he was appointed as General Manager on 1 March 1989. After his retirement 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 and was the Chairman of KMB (China) between 13 August 2003 and 20 October 2016.

DIRECTORS' PROFILES



Winnie NG

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

Non-executive Director, aged 60. Ms Ng has been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") since 1995 and a 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, and was selected as one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution. She won the Yazhou Zhoukan Young Chinese Entrepreneur Award, and was named one of China's 100 Outstanding Women Entrepreneurs. She was also a Mason Fellow of Harvard University, and was the Caring Heart Award recipient.

Ms Ng has been appointed a 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 has also been 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 a Director of Po Leung Kuk, Member of Women's Commission and Co-Convener of Women Empowerment Fund, Member of Town Planning Board, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Council Member of The Education University of Hong Kong, Supervisor of Mr & Mrs Chan Pak Keung Tsing Yi School, Advisor of Our Hong Kong Foundation and 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 Hong Kong Volunteer Award from 2005 to 2021.

Ms Ng holds an MBA degree from the 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 70. 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. Dr Li is an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited (until 27 May 2021), 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. He was formerly an Independent Non-executive Director of China Vanke Co., Ltd., Sinofert 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 Former member of the 10th to 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 76. 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 Distinguished Research Fellow and formerly Pro-ViceChancellor 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 which is listed on the Main Board of the Stock Exchange. He was an Independent Non-executive Director of Hang Lung Properties Limited and China Zheshang Bank Co., Ltd.. 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 a member of the Judicial Officers Recommendation Commission. He was a past Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and 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.

DIRECTORS' PROFILES



Allen FUNG Yuk Lun
BA, Ph.D

Non-executive Director, aged 55. 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 a member of the General Committee of the Hong Kong General Chamber of Commerce, the Vice President of The Hong Kong Federation of Youth Groups. He was elected a professor of Practice of The Hong Kong Management Association, the vice-chairman of the Board of the Hong Kong Philharmonic Society Limited. He is also a board member of the Hong Kong Tourism Board and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department.



Roger LEE Chak Cheong
BSc, MSc, MICE, CEng

Managing Director, aged 61. 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 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 the 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.

DIRECTORS' PROFILES



Andy TSANG Wai Hung

GBS, PDSM, JP, MBA

Independent Non-executive Director, aged 65. 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. 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. On 23 September 2021, he was elected Vice-President of the Police Association of China.

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 74. 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 (renamed as Hong Kong Metropolitan University) in 2016.

He is a member of the Sponsorship & Development Fund Committee and a court member of The Open University of Hong Kong (renamed as Hong Kong Metropolitan University) and an Honorary Council Member of The Hong Kong Institute of Directors Limited. He is also a director of The Community Chest of Hong Kong Limited.

Dr Cheung held the positions of the Chairman of Admissions, Budgets and Allocations Committee 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 (renamed as Hong Kong Metropolitan University), 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
BBS, JP, BA

Non-executive Director, aged 70. 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 hosted a number of popular programmes including "Talkabout" and "City Forum". Mr Lee was also 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 Civil Service Training Advisory Board, Constitution and Basic Law Promotion Steering Committee, and Election Committee (Transport Sub-sector).

DIRECTORS' PROFILES



LUNG Po Kwan
*BSocSc,
MSocSc(Economics),
MBA, CFA*

Non-executive Director, aged 58. 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 32 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 Shenyin 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.



Christopher KWOK Kai-wang
JP, MBA, BSc

Non-executive Director, aged 37. Mr Kwok has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 15 June 2023.

Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's Degree in Business Administration from Stanford Graduate School of Business. He is an Executive Director of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He joined the Sun Hung Kai Properties Group (the "SHKP Group") in 2011 and is primarily responsible for the leasing of residential, retail and commercial properties of the SHKP Group in Hong Kong and on the Mainland. Besides, he assumes the overall responsibilities for the property business of the SHKP Group in Northern China. Mr. Kwok also assists the Chairman of SHKP in all other non-property businesses of the SHKP Group in which he is a non-executive director of SUNEvision Holdings Ltd.

In addition, Mr. Kwok is a member of the General Committee of the Employers' Federation of Hong Kong, and a governor of Our Hong Kong Foundation Limited and a member of its Development Committee. He is also a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference and a vice-chairman of Greater Bay Area Homeland Youth Community Foundation.

Mr Kwok is a son of Mr Raymond Kwok Ping-luen.

KEY CORPORATE EXECUTIVES

Company / Position	Name
<i>Transport International Holdings Limited</i>	
Managing Director	Roger LEE Chak Cheong, BSc, MSc, MICE, CEng
Administration Director	Steve HUI Chun Tak, PDSM, MMgt
Administration Director (Temp)	Rachel KWAN Chui Lan, BA(Hons), MSc (Urban Planning), MPA, MSc (IT&M), MCIT
Finance Director	Joseph LEUNG Cho Tak, BA, CPA, AICPA
Company Secretary	Jeff YU Wai Cheung, BSocSc, CPA, FCCA
Head of Internal Audit Department	Bobo TO On Ying, BBA, CPA
<i>The Kowloon Motor Bus Company (1933) Limited</i>	
<i>Long Win Bus Company Limited</i>	
Operations Director	Andrew KWAN Chi Wai, CMILT
Safety Director and Director of KMB Academy	Martin CADMAN, BSc
Deputy Operations Director (East Division)	Utan WONG Yu Ting, BA
Deputy Operations Director (West Division)	Kelvin YEUNG, BSc CMILT
Assistant Commercial Director	Emily CHEUNG Yee Hang, BA, MA, MCILT
Assistant Director (Finance)	Kathy CHEUNG Mei Lam, BBA, FCPA, ACA
Assistant Director (Procurement)	Anita LAM Chiu Lin, BCom, MSc, MCIPS
Assistant Operations Director	Douglas MAK Shing Pong, BA(Hons)
Assistant Operations Director	LEUNG Wang Cheong, BSc
Head of Corporate Communications & Public Affairs Department	Kenny KAN Hok Hei, BSocSc(Hons)
Head of Human Resources Department	Simon YEUNG Yiu Wai, BBA, MSc.
Head of Information Technology Department	Karen WONG Hau Ling, BSc(Hons), MPhil
Head of Major Works Department	Jacky NG Chin To, BA
Head of Staff Relations & Welfare Services Department	Wing YIM Wing Han, BA, PgDHRM, MHRM
Head of Legal Department (Acting)	Spencer CHAU Man Chun, BA, LLB
<i>Sun Bus Holdings Limited</i>	
General Manager	Eddie CHOI Shun Kei, Chairman of Hong Kong Non Franchised Bus Association

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Directors' Report

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

Principal place of business

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

Principal activities and business review

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

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

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

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

Recommended dividend

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

Charitable donations

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

Share capital

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

Distributability of reserves

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

Directors' Report

Directors

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

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

* Independent Non-executive Director

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

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

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

Indemnity provision

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

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

Directors' Report

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

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

(i) Interests in issued shares of the Company

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

* Independent Non-executive Director

Notes:

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

Directors' Report

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

(continued)

(ii) Interests in underlying shares

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

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

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

Equity-linked agreement

Share option scheme

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

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

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

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

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

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

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

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

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

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

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

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

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

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

Percentage of options granted

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

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

Percentage of options granted

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

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

Percentage of options granted

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

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

Percentage of options granted

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

Directors' Report

Equity-linked agreement (continued)

Share option scheme (continued)

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

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

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

Directors' service contracts

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

Directors' interests in transactions, arrangements or contracts

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

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

Directors' Report

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

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

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

Notes:

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

Purchase, sale or redemption of the Company's shares

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

Pre-emptive rights

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

Directors' Report

Senior management

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

Staff retirement schemes

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

(a) Defined benefit retirement schemes

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

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

The KMB Monthly Rated Employees Scheme

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

Directors' Report

Staff retirement schemes (continued)

(a) Defined benefit retirement schemes (continued)

The KMB Daily Rated Employees Scheme

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

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

(b) Defined contribution retirement scheme

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

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

Bank loans

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

Major customers and suppliers

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

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

Financial summary

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

Directors' Report

Model code for securities transactions by Directors

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

Corporate governance

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

Properties

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

Audit and Risk Management Committee

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

Confirmation of independence

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

Sufficiency of public float

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

Auditors

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

By Order of the Board

Norman LEUNG Nai Pang

Chairman

Hong Kong, 21 March 2024

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 190 to 274, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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 206 to 207 and 212 to 213.

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 2023 totalled HK\$6,082 million which accounted for 25% 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 27 to the consolidated financial statements and the accounting policies on page 214.

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\$234 million as at 31 December 2023, 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 independent valuation performed by qualified external actuaries.</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 actuaries 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 actuaries 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 actuaries with the claims records maintained by management, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessing the valuation of investment properties and investment property under development

Refer to note 14 to the consolidated financial statements and the accounting policies on page 206.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group holds a portfolio of investment properties and investment property under development located in Hong Kong. These properties mainly comprise shopping malls, office premises and industrial buildings.</p> <p>At 31 December 2023, the Group's investment properties and investment property under development amounted to HK\$8,212 million which represented 34% of the Group's total assets. The fair values of investment properties and investment property under development at 31 December 2023 were assessed by the management based on valuations prepared by a firm of qualified external property valuers. Increase in fair value of investment properties and investment property under development of HK\$287 million were recorded in the consolidated statement of profit or loss.</p> <p>We identified assessing the valuation of investment properties and investment property under development as a key audit matter because of the significance of investment properties and investment property under development to the consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.</p>	<p>Our audit procedures to assess the valuation of the investment properties and investment property under development included the following:</p> <ul style="list-style-type: none"> - obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties and investment property under development was based; - assessing the independence, qualifications and expertise of the external property valuers' engaged by management; - with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers, without the presence of management, their valuation methodologies with reference to the prevailing accounting standard; and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; - on a sample basis, comparing tenancy information, including committed rents and occupancy rates, provided by management to the external property valuers, with underlying contracts and related documentation; - evaluating management's development budgets reflected in the latest forecasts with reference to market statistics on estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessing the expected credit loss allowance for debt securities measured at fair value through other comprehensive income

Refer to notes 20 and 33(a) to the consolidated financial statements and the accounting policies on pages 209 to 213.

The Key Audit Matter	How the matter was addressed in our audit
<p>At 31 December 2023, the Group's debt securities measured at fair value through other comprehensive income amounted to HK\$627 million. Expected credit losses ("ECLs") for the debt securities of HK\$260 million were recognised in the consolidated statement of profit or loss for the year ended 31 December 2023.</p> <p>The ECL allowance for the debt securities is measured on a 12-month or lifetime basis, depending on whether the credit risks of the debt securities have increased significantly since initial recognition. The ECL allowance for the debt securities is estimated using a model that incorporates probability of default, loss given default and exposure at default; and takes into account forward-looking information about macroeconomic factors.</p> <p>We identified assessing the ECL allowance for the debt securities as a key audit matter because of its significance to the consolidated financial statements and the assessment of ECL allowance involves significant management's judgements and is subject to a high degree of inherent uncertainty.</p>	<p>Our audit procedures to assess the ECL allowance for debt securities measured at fair value through other comprehensive income included the following:</p> <ul style="list-style-type: none"> - assessing the appropriateness of management's assessment of whether the credit risks of the debt securities have, or have not, increased significantly since initial recognition and whether any of the debt securities are credit-impaired by inspecting their overdue status, credit rating information and researching market information about issuers' businesses; - with the assistance of our internal valuation specialist, <ul style="list-style-type: none"> - assessing the appropriateness of the methodology adopted by management for estimating the ECL allowance with reference to the requirements of the applicable accounting standards; and - assessing, on a sample basis, the appropriateness of the input data used by management for estimating the ECL allowance, including evaluating the exposure at default with reference to the underlying offering documents; and assessing the reasonableness of probability of default, loss given default and adjustments for forward-looking information with reference to market information. - assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

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

21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000 (restated)
Revenue	3 & 12	7,884,753	6,607,171
Other income	4	68,106	705,766
Staff costs	5(a)	(4,144,457)	(4,063,411)
Depreciation		(1,132,687)	(1,116,279)
Fuel and oil		(1,054,009)	(762,256)
Spare parts		(228,108)	(212,353)
Toll charges		(255,674)	(270,171)
Other operating expenses		(923,372)	(849,882)
Profit from operations		214,552	38,585
Change in fair value of investment properties and investment property under development		287,380	448,682
Finance costs	5(b)	(110,064)	(37,610)
Share of profits/(losses) of associates		31,138	(6,909)
Share of profit of joint venture		8,110	8,249
Profit before taxation	5	431,116	450,997
Income tax (expense)/credit	6(a)	(29,453)	98,050
Profit for the year		401,663	549,047
Earnings per share			
Basic and diluted	10	\$0.83	\$1.17

The notes on pages 198 to 274 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 2023 (Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000 (restated)
Profit for the year		401,663	549,047
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 employee benefit assets, net of tax expense of \$8,282,000 (2022: tax credit of \$65,308,000)		41,911	(330,501)
Remeasurement of provision for long service payments, net of tax credit of \$2,525,000 (2022: \$Nil)		(12,776)	-
Equity investment at fair value through other comprehensive income: net movement in fair value reserve (non-recycling), net of nil tax		16,482	226,659
<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		(16,669)	(56,317)
Investments in financial assets measured at FVOCI (recycling): net movement in fair value reserve (recycling), net of nil tax	9	71,652	(169,005)
Share of other comprehensive income of an associate, net of nil tax		546	432
Other comprehensive income for the year		101,146	(328,732)
Total comprehensive income for the year		502,809	220,315

The notes on pages 198 to 274 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in Hong Kong dollars)

	Note	At 31 December 2023 \$'000	At 31 December 2022 \$'000 (restated)	At 1 January 2022 \$'000 (restated)
Non-current assets				
Investment properties	14	5,406,500	1,468,800	1,503,300
Investment property under development	14	2,805,000	5,840,000	4,735,000
Interest in leasehold land	13(a)	46,531	48,511	50,491
Other property, plant and equipment	13(a)	7,780,661	7,779,247	7,985,606
		16,038,692	15,136,558	14,274,397
Intangible assets	15	529,090	529,090	419,729
Goodwill	16	84,051	84,051	84,051
Interest in associates	18	609,147	599,796	681,749
Interest in joint venture	19	748,560	751,187	750,799
Other financial assets	20	1,267,029	1,716,285	1,353,662
Employee benefit assets	21(a)	1,609,273	1,540,991	1,959,462
Deferred tax assets	29(b)	2,028	730	528
		20,887,870	20,358,688	19,524,377
Current assets				
Spare parts		109,694	95,503	103,421
Accounts receivable	23	1,025,064	957,169	605,137
Other financial assets	20	463,722	215,977	741,095
Deposits and prepayments		43,530	32,057	26,924
Current tax recoverable	29(a)	1,915	2,551	5,857
Restricted bank deposits	24(a)	447,551	442,891	411,749
Bank deposits and cash	24(a)	1,207,743	1,799,592	825,787
		3,299,219	3,545,740	2,719,970
Current liabilities				
Accounts payable and accruals	26	1,804,116	1,531,101	1,665,467
Contingency provision – insurance	27	91,823	88,592	93,800
Bank loans	25	1,262,075	1,674,567	994,032
Lease liabilities	28	3,589	4,082	3,513
Current tax payable	29(a)	7,366	13,481	2,657
		3,168,969	3,311,823	2,759,469
Net current assets/(liabilities)		130,250	233,917	(39,499)
Total assets less current liabilities		21,018,120	20,592,605	19,484,878

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in Hong Kong dollars)

	Note	At 31 December 2023 \$'000	At 31 December 2022 \$'000 (restated)	At 1 January 2022 \$'000 (restated)
Non-current liabilities				
Bank loans	25	3,377,539	3,292,961	2,138,517
Lease liabilities	28	1,954	3,231	3,306
Deferred tax liabilities	29(b)	1,010,093	999,092	1,182,099
Contingency provision – insurance	27	142,455	148,453	177,590
Provision for long service payments	30	80,492	61,821	919
		4,612,533	4,505,558	3,502,431
NET ASSETS				
		16,405,587	16,087,047	15,982,447
CAPITAL AND RESERVES				
Share capital	31(b)	494,343	474,940	465,469
Reserves		15,911,244	15,612,107	15,516,978
TOTAL EQUITY				
		16,405,587	16,087,047	15,982,447

Approved and authorised for issue by the Board of Directors on 21 March 2024

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

The notes on pages 198 to 274 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000 (note 31 (c)(i))	Capital reserve \$'000 (note 31 (c)(ii))	Other reserves \$'000	Exchange reserve \$'000 (note 31 (c)(iii))	Fair value reserve (recycling) \$'000 (note 31 (c)(iv))	Fair value reserve (non-recycling) \$'000 (note 31 (c)(v))	Retained profits \$'000	Total \$'000
Note									
Balance at 1 January 2022 (restated)	465,469	1,212,314	4,709	1,102,614	148,730	(110,402)	739,643	12,419,370	15,982,447
Changes in equity for 2022:									
Profit for the year (restated)	-	-	-	-	-	-	-	549,047	549,047
Other comprehensive income for the year	-	-	-	-	(56,317)	(169,005)	227,091	(330,501)	(328,732)
Total comprehensive income for the year	-	-	-	-	(56,317)	(169,005)	227,091	218,546	220,315
Shares issued in respect of scrip dividend – 2021 final dividend	11(b)&31(b) 9,471	106,355	-	-	-	-	-	-	115,826
Forfeiture of share options	-	-	(227)	-	-	-	-	227	-
Equity-settled share-based transactions	5(a) -	-	1,194	-	-	-	-	-	1,194
Dividends approved in respect of the previous year	11(b) -	-	-	-	-	-	-	(232,735)	(232,735)
	9,471	106,355	967	-	-	-	-	(232,508)	(115,715)
Balance at 31 December 2022 (restated)	474,940	1,318,669	5,676	1,102,614	92,413	(279,407)	966,734	12,405,408	16,087,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	Share capital \$'000	Share premium \$'000 (note 31 (c)(i))	Capital reserve \$'000 (note 31 (c)(ii))	Other reserves \$'000	Exchange reserve \$'000 (note 31 (c)(iii))	Fair value	Fair value	Retained profits \$'000	Total \$'000
							reserve (recycling) \$'000 (note 31 (c)(iv))	reserve (non-recycling) \$'000 (note 31 (c)(v))		
Balance at 1 January 2023 (restated)		474,940	1,318,669	5,676	1,102,614	92,413	(279,407)	966,734	12,405,408	16,087,047
Changes in equity for 2023:										
Profit for the year		-	-	-	-	-	-	-	401,663	401,663
Other comprehensive income for the year		-	-	-	-	(16,669)	71,652	17,028	29,135	101,146
Total comprehensive income for the year		-	-	-	-	(16,669)	71,652	17,028	430,798	502,809
Shares issued in respect of scrip dividend – 2022 final dividend	11(b)& 31(b)	11,975	106,692	-	-	-	-	-	-	118,667
Shares issued in respect of scrip dividend – 2023 interim dividend	11(a)& 31(b)	7,428	66,932	-	-	-	-	-	-	74,360
Forfeiture of share options		-	-	(255)	-	-	-	-	255	-
Equity-settled share-based transactions	5(a)	-	-	6,248	-	-	-	-	-	6,248
Dividends approved in respect of the previous year	11(b)	-	-	-	-	-	-	-	(237,470)	(237,470)
Dividends declared in respect of the current year	11(a)	-	-	-	-	-	-	-	(146,074)	(146,074)
		19,403	173,624	5,993	-	-	-	-	(383,289)	(184,269)
Balance at 31 December 2023		494,343	1,492,293	11,669	1,102,614	75,744	(207,755)	983,762	12,452,917	16,405,587

The notes on pages 198 to 274 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

		2023	2022
		\$'000	\$'000
	Note		(restated)
Operating activities			
Cash generated from operations	24(c)	1,420,607	809,145
Interest received		89,643	77,302
Interest paid		(112,427)	(31,106)
Tax paid			
– Hong Kong Profits Tax		(30,704)	(4,743)
– The People's Republic of China ("PRC") withholding tax		(283)	(978)
Net cash generated from operating activities		1,366,836	849,620
Investing activities			
Increase in restricted bank deposits		(4,660)	(31,142)
Increase in bank deposits with original maturities of over three months		(267,924)	(442,796)
Increase in loan receivables		–	(30,001)
Payment for the purchase of other property, plant and equipment		(1,118,021)	(971,010)
Payment for other additions of investment properties and investment property under development		(357,023)	(738,391)
Payment for the purchase of intangible assets		–	(109,361)
Payment for the purchase of other financial assets		(93,814)	(439,012)
Receipt of government grant for the purchase of other property, plant and equipment		27,763	96,846
Receipt of government grant for the disposal of other property, plant and equipment		7,748	3,409
Proceeds from the disposal of other property, plant and equipment		7,102	6,094
Proceeds on the maturity of debt securities		125,276	599,073
Dividends received from associates		5,663	19,159
Dividends received from equity investments		45,816	32,500
Finance costs paid and capitalised into investment property under development		(92,612)	(36,834)
Net cash used in investing activities		(1,714,686)	(2,041,466)
Financing activities			
Proceeds from new bank loans	24(d)	6,185,000	5,355,000
Repayment of bank loans	24(d)	(6,515,000)	(3,520,000)
Loan repaid by a joint venture		10,737	7,861
Capital element of lease rentals paid	24(d)	(2,584)	(3,620)
Interest element of lease rentals paid	24(d)	(290)	(92)
Dividends paid to equity shareholders of the Company		(190,517)	(116,909)
Net cash (used in)/generated from financing activities		(512,654)	1,722,240
Net (decrease)/increase in cash and cash equivalents		(860,504)	530,394
Cash and cash equivalents at 1 January		1,356,796	825,787
Effect of foreign exchange rate changes		731	615
Cash and cash equivalents at 31 December	24(a)	497,023	1,356,796

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Analysis of cash and cash equivalents:			
Bank deposits and cash in the consolidated statement of financial position	24(a)	1,207,743	1,799,592
Less: bank deposits with original maturities of over three months	24(a)	(710,720)	(442,796)
Cash and cash equivalents in the consolidated cash flow statement		497,023	1,356,796

The notes on pages 198 to 274 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material 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") 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"). Material 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 2023 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 investment properties and investment property under development (see note 1(j)), 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 Material accounting policies (continued)

(c) Changes in accounting policies

(i) New and amended HKFRSs

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.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(ii) Change in the measurement of investment properties and investment property under development ("Change in Measurement of IP and IPUD")

In previous years, the Group's investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, and investment property under development was stated at cost. During the current year, the Group has changed its accounting policy with respect to the measurement of investment properties and investment property under development from using the cost model to fair value model. Under the fair value model, after initial recognition, the Group measures these investment properties at fair value at each reporting date, with changes in the fair value recognised in the consolidated statement of profit or loss. Where investment properties and investment property under development are carried at their fair value, there is a rebuttable presumption that the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date.

The Group believes the new policy more suitably reflects the value of the investment properties and investment property under development and will aid comparability with other listed companies, so the change in accounting policy provides more relevant information to the users of financial statements. The Group also assesses that income capitalisation approach is the appropriate valuation technique to determine the fair value of the investment properties of the Group when compared to other valuation techniques. These changes have been applied retrospectively and the relevant comparative amounts have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(iii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

As disclosed in note 30, in June 2022 the Hong Kong Special Administrative Region (“HKSAR”) Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payments (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 (see note 30), with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022. It also did not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(iv) Effects of Change in Measurement of IP and IPUD, and the adoption of the HKICPA guidance

The following table summarises the impacts of effect of (i) change in measurement of investment properties and investment property under development, and (ii) the adoption of the HKICPA guidance on the comparatives presented in the Group's consolidated statement of profit or loss and statement of financial position:

	As previously reported \$'000	(i) Effect of Change in Measurement of IP and IPUD \$'000	(ii) Effect of adoption of the HKICPA guidance \$'000	As restated \$'000
Consolidated statement of profit or loss for year ended 31 December 2022:				
Staff costs	(4,003,091)	-	(60,320)	(4,063,411)
Depreciation	(1,123,053)	6,774	-	(1,116,279)
Profit from operations	92,131	6,774	(60,320)	38,585
Change in fair value of investment properties and investment property under development				
	-	448,682	-	448,682
Profit before taxation	55,861	455,456	(60,320)	450,997
Income tax credit	87,779	318	9,953	98,050
Profit for the year	143,640	455,774	(50,367)	549,047
Earnings per share				
Basic and diluted (HK\$)	0.31	0.97	(0.11)	1.17
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022:				
Total comprehensive income for the year	(185,092)	455,774	(50,367)	220,315
Consolidated statement of financial position as at 31 December 2022:				
Investment properties	89,849	1,378,951	-	1,468,800
Investment property under development	4,465,199	1,374,801	-	5,840,000
Total non-current assets	17,604,936	2,753,752	-	20,358,688
Total assets less current liabilities	17,838,853	2,753,752	-	20,592,605
Deferred tax liabilities	1,014,786	(5,741)	(9,953)	999,092
Provision for long service payments	1,501	-	60,320	61,821
Total non-current liabilities	4,460,932	(5,741)	50,367	4,505,558
Net assets	13,377,921	2,759,493	(50,367)	16,087,047
Reserves	12,902,981	2,759,493	(50,367)	15,612,107
Total equity	13,377,921	2,759,493	(50,367)	16,087,047
Reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2022 (note 24(c))				
Profit before taxation	55,861	455,456	(60,320)	450,997
Change in fair value of investment properties and investment property under development				
	-	(448,682)	-	(448,682)
Depreciation	1,123,468	(6,774)	-	1,116,694
Increase in provision for long service payments	582	-	60,320	60,902

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(c) Changes in accounting policies (continued)

(iv) Effects of Change in Measurement of IP and IPUD, and the adoption of the HKICPA guidance (continued)

The following table illustrates the amounts that would have been in the Group's consolidated statement of profit or loss for the year ended 31 December 2023 and the consolidated statement of financial position as at that date, (i) if the Group had not changed its accounting policies in the measurement of investment properties and investment property under development, and (ii) if the Group had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

	As reported \$'000	(i) Backing out Effect of Change in Measurement of IP and IPUD \$'000	(ii) Backing out effect of adoption of the HKICPA guidance \$'000	If accounting policies had not been changed \$'000
Consolidated statement of profit or loss for year ended 31 December 2023:				
Staff costs	(4,144,457)	-	2,715	(4,141,742)
Depreciation	(1,132,687)	(40,549)	-	(1,173,236)
Profit from operations	214,552	(40,549)	2,715	176,718
Change in fair value of investment properties and investment property under development	287,380	(287,380)	-	-
Profit before taxation	431,116	(327,929)	2,715	105,902
Income tax expense	(29,453)	(318)	(448)	(30,219)
Profit for the year	401,663	(328,247)	2,267	75,683
Earnings per share				
Basic and diluted (HK\$)	0.83	(0.68)	0.01	0.16
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023:				
Remeasurement of provision for long service payments	(12,776)	-	12,776	-
Other comprehensive income for the year	101,146	-	12,776	113,922
Total comprehensive income for the year	502,809	(328,247)	15,043	189,605
Consolidated statement of financial position as at 31 December 2023:				
Investment properties	5,406,500	(2,642,986)	-	2,763,514
Investment property under development	2,805,000	(438,695)	-	2,366,305
Total non-current assets	20,887,870	(3,081,681)	-	17,806,189
Total assets less current liabilities	21,018,120	(3,081,681)	-	17,936,439
Deferred tax liabilities	1,010,093	6,059	12,926	1,029,078
Provision for long service payments	80,492	-	(78,336)	2,156
Total non-current liabilities	4,612,533	6,059	(65,410)	4,553,182
Net assets	16,405,587	(3,075,622)	65,410	13,395,375
Reserves	15,911,244	(3,075,622)	65,410	12,901,032
Total equity	16,405,587	(3,075,622)	65,410	13,395,375
Reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2023 (note 24(c))				
Profit before taxation	431,116	(327,929)	2,715	105,902
Change in fair value of investment properties and investment property under development	(287,380)	287,380	-	-
Depreciation	1,133,103	40,549	-	1,173,652
Increase in provision for long service payments	3,370	-	(2,715)	655

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(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)).

(e) Associates, joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(e) Associates, joint ventures and joint operations (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(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 and 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 33(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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(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.

(j) Investment properties and investment property under development

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 and investment property under development are stated at fair value unless their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(k) Other property, plant and equipment (continued)

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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(l) Leased assets (continued)

(i) As a lessee (continued)

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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(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, 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).

Other financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

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 Material 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

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:

- 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.

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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

- 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 Listing Rules, 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.

(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 its transaction price and subsequently stated at amortised cost, using the effective interest method and including an 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 invoiced amounts.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(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.

(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 equity investments is recognised when the shareholder's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(u) Revenue and other income (continued)

- (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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(x) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations

The Group has the following two categories of defined benefit plans:

- defined benefit retirement plans registered under the Hong Kong Occupational Retirement Schemes Ordinance (the "ORSO plans")
- LSP under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For ORSO plans, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligations are performed by qualified actuaries using the projected unit credit method. For ORSO plans, 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 recognized 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.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in ORSO plans (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in other comprehensive income. 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 then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(x) Employee benefits (continued)

(iii) 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).

(iv) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material accounting policies (continued)

(y) Income tax (continued)

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.

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 Material 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.

(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 16, 21(f), 22(c), 30 and 33(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, provision for long service payments, fair value of share options and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

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 when there is no indication of impairment.

(c) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 27, is based on past claim experience and recent claim developments. The provision is assessed based on independent valuation performed by qualified external actuaries. 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.

(d) Fair value of investment properties and investment property under development

Investment properties and investment property under development are stated at fair value. Such fair value is based on the valuations performed by independent firm of professional qualified valuers. Income capitalisation method is used in the valuation of investment properties which is dependent on certain estimates, including fair market rents, appropriate capitalisation rates, and reversionary income potential, where appropriate.

The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. Details of the fair value measurement of investment properties and investment property under development are set out in note 14.

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:

	2023 \$'000	2022 \$'000
Fare revenue from franchised public bus services	7,266,043	6,090,564
Revenue from non-franchised transport services	238,717	195,832
Licence fee income	234,395	214,868
Media sales revenue	57,335	49,652
Gross rentals from investment properties	88,263	56,255
	7,884,753	6,607,171

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 revenues. Further details regarding the Group's principal activities are disclosed in note 12 to the financial statements.

4 Other income

	2023 \$'000	2022 \$'000
Dividend income from equity investments	91,454	64,861
Interest income on financial assets measured at FVOCI (recycling)	54,202	57,806
Interest income on financial assets measured at amortised cost	59,187	23,144
Net (loss)/gain on derecognition of investments in financial assets measured at FVOCI (recycling) (note 9)	(7)	1,161
Net foreign exchange gain	1,748	12,719
Expected credit loss on other financial assets (note 33(a))	(260,000)	(92,000)
	(53,416)	67,691
Claims received	15,493	10,954
Net miscellaneous business receipts	11,868	12,464
Net gain on disposal of other property, plant and equipment	3,606	5,453
Government subsidies (note)	7,748	525,566
Sundry income	82,807	83,638
	68,106	705,766

Note: The amount in 2022 mainly represented subsidies from the HKSAR Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of the fifth wave of COVID-19.

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):

	2023	2022
	\$'000	\$'000 (restated)
(a) Staff costs		
Contributions to defined contribution retirement plans	178,599	166,868
(Income)/expenses recognised in respect of defined benefit plans:		
– Employee benefit assets (note 21(e))	(18,089)	22,662
– Long service payments (note 30)	9,808	69,239
Total retirement cost	170,318	258,769
Equity-settled share-based payment expenses	6,248	1,194
Salaries, wages and other benefits	3,968,844	3,805,601
	4,145,410	4,065,564
Less: staff costs included in cost of mask production	(953)	(2,153)
	4,144,457	4,063,411

	2023	2022
	\$'000	\$'000
(b) Finance costs		
Interest on bank loans	234,566	81,164
Interest on lease liabilities (note 24(d))	290	92
Total interest expense on financial liabilities not at FVPL	234,856	81,256
Less: interest expense capitalised*	(124,792)	(43,646)
	110,064	37,610

* The borrowing costs have been capitalised at the average interest rate of 4.60% per annum (2022: 1.92% per annum).

	2023	2022
	\$'000	\$'000
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	(88,263)	(56,255)
Less: direct outgoings	29,740	12,127
	(58,523)	(44,128)

Note: Included contingent rental income of \$47,000 (2022: \$61,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Profit before taxation (continued)

	2023	2022
	\$'000	\$'000 (restated)
(d) Other items		
Depreciation [#]		
– owned property, plant and equipment	1,127,539	1,109,921
– right-of-use assets	5,564	6,773
Write-down of spare parts	545	454
Provision for passenger reward (note a)	–	–
Provision for toll exemption fund (note b)	149,723	130,304
Insurance expenses (including the contingency provision for insurance)	181,506	186,475
Auditors' remuneration		
– audit services	4,773	4,378
– other services	1,215	961

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 2023 and 2022 was 8.7% per annum. The balance of passenger reward of the Group as at 31 December 2023, included in accounts payable and accruals (note 26), was \$Nil (2022: \$Nil).

Note b: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using 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" which 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 balance of the Toll Exemption Fund of the Group as at 31 December 2023, included in accounts payable and accruals (note 26), was \$420,764,000 (2022: \$450,374,000).

#: Cost of mask production includes depreciation of \$416,000 (2022: \$415,000), which amount is not 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:**

	2023	2022
	\$'000	\$'000
		(restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	20,521	19,563
Under/(over)-provision in respect of prior years	4,703	(690)
	25,224	18,873
PRC withholding tax	283	978
	25,507	19,851
Deferred tax		
Origination and reversal of temporary differences	3,946	(117,901)
Actual tax expense/(credit)	29,453	(98,050)

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 expense/(credit) and accounting profit at the applicable tax rates:

	2023	2022
	\$'000	\$'000
		(restated)
Profit before taxation	431,116	450,997
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	71,168	74,823
Tax effect of non-deductible expenses	48,641	18,715
Tax effect of non-taxable income	(91,987)	(192,085)
Tax effect of unused tax losses not recognised	1,186	1,135
Tax effect of temporary differences previously not recognised	(4,249)	–
Under/(over)-provision in respect of prior years	4,703	(690)
Others	(9)	54
Actual tax expense/(credit)	29,453	(98,050)

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:

		2023							
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total (note (b))	Share-based payment (note (c))	Total	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Executive Director									
	Roger Lee Chak Cheong	(a)	390	7,390	1,155	427	9,362	414	9,776
Non-executive Directors									
	Raymond Kwok Ping Luen		654	-	-	-	654	207	861
	Ng Siu Chan	(d)	156	-	-	-	156	207	363
	Charles Lui Chung Yuen		654	-	-	-	654	207	861
	William Louey Lai Kuen		654	-	-	-	654	207	861
	Winnie Ng		714	-	-	-	714	207	921
	Allen Fung Yuk Lun		636	-	-	-	636	207	843
	Dr Cheung Wing Yui		390	-	-	-	390	207	597
	Lee Luen Fai		390	-	-	-	390	207	597
	Lung Po Kwan		450	-	-	-	450	207	657
	Christopher Kwok Kai-wang	(e)	214	-	-	-	214	-	214
	Wong Hong Kit	(f)	-	-	-	-	-	-	-
	Susanna Wong Sze Lai	(f)	-	-	-	-	-	-	-
	Gao Feng		-	-	-	-	-	-	-
Independent non-executive Directors									
	Dr Norman Leung Nai Pang		2,116	-	-	-	2,116	227	2,343
	Dr John Chan Cho Chak		794	-	-	-	794	217	1,011
	Dr Eric Li Ka Cheung		770	-	-	-	770	207	977
	Professor Liu Pak Wai		636	-	-	-	636	207	843
	Tsang Wai Hung		840	-	-	-	840	207	1,047
			10,458	7,390	1,155	427	19,430	3,342	22,772

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Directors' emoluments (continued)

		2022							
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total (note (b))	Share-based payment (note (c))	Total	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Executive Director									
	Roger Lee Chak Cheong	(a)	390	6,396	665	353	7,804	119	7,923
Non-executive Directors									
	Raymond Kwok Ping Luen		654	-	-	-	654	50	704
	Ng Siu Chan		390	-	-	-	390	50	440
	Charles Lui Chung Yuen		654	-	-	-	654	50	704
	William Louey Lai Kuen		654	-	-	-	654	50	704
	Winnie Ng		714	-	-	-	714	50	764
	Allen Fung Yuk Lun		636	-	-	-	636	50	686
	Dr Cheung Wing Yui		390	-	-	-	390	50	440
	Lee Luen Fai		390	-	-	-	390	50	440
	Lung Po Kwan		450	-	-	-	450	50	500
	Susanna Wong Sze Lai		-	-	-	-	-	-	-
	Gao Feng		-	-	-	-	-	-	-
Independent non-executive Directors									
	Dr Norman Leung Nai Pang		2,116	-	-	-	2,116	56	2,172
	Dr John Chan Cho Chak		794	-	-	-	794	53	847
	Dr Eric Li Ka Cheung		770	-	-	-	770	50	820
	Professor Liu Pak Wai		636	-	-	-	636	50	686
	Tsang Wai Hung		840	-	-	-	840	50	890
			10,478	6,396	665	353	17,892	828	18,720

Notes:

- (a) The amounts included emoluments from the Company and certain of its subsidiaries.
- (b) The amounts represented emoluments received or receivable by the Directors of the Company in cash.
- (c) 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)(iii).

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 22.

- (d) Ng Siu Chan was deceased in May 2023.
- (e) Christopher Kwok Kai-wang was appointed as Director on 15 June 2023.
- (f) Susanna Wong Sze Lai resigned as Alternate Director to Raymond Kwok Ping Luen on 15 June 2023 and Wong Hong Kit was appointed as Alternate Director to Raymond Kwok Ping Luen on 15 June 2023.

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 (2022: 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:

	2023 \$'000	2022 \$'000
Fees	390	390
Salaries, allowances and benefits in kind	17,536	16,016
Discretionary bonuses	2,557	1,499
Equity-settled share-based payment expenses	882	350
Retirement scheme contributions	1,113	764
	22,478	19,019

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2023	2022
\$2,000,001 - \$2,500,000	-	2
\$2,500,001 - \$3,000,000	2	1
\$3,000,001 - \$3,500,000	1	1
\$4,000,001 - \$4,500,000	1	-
\$7,500,001 - \$8,000,000	-	1
\$9,500,001 - \$10,000,000	1	-

9 Other comprehensive income

	2023 \$'000	2022 \$'000
Investments in financial assets measured at FVOCI (recycling):		
Change in fair value recognised during the year	(188,355)	(259,844)
Reclassification adjustments for amounts transferred to profit or loss:		
– net loss/(gain) on derecognition of investments in financial assets measured at FVOCI (recycling) (note 4)	7	(1,161)
– expected credit loss on investments in financial assets measured at FVOCI (recycling) (note 33(a))	260,000	92,000
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	71,652	(169,005)

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 \$401,663,000 (2022 (restated): \$549,047,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 1 January	474,940,075	465,469,414
Effect of shares issued in respect of scrip dividend	7,595,665	4,800,198
Weighted average number of ordinary shares at 31 December	482,535,740	470,269,612

(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

	2023		2022	
	Per share \$	Total \$'000	Per share \$	Total \$'000
Interim dividend declared and paid	0.30	146,074	-	-
Final dividend proposed after the end of the reporting period	0.50	247,172	0.50	237,470
	0.80	393,246	0.50	237,470

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 2023 was paid on 18 October 2023, of which \$74,360,000 was settled by the issuance of 7,428,592 shares at an issue price of \$10.01 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

	2023		2022	
	Per share \$	Total \$'000	Per share \$	Total \$'000
Final dividend in respect of the previous financial year, approved and paid during the year	0.50	237,470	0.50	232,735

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2022 was paid on 30 June 2023, of which \$118,667,000 was settled by the issuance of 11,974,451 shares at an issue price of \$9.91 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2021 was paid on 30 June 2022, of which \$115,826,000 was settled by the issuance of 9,470,661 shares at an issue price of \$12.23 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 mainly represented non-franchised transport operations and interest in associates.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments for the years ended 31 December 2023 and 2022 is set out below.

	Franchised bus operation		Property holdings and development		All other segments		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000 (restated)	\$'000	\$'000 (restated)	\$'000	\$'000 (restated)	\$'000	\$'000 (restated)
Revenue from external customers	7,563,831	6,360,023	82,906	51,477	238,016	195,671	7,884,753	6,607,171
Inter-segment revenue	1,355	823	4,453	5,094	903	1,890	6,711	7,807
Reportable segment revenue	7,565,186	6,360,846	87,359	56,571	238,919	197,561	7,891,464	6,614,978
Reportable segment profit/(loss)	34,597	(81,326)	333,969	507,696	42,097	3,013	410,663	429,383
Interest income	4,745	4,016	-	-	318	-	5,063	4,016
Interest expense	(86,887)	(37,610)	(23,177)	-	-	-	(110,064)	(37,610)
Depreciation	(1,103,472)	(1,077,761)	(540)	(187)	(28,675)	(38,331)	(1,132,687)	(1,116,279)
Staff costs	(4,012,799)	(3,951,612)	-	-	(121,100)	(101,143)	(4,133,899)	(4,052,755)
Changes in fair value of investment properties and investment property under development	-	-	287,380	448,682	-	-	287,380	448,682
Share of profits/(losses) of associates	-	-	-	-	31,138	(6,909)	31,138	(6,909)
Share of profit of joint venture	-	-	8,110	8,249	-	-	8,110	8,249
Income tax (expense)/credit	(8,193)	114,809	(7,408)	(6,467)	(13,852)	(10,292)	(29,453)	98,050
Reportable segment assets	10,665,139	11,281,358	9,020,713	8,070,368	1,550,081	1,497,166	21,235,933	20,848,892
- including interest in associates	-	-	-	-	609,147	599,796	609,147	599,796
- including interest in joint venture	-	-	748,560	751,187	-	-	748,560	751,187
Additions to non-current segment assets during the year	1,078,898	882,710	617,248	621,737	55,406	135,728	1,751,552	1,640,175
Reportable segment liabilities	4,617,357	5,259,533	3,051,451	2,416,037	87,247	96,914	7,756,055	7,772,484

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

	2023 \$'000	2022 \$'000 (restated)
Revenue		
Reportable segment revenue	7,652,545	6,417,417
Revenue from all other segments	238,919	197,561
	7,891,464	6,614,978
Elimination of inter-segment revenue	(6,711)	(7,807)
Consolidated revenue	7,884,753	6,607,171
Profit		
Reportable segment profit	368,566	426,370
Profit from all other segments	42,097	3,013
	410,663	429,383
Unallocated (losses)/profits	(9,000)	119,664
Consolidated profit after taxation	401,663	549,047
Assets		
Reportable segment assets	19,685,852	19,351,726
Assets from all other segments	1,550,081	1,497,166
	21,235,933	20,848,892
Unallocated assets	2,951,156	3,055,536
Consolidated total assets	24,187,089	23,904,428
Liabilities		
Reportable segment liabilities	7,668,808	7,675,570
Liabilities from all other segments	87,247	96,914
	7,756,055	7,772,484
Unallocated liabilities	25,447	44,897
Consolidated total liabilities	7,781,502	7,817,381

(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, 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 the location of operations in the case of interest in associates and interest in joint venture.

	Specified non-current assets	
	2023 \$'000	2022 \$'000 (restated)
Hong Kong	17,239,295	16,339,189
The PRC	770,245	761,493
	18,009,540	17,100,682

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Interest in leasehold land and other property, plant and equipment

(a) Reconciliation of carrying amount

	Other properties leased for own					Tools and others	Interest in leasehold land	Total
	Buildings	use carried at cost	Buses and other motor vehicles	Buses under construction	Sub-total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost:								
At 1 January 2023	1,602,670	25,271	12,530,312	256,014	4,184,046	18,598,313	112,372	18,710,685
Additions	41,116	2,857	286,254	378,491	443,654	1,152,372	-	1,152,372
Lease modification	-	(2,043)	-	-	-	(2,043)	-	(2,043)
Disposals	-	-	(373,364)	-	(411,934)	(785,298)	-	(785,298)
Transfers	-	-	380,354	(380,354)	-	-	-	-
At 31 December 2023	1,643,786	26,085	12,823,556	254,151	4,215,766	18,963,344	112,372	19,075,716
Accumulated depreciation:								
At 1 January 2023	1,271,222	17,998	6,263,434	-	3,300,675	10,853,329	63,861	10,917,190
Charge for the year	37,627	3,584	848,453	-	241,459	1,131,123	1,980	1,133,103
Written back on disposals	-	-	(369,982)	-	(411,820)	(781,802)	-	(781,802)
At 31 December 2023	1,308,849	21,582	6,741,905	-	3,130,314	11,202,650	65,841	11,268,491
Net book value:								
At 31 December 2023	334,937	4,503	6,081,651	254,151	1,085,452	7,760,694	46,531	7,807,225
Add: Deposits paid in respect of buses on order						19,967	-	19,967
						7,780,661	46,531	7,827,192

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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	Interest in leasehold land \$'000	Total \$'000
Cost:								
At 1 January 2022	1,580,159	19,981	12,220,847	453,736	3,875,229	18,149,952	112,372	18,262,324
Additions	22,511	5,290	118,161	426,860	361,041	933,863	-	933,863
Disposals	-	-	(433,278)	-	(52,224)	(485,502)	-	(485,502)
Transfers	-	-	624,582	(624,582)	-	-	-	-
At 31 December 2022	1,602,670	25,271	12,530,312	256,014	4,184,046	18,598,313	112,372	18,710,685
Accumulated depreciation:								
At 1 January 2022	1,232,548	13,205	5,881,504	-	3,096,219	10,223,476	61,881	10,285,357
Charge for the year	38,674	4,793	814,740	-	256,507	1,114,714	1,980	1,116,694
Written back on disposals	-	-	(432,810)	-	(52,051)	(484,861)	-	(484,861)
At 31 December 2022	1,271,222	17,998	6,263,434	-	3,300,675	10,853,329	63,861	10,917,190
Net book value:								
At 31 December 2022	331,448	7,273	6,266,878	256,014	883,371	7,744,984	48,511	7,793,495
Add: Deposits paid in respect of buses on order						34,263	-	34,263
						7,779,247	48,511	7,827,758

(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	2023 \$'000	2022 \$'000
Interest in leasehold land, carried at amortised cost, with remaining lease term between 10 and 50 years	(i)	46,531	48,511
Other properties leased for own use, carried at depreciated cost	(ii)	4,503	7,273
		51,034	55,784

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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:

	2023	2022
	\$'000	\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interest in leasehold land	1,980	1,980
Other properties leased for own use	3,584	4,793
	5,564	6,773
Interest on lease liabilities (note 5(b))	290	92
Expense relating to short-term leases	2,015	1,686
COVID-19-related rent concessions received	-	(1,176)

During the year, additions to right-of-use assets were \$2,857,000 (2022: \$5,290,000). 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 24(e) and 28, respectively.

The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group in 2022. 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 four years. In 2022, the Group received rent concessions in the form of a discount on fixed payments of \$1,176,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Interest in leasehold land and other property, plant and equipment (continued)

- (c) In 2023, subsidies totalling \$27,763,000 (2022: \$96,846,000) were received or receivable from the HKSAR Government for retrofitting buses with appropriate safety devices and for installation of facilities at bus stops and terminus. The purposes of the subsidies are to enhance the operational safety of franchised buses and to expedite the installation of facilities for the convenience of passengers respectively. 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 Investment properties and investment property under development

(a) Movements during the year

	Investment properties \$'000	Investment property under development \$'000	Total \$'000
Valuation:			
At 1 January 2023 (restated)	1,468,800	5,840,000	7,308,800
Additions	-	615,320	615,320
Transfer to investment properties upon completion	3,880,715	(3,880,715)	-
Increase in fair value, net	56,985	230,395	287,380
At 31 December 2023	5,406,500	2,805,000	8,211,500

	Investment properties \$'000 (restated)	Investment property under development \$'000 (restated)	Total \$'000 (restated)
Valuation:			
At 1 January 2022	1,503,300	4,735,000	6,238,300
Additions	1,223	620,595	621,818
(Decrease)/increase in fair value, net	(35,723)	484,405	448,682
At 31 December 2022	1,468,800	5,840,000	7,308,800

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investment properties and investment property under development (continued)**(b) Fair value measurement**

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

	2023			
	Fair value measurements categorised into			
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value disclosures				
Investment properties in Hong Kong				
- commercial properties	5,303,500	-	-	5,303,500
- industrial properties	103,000	-	-	103,000
Investment property under development in Hong Kong	2,805,000	-	-	2,805,000
	2022 (restated)			
	Fair value measurements categorised into			
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value disclosures				
Investment properties in Hong Kong				
- commercial properties	1,365,800	-	-	1,365,800
- industrial properties	103,000	-	-	103,000
Investment property under development in Hong Kong	5,840,000	-	-	5,840,000

During the years ended 31 December 2023 and 2022, 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 Group's investment properties and investment property under development were revalued at 31 December 2023 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investment properties and investment property under development (continued)

(b) Fair value measurement (continued)

The Group's investment properties are valued using the income capitalisation approach by capitalising net income from the existing tenancies and reversionary income potential at appropriate capitalisation rates for individual properties. The capitalisation rate adopted is derived by making reference to the yields achieved from analysis of comparable property investment transactions and valuer's view of prevailing investor expectations regarding rental growth and perceived risks.

The Group's investment property under development is valued using the residual method by estimating the value of the property when completed using income capitalisation method with reference to comparable sales transactions assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below are the significant unobservable inputs used for fair value measurements:

	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties and industrial properties	Capitalisation rate	3.50% to 4.75% (2022: 3.80% to 4.75%)
Investment property under development in Hong Kong	Capitalisation rate	3.50% (2022: 3.50%)

The fair values of the Group's investment properties and investment property under development are inversely to related capitalisation rates, which are determined by reference to investors' expectations on investment yields, rental growth and the risk profile of the properties being valued. A lower (higher) capitalisation rate would imply a higher (lower) property value.

Fair value adjustment of investment properties and investment property under development is recognised in the line item "Fair value change of investment properties and investment property under development" on the face of the consolidated statement of profit or loss.

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(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investment properties and investment property under development (continued)

(c) The Group leased out investment properties under operating leases. The leases typically run for an initial period from one to eight 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:

	2023 \$'000	2022 \$'000
Within 1 year	76,421	30,305
After 1 year but within 2 years	69,546	21,036
After 2 years but within 3 years	51,926	17,394
After 3 years but within 4 years	46,870	6,265
After 4 years but within 5 years	36,588	3,090
After 5 years	39,490	1,759
	320,841	79,849

15 Intangible assets

	Passenger service licences and transport operating rights \$'000
Cost:	
At 1 January 2022	419,729
Additions	109,361
At 31 December 2022, 1 January 2023 and 31 December 2023	529,090
Accumulated amortisation:	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	–
Net book value:	
At 31 December 2023	529,090
At 31 December 2022	529,090

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 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Goodwill

	2023 \$'000	2022 \$'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:

	2023 %	2022 %
Growth rate	1.5	1.5
Discount rate	7.1 – 8.3	7.1 – 8.3

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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 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 in Hong Kong
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
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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17 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 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
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
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

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(Expressed in Hong Kong dollars unless otherwise indicated)

18 Interest in associates

	2023	2022
	\$'000	\$'000
Share of net assets	549,702	538,681
Goodwill	59,339	61,006
Amount due from an associate	106	109
	609,147	599,796

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 penetrate into this market through local expertise.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 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	
	2023 \$'000	2022 \$'000
Gross amounts of the associate		
Current assets	4,556,169	4,547,801
Non-current assets	5,780,034	5,667,120
Current liabilities	4,078,671	3,599,541
Non-current liabilities	4,862,066	5,260,599
Total equity	1,395,466	1,354,781
Non-controlling interest	(4,340)	(6,501)
Revenue	1,730,770	1,718,171
Profit for the year	88,648	21,308
Other comprehensive income	1,560	1,234
Total comprehensive income	90,208	22,542
Dividend received from the associate	3,390	17,356
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	1,391,126	1,348,280
Group's effective interest	35%	35%
Group's share of net assets of the associate	486,894	471,898
Goodwill	59,339	61,006
Carrying amount in the consolidated financial statements	546,233	532,904

Aggregate information of associates that are not individually material:

	2023 \$'000	2022 \$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	62,914	66,892
Aggregate amounts of the Group's share of those associates		
Profit/(loss) for the year, net	111	(14,367)
Total comprehensive income	111	(14,367)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Interest in joint venture

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 share of US\$2	50	50	Property investment (note 1)

Note 1: TM Properties Investment Limited 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	
	2023 \$'000	2022 \$'000
Gross amounts of the joint venture		
Current assets	2,307	8,543
Non-current assets	1,500,015	1,500,017
Current liabilities	31,956	54,414
Total equity	1,470,366	1,454,146
Revenue	20,536	20,559
Profit for the year	16,220	16,498
Total comprehensive income	16,220	16,498
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture attributable to equity shareholders	1,470,366	1,454,146
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	735,183	727,073
Loan to a joint venture (note 2)	13,377	24,114
Carrying amount in the consolidated financial statements	748,560	751,187

Note 2: Loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

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(Expressed in Hong Kong dollars unless otherwise indicated)

20 Other financial assets

	Note	2023 \$000	2022 \$000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	1,033,669	1,017,187
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong	(ii)	627,464	843,079
Financial assets measured at amortised cost			
– Loan receivables		64,419	64,419
Other financial assets measured at FVPL		5,199	7,577
		1,730,751	1,932,262
Less: debt securities listed outside Hong Kong classified as current assets		(444,983)	(194,761)
loan receivables classified as current assets		(13,540)	(13,639)
other financial assets measured at FVPL as current assets		(5,199)	(7,577)
Other financial assets classified as current assets		463,722	215,977
Other financial assets classified as non-current assets		1,267,029	1,716,285

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 \$91,454,000 (2022: \$64,861,000) were declared on these investments during the year.
- (ii) During the year, expected credit loss of HK\$260,000,000 (2022: HK\$92,000,000) was recognised to reflect increases in credit risk for the investments in financial assets measured at FVOCI (recycling) in accordance with note 1(n)(i).

21 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 2023 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 262% (2022: 246%) covered by the plan assets held by the trustee.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Employee retirement benefits (continued)

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:

	2023 \$'000	2022 \$'000
Present value of funded obligations (note 21(c))	(995,791)	(1,053,336)
Fair value of plan assets (notes 21(b) and 21(d))	2,605,064	2,594,327
	1,609,273	1,540,991
Represented by:		
Employee benefit assets	1,609,273	1,540,991

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 2024 is \$Nil (2023: \$Nil).

(b) Plan assets consist of the following:

	2023 \$'000	2022 \$'000
Equity securities:		
– Hong Kong and Mainland China	338,423	441,036
– Rest of Asia Pacific	390,525	302,852
– Europe	199,879	216,148
– North America	408,753	268,036
	1,337,580	1,228,072
Bonds	1,223,910	1,219,335
Cash and others	43,574	146,920
	2,605,064	2,594,327

All of the equity securities and bonds have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Employee retirement benefits (continued)

(c) Movements in the present value of the defined benefit obligations:

	2023 \$'000	2022 \$'000
At 1 January	1,053,336	1,344,104
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(882)	(2,668)
– Actuarial losses/(gains) arising from changes in financial assumptions	34,843	(157,102)
– Actuarial gains arising from liability experience	(2,426)	(8,046)
	31,535	(167,816)
Benefits paid by the plans	(159,749)	(183,501)
Current service cost	34,213	44,067
Interest cost	36,456	16,482
	(89,080)	(122,952)
At 31 December	995,791	1,053,336

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 6.6 and 4.8 years respectively (2022: 7.3 and 4.9 years respectively).

(d) Movements in plan assets:

	2023 \$'000	2022 \$'000
At 1 January	2,594,327	3,303,566
Administrative expenses paid	(3,174)	(3,289)
Benefits paid by the plans	(159,749)	(183,501)
Interest income	91,932	41,176
Return/(loss) on plan assets, excluding interest income	81,728	(563,625)
At 31 December	2,605,064	2,594,327

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(Expressed in Hong Kong dollars unless otherwise indicated)

21 Employee retirement benefits (continued)**(e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:**

	2023	2022
	\$'000	\$'000
Current service cost	34,213	44,067
Net interest income on net defined benefit assets	(55,476)	(24,694)
Administrative expenses paid	3,174	3,289
Total amounts recognised in profit or loss (note 5(a))	(18,089)	22,662
Actuarial losses/(gains)	31,535	(167,816)
(Return)/loss on plan assets, excluding interest income	(81,728)	563,625
Total amounts recognised in other comprehensive income	(50,193)	395,809
Total defined benefit (income)/cost	(68,282)	418,471

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
Discount rate		
– Monthly Rated Employees Scheme	3.0%	3.6%
– Daily Rated Employees Scheme	2.9%	3.6%
Future salary increases	4.0%	4.0%

The below analysis shows how the defined benefit obligation would have (decreased)/increased as a result of a 0.25 percentage point change in the significant actuarial assumptions:

	2023		2022	
	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	(13,577)	13,908	(14,908)	15,286
Future salary increases	12,252	(12,027)	13,643	(13,378)

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)

22 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 19 November 2020	6,075	i	Five years from the date of grant
– on 31 March 2023	6,510	iii	Five years from the date of grant
Options granted to employees:			
– on 19 November 2020	7,850	ii	Five years from the date of grant
– on 31 March 2023	9,840	iv	Five years from the date of grant
Total share options granted	30,275		

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

Vesting condition (ii):

	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)

22 Equity-settled share-based transactions (continued)**(a) The terms and conditions of the grants are as follows: (continued)**

Vesting condition (iii):

	Percentage of options granted
On or after 31 March 2024	50%
On or after 31 March 2025	100%

Vesting condition (iv):

	Percentage of options granted
On or after 31 March 2024	30%
On or after 31 March 2025	60%
On or after 31 March 2026	100%

(b) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	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	\$15.32	10,425	\$15.32	11,725
Granted during the year	\$10.60	15,970	–	–
Forfeited during the year	\$12.04	(1,960)	\$15.32	(1,300)
Outstanding at the end of the year	\$12.50	24,435	\$15.32	10,425
Exercisable at the end of the year	\$15.32	9,825	\$15.32	8,685

The options outstanding at 31 December 2023 had a weighted average exercise price of \$12.50 (2022: \$15.32) and weighted average remaining contractual lives of 3.30 years (2022: 2.88 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Equity-settled share-based transactions (continued)

(c) Fair value of share options and assumptions (continued)

Fair value of share options and assumptions for share options granted on

	31 March 2023	19 November 2020
Fair value at measurement date	\$0.7897 - \$0.8511	\$0.5681 - \$0.5819
Share price at the date of grant	\$10.60	\$15.32
Exercise price	\$10.60	\$15.32
Expected volatility	15%	14%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years	5 years
Expected dividends	4.70%	4.98%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	3.01%	0.35%

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.

23 Accounts receivable

	2023 \$'000	2022 \$'000
Trade and other receivables	966,990	924,397
Interest receivable	58,434	33,132
Less: loss allowance (note 23(b))	(360)	(360)
	1,025,064	957,169

All of the accounts receivable are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Accounts receivable (continued)

(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:

	2023	2022
	\$'000	\$'000
Current	160,997	59,946
Less than 1 month past due	69,151	96,725
1 to 3 months past due	54,469	51,964
More than 3 months past due	177,269	126,903
	461,886	335,538

According to the Group's credit policy set out in note 33(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:

	2023	2022
	\$'000	\$'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)).

24 Bank deposits and cash

(a) Bank deposits and cash comprise:

	2023	2022
	\$'000	\$'000
Cash at banks and on hand	197,365	69,773
Bank deposits	1,457,929	2,172,710
	1,655,294	2,242,483
Less: restricted bank deposits (note 24(b))	(447,551)	(442,891)
Bank deposits and cash in the consolidated statement of financial position	1,207,743	1,799,592
Less: bank deposits with original maturities of over three months	(710,720)	(442,796)
Cash and cash equivalents in the consolidated cash flow statement	497,023	1,356,796

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 Bank deposits and cash (continued)

(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 2023, the related restricted bank deposits amounted to \$ Nil and \$447,551,000 (2022: \$Nil and \$442,891,000) respectively.

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	2023 \$'000	2022 \$'000 (restated)
Profit before taxation		431,116	450,997
Adjustments for:			
Change in fair value of investment properties and investment property under development	14	(287,380)	(448,682)
Depreciation	5(d)	1,133,103	1,116,694
Finance costs	5(b)	110,064	37,610
Dividend income from equity investments	4	(91,454)	(64,861)
Interest income		(113,389)	(80,950)
Net loss/(gain) on derecognition of investments in other financial assets measured at FVOCI (recycling)	4	7	(1,161)
Share of (profits)/losses of associates		(31,138)	6,909
Share of profits of joint venture		(8,110)	(8,249)
Net gain on disposal of other property, plant and equipment	4	(3,606)	(5,453)
Equity-settled share-based payment expenses	5(a)	6,248	1,194
Receipt of government grant for the disposal of other property, plant and equipment		(7,748)	(3,409)
Expected credit loss on other financial assets	33(a)	260,000	92,000
COVID-19-related rent concessions received	13(b)	-	(1,176)
Effect of foreign exchange rate		(4,110)	(9,428)
Operating profit before changes in working capital		1,393,603	1,082,035
Changes in working capital:			
(Increase)/decrease in employee benefit assets		(18,088)	22,662
(Increase)/decrease in spare parts		(14,191)	7,918
Decrease/(increase) in accounts receivable		3,045	(307,960)
Increase in deposits and prepayments		(11,473)	(5,133)
Increase/(decrease) in accounts payable and accruals		67,108	(16,934)
Decrease in contingency provision – insurance		(2,767)	(34,345)
Increase in provision for long service payments		3,370	60,902
Cash generated from operations		1,420,607	809,145

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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 25)	Lease liabilities \$'000 (Note 28)	Total \$'000
At 1 January 2023	4,967,528	7,313	4,974,841
Changes from financing cash flows:			
Proceeds from new bank loans	6,185,000	-	6,185,000
Repayment of bank loans	(6,515,000)	-	(6,515,000)
Capital element of lease rentals paid	-	(2,584)	(2,584)
Interest element of lease rentals paid	-	(290)	(290)
Total changes from financing cash flows	(330,000)	(2,874)	(332,874)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	2,857	2,857
Interest expenses (note 5(b))	-	290	290
Lease modification	-	(2,043)	(2,043)
Amortisation of bank loans arrangement fee	2,086	-	2,086
Total other changes	2,086	1,104	3,190
At 31 December 2023	4,639,614	5,543	4,645,157

	Bank loans \$'000 (Note 25)	Lease liabilities \$'000 (Note 28)	Total \$'000
At 1 January 2022	3,132,549	6,819	3,139,368
Changes from financing cash flows:			
Proceeds from new bank loans	5,355,000	-	5,355,000
Repayment of bank loans	(3,520,000)	-	(3,520,000)
Capital element of lease rentals paid	-	(3,620)	(3,620)
Interest element of lease rentals paid	-	(92)	(92)
Total changes from financing cash flows	1,835,000	(3,712)	1,831,288
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	5,290	5,290
Interest expenses (note 5(b))	-	92	92
COVID-19-related rent concessions received (note 13(b))	-	(1,176)	(1,176)
Amortisation of bank loans arrangement fee	(21)	-	(21)
Total other changes	(21)	4,206	4,185
At 31 December 2022	4,967,528	7,313	4,974,841

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 Bank deposits and cash (continued)

(e) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2023 \$'000	2022 \$'000
Within operating cash flows	2,015	1,686
Within financing cash flows	2,874	3,712
	4,889	5,398

25 Bank loans

At 31 December 2023, the bank loans were repayable as follows:

	2023 \$'000	2022 \$'000
Within 1 year or on demand	1,262,075	1,674,567
After 1 year but within 2 years	12,500	299,525
After 2 years but within 5 years	3,365,039	2,993,436
	3,377,539	3,292,961
	4,639,614	4,967,528

All of the bank loans were unsecured.

26 Accounts payable and accruals

	2023 \$'000	2022 \$'000
Trade payables	144,811	121,700
Balance of passenger reward (note 5(d))	-	-
Balance of toll exemption fund (note 5(d))	420,764	450,374
Retention payables	72,946	-
Other payables and accruals	1,160,673	954,105
Amount due to an associate	4,922	4,922
	1,804,116	1,531,101

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Accounts payable and accruals (continued)

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:

	2023	2022
	\$'000	\$'000
Due within 1 month or on demand	142,379	120,379
Due after 1 month but within 3 months	1,537	638
Due after more than 3 months	895	683
	144,811	121,700

The credit period granted to the Group is generally between 30 days and 90 days.

27 Contingency provision – insurance

	2023	2022
	\$'000	\$'000
At 1 January	237,045	271,390
Provision charged to profit or loss	66,148	48,840
Payments made during the year	(68,915)	(83,185)
At 31 December	234,278	237,045
Representing:		
Current portion	91,823	88,592
Non-current portion	142,455	148,453
	234,278	237,045

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.

28 Lease liabilities

At 31 December 2023, the lease liabilities were repayable as follows:

	2023	2022
	\$'000	\$'000
Within 1 year	3,589	4,082
After 1 year but within 2 years	1,560	2,707
After 2 years but within 5 years	394	524
	1,954	3,231
	5,543	7,313

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2023 \$'000	2022 \$'000
Provision for Hong Kong Profits Tax for the year	20,521	19,563
Provisional Profits Tax paid	(15,070)	(8,633)
Net current tax payable	5,451	10,930
Representing:		
Current tax recoverable	(1,915)	(2,551)
Current tax payable	7,366	13,481
Net current tax payable	5,451	10,930

(b) Deferred tax assets and liabilities recognised:

- (i) The components of deferred tax liabilities/(assets) of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax liabilities/ (assets) arising from:	Depreciation allowances in excess of the related depreciation \$'000	Intangible assets \$'000	Provisions \$'000	Tax losses \$'000	Employee benefit assets \$'000	Others \$'000	Total \$'000
At 1 January 2022 (restated)	1,118,550	14,511	(36,117)	(233,530)	323,111	(5,154)	1,181,571
(Credited)/charged to profit or loss (restated)	(14,592)	-	(4,458)	(94,750)	(3,740)	(406)	(117,901)
Credited to reserves	-	-	-	-	(65,308)	-	(65,308)
At 31 December 2022 and 1 January 2023 (restated)	1,103,958	14,511	(40,575)	(328,235)	254,263	(5,560)	998,362
Charged/(credited) to profit or loss	4,064	-	(2,846)	(173)	2,985	(84)	3,946
(Credited)/charged to reserves	-	-	(2,525)	-	8,282	-	5,577
At 31 December 2023	1,108,022	14,511	(45,946)	(328,408)	265,530	(5,644)	1,008,065

- (ii) Amounts recognised in the consolidated statement of financial position:

	2023 \$'000	2022 \$'000 (restated)
Net deferred tax assets	(2,028)	(730)
Net deferred tax liabilities	1,010,093	999,092
	1,008,065	998,362

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Income tax in the consolidated statement of financial position (continued)

(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 \$22,453,000 (2022: \$21,267,000) in respect of cumulative tax losses of \$136,079,000 (2022: \$128,891,000) 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 2023 and 2022, these tax losses do not expire under the current tax legislation.

30 Provision for long service payments

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at \$15,000) and the years of service, reduced by the amount of any accrued benefits derived from the group's contributions to MPF scheme or ORSO plans, with an overall cap of \$390,000 per employee. Currently, the group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The group has accounted for the offsetting mechanism and its abolition as disclosed in notes 1(c)(iii) and 1(x)(ii).

The group has determined that the Amendment Ordinance primarily impacts the group's LSP liability with respect to Hong Kong employees who do not participate in the group's ORSO plans. The Amendment Ordinance has no material impact on the group's LSP liability with respect to employees that participate in the group's ORSO plans.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Provision for long service payments (continued)

The present value of LSP liability and its movements are as follows:

	2023	2022
	\$'000	\$'000
		(restated)
At 1 January	61,821	919
Payments made during the year	(6,438)	(8,337)
	55,383	(7,418)
Actuarial losses arising from changes in financial assumptions	2,738	-
Actuarial losses arising from experience adjustments	12,563	-
Total amounts recognised in other comprehensive income	15,301	-
Current service cost	7,698	8,908
Interest cost	2,110	11
Past service cost	-	60,320
Total amounts recognised in profit or loss (note 5(a))	9,808	69,239
At 31 December	80,492	61,821

The weighted average duration of the defined benefit obligation is 7.0 years (2022: 7.8 years).

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	\$'000	\$'000
		(restated)
Staff costs	9,808	69,239
Actuarial losses recognised in other comprehensive income	15,301	-

Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
Discount rate	3.2%	3.7%
Future salary increases	4.0%	4.0%

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(Expressed in Hong Kong dollars unless otherwise indicated)

30 Provision for long service payments (continued)

The below analysis shows how the LSP liability would have (decreased)/increased as a result of 0.5 percentage point change in the significant actuarial assumptions:

	2023		2022	
	Increase in 0.5 percentage point \$'000	Decrease in 0.5 percentage point \$'000	Increase in 0.5 percentage point \$'000	Decrease in 0.5 percentage point \$'000
Discount rates	(2,738)	2,919	(2,192)	2,337
Future salary increases	(3,434)	3,593	(2,916)	3,017

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.

31 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 2022	465,469	1,212,314	4,709	1,300,000	1,002,842	3,985,334
Changes in equity for 2022:						
Shares issued in respect of scrip dividend – 2021 final dividend	31(b) 9,471	106,355	-	-	-	115,826
Forfeiture of share options	-	-	(227)	-	227	-
Equity-settled share-based transaction	5(a) -	-	1,194	-	-	1,194
Dividends approved in respect of the previous year	11(b) -	-	-	-	(232,735)	(232,735)
Profit and total comprehensive income for the year	-	-	-	-	230,003	230,003
Balance at 31 December 2022	474,940	1,318,669	5,676	1,300,000	1,000,337	4,099,622

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 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 2023		474,940	1,318,669	5,676	1,300,000	1,000,337	4,099,622
Changes in equity for 2023:							
Shares issued in respect of scrip dividend – 2022 final dividend	31(b)	11,975	106,692	-	-	-	118,667
Shares issued in respect of scrip dividend – 2023 interim dividend	31(b)	7,428	66,932	-	-	-	74,360
Forfeiture of share options		-	-	(255)	-	255	-
Equity-settled share-based transaction	5(a)	-	-	6,248	-	-	6,248
Dividends approved in respect of the previous year	11(b)	-	-	-	-	(237,470)	(237,470)
Dividends declared in respect of the current year	11(a)	-	-	-	-	(146,074)	(146,074)
Profit and total comprehensive income for the year		-	-	-	-	383,001	383,001
Balance at 31 December 2023		494,343	1,492,293	11,669	1,300,000	1,000,049	4,298,354

The Company's reserves available for distribution to shareholders at 31 December 2023 amounted to \$2,300,049,000 (2022: \$2,300,337,000). After the end of the reporting period, the Directors proposed a final dividend of \$0.50 (2022: \$0.50) per share, amounting to \$247,172,000 (2022: \$237,470,000). The final dividend proposed has not been recognised as a liability at the end of the reporting period.

(b) Share capital

Authorised and issued share capital

	2023		2022	
	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	474,940,075	474,940	465,469,414	465,469
Share issued in respect of scrip dividend – 2021 final dividend	-	-	9,470,661	9,471
Share issued in respect of scrip dividend – 2022 final dividend	11,974,451	11,975	-	-
Share issued in respect of scrip dividend – 2023 interim dividend	7,428,592	7,428	-	-
At 31 December	494,343,118	494,343	474,940,075	474,940

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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 Capital and reserves (continued)

(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)(iii).

(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) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of investments in financial assets measured at FVOCI (recycling) under HKFRS 9 held at the end of the reporting period (see note 1(g)(i)).

(v) 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)(ii)).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Capital and reserves (continued)

(d) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2023 and 2022 was as follows:

	Note	2023 \$'000	2022 \$'000 (restated)
Current liabilities:			
Bank loans	25	1,262,075	1,674,567
Lease liabilities	28	3,589	4,082
Non-current liabilities:			
Bank loans	25	3,377,539	3,292,961
Lease liabilities	28	1,954	3,231
Total debt		4,645,157	4,974,841
Less: Bank deposits and cash	24(a)	(1,207,743)	(1,799,592)
Restricted bank deposits	24(a)	(447,551)	(442,891)
Adjusted net debt		2,989,863	2,732,358
Capital		16,405,587	16,087,046
Adjusted net debt-to-capital ratio		18.2%	17.0%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 Commitments

- (i) At 31 December 2023, 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:

	2023 \$'000	2022 \$'000
Contracted for	305,639	345,704

- (ii) At 31 December 2023, 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:

	2023 \$'000	2022 \$'000
Contracted for	37,585	380,010

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(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 financial assets measured at FVOCI (recycling).

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.

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.

The Group measures expected credit loss allowance for investments in financial assets measured at FVOCI (recycling) at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Key assumptions used for expected credit loss allowance calculations are probability of default which ranges from 0.1% to 100% (2022: 0.01% to 100%) and loss given default which ranges from 25.2% to 62.3% (2022: 18.9% to 43.6%).

Movement in the expected credit loss allowance account in respect of investments in financial assets measured at FVOCI (recycling) during the year is as follows:

	12-month ECL \$'000	Lifetime ECLs \$'000	Total \$'000
At 1 January 2022	–	–	–
Expected credit loss recognised during the year	2,200	89,800	92,000
At 31 December 2022 and 1 January 2023	2,200	89,800	92,000
Expected credit loss recognised during the year	–	260,000	260,000
At 31 December 2023	2,200	349,800	352,000

The maximum exposure to credit risk of financial assets measured at FVOCI amounted to \$870 million (2022: \$1,144 million).

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

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 financial assets measured at FVOCI (recycling) as well as trade and other receivables are set out in notes 20 and 23 respectively.

(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

	2023					2022				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Total \$'000	Carrying amount at 31 December \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Total \$'000	Carrying amount at 31 December \$'000
Bank loans	1,509,834	232,767	3,623,804	5,366,405	4,639,864	1,871,779	461,046	3,310,433	5,643,258	4,967,528
Lease liabilities	3,790	1,622	401	5,813	5,543	4,173	2,747	532	7,452	7,313
Accounts payable and accruals	1,804,115	-	-	1,804,115	1,804,115	1,531,009	-	-	1,531,009	1,531,009
	3,317,739	234,389	3,624,205	7,176,333	6,449,522	3,406,961	463,793	3,310,965	7,181,719	6,505,850

(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 2023 and 2022, 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)

33 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.

	2023		2022	
	Effective interest rate p.a. %	Amount \$'000	Effective interest rate p.a. %	Amount \$'000
Fixed rate assets:				
Bank deposits	5.5	1,457,929	4.7	2,172,710
Investments in financial assets measured at FVOCI (recycling)	4.6	627,464	4.0	843,079
		2,085,393		3,015,789
Fixed rate liabilities:				
Lease liabilities	5.5	(5,543)	1.6	(7,313)
Variable rate liabilities:				
Bank loans	6.5	(4,639,614)	4.9	(4,967,528)

(ii) Sensitivity analysis

At 31 December 2023, 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 \$13,736,000 (2022: \$22,197,000). Other components of consolidated equity would have decreased/increased by approximately \$13,736,000 (2022: \$22,197,000) 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 2022.

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in financial assets measured at FVOCI (recycling) and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily British Pound 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.

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33 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2023		2022	
	British Pound Sterling \$'000	United States dollars \$'000	British Pound Sterling \$'000	United States dollars \$'000
Bank deposits and cash	3,162	605,844	2,633	540,413
Accounts payable and accruals	(103,633)	(859)	(67,410)	(929)
Investments in financial assets measured at FVOCI (recycling)	-	597,355	-	812,924
Gross exposure arising from recognised assets and liabilities	(100,471)	1,202,340	(64,777)	1,352,408

(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.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits \$'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits \$'000
British Pound Sterling	6%	(5,002)	6%	(3,219)
	(6)%	5,002	(6)%	3,219

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 2022.

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(Expressed in Hong Kong dollars unless otherwise indicated)

33 Financial risk management and fair values of financial instruments (continued)

(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 year ended 31 December 2022. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2023 and 2022.

(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

	2023				2022			
	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 financial assets measured at FVOCI (recycling)	627,464	627,464	-	-	843,079	843,079	-	-
Other financial assets measured at FVPL	5,199	5,199	-	-	7,577	7,577	-	-
Unlisted equity securities	1,033,669	-	-	1,033,669	1,017,187	-	-	1,017,187
Derivative financial instruments - other forward foreign exchange contracts	156	-	156	-	25	-	25	-
<i>Liabilities:</i>								
Derivative financial instruments - other forward foreign exchange contracts	(1)	-	(1)	-	(92)	-	(92)	-

As at 31 December 2022, the fair value of unlisted equity instruments was determined using the market approach of comparable companies adjusted for lack of marketability discount. Accordingly, the fair value measurement was transferred from Level 2 to Level 3.

Except for the abovementioned financial assets, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 during the years ended 31 December 2023 and 2022. 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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 2023 and 2022 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	35% (2022: 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 2023, 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 \$79,513,000 (2022: \$78,245,000).

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2023 \$'000	2022 \$'000
Unlisted equity securities:		
At 1 January	1,017,187	-
Transferred in	-	790,528
Fair value gains recognised in other comprehensive income during the year	16,482	226,659
At 31 December	1,033,669	1,017,187

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.

(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 2023 and 2022 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.

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34 Contingent liabilities

At 31 December 2023 and 2022, 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 \$2,890,000,000 (2022: \$2,490,000,000).

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.

35 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	(Expense)/income	
		2023 \$'000	2022 \$'000
Service fees for provision of coach services	(i) & (ii)	43,914	42,582
Insurance premium paid	(iii)	(93,279)	(115,117)
Amount paid and accrued for project management service and lease modification	(iv)	-	-
Amount paid and accrued for a building contract	(v)	-	-
Amount paid and accrued for acquisition of hardware equipment and maintenance services	(vi)	-	-
Amount paid and accrued for property management services	(vii)	(887)	(851)
Amount paid and accrued for property manager's remuneration and other expenses	(viii) & (ix)	(15,182)	-
Amount paid and accrued for leasing management services	(x)	(3,051)	-
Amount paid and accrued for cleaning services	(xi)	(3,482)	-
Service income	(xii)	-	3,677
Platform fees income	(xiii)	-	2,473

Notes:

- (i) During the year, the Group provided coach services ("Shuttle Bus Services Contracts") 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 5 August 2022. The amounts received and receivable under the Shuttle Bus Services Contracts amounted to \$5,370,000 (2022: \$5,876,000). During the year, the Group also provided coach services to certain subsidiaries of SHKP ("Other Shuttle Bus Service Contracts"). The amounts received and receivable under the Other Shuttle Bus Service Contracts amounted to \$4,454,000 (2022: \$2,101,000). Outstanding balances due from these companies at 31 December 2023 amounted to \$1,134,000 (2022: \$2,976,000).
- (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 Arrangements"). The amounts received and receivable for these Coach Service Arrangements amounted to \$34,090,000 (2022: \$34,605,000). Outstanding balances due from these companies at 31 December 2023 amounted to \$8,571,000 (2022: \$8,915,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Material related party transactions (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

- (iii) In 2020, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of various kind of insurance services to the Group for the period from 1 January 2021 to 31 December 2022 (the "2021/22 Insurance Arrangements"). In 2021, the Group entered into certain supplemental insurance policies with SHKPI for the provision of motor vehicle third party and passengers' liability insurance for the period from 1 January 2022 to 31 December 2022 (the "2022 Supplemental Motor Insurance Arrangements"). In 2022, 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 2023 to 31 December 2024 (the "2023/24 Insurance Arrangements"). The amount paid and payable under the 2021/22 Insurance Arrangements, 2022 Supplemental Motor Insurance Arrangements and 2023/24 Insurance Arrangements during the year amounted to \$93,279,000 (2022: \$115,117,000). There was no outstanding balance payable for these contracts at 31 December 2023 (2022: \$Nil).
- (iv) 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"), a subsidiary of SHKP, 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 No.240, No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong and its construction.
- 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. There was no outstanding balance payable for these contracts at 31 December 2023 (2022: \$2,000,000).
- (v) On 20 December 2018, KTRE, TRL and Yee Fai Construction Company Limited ("Yee Fai") (a subsidiary of SHKP) entered into a building contract (the "Building Contract") in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of commercial properties in Kwun Tong ("The Millennity"). 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 2023 amounted to \$174,283,000 (2022: \$73,735,000).
- (vi) On 25 May 2023, The Kowloon Motor Bus Company (1933) Limited ("KMB"), a wholly-owned subsidiary of the Company, as purchaser and SmarTone Mobile Communications Limited ("SmarTone Mobile"), a subsidiary of SHKP, as vendor entered into a purchase contract, pursuant to which KMB agreed to purchase and SmarTone Mobile agreed to supply the hardware, software and documentation for people counting system ("PCS") and Wi-Fi system and provide a suite of one-stop solutions for the design, management, implementation, installation, maintenance, training and after-sale support associated with PCS. The total consideration under the purchase contract amounted to HK\$46,316,210, comprising the initial purchase price for all PCS units and Wi-Fi systems units and the subsequent maintenance fees for periods up to 31 October 2025. Outstanding balance payable for this contract at 31 December 2023 amounted to \$11,889,000 (2022: \$Nil).
- (vii) 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 \$887,000 (2022: \$851,000). Outstanding balance payable for this contract at 31 December 2023 amounted to \$93,000 (2022: \$159,000).
- (viii) On 29 December 2022, KTRE and TRL entered into the Property Management Agreement (the "Property Management Agreement") with Kai Shing Management Services Limited ("KSMS"), a subsidiary of SHKP, pursuant to which KSMS was appointed as the property manager for the units in the office/retail premises in The Millennity. The amount paid and payable under the Property Management Agreement for the property manager's remuneration and other expenses during the year amounted to \$4,396,000 (2022: \$Nil). Outstanding balance payable for this contract at 31 December 2023 amounted to \$4,396,000 (2022: \$Nil).
- (ix) KSMS also incurred other fees on behalf of KTRE and TRL in relation to The Millennity, where KSMS acts as an agent for the collection of fees and payments ("Management Arrangements") on behalf of other independent vendors/contractors for their work. The amounts paid and payable for these Management Arrangements amounted to \$10,786,000 (2022: \$Nil). Outstanding balances payable at 31 December 2023 amounted to \$10,786,000 (2022: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Material related party transactions (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

- (x) On 29 December 2022, KTRE and TRL entered into the Office Premises Leasing Management Agreement and Retail Premises Leasing Management Agreement (collectively, the "Leasing Agreements") with Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited ("SHKRE(SL)"), a subsidiary of SHKP, pursuant to which SHKRE(SL) was appointed as the exclusive marketing and leasing agent and administrators for the units in the office and retail premises and parking spaces in The Millennity. The amount paid and payable under the Leasing Agreements for the leasing management fees and other expense during the year amounted to \$3,051,000 (2022: \$Nil). Outstanding balance payable for these contracts at 31 December 2023 amounted to \$383,000 (2022: \$Nil).
- (xi) On 28 September 2023, KMB entered into the agreement (the "Cleaning Services Agreement") with Nixon Cleaning Company Limited ("Nixon"), a subsidiary of SHKP, pursuant to which Nixon agreed to provide cleaning services to KMB at designated service locations, including premises, offices and depots. The amount paid and payable under the Cleaning Services Agreement during the year amounted to \$3,481,872 (2022: \$Nil). Outstanding balance payable for this contract at 31 December 2023 amounted to \$3,481,872 (2022: \$Nil).
- (xii) In 2022, the Group provided management service to a subsidiary of SHKP. The amount received and receivable for the service amounted to \$3,677,000. Outstanding balance due from the company at 31 December 2022 amounted to \$3,677,000.
- (xiii) In 2022, the Group acted as a platform to connect transport operators and certain members of SHKP and its subsidiaries as per their demand and request for contract hire service. The platform fees income received and receivable amounted to \$2,473,000. Outstanding balances due from these companies at 31 December 2022 \$259,000.

(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 note 35(a)(i) 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 in respect of the Shuttle Bus Service Contracts by including the relevant disclosures in the section headed "Continuing Connected Transactions" under "Financial Review" on pages 126 to 129 of this Annual Report whereas the transactions under the Other Shuttle Bus Service Contracts were exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

The related party transactions as described in notes 35(a)(ii) and 35(a)(ix) above, in which the relevant SHKP Group companies and KSMS acted as agents for collection of the coach service fees and other expenses, 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 35(a)(iii), 35(a)(viii), 35(a)(x) and 35(a)(xi) 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 "Continuing Connected Transactions" under "Financial Review" on pages 126 to 129 of this Annual Report.

The related party transactions as described in notes 35(a)(vii), 35(a)(xii) and 35(a)(xiii) 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.

The related party transactions as described in notes 35(a)(iv), 35(a)(v) and 35(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 for transactions described in note 35(a)(iv) and 35(a)(v), and including the relevant disclosures in the section headed "Connected Transaction" under "Financial Review" on page 126 of this Annual Report for transaction described in note 35(a)(vi).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Company-level statement of financial position

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Investments in subsidiaries		1,206,484	1,200,237
Property, plant and equipment		21	26
Deferred tax assets		535	535
		1,207,040	1,200,798
Current assets			
Deposits and prepayments		1,374	1,574
Amounts due from subsidiaries		11,078,074	10,777,001
Bank deposits and cash		2,475	15,203
		11,081,923	10,793,778
Current liabilities			
Accounts payable and accruals		16,412	24,966
Amounts due to subsidiaries		7,974,197	7,869,988
		7,990,609	7,894,954
Net current assets		3,091,314	2,898,824
NET ASSETS		4,298,354	4,099,622
CAPITAL AND RESERVES	31(a)		
Share capital		494,343	474,940
Reserves		3,804,011	3,624,682
TOTAL EQUITY		4,298,354	4,099,622

Approved and authorised for issue by the Board of Directors on 21 March 2024

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 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 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 HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

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 years ended 31 December (Expressed in Hong Kong dollars)

	2023 \$'M Notes (d) & (e)	2022 \$'M (Restated) Notes (d) & (e)	2021 \$'M (Restated) Note (d)	2020 \$'M	2019 \$'M Note (c)	2018 \$'M Note (b)	2017 \$'M	2016 \$'M (Restated) Note (a)	2015 \$'M	2014 \$'M
Consolidated statement of profit or loss										
Continuing operations										
Revenue	7,885	6,607	7,202	6,191	8,112	8,009	7,888	7,744	7,780	7,557
Profit before taxation	431	451	272	1,722	699	837	1,008	1,016	747	508
Income tax (expense)/credit	(29)	98	(27)	182	(94)	(117)	(148)	(150)	(128)	(69)
Profit for the year from continuing operations	402	549	245	1,904	605	720	860	866	619	439
Discontinued operations										
Profit/(loss) for the year from discontinued operations	-	-	-	-	-	-	429	(42)	-	-
Profit for the year	402	549	245	1,904	605	720	1,289	824	619	439
Non-controlling interests	-	-	-	-	-	-	6	7	10	(24)
Profit attributable to equity shareholders of the Company	402	549	245	1,904	605	720	1,295	831	629	415
Consolidated statement of financial position										
Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment	16,039	15,137	14,274	10,954	10,154	9,841	9,261	8,875	6,133	4,817
Intangible assets	529	529	420	365	365	361	132	132	132	135
Goodwill	84	84	84	84	84	84	84	84	84	84
Non-current prepayments	-	-	-	-	-	-	-	2	15	7
Interest in associates	609	600	682	657	612	611	625	602	634	740
Interest in joint venture	749	751	751	751	-	-	-	-	-	-
Other financial assets	1,267	1,716	1,354	1,474	1,264	1,709	1,493	1,207	112	183
Employee benefit assets	1,609	1,541	1,959	1,701	1,307	913	1,287	626	577	861
Net current assets/(liabilities)	132	235	(39)	229	1,369	711	438	377	1,321	2,112
Employment of funds	21,018	20,593	19,485	16,215	15,155	14,230	13,320	11,905	9,008	8,939
<i>Financed by:</i>										
Share capital	494	475	465	458	447	435	422	412	404	404
Reserves	15,911	15,612	15,517	12,728	10,525	9,761	9,120	7,414	6,804	6,793
Total equity attributable to equity shareholders of the Company	16,405	16,087	15,982	13,186	10,972	10,196	9,542	7,826	7,208	7,197
Non-controlling interests	-	-	-	-	-	-	-	146	154	190
Total equity	16,405	16,087	15,982	13,186	10,972	10,196	9,542	7,972	7,362	7,387
Contingency provision – insurance	142	148	178	218	244	241	285	253	251	274
Long-term bank loans	3,378	3,293	2,139	1,684	2,707	2,625	2,353	2,724	589	545
Employee benefit liabilities	-	-	-	-	-	3	-	9	9	6
Other liabilities	1,093	1,065	1,186	1,127	1,232	1,165	1,140	947	797	727
Funds employed	21,018	20,593	19,485	16,215	15,155	14,230	13,320	11,905	9,008	8,939
Earnings per share (\$)	0.83	1.17	0.53	4.21	1.38	1.68	3.11	2.04	1.56	1.03
- From continuing operations	0.83	1.17	0.53	4.21	1.38	1.68	2.07	2.12	-	-
- From discontinued operations	-	-	-	-	-	-	1.04	(0.08)	-	-
Dividends per share (\$)	0.80	0.50	0.50	0.50	1.00	1.20	1.25	1.25	1.20	0.90
Total assets per share (\$)	48.93	50.33	47.79	42.16	37.40	35.46	34.69	32.34	27.42	25.28
Net assets per share (\$)	33.19	33.87	34.34	28.80	24.55	23.46	22.59	19.36	18.24	18.30

FINANCIAL SUMMARY

For the years ended 31 December (Expressed in Hong Kong dollars)

Notes:

- (a) 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.
- (b) The Group has initially applied HKFRS 9, *Financial instruments*, at 1 January 2018. Under the transition method chosen, comparative information was not restated.
- (c) 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.
- (d) During the year ended 31 December 2023, the Group has changed its accounting policy with respect to the measurement of investment properties and investment property under development from using the cost model to fair value model. These changes have been applied retrospectively and the relevant comparative amounts in 2022 and 2021 have been restated accordingly.
- (e) In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022. In July 2023, the Hong Kong Institute of Certified Public Accountants ("HKICPA") published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its provision for long service payments and has applied the HKICPA guidance retrospectively. The relevant comparative amounts in 2022 have been restated accordingly.

CORPORATE DIRECTORY

Board of Directors

Dr Norman LEUNG Nai Pang*

GBS, JP, LLD, DSSc, 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

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

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^

BBS, JP, BA

LUNG Po Kwan^

BSocSc, MSocSc(Economics), MBA, CFA

Christopher KWOK Kai-wang^

JP, MBA, BSc

WONG Hong Kit

(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, JP#

Professor LIU Pak Wai, JP

Allen FUNG Yuk Lun

TSANG Wai Hung, JP

Nomination Committee

Dr John CHAN Cho Chak, JP#

Dr Eric LI Ka Cheung, JP

Allen FUNG Yuk Lun

Remuneration Committee

Dr John CHAN Cho Chak, JP#

Dr Eric LI Ka Cheung, JP

Professor LIU Pak Wai, JP

Winnie NG, JP

LUNG Po Kwan

Standing Committee

Dr Norman LEUNG Nai Pang, JP#

Dr John CHAN Cho Chak, JP

Raymond KWOK Ping Luen, JP

Charles LUI Chung Yuen

Winnie NG, JP

Roger LEE Chak Cheong

William LOUEY Lai Kuen

TSANG Wai Hung, JP

Company Secretary

YU Wai Cheung

B.Soc.Sc., CPA, FCCA

Registered Office

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Hamilton HM 11, Bermuda

Principal Office

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Kowloon, Hong Kong

Telephone: (852) 2786 8888

Facsimile: (852) 2745 0300

Website: www.tih.hk

E-mail: director@tih.hk

Auditor

KPMG

Certified Public Accountants

Public Interest Entity Auditor

registered in accordance with the

Accounting and Financial Reporting

Council Ordinance

8/F, Prince's Building, 10 Chater Road

Central, Hong Kong

Registrars

Hong Kong

Computershare Hong Kong Investor

Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

Bermuda

MUFG Fund Services (Bermuda) Limited

4th Floor North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

Register of Members

Book closure for 2024 AGM:

10 May 2024 to 16 May 2024

(both dates inclusive)

Book closure for 2023 final dividend:

22 May 2024

Dividends

Interim

HK\$0.30 per share,

paid on 18 October 2023

Final (proposed)

HK\$0.50 per share,

payable on 28 June 2024

Stock Code

The Stock Exchange of Hong Kong: 62

Bloomberg: 62HK

Reuters: 0062.HK

Customer Service Hotlines

The Kowloon Motor Bus Company

(1933) Limited

Telephone: (852) 2745 4466

Facsimile: (852) 2745 0600

Long Win Bus Company Limited

Telephone: (852) 2261 2791

Sun Bus Limited

Telephone: (852) 2372 0638

(* 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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Website : www.tih.hk

Stock Code : 62

