



載通國際

Transport International

Transport International Holdings Limited

# Stronger Together for a Brighter Future

2021 Annual Report



**KMB**

# Stronger Together for a Brighter Future



In full support of the National and Hong Kong Governments' carbon neutrality policy, TIH has set a vision of updating the entire fleet of its two franchised bus operators to new energy buses by 2050, and has committed to the development and application of renewable energy. By reducing emission and saving energy, the Group aims to contribute to Hong Kong's carbon neutrality target.



As one of the largest employers across the territory, TIH is responsible for over 13,000 employees and their families. The Group provides a stable, harmonious working environment with mutual respect while upholding the principle of meritocracy. Socially, TIH will deliver consistent approach in making optimal use of resources, and caring for the needs of both the aged and the young, so as to facilitate social inclusion and progress.



The Group values integrity, fairness and compliance with the law. It has put in place a sound management structure to effectively monitor its daily operations and medium- and long-term investments to align with TIH's development strategy. The Group also attaches great importance to risk management to cope with changes in climate and society, bringing positive value to its shareholders and stakeholders.



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# 載通國際

Transport International

### Transport International

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

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



## Vision

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

## Mission

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

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

Through engagement with our stakeholders, we aim to meet or exceed their expectations 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 communities 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

### Transport International Holdings Limited

#### Hong Kong Franchised Public Bus Operations



##### **The Kowloon Motor Bus Company (1933) Limited**

the Group's flagship company, operates franchised public bus services with a fleet of over 4,000 buses operating on 423 routes covering Kowloon, the New Territories and Hong Kong Island.



##### **Long Win Bus Company Limited**

operates franchised public bus services with 256 buses operating on 41 routes linking the New Territories with Hong Kong International Airport, the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and North Lantau.

#### Hong Kong Non-franchised Transport Operations



##### **Sun Bus Holdings Limited and its Subsidiaries**

with Sun Bus Limited as the flagship company, operate around 400 buses offering a variety of non-franchised bus services to the residential and commercial sectors through chartered hire services.



##### **New Hong Kong Bus Company Limited**

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

## China Mainland Transport Operations



### Shenzhen Bus Group Company Limited

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



### Beijing Beiqi Kowloon Taxi Company Limited

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

### Beijing Beiqi First Company Limited

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

## Property Holdings and Development



### KT Real Estate Limited

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

### 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.










### LCK Real Estate Limited

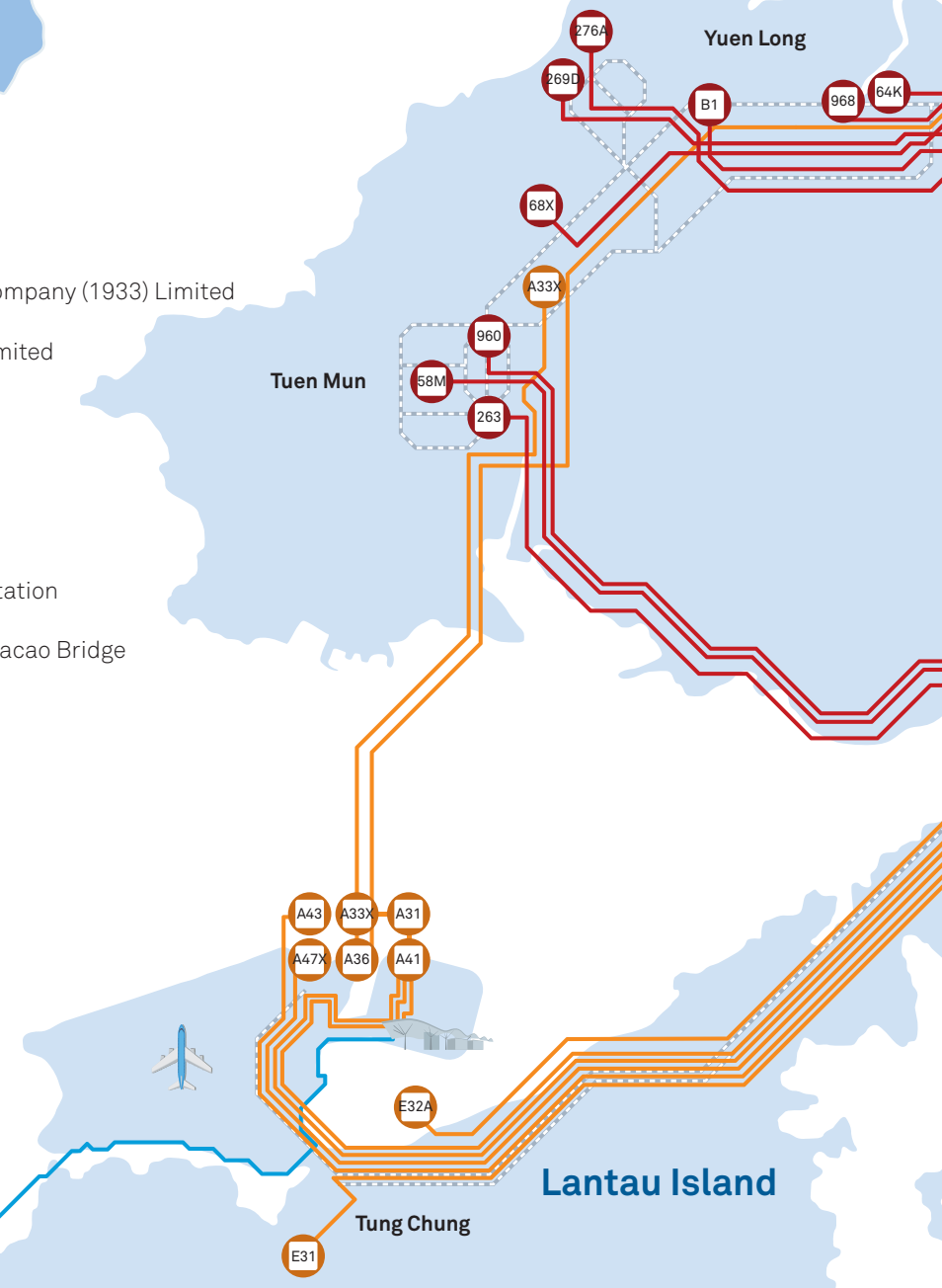
owns a 17-storey commercial building at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong, with a total gross floor area of 156,700 square feet.

### TM Properties Investment Limited (“TMPI”)

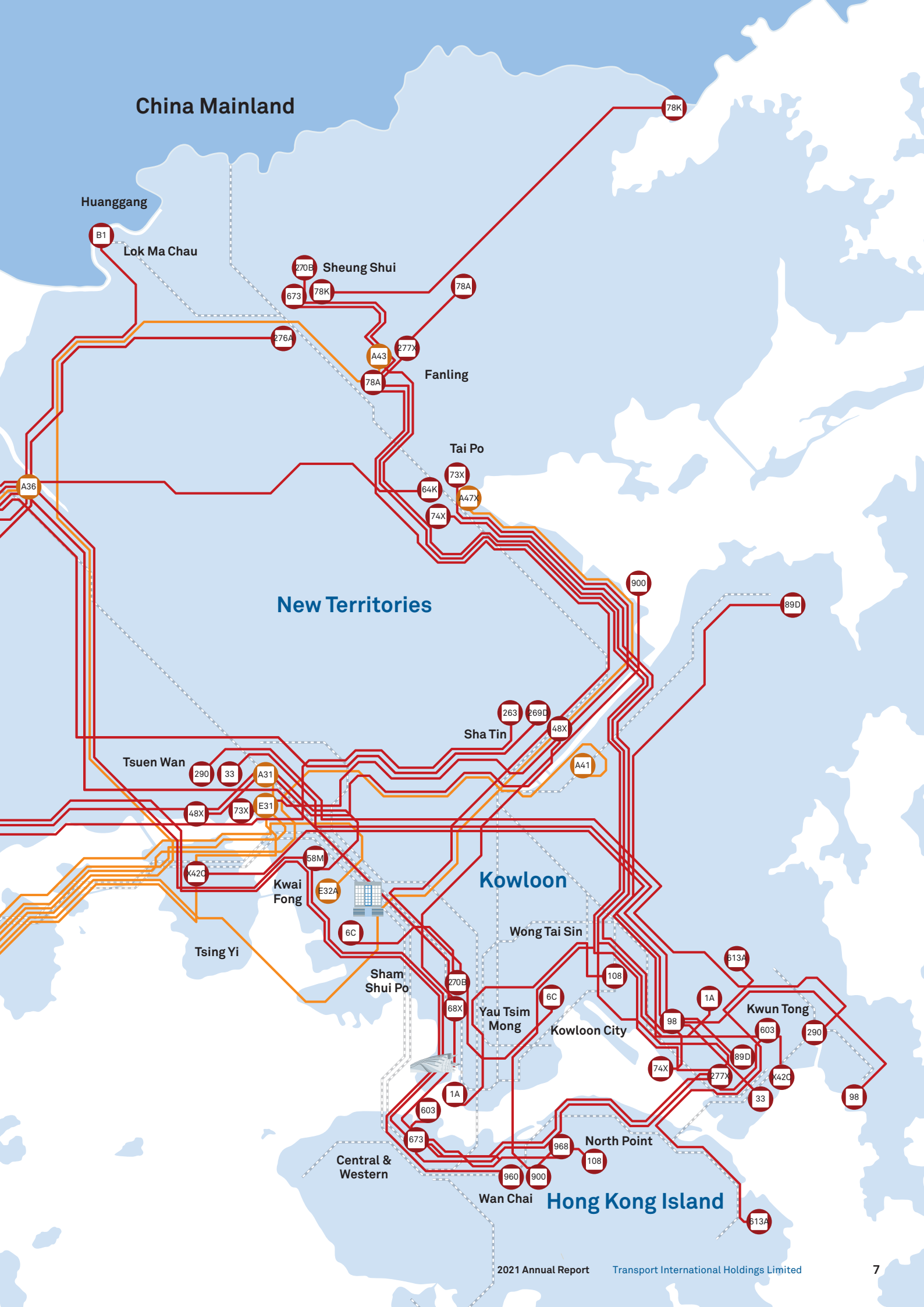
owns the site at Tuen Mun Town Lot No. 80 at 1 Kin Fung Circuit, Tuen Mun, New Territories, Hong Kong, with a total gross floor area of 105,364 square feet. TIH owns a 50% interest of TMPI.

# KEY FRANCHISED BUS NETWORK IN HONG KONG

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







# FINANCIAL AND OPERATIONAL HIGHLIGHTS

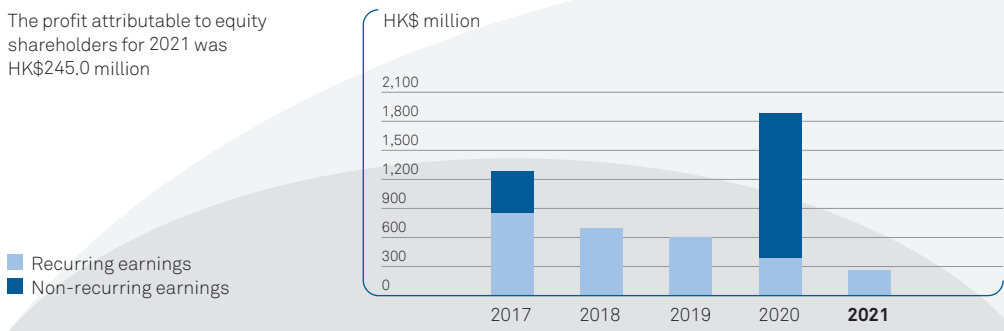
For the Year Ended 31 December 2021

	Unit	2021	2020	Increase/ (Decrease)
<b>Financial Highlights</b>				
Revenue	HK\$ million	<b>7,202.0</b>	6,190.9	16%
– Fare revenue	HK\$ million	<b>6,821.7</b>	5,862.0	16%
– Media sales revenue	HK\$ million	<b>328.6</b>	256.0	28%
– Gross rentals from investment property	HK\$ million	<b>51.7</b>	72.9	(29%)
Profit attributable to equity shareholders of the Company (Note)	HK\$ million	<b>245.0</b>	408.6	(40%)
Earnings per share (Note)	HK\$	<b>0.53</b>	0.90	(41%)
Ordinary dividends per share	HK\$	<b>0.50</b>	0.50	–
Total equity attributable to equity shareholders of the Company	HK\$ million	<b>13,678.7</b>	13,186.3	4%
Total assets	HK\$ million	<b>19,946.1</b>	19,301.6	3%
Net borrowings	HK\$ million	<b>1,895.0</b>	788.8	140%
Net finance income	HK\$ million	<b>46.8</b>	49.7	(6%)
Cash generated from operations	HK\$ million	<b>1,284.3</b>	1,187.3	8%
<b>Key Financial Ratios</b>				
Profit margin (Note)		<b>3.4%</b>	6.6%	(48%)
EBITDA margin (Note)		<b>18.1%</b>	20.1%	(10%)
Return on equity attributable to equity shareholders of the Company (Note)		<b>1.8%</b>	3.1%	(42%)
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)	Times	<b>0.1</b>	0.1	–
Total borrowings/EBITDA (Note)		<b>2.4</b>	2.5	(4%)
Current ratio		<b>1.0</b>	1.1	(9%)
Dividend cover (Note) (ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)	Times	<b>1.1</b>	1.8	(39%)
Share price per share at year-end	HK\$	<b>12.80</b>	14.98	(15%)
Market capitalisation at year-end	HK\$ million	<b>5,958.00</b>	6,858.20	(13%)
<b>Operational Highlights</b>				
<b>Hong Kong Franchised Public Bus Operations:</b>				
Average number of passenger trips per day	Million trips	<b>2.52</b>	2.20	15%
Number of licensed buses at year-end		<b>4,269</b>	4,250	0%
Number of staff at year-end		<b>13,069</b>	13,582	(4%)
Average number of staff per licensed bus at year-end		<b>3.06</b>	3.20	(4%)
<b>Hong Kong Non-franchised Transport Operations:</b>				
Number of licensed buses at year-end		<b>412</b>	405	2%
Number of staff at year-end		<b>623</b>	591	5%
<b>China Mainland Transport Operations:</b>				
Number of licensed buses at year-end		<b>5,589</b>	5,975	(6%)
Number of taxis and vehicles for rental at year-end		<b>10,444</b>	10,118	3%

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

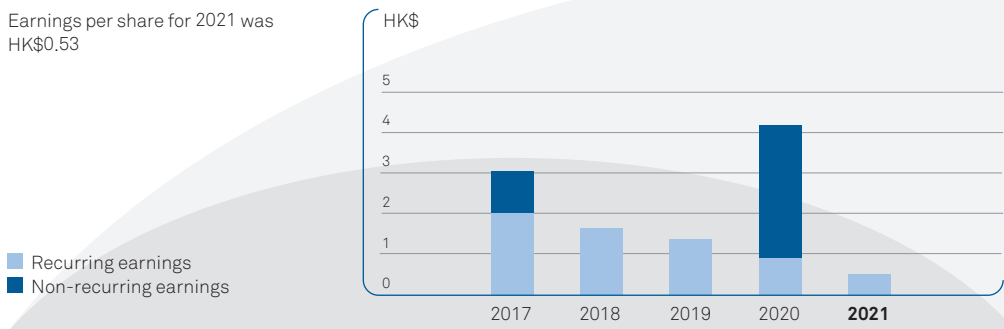
### Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders for 2021 was HK\$245.0 million



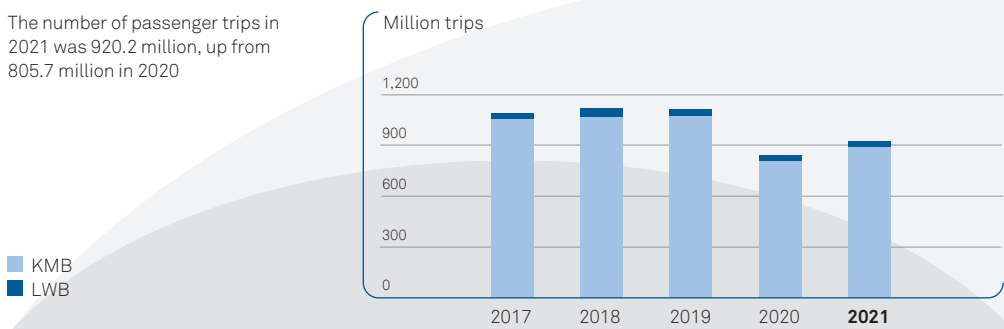
### Earnings per Share

Earnings per share for 2021 was HK\$0.53



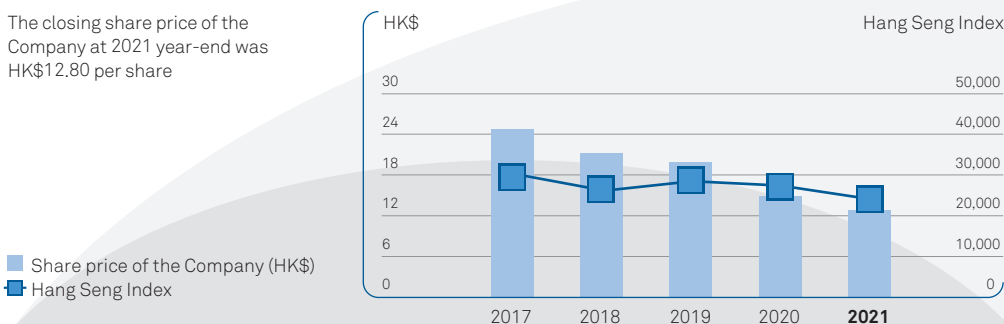
### Number of Passenger Trips (Franchised Public Bus Operations)

The number of passenger trips in 2021 was 920.2 million, up from 805.7 million in 2020



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

The closing share price of the Company at 2021 year-end was HK\$12.80 per share



# CORPORATE MILESTONES 2021

## January

### KMB publishes eBook to recommend recreational routes

KMB published a Recreational Routes Recommendation eBook featuring eight one-day trips to the countryside for passengers. Two more eBooks on urban routes and summer activities were published later to introduce more local attractions.

## February

### KMB introduces e-Payment system

KMB followed LWB's suit and introduced a diversified e-payment system for bus fares, which supports ten payment methods including contactless credit cards, mobile wallets and QR code.



## March



### KMB receives Gold Star Award from The Hong Kong Council of Social Service

KMB received the Gold Star Award in the

Age-Friendly Appreciation Scheme 2020-2021 for its commitment and achievements in age-friendly measures.

## April

### New KMB fares comes into effect with KMB Monthly Pass rate unchanged

New KMB bus fares came into effect with an average increase of 5.8% in the case of around 350 solely-operated routes and 8.5% in the case of 51 jointly-operated routes; the price of KMB Monthly Pass remained unchanged, so as to provide a comfortable, convenient and value-for-money bus service for passengers.

### KMB introduces new cross harbour express service Rt. 900 connecting Pak Shek Kok and Hong Kong Island

KMB expanded its bus service network by launching Route 900 to serve between Pak Shek Kok and Wan Chai. Section fare concession is available for rides within Sha Tin District.

## July

### KMB launches new long-haul bus service of Routes P960 and P968



KMB launched a "New Long-haul Bus Service", comprising Routes P960 and P968, with buses mainly equipped with the latest safety measures and with no standees allowed, bringing a brand-new travel experience to passengers.

## June

### TIH sponsors 500 sets of gift voucher to show appreciation to vaccinated public

TIH fully supported the Government's COVID-19

Vaccination Programme by providing 500 sets of gift voucher valued over HK\$500,000 for the lucky draws run by the Hong Kong General Chamber of Commerce.



## May

### LWB's first expansion of bus-bus interchange programme to South Lantau Island

LWB cooperated with New Lantao Bus Company, (1973) Limited ("NLB") in launching an all-new bus-bus interchange programme covering 13 LWB routes and three NLB routes, to provide a discounted and convenient bus service for passengers travelling to and from the New Territories and hot spots in South Lantau Island.

### The third generation of KMB's solar panel bus embarks on its maiden voyage

KMB strived for innovation and introduced a new



generation of solar panel bus equipped with thinner solar panels for an enhanced overall solar energy efficiency of 33%. Solar panels installation became a

standard configuration for newly purchased buses to enhance energy saving.

## July

### KMB Smart Transportation Exhibition Area in 5G Lab

KMB set up a Smart Transportation Exhibition Area in 5G Lab to demonstrate ways to enhance bus service and driving safety in the future through 5G high-speed data transmission, such as showing interior views of the bus compartment with passengers on board and obtaining data on the number of passengers waiting at bus stops.



## August

### KMB and LWB launch new membership scheme “club1933”

KMB and LWB introduced the new membership scheme “club1933”. Passengers can register on App1933 and travel by bus with a registered Octopus card to earn points for exclusive privileges.



### KMB signs a 5-year HK\$500 million green loan



KMB signed a 5-year HK\$500 million green loan with Bank of China (Hong Kong) Limited, which has been earmarked for funding sustainability- and environmental,

social and governance (ESG) related initiatives. KMB is the first franchised bus company in Hong Kong to use a green loan to promote sustainable development.

## September

### KMB launches the largest free ride day event in town

KMB cooperated with a local virtual bank, WeLab Bank, to launch free ride days on three consecutive Sundays. Passengers could enjoy unlimited free rides on three designated KMB bus routes.



## December



### KMB awards free-ride passes and bus naming plates to Tokyo 2020 Olympic and Paralympic athletes

KMB offered one-year free rides and bus naming rights to all Hong Kong athletes at the Tokyo 2020 Olympic and Paralympic Games for their excellent performance, effort and contribution to the events.

## November

### KMB develops a 5G autonomous driving system with other enterprises

KMB formed a strategic partnership with SmarTone and Teksbotics to introduce self-driving technology using 5G network in Hong Kong and enhance the operational efficiency of public transport and road safety, driving the city towards a Smart City.

### Safety Bus embarks its maiden voyage to promote road safety in school

KMB rolled out a Safety Bus Visit Programme. Themed with “Stop, Look, Listen and Give Way”, the



Safety Bus with interactive games installed started its journey visiting schools to promote road and passenger safety.

### KMB launches free ride day for the elderly for two consecutive months

KMB launched Free Ride Days (Cross-Harbour Routes) for the elderly to thank them for their contributions to society. The special offer was later extended to the following month and to include all recreational “R” Routes.

## October

### KMB x Wilson Parking launch park-and-ride discount at Admiralty Car Park

To promote eco-friendliness, KMB collaborated with Wilson Parking to provide park-and-ride discounts for passengers, allowing a maximum of HK\$24 to be deducted from the parking fee.



“  
TIH expects to widely incorporate Environmental, Social and Governance (“ESG”) concepts and values into its development strategies and operating philosophy, leveraging the Group’s role as a responsible corporate citizen, when addressing environmental and social challenges.  
”

### 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 2021 was HK\$245.0 million, a decrease of HK\$1,659.1 million compared to 2020. The decline was mainly due to the one-off non-recurring net gain of HK\$1,495.5 million in 2020.

### Dividends

The Board of Directors has proposed an ordinary final dividend of HK\$0.50 per share to be paid on 30 June 2022. The total dividend for the year amounted to HK\$0.50 per share.

### Financial Performance in 2021

The Kowloon Motor Bus Company (1933) Limited (“KMB”) recorded a profit after taxation of HK\$101.4 million, representing a decrease of HK\$101.9 million compared to 2020. Amid the stable COVID-19 epidemic situation in 2021, bus patronage rose by 14.6% compared to 2020.

As for Long Win Bus Company Limited (“LWB”), loss after taxation for 2021 was HK\$35.0 million, representing a decrease of HK\$35.6 million compared to 2020. With strict border control measures still in effect amid virus worries, visitor arrivals and the number of departures showed no improvement. Passenger numbers of LWB were still far below pre-COVID-19 levels.

The Group's non-franchised Transport Division, with Sun Bus Limited ("Sun Bus") as its flagship company, recorded a profit after taxation of HK\$8.8 million, representing a decrease of HK\$32.7 million compared to 2020. Our Mainland Transport Operations Division continued to record positive overall results in 2021.

## Good Corporate Governance to Achieve Sustainable Development

The Group has continued to apply the principles of accountability, people-orientation, and integrity when dealing with business, with an aim to drive growth and create sustainable long-term value for all stakeholders. TIH expects to widely incorporate Environmental, Social and Governance ("ESG") concepts and values into its development strategies and operating philosophy, leveraging the Group's role as a responsible corporate citizen, when addressing environmental and social challenges. Members of the Board and myself fully understand the critical part the Board plays in implementing ESG management policies. Our corporate governance structure is regularly reviewed to keep up with evolving regulations, so that a thorough internal audit and monitoring system is in place to prevent operating risks brought by social change and climate-related issues. The Group has appointed an ESG Task Force to put forward strategies and measures of sustainable development formulated by the Board.

The Group actively seeks opportunities to integrate the concept of sustainable development into its financing activities. KMB and Bank of China (Hong Kong) Limited signed a 5-year HK\$500 million green loan in 2021, the first green finance arrangement of KMB. The loan will be earmarked for financing ESG related initiatives.

## Promoting Zero Emission by Developing Electric Buses

To cope with frequent and unusual extreme weather caused by global climate change, the Mainland and Hong Kong have set targets for achieving carbon neutrality in 2060 and before 2050 respectively. As the largest franchised public bus service operator in Hong Kong, the Group actively supports the National 14<sup>th</sup> Five-Year Plan and policies of the HKSAR Government. We have drawn up a blueprint for carbon and emission reduction, which sets a long-term goal to upgrade our entire fleet to new energy buses by 2050 and employs six key Environmental Performance Indicators to guide the Group towards zero emission.

Our electric bus plan is carried out in full swing, with 16 electric single-deck buses and over 50 electric double-deckers purchased, among others. Together with the electric single-deck buses currently in operation, over 80 electric buses will be in service in 2022. TIH will purchase an additional 500 electric buses in the next five years, accounting for one-eighth of the current bus fleet of over 4,000 buses maintained by KMB and LWB. To cope with the development of electric buses, charging facilities have been installed at four major bus depots, about ten satellite depots and some bus termini of KMB to meet the electricity demand. KMB is also building two new electric bus depots in Tai Po and Tuen Mun with completion expected in three to four years, moving one step forward towards carbon neutrality.

Committed to be a franchised bus company boasting the largest solar power generation system in Hong Kong, the Group aspires to lead the city's public transport industry to move into a new green era. About 22,000 solar panels are gradually installed at bus depots and bus termini, and on bus stop poles and bus roofs, which are expected to generate more than ten million kWh of renewable energy and reduce 5,400 tonnes of carbon emission per year in Hong Kong.

## Establishing KMB Academy to Reinforce Safety Culture

Safety has always been the Group's top priority. We are committed to setting new standards of professionalism and safety for Hong Kong's bus industry by combining technology with training. To this end, KMB has set up the KMB Academy with the motto "Mission Safety • Act with Self-discipline". The Academy emphasises the pivotal role of safety and discipline in the industry and continues to foster a culture of professionalism in the Bus Captain Training School and the Technical Training School. Both the "Certificate in Bus Maintenance" and the "Certificate in Public Bus (Franchised) Driving" offered by the KMB Academy are accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications at level two and level three respectively under the qualification framework in Hong Kong. KMB believes the courses will attract talents who are keen to serve the public in a safe and professional manner.

## CHAIRMAN'S LETTER

The bus captain driving feedback system "GreenRoad" has effectively strengthened bus captains' safe driving techniques. Over 80% of bus captains received excellent results in "GreenRoad Outstanding Award on Safety and Eco-driving Performance". The KMB Safety Bus with the theme "Stop, Look, Listen and Give Way" made its way to serve at a school campus, for the first time this year, to do its part to enhance road safety awareness by helping our future pillars of society to develop good bus riding and road using habits.

### Building a Caring Community and Fostering Social Inclusion

The COVID-19 epidemic situation has remained volatile. As one of the major enterprises in Hong Kong, TIH has undertaken its social responsibility by making good use of resources and actively working together with people from all walks of life to overcome difficulties presented by the pandemic. In 2021, KMB offered free bus rides to eligible seniors, allowing them to travel for free on Cross-harbour Routes operated by KMB and all Recreational "R" Routes on weekends, so as to encourage them to go out and relax. Furthermore, KMB has strengthened a series of elderly care initiatives. Other than donating bus stop poles to care homes and setting up a hotline to help look for missing seniors, KMB also produced videos that contain health care information for the aged. These videos are shown on the Information Panels on buses and at bus stops as part of our effort to build an age-friendly society.

The Group cares about the underprivileged and actively promotes an inclusive society. Under the business-school collaboration with Hong Chi Association, Café1933, a staff café, provided internship opportunities in catering and retail for students with special educational needs. After this successful experience, students were invited to show their talents by producing animated shorts on bus etiquette and creating art installations at Tuen Mun Road Interchange.

Through video and web technologies, KMB's volunteer club FRIENDS OF KMB ("FRN") connected with the elderly and the needy who were impacted by reduced social contact due to the pandemic. When the epidemic situation slightly eased last year, the FRN also participated in various social services, such as taking the initiative to explain to the non-Chinese population how to take buses easily and supporting recycling programmes, which earned positive feedback from all sectors of the community.

2021 has been a fruitful year for Hong Kong sports. As a commendation for the can-do spirit of Hong Kong's elite athletes and their outstanding achievements at the Tokyo 2020 Olympic and Paralympic Games, the Company offered "Bus Naming Rights" and one-year free rides to all athlete representatives of the Hong Kong Delegation.

### Taking on Challenges with Innovation

Despite the challenging business environment, the Group will make unremitting efforts to provide high-quality travelling experience for passengers. KMB launched numerous fare concession schemes, including Hong Kong's second "Regional Short-haul Two-way Section Fare Scheme" in Tseung Kwan O, and LWB's Bus-Bus Interchange Discount Scheme which was extended to cover South Lantau Island for the first time. LWB also commenced the second phase of bus route diversion arrangements in Yuen Long and Tin Shui Wai, bringing to passengers a more favourable and convenient bus service.

KMB adjusted its fares on 4 April 2021, with an average increase of 5.8% and 8.5% on about 350 solely-operated routes and 51 jointly-operated routes respectively. Bus fares on all jointly-operated cross-harbour routes were adjusted again on 2 January 2022 with a rise of 3.2%. As an act to give back to passengers, the price of the KMB Monthly Pass has remained unchanged but with more exclusive privileges provided, including free micro-insurance and an upgraded bus service on any LWB "A" Routes or KMB New Long-haul Bus Routes by paying a "Fare for Upgraded Journey". KMB also launched an all-new membership scheme, club1933, under which passengers can register on App1933 and travel by bus to earn points for a variety of exclusive rewards.

In full support of the development of a Smart City, KMB and LWB have installed an e-payment system on their bus fleets comprising over 4,000 buses, so that passengers can pay fares using cashless methods. KMB has also introduced "5G Buses" on which passengers can use ultra-fast 5G Wi-Fi services for free for a more enjoyable travel experience.



## Caring for Staff Members' Health

Employees are the most valuable asset of the Group and the key to providing quality service. Frontline staff members had their uniforms changed recently for breathability and comfort. The new uniform does not only convey a dynamic and professional image, but also represents KMB's constant innovative spirit with a focus on environmental protection. The Group cares about staff members' physical and mental health, and organised "Health Month" activities to support staff well-being. Through a series of events, employees are encouraged to maintain a healthy lifestyle. Our efforts in promoting health were recognised by the industry as one of the best practices of the year. Arrangements with the Government's outreach COVID-19 vaccination team and designated clinics were made to administer vaccines to our staff members and their relatives. Disinfections are carried out regularly; rapid antigen test kits and personal hygiene and anti-epidemic items are also provided to ensure a safe working environment.

## Challenges and Opportunities

Vaccination programmes have been rolled out in countries worldwide. Meanwhile, the HKSAR Government has adopted the "Vaccine Pass" as a condition for easing pandemic measures. However, with the emergence of a new COVID-19 variant, public travel patterns have changed, creating an uncertain business environment. It is anticipated that bus patronage and revenue will hardly return to pre-COVID-19 levels soon. In the face of an expanding local railway network and surging international oil prices, the bus industry is presented with profound challenges.

Anticipating a far from optimistic economic outlook, the Group has made a timely response by taking multi-pronged measures to save cost and resources. We will continue to adopt a flexible approach in bus deployment to ensure business sustainability. We believe the development of residential areas in Kwu Tung North, Hung Shui Kiu, and Yuen Long South will bring new opportunities to the future growth of the Group.

The superstructure work at the How Ming Street site in Kwun Tong is expected to be completed in 2023. Preliminary marketing of grade-A office towers at the site has commenced while a premium mall featuring modern lifestyle is expected to be opened in 2024 to provide a steady return for our shareholders.

The Group will continue to promote long-term strategic development, strengthen the governance work on sustainable development, and deliver our commitment to ESG issues. At the same time, we will explore and grasp new business opportunities to create value for our shareholders.

## Acknowledgement

The epidemic has still plagued Hong Kong society over the past year. Our success in serving the public in a consistent professional manner while we do our part in the territory-wide anti-pandemic campaign hinged on our staff members' strong commitment to providing passengers with safe and quality bus services. I would like to express my heartfelt gratitude to the Board of Directors, every staff member of the Group, bus suppliers and all our passengers for their continuous support.

**Norman LEUNG Nai Pang**

Chairman

17 March 2022

## MANAGING DIRECTOR'S MESSAGE



“

It may be a rough journey ahead, but solidarity and amity will eventually bring us a better future. Let's iron out the difficulties together!

”

### Solidarity with Courage

The COVID-19 pandemic has lingered for over two years and caused such an enormous effect on both the economy and the livelihood worldwide. Hong Kong is no exception. The city has faced challenges over the past two years under the epidemic. Rooted in Hong Kong for 89 years, KMB remains committed to maintaining safe and reliable public transport services and stays with Hong Kong people in weal and woe. I would like to express my heartfelt thanks to our team for their selflessness, dedication, and professionalism. Together they have worked on all fronts, resolving difficulties one by one.

Two years of global ravaging by COVID-19 has drastically changed not only our economy and habits but also our values. People have profoundly reflected on climatic change and the relationship between nature and humankind. Given the intense impact of the pandemic, TIH has incorporated eco-friendly elements into our daily operations. Since the first in-house developed solar panel bus was introduced in 2017, the Group has been expanding the use of renewable energy technology. Solar panels were widely installed at bus depots, bus stops, and on bus roofs, making us one of the franchised bus companies owning the largest solar energy system in the world. We are exploring the installation of solar panels on roads to optimise the use of solar energy and other energy-saving solutions in our operations, in an effort to increase our energy efficiency and meet the target of carbon neutrality in Hong Kong.

The Government has expressed its drive and determination to achieve carbon neutrality. With such a clear vision, the Group will continue to echo the policy of zero-carbon transportation. Our corporate policy is to make full use of new energy across our bus fleet. To this end, we have set out a timetable and a roadmap on bus electrification. The electric buses we purchased at our own expense had arrived in Hong Kong last year and are ready to be deployed, while a new batch of electric buses is expected to arrive at the end of this year at the earliest. By the end of 2023, there will be 82 electric buses in service. Work has also commenced to set up more charging facilities, with plans to build two multi-storey depots for new energy buses in Tuen Mun and Tai Po. Eventually, all our buses will be running on new energy, whereas all diesel buses will be phased out by 2050. We will put the experience of electric bus operation in the Shenzhen Bus Group, a member of TIH, to good use in bringing greater synergy. Meanwhile, the Group has also commenced a feasibility study on the use of hydrogen buses. We will work with various stakeholders to promote the development of new energy public transport in Hong Kong.

Technological innovation is the only way to enhance corporate efficiency and break through the conventional mode of operation. KMB's newly established "Innovation Team" is responsible for motivating the Group's progress on innovation. The team conducts various studies on hardware development, operations and passenger experience. Among others, through the use of 5G technology and data, the team explores the technology in monitoring queuing conditions, traffic flow, and pedestrian crossing so as to improve road safety, operational efficiency, and the experience of our passengers. Some KMB buses have provided free 5G Wi-Fi services for passengers, which lays the first step in upgrading our service quality by the use of technology. In 2022, the availability of electronic payment in the whole fleet of KMB and LWB has marked another step of endeavour in service enhancement with technological innovation.

Nurturing talents is the direction of the Group. KMB has set up the KMB Academy, and takes pride in having two of its training courses for franchised bus maintenance personnel and bus captains accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. We are eager to expand the scope of professional training to include operational management, route planning and more in the future, and make KMB a talent incubator in the transport industry for the benefit of the whole sector.

It needs mutual support to make our community home. Needy people have always been the community TIH holds dear. We employed people with special educational needs by offering positions of Clerical Assistant and Assistant at Customer Service Centres. It is a valuable opportunity for people with special educational needs to integrate into the community, and we are happy to give them a hand.

The ageing population in Hong Kong is on the rise, and many elderly people prefer to travel by bus rather than other means of transport. For this reason, we have produced a series of videos on healthy living for the elderly, to be broadcast in bus compartments. Through these videos, we can provide more practical tips for the aged and, at the same time, encourage all passengers to pay more attention to the health of the elderly. Meanwhile, to lower the risks borne by the elderly with dementia, we have worked with voluntary groups to install Bluetooth receivers at some bus stops to assist in finding lost seniors, as we contribute our efforts to creating an age-friendly community. We will continue to push forward our work in this aspect as part of the drive to undertake our corporate social responsibility.

The National 14<sup>th</sup> Five-Year Plan has provided a clear direction for Hong Kong's development and position. TIH is set to seize the opportunities brought about by the development of the Greater Bay Area. Among other things, cross-border payment solutions will be optimised to facilitate a more convenient public transport system for residents of Hong Kong and the Mainland. The vast talent pool from China will further enhance our service and bring unlimited potential. We will continue to have closer collaboration with the Shenzhen Bus Group. The Group's service network can also be better connected with other parts of the nation and integrated into the national development.

The global pandemic has been a long and difficult challenge for Hong Kong over the past two years. I understand that some members of the community may not be able to work from home and still rely on bus services. We would like to express our sincere gratitude to the public who continues to travel with KMB. We will work to ensure that their journeys are safe and secure, and keep playing a key role in public transport. "Joining hands to fight COVID" is more than a slogan. Without the dedication of our staff, we would not have been able to forge ahead in adversity. On behalf of the Company, I would like to thank all shareholders, passengers and Hong Kong citizens for their support. It may be a rough journey ahead, but solidarity and amity will eventually bring us a better future. Let's iron out the difficulties together!

**Roger LEE Chak Cheong**

Managing Director

17 March 2022

# 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, environment-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 a reasonable return.

## Property Holdings and Developments

The Group has a portfolio of investment properties, including a shopping mall, an office building and an industrial property, which provides steady rental income, and property projects underway.

## BUSINESS REVIEW

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

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

## Key Risks and Uncertainties

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

## Fuel Prices and Other Financial Risks

Fuel represents a major component of the Group's cost structure. Volatility in fuel prices may affect the financial stability of the Group. In addition, the Group's activities are exposed to various financial risks, including foreign currency, interest rate, credit and liquidity risks, which are discussed in the Financial Review on pages 92 to 107 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.



# Hong Kong Franchised Public Bus Operations

## The Kowloon Motor Bus Company (1933) Limited

KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving more than 2.8 million passenger-trips each day<sup>1</sup>. A workforce of more than 12,300 employees, including some 10,000 bus captains, ensures that customers enjoy high-quality services on a fleet of around 4,000 buses operating on 423 routes.



<sup>1</sup> Prior to the COVID-19 pandemic



Come rain or shine, KMB has always strived for a safe, innovative, eco-friendly and value-for-money service, making it the preferred choice of the public.

## COVID-19 Impact

It has been a challenging year for the whole community in recovery from the strike of COVID-19 since 2020. With a plunge in demand, measures were carried out to ensure that resources were efficiently utilised in the first half of 2021. Since mid-June 2021, the bus service levels have gradually resumed normal to meet the actual demand.

## Fare Adjustment

New KMB bus fares came into effect on 4 April 2021 with an average increase of 5.8% in the case of around 350 solely-operated routes and 8.5% in the case of 51 jointly-operated routes, while the price of KMB Monthly Pass remained unchanged, so as to provide a comfortable, convenient and value-for-money bus service for passengers.

## 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 to passengers. KMB has launched the Monthly Pass Scheme (the “Pass”), the first monthly pass

for franchised bus in Hong Kong, under which passengers can take up to ten rides per day on KMB buses for HK\$780 (and two additional trips on Route B1). The Pass covers over 400 KMB routes, including regular routes, overnight routes and racecourse routes. Cross-harbour bus routes operated by KMB jointly with other franchised bus companies are also included in the Scheme. The price of KMB Monthly Pass remained unchanged despite fare adjustment in April 2021, which has made the KMB Monthly Pass even more attractive to passengers.

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

- ✔ A seamless protection for passengers on KMB journeys with a valid Monthly Pass, offered under the Bus Passenger MicroInsurance “BUS RYDE” in collaboration with microinsurance company YAS;
- ✔ A “Fare for Upgraded Journey” campaign which offers a discounted fare for KMB Monthly Pass holders travelling on Long-haul Bus Routes and Long Win Bus (“LWB”) Airport “A” Routes;
- ✔ With each purchase of the Pass, passengers can earn 780 points towards redeemable KMB masks and other special gifts under the KMB membership scheme, club1933; and
- ✔ A hotline with operators dedicated to serve the Pass holders for an enhanced travel experience.

# BUSINESS REVIEW



KMB has expanded its network by running new routes in Queen's Hill with concession schemes provided

## Rewards to Passengers

In collaboration with a number of corporations, KMB organised Free Ride Days on designated routes and days for passengers to enjoy a comfortable and unlimited bus service for free. Furthermore, as a means to thank the elderly for their contributions to society, KMB organised Free Ride Days on Cross-Harbour Routes and Recreational "R" Routes for seniors on weekends and public holidays in November and December 2021.

KMB and LWB have launched the new membership scheme club1933. In order to join the scheme, passengers are required to register via App1933 and travel on our services to earn points. Passengers can redeem gifts with the accumulated points at 15 designated locations in Kowloon and the New Territories. Furthermore, selected passengers have been invited to enjoy a privileged discount scheme for purchasing the KMB Monthly Pass.

KMB has also placed Fare Saver Kiosks in Kwun Tong, Mei Foo, Queen's Hill and Tseung Kwan O, which offer fare discounts of up to HK\$2 to passengers.

## Regional Short-haul Two-way Section Fare Scheme

The second Regional Short-haul Two-way Section Fare Scheme was implemented in Tseung Kwan O/Sai Kung on 17 July 2021. Passengers of 16 routes in the area can enjoy an intra-district ride with a single fare as low as HK\$5.4, saving HK\$5.9 at most for each journey.

## Comprehensive Network

At the end of 2021, KMB operated a total of 423 bus routes. In a changing 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 2021, we implemented 89 route reorganisation proposals, which enhance the whole service network and bring the following benefits to the public:

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

In view of demographic changes, urban development and passenger needs, KMB introduced new routes to expand the ridership. To tie in with the completion of residential areas in Pak Shek Kok, Queen's Hill, Wu Kai Sha and LOHAS Park, KMB further strengthened its services in the districts by introducing new routes and improving the frequency of existing routes.



## Green and Smart

KMB shows its commitment to innovation by introducing a bus fleet with technological advances and environment-friendly features for a more desirable passenger experience. The Company aims to upgrade the entire fleet with new energy buses by 2050 to tie in with the Government's policy of achieving the carbon neutrality target.

## Bus Fleet and Fleet Upgrade

During the year, 142 double-deck buses have been licensed. The 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. Besides, 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 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,

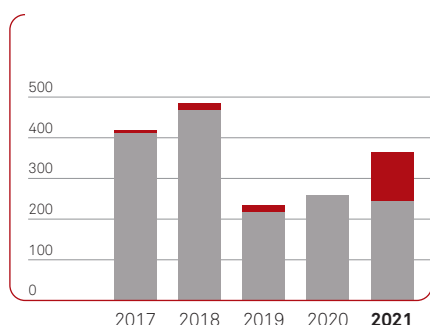
which allows passengers to open the windows to let fresh air into the compartment.

KMB has continued to invest in the latest environment-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 four years. To pursue the Government policy of achieving carbon neutrality by 2050, KMB plans to introduce 500 electric buses by 2025, accounting for one-eighth of the entire bus fleet.

As at 31 December 2021, KMB operated a total of 4,013 licensed buses, comprising 3,877 double-deck buses and 136 single-deck buses. The fleet currently features three hybrid double-deck buses and ten electric single-deck buses. In addition, 118 double-deck Euro VI buses, 16 electric single-deck buses and 52 electric double-deck buses were on order for delivery in 2022 and 2023.

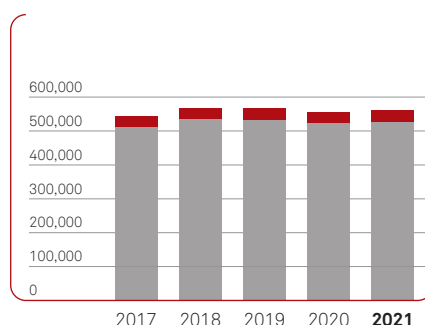
KMB's Bus Fleet	Double-deck Buses	Single-deck Buses	Total Number of Buses
As at 1 January 2021	3,866	143	4,009
Additions during year	246	0	246
Disposals during year	(235)	(7)	(242)
As at 31 December 2021	3,877	136	4,013

## Number of New Buses Introduced to the Fleet



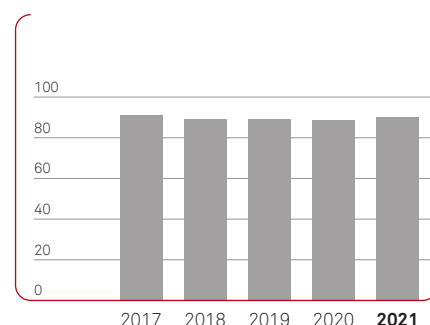
■ KMB  
■ LWB

## Total Passenger Capacity at 31 December



■ KMB  
■ LWB

## 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.

# BUSINESS REVIEW



With solar panels installed at bus stops and on bus roofs, KMB extensively uses renewable energy to reduce carbon emissions and bring a greener travelling experience to passengers



The “New Long-haul Bus Services” are mostly deployed with the latest model of eco-friendly buses, which come with cutting-edge safety devices, comfortable seats, curtains and USB charging ports designed for modern-lifestyle bus journeys

## Renewable Energy

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. In May 2021, KMB introduced the third generation solar panel bus with thinner panels installed on its roof. Electricity generated by the panels will supply to the fans of the air-conditioning system, reducing the air temperature in the compartment by around 8-10°C as well as saving 5-8% of fuel consumption on each bus per day, which is equivalent to reducing about six tonnes of carbon emissions per bus annually. Solar panels installation has become a standard configuration for newly purchased buses.

Besides, KMB has continued the Solar-powered Bus Shelter Campaign, using solar energy to power up lighting or mosquito repelling devices. By the end of 2021, 1,950 bus stops have been equipped with solar power equipment. The Company plans to install over 22,000 solar panels in order to illustrate how its development blueprint for new energy would apply in practice.

## New Long-haul Bus Service

KMB launched the “New Long-haul Bus Services”, comprising Routes P960 [Siu Hong Station (North) – Wan Chai (North)] and P968 [Long Ping Station/Yuen Long (West) – Tin Hau] on 18 July 2021 to provide passengers an alternative choice with a more comfortable and relaxed bus journey.

The bus fleet on Routes P960 and P968 is mainly equipped with Euro VI environment-friendly engines and the following latest safety features:

- ✔ Advanced Driver Assistance System;
- ✔ Driving Monitoring System;
- ✔ GreenRoad System; and
- ✔ Seat belts on all seats.

As for on-board facilities, besides comfortable seats, the compartment also comes with curtains, USB charging ports, and free 5G Wi-Fi service. Coupled with the arrangement that no standee is allowed, all passengers boarding Routes P960 and P968 can enjoy a modern-lifestyle journey experience.



Committed to making good use of innovative technology, KMB has collaborated with other enterprises on developing an autonomous driving system, alongside the introduction of a diversified e-payment system to its fleet



### 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. As at 31 December 2021, 5G Wi-Fi service was provided on a total of 100 buses mainly operated on the Tuen Mun and Yuen Long District routes, so that passengers could enjoy ultra-fast 5G internet services in bus compartment.

### Electronic Payment System

Diversified e-payment services are offered to provide more bus fare payment options. KMB introduced the e-payment

system in February 2021. By the end of the year, 84 routes including the new long-haul service Routes P960 and P968 have started accepting e-payments. The entire KMB bus fleet of more than 4,000 buses has been equipped with e-payment systems by February 2022.

The e-payment system, which accepts the most payment methods compared to other public transport operators' systems, now supports ten platforms that enable 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.



KMB is the first franchised bus company to have launched 5G Buses, offering complimentary ultra-fast 5G Wi-Fi service to passengers on board

# BUSINESS REVIEW



Through the new Estimated Travelling Time function of App1933, KMB can now provide an estimated journey time based on real-time traffic conditions

## App1933

KMB launched a new version of the KMB and LWB mobile app, App1933, in September 2016 which has been well received by the public. Passengers may check information about bus routes and estimated time of arrivals conveniently.

In 2021, KMB rolled out the Estimated Travelling Time ("ETT") function on App1933. The new function estimates the journey time based on the actual traffic conditions. For example, if a traffic incident causes congestion on the road, the ETT will be updated accordingly. ETT has gradually expanded the number of locations to 50, assisting in selecting the most suitable transportation arrangements. Passengers can also obtain relevant information through TV screens or scan QR codes attached at bus stops with their mobile phones.

App1933 also 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 its newly added "Relax Corner" feature, to provide relevant traffic conditions, weather information and bus route suggestions based on the current location of the user.

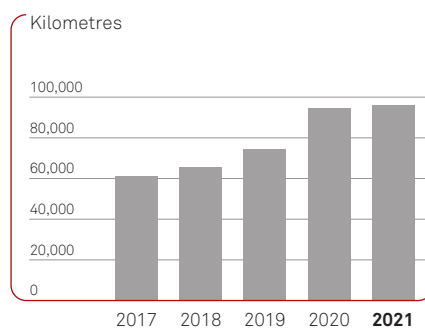
## Performance Assurance

KMB has provided reliable franchised bus services in Hong Kong for some 80 years and is an industry leader in operational and service excellence. KMB measures its operational performance by reference to the key performance indicators: mechanical reliability<sup>2</sup> and operational capability<sup>3</sup>. In 2021, KMB achieved 96,349 km : 1 in mechanical reliability and 100.7% in operational capability.

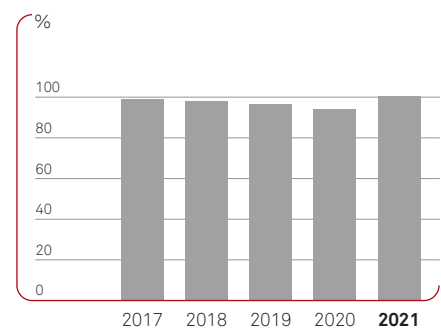
## Depots

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 12 smaller depots offer minor maintenance services and parking. The KMB Overhaul Centre in Tuen Mun supports major overhaul services. Depot facilities are continually upgraded to ensure consistent service quality and a high level of productivity.

### Mechanical Reliability<sup>2</sup> – KMB



### Operational Capability<sup>3</sup> – KMB



<sup>2</sup> 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.

<sup>3</sup> 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.

## 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<sup>4</sup>**



### Occupational Health and Safety Management Systems (ISO45001)

Year of Adoption Since

**2019**

(Migrated from OHSAS18001:2007)

<sup>4</sup> The two largest depots of KMB have been certified.

## Major Depots Serving KMB and LWB Buses

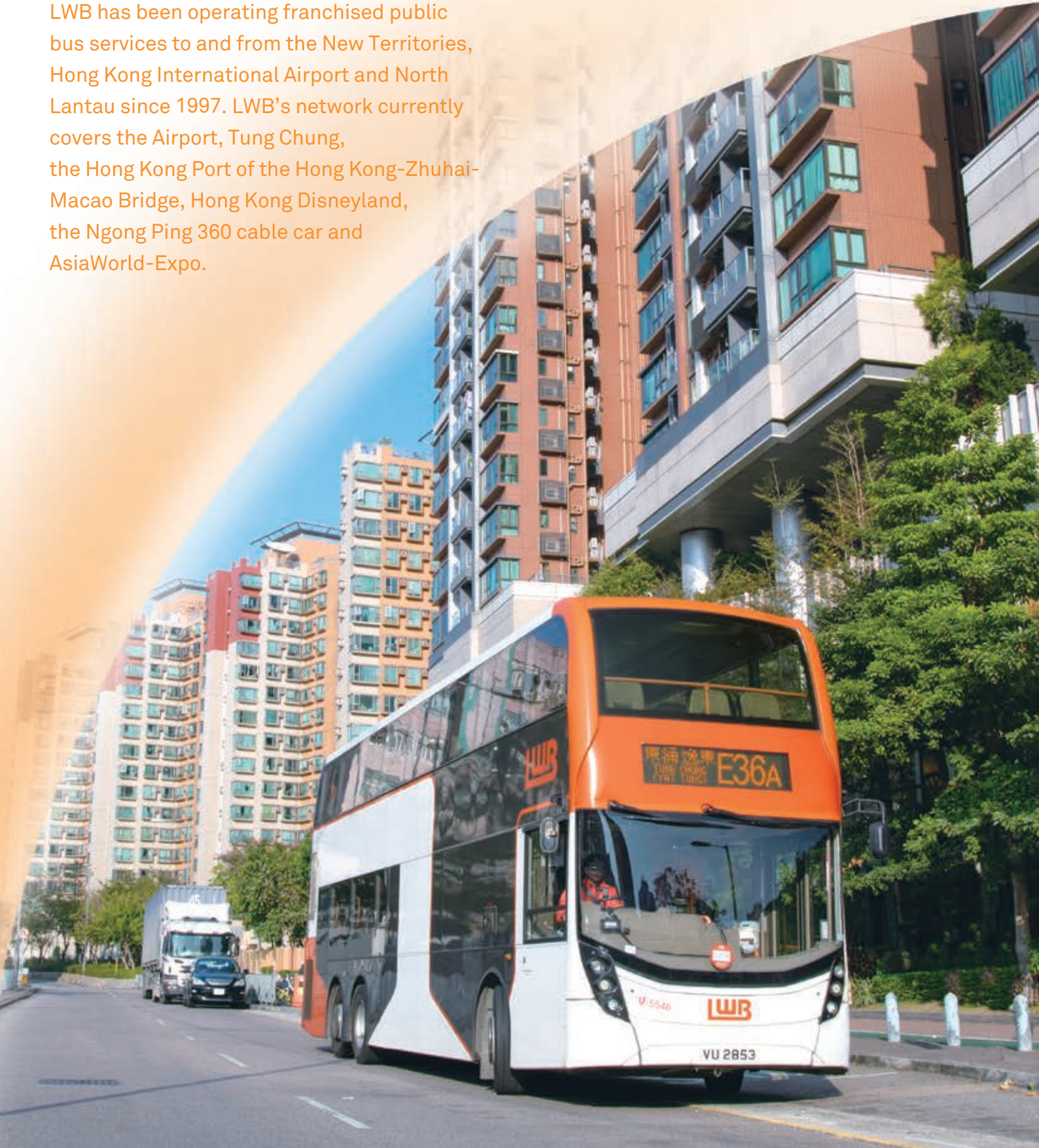
Depots	Areas Served/Main Purpose of Depot	Gross Floor Area (square feet)	Number of Buses Served as at 31 December 2021	Year in which Operations Commenced	Remarks
<b>KMB Depots :</b>					
Kowloon Bay Depot	East Kowloon	768,038	1,083	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant.
Lai Chi Kok Depot	South and West Kowloon	648,946	850	2002	The depot land has been leased from the Government on a short term tenancy <sup>#</sup> .
Sha Tin Depot	North and East New Territories	720,005	1,146	1988	The depot land was acquired at public auction in 1984.
Tuen Mun Depot	West New Territories	148,961	934	1979	The depot land was acquired at 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.
<b>LWB Depot:</b>					
Siu Ho Wan Depot	Lantau Island	82,422	256	1998	The depot land has been leased from the Government on a short term tenancy <sup>#</sup> .
<b>Total</b>		<b>2,749,287</b>	<b>4,269</b>		

<sup>#</sup> Under the short term tenancy agreements, rentals at market rates are payable to the HKSAR Government.

# Hong Kong Franchised Public Bus Operations

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

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





LWB has continued to strengthen its bus network by introducing new routes and additional Bus-Bus Interchange concession schemes despite the impact of the COVID-19 pandemic

## COVID-19 Impact

Primarily relying on the transport demand generated from the tourism and related industries, LWB has suffered more heavily from the COVID-19 pandemic in terms of ridership than other franchised bus operators in urban areas. LWB has liaised with the Transport Department to reduce its service levels to meet the actual demand.

## Electronic Payment System

LWB is the first franchised bus company in Hong Kong to provide diversified e-payment services, providing convenience for 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 2021 and accepted payments using contactless JCB credit cards. Currently, the system accepts ten payment methods including contactless payment, mobile payment and QR code payment, making it, together with KMB's, the e-payment system which accepts the most payment methods compared to other public transport operators' systems.

## Bus Service Network

At the end of 2021, LWB operated 41 routes. Although the passenger demand in 2021 declined under the anti-epidemic measures, LWB continued to strengthen its bus network coverage riding on the commissioning of new infrastructure and new residential development on North Lantau Island.

In conjunction with the commissioning of the Tuen Mun-Chek Lap Kok Tunnel ("TM-CLKT"), the second phase of routes diversion, which involved the LWB routes serving Yuen Long and Tin Shui Wai, was implemented on 20 June 2021. The revamped service covers an enlarged servicing area of LWB in Yuen Long, Tin Shui Wai, Tung Chung East and Tung Chung North. Passengers in Tuen Mun are also benefited as the interchange network at the TM-CLKT Interchange has been further improved.

In addition, Route E43 plying between North District and Tung Chung was opened for trial operation. LWB will review passenger feedback and consider improvement plans for the service.



LWB has purchased the latest model of Euro VI eco-friendly buses to provide a green and comfortable journey for passengers

To provide a better connectivity to South Lantau Island, LWB has set up a new BBI scheme between 13 LWB “E” routes and three New Lantao Bus Limited (“NLB”) routes since May 2021. The new BBI scheme facilitates passengers in different areas from the New Territories to South Lantau. LWB will explore more possibilities for strengthening the network and providing better service for the passengers.

## Bus Fleet and Fleet Upgrade

LWB introduced 119 new buses equipped with the latest safety devices in 2021, and transferred 100 buses to other operators. As at 31 December 2021, LWB operated 252 double-deck buses including 101 buses with 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.

## Safety and Customer Service

Regular and thorough inspections of LWB’s buses are undertaken 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 assist their driving performance. In addition, the LWB customer service and airbus ticket offices at the Hong Kong International Airport Ground Transportation Centre and the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge offer e-payment methods to provide more options for passengers and tourists.

LWB’s Bus Fleet	Double-deck Buses	Electric		Total Number of Buses
		Single-deck Buses		
As at 1 January 2021	237	4		241
Additions during year	119	0		119
Disposals during year	(104)	0		(104)
As at 31 December 2021	252	4		256



## Environmental Protection

LWB is fully aware of the importance of environmental protection. It continues to invest in environment-friendly buses to meet the stringent emission standards of the European Council of Environmental Ministers. With 100 buses transferred away, the proportion of Euro V or above and electric buses in the LWB fleet now stands at over 94%.

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.

## 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 reliability<sup>1</sup> and operational capability<sup>2</sup>. In 2021, LWB achieved 134,616 km:1 in mechanical reliability and 100.6% 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

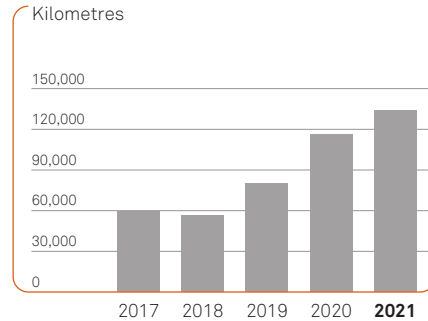
The depot at Siu Ho Wan provides daily bus maintenance, refuelling, bus washing and parking for the LWB fleet. The depot is equipped with a waste water treatment system to ensure that waste water quality complies with the statutory requirements before discharge into the public drainage system.



LWB carries out regular maintenance checks on its fleet to ensure the highest level of safety and service

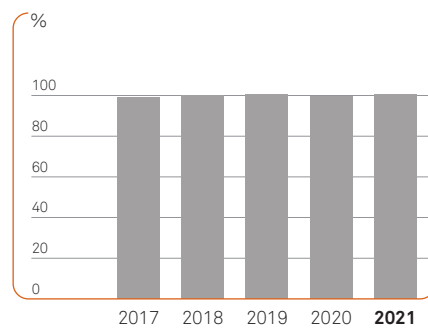
## Mechanical Reliability<sup>1</sup> –

### LWB



## Operational Capability<sup>2</sup> –

### LWB



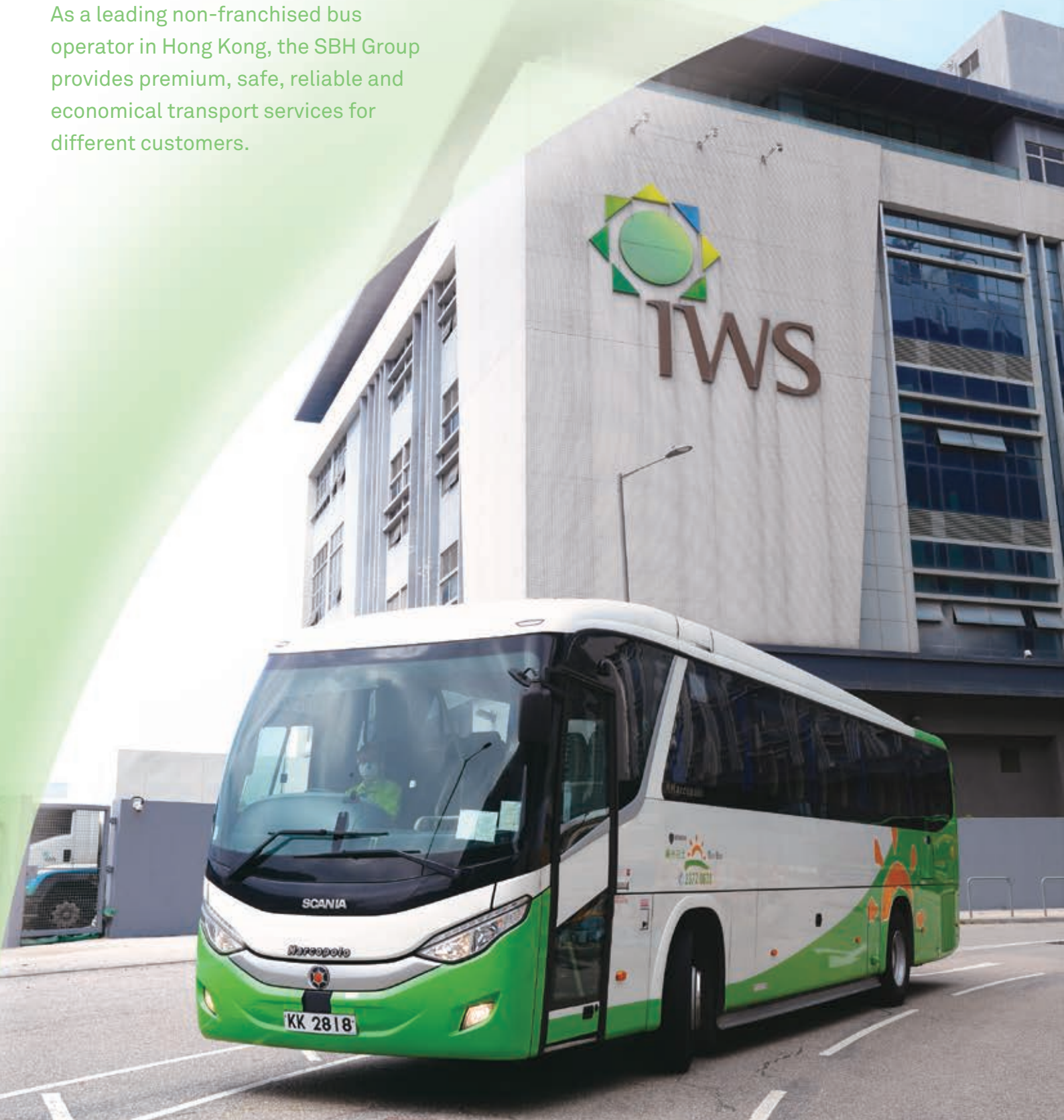
<sup>1</sup> Mechanical reliability is the average number of kilometres a bus operates before it experiences a mechanical breakdown on the road with passengers on board.

<sup>2</sup> Operational capability is the ratio of actual to scheduled departures in the peak direction in the peak hours of 7:00 a.m. to 9:00 a.m. across the whole bus network.

# Hong Kong Non-franchised Transport Operations

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

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





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

The impact of the COVID-19 outbreak has lessened from the previous year. Private companies, Government departments and schools have gradually resumed normal operation. During the year, Sun Bus responded proactively to market changes while maintaining a high degree of service flexibility. Besides enhancing market competitiveness by renewing its fleet, more value-added services were offered to provide customised solutions for clients, which met or even exceeded their expectation. In line with the Government’s measures to combat the pandemic, the SBH Group has taken a series of actions to step up its preventive initiatives, including deploying larger vehicles to allow for better social distancing between passengers, drawing up flexible timetables to fit into clients’ home office arrangement, applying nano-photocatalyst coating for the entire fleet and increasing the frequency of thorough disinfection and cleaning of vehicles, so as to provide a more reliable service experience for passengers.

By the end of 2021, the SBH Group had a fleet of around 400 coaches and had introduced five brand new Euro VI ultra-low-floor double-deck buses. To further enhance the service brand, the SBH Group will continue to purchase more electric vehicles and promote a wider application of technology.



To fulfil social distancing and clients’ needs during the pandemic, Sun Bus has deployed larger vehicles and offered more flexible services to give passengers a quality travelling experience

Looking into 2022, 50 Euro VI diesel and electric coaches are expected to be deployed to keep the fleet’s average age below six years. These new vehicles will be equipped with detective safety technology, Driving Monitoring System, and seat belts on all seats to enhance safety performance. The SBH Group is committed to continuously strengthening its management and operation so as to establish a reputable co-branding with clients.

# Hong Kong Non-franchised Transport Operations

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

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



NHKB has maintained regular checks and assessments for safe and efficient fleet performance



In response to the COVID-19 pandemic, the HKSAR Government has taken measures to reduce people flow and social contacts. The Lok Ma Chau Port has been closed and the cross-boundary bus service suspended since 4 February 2020.

Since the closure of the Lok Ma Chau Port, NHKB has fostered proactive communication with its Shenzhen counterpart and the Governments of the two places, and continued to undertake regular checks and assessments to maintain its operation and safety performance. Once the border reopens, NHKB's air-conditioned super-low floor single-deck buses will resume service within a short period of time. NHKB is devoted to maintaining itself as the preferred means of transport for cross-boundary travellers seeking convenience and quality service.



NHKB strives to maintain itself as the preferred means of transport for cross-boundary travellers who are looking for a convenient and quality service

# China Mainland Transport Operations

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





BBKT has been serving the public and tourists in Beijing for almost 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.

SZBG has been operating public bus and taxi services in Shenzhen since 2005. SZBG has a fleet of over 5,500 buses operating on more than 320 routes, and more than 5,000 taxis. As a result of the successful control of the COVID-19 pandemic, the number of patronage of SZBG including its bus and taxi operation increased by 11.7% to 544.1 million in 2021 as compared to 487.0 million in 2020.

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, 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 3,700 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 1,100 vehicles available for charter, mainly serving Beijing (北京) and Tianjin (天津). With ISO9001:2008 certification for Quality Management Systems in car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions held in the capital.

# Property Holdings and Development

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





## KTRE Real Estate Limited (“KTRE”)

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

Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP, was appointed as the project manager to oversee the development of the Kwun Tong Site. Yee Fai Construction Company Limited, a subsidiary of SHKP, was engaged to carry out and complete the construction works for the Kwun Tong Site in February 2019.

The Kwun Tong Site, comprising two grade-A office towers of 650,000 square feet in total and a 500,000-square-foot mall, is expected to be completed in 2023. The 10-storey shopping mall, scheduled to open in 2024, will become a new landmark in East Kowloon.

## 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 2021, the entire lettable area of the shopping mall was leased out, generating recurring rental income for the Group.

## LCK Real Estate Limited (“LCKRE”)

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

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

## 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 the disposal of TMPH’s 50% equity interest in TMPI to MOL on 29 December 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of TIH.

TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI has applied to the relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. By the end of 2021, the entire lettable area of the property has been leased out to generate rental income for the Group.

## The Group’s Property Holdings and Development:

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

### Notes:

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

# About the Report

In 2021, 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 safety operation, innovative service, community care and environmental protection.

## 2050 Vision

By 2050, TIH’s Hong Kong franchised public bus operations will upgrade its entire fleet with **NEW ENERGY BUSES** to support Hong Kong’s Climate Action Plan to achieve **CARBON NEUTRALITY**.



## Reporting Focus

This is the 2021 Sustainability Report (“the Report”) of TIH, which highlights 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 2021.

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 and LWB’s operations.

## Reporting Principles

The Report was prepared in accordance with the Core Option of the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) and the Environmental, Social and Governance Reporting Guide (“ESG Guide”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and based on the reporting principles of materiality, quantitative, consistency and balance, which are set out in the ESG Guide. To align our strategies with international sustainability principles, the Report also makes reference to the United Nations Sustainable Development Goals (“SDGs”) and the recommendations on the Task Force on Climate-related Financial Disclosures (“TCFD”) established by the Financial Stability Board. 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](mailto:ccd@kmb.hk).

## SUSTAINABLE DEVELOPMENT GOALS



**Responsible  
Consumption and  
Production**



**Peace, Justice  
and Strong  
Institutions**



# SUSTAINABILITY REPORT



## Major Recognition and Awards

We aim to deliver excellent public transport services in a sustainable manner and are pleased to receive a number of prestigious awards in 2021.

## Corporate Social Responsibility

- ✔ Hong Kong Sustainability Award 2020/21 – Certificate of Excellence from The Hong Kong Management Association;
- ✔ BEC Low Carbon Charter from the Business Environment Council;
- ✔ 15 Years Plus Caring Company Logo from The Hong Kong Council of Social Service;
- ✔ Jockey Club Age-friendly City Partnership Scheme 2020 – Age-friendly Employer Award from The Hong Kong Jockey Club Charities Trust;
- ✔ Jockey Club Age-friendly City Partnership Scheme 2020 – Age-friendly Innovation Award from The Hong Kong Jockey Club Charities Trust;
- ✔ 2020-2021 Age-Friendly Appreciation Scheme – Gold Star Award from The Hong Kong Council of Social Service;
- ✔ Award of 10,000 hours for Volunteer Service from the Social Welfare Department;
- ✔ Honour Award of Highest Service Hour Award (Private Organisations – Best Customers Participation) from the Social Welfare Department;
- ✔ The Merit of Highest Service Hour Award (Private Organisations) from the Social Welfare Department;

- ✔ Award for Outstanding Volunteer Group from the Christian Family Service Centre;
- ✔ Employer of Choice Award 2020 from the Job Market;
- ✔ The Good MPF Employee Award 2020-21 from the Mandatory Provident Fund Schemes Authority;
- ✔ Sport-Friendly Action Decal from the Chinese YMCA of Hong Kong; and
- ✔ SportsHour Company Scheme and “CO-FIT” Best Practice Showcase from the InspiringHK Sports Foundation.

## Brand

- ✔ Hong Kong Outstanding Listed Enterprises 2021 – Outstanding Transport Corporation from the Economic Digest;
- ✔ Gold Award for Cover Photo/Design, Bronze Awards for Traditional Annual Report and Interior Design, Honours for Written Text and Printing & Production in the Transportation and Leasing category of the 2021 International ARC Awards from The MerComm, Inc;
- ✔ Silver Award for Transportation and Leasing category of the 2020 Vision Awards from The League of American Communications Professionals LLC;
- ✔ Reader’s Digest Trusted Brands 2021 Gold Award – Public Transport category from the Reader’s Digest;
- ✔ Smart Living Partnership Awards 2021 – Outstanding All Man Kind Inclusive Bus App from the ETNet; and
- ✔ ESG Care Prize 2021 from InnoESG.org.



## Sustainability Governance

We adhere to the 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 the highest governance body, is responsible for stewarding the long-term development of the Group and for growing shareholder value. The Board currently comprises nine non-executive directors, five independent non-executive directors and one executive director. The biographies of our current directors can be found on pages 134 to 142 of our 2021 Annual Report.

The overall strategic planning and accountability for the Group’s sustainable development rest with our Board-level Committee, which determines the sustainability strategy and oversees its progress. 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 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 systemic approach and uses a set of 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. 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 Risk Key Performance Indicator Report (“Risk KPI 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 Risk KPI Report provides a comprehensive profile of the major risks and the mechanism established by the management for monitoring these risks.

For details of our corporate governance, please refer to pages 108 to 129 of our 2021 Annual Report.

## Legal and Regulatory Compliance

TIH is committed to conducting business activities in compliance with the HKSAR laws. All directors and staff of the Group are subject to a written Code of Conduct when discharging their delegated duties. The Code of Conduct is available on the staff website for easy access, providing guidance on personal conduct, relations with suppliers and contractors, responsibilities to shareholders and community, relations with customers, and employment practices, as well as procedures for monitoring compliance and enforcement to promote ethical values in business activities. The Code of Conduct 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 hiring child labour (a person below the local minimum age or under the age of 16) and any form of forced labour.

# SUSTAINABILITY REPORT

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 Hong Kong Independent Commission Against Corruption ("ICAC"). We have not committed any offence of corruption under this Ordinance. We also invited the ICAC to provide training for the Board and employees to enhance their awareness of anti-corruption and integrity management. 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. They help 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.

In 2021, we once again 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 Guide, the SDGs and the TCFD. We invited representatives from various stakeholder groups, including passengers, employees, members of 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.

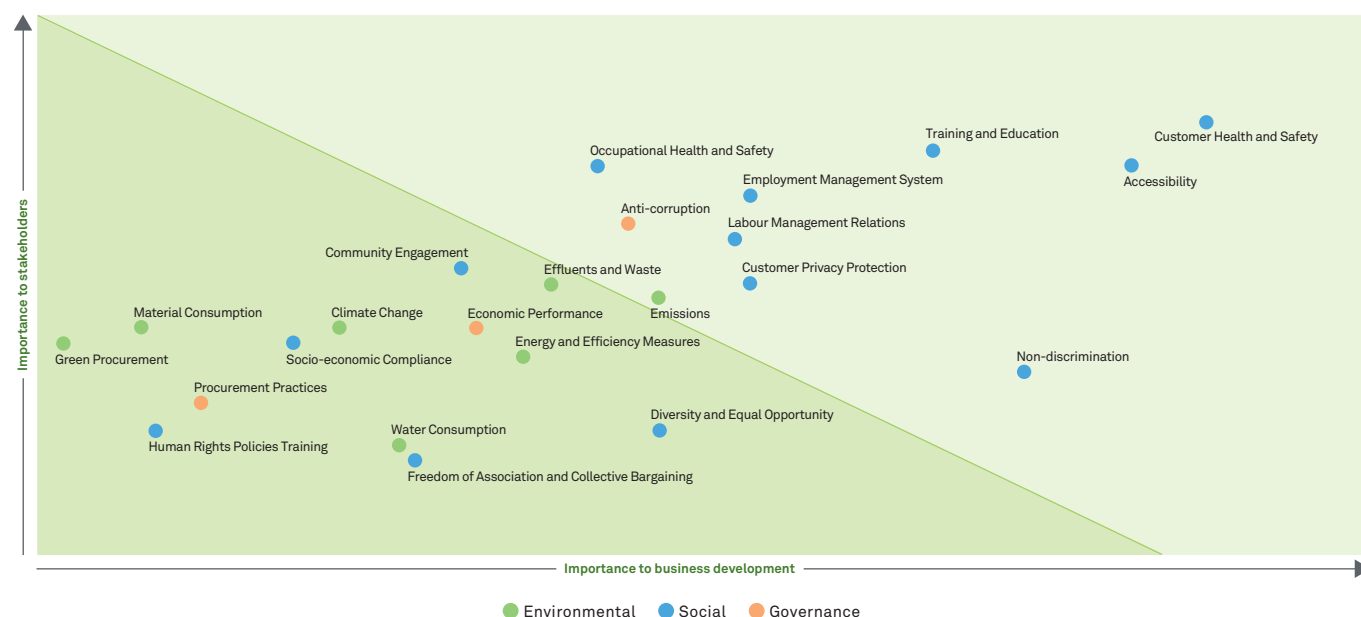
Based on the survey results and annual materiality assessments over the past few years, we have mapped the materiality of 12 issues. The most critical issues are listed at the top right quadrant of the matrix, while less important issues are found at the bottom left. Issues shown in the top right of the matrix are those we have identified as emerging in importance. The top ten issues were prioritised as material for TIH to address and report. The eleventh and 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 the TIH 2021 Sustainability Report with corresponding boundaries specified:

Reporting Boundaries

Aspects	Material Topics	Reporting Boundaries				
		Internal Stakeholders	Passengers	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 Policies Training				✓	
	Freedom of Association and Collective Bargaining					
	Accessibility	✓	✓	✓	✓	✓
	Non-discrimination	✓			✓	✓
Governance	Anti-corruption	✓	✓	✓	✓	✓
	Procurement Practices		✓	✓	✓	✓
	Economic Performance		✓	✓		

# SUSTAINABILITY REPORT

## Materiality Matrix



**Note:** Topics “Environmental Compliance” and “Forced and Child Labour” are excluded in 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"> <li>Enhance bus safety through innovative technologies such as GreenRoad App;</li> <li>Strengthen public safety education; and</li> <li>Introduce more bus safety facilities such as safety belts on all seats.</li> </ul>	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)
Passengers	<ul style="list-style-type: none"> <li>Improve accessibility for the elderly and people with disabilities;</li> <li>Design bus routes that cover more areas; and</li> <li>Further explore digitalisation of bus management system.</li> </ul>	Bus facilities and compartment designs have been upgraded to provide better accessibility and comfort for passengers. (See details in Care for Customers)
Environment	<ul style="list-style-type: none"> <li>Recycle waste from the operation; and</li> <li>Further explore green energy opportunities and clean energy infrastructure.</li> </ul>	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 Care for the Environment)
Employees	<ul style="list-style-type: none"> <li>Enhance communication with internal stakeholders.</li> </ul>	To strengthen bilateral communication, we have built a variety of internal communication channels and platforms for employees. (See details in Care for Employees)
Community	<ul style="list-style-type: none"> <li>Participate more actively in key environmental and social sustainability issues (business operation and engagement with external stakeholders) and improve transparency on progress and performance.</li> </ul>	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 Stakeholders 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, with energy efficiency and the latest emission standards as our top priorities.

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 2021, KMB and LWB worked with 400 local and 38 non-local suppliers, of which 254 suppliers were newly added. The proportion of spending on local suppliers was 60%.

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 registrations:

- ✔ 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:

- ✔ Impartial selection of capable and responsible suppliers;
- ✔ Fair competition;
- ✔ Selection of appropriate contract types according to requirement;
- ✔ Compliance with laws, relevant regulations and contractual obligations;
- ✔ 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 interests by staff involved in the selection.

## Safety First

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

## Good Health and Well-Being

### Safety Policy

The KMB and LWB Safety Policy ensures 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. The Working Committee for Safety oversees safety issues at the corporate level, while 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

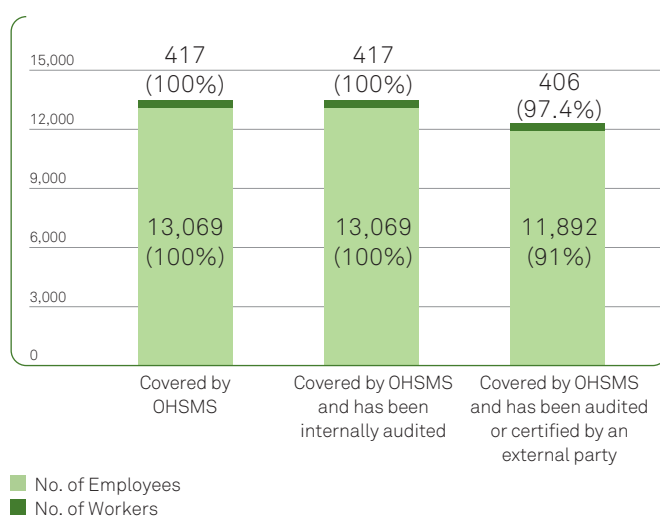
and Health Ordinance and the Factories and Industrial Undertakings Ordinance (Chapter 509 and 59, Laws of Hong Kong). KMB adopts ISO45001:2018 Occupational Health and Safety Management System to promote continuous improvement of safety performance in all aspects of our business, including bus maintenance and design upgrades.

The key benchmarks of our operational performance are mechanical reliability and operational capability. In 2021, the mechanical reliability<sup>1</sup> of KMB's bus fleet was 96,349 km: 1, while LWB's bus fleet was 134,616 km: 1. In 2021, KMB and LWB attained an operational capability<sup>2</sup> of 100.7% and 100.6% respectively.

### 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:

As at 31 December 2021



The GreenRoad Outstanding Awards present cash prizes and certificates to commend bus captains' achievement in green and safe driving

<sup>1</sup> 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.

<sup>2</sup> 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 of KMB and LWB undergoes routine maintenance checks to bring a safe and comfortable journey to passengers



The GreenRoad system detects over 150 bus driving dynamics and gives real-time feedback and suggestions with ratings to bus captains

## Operational Excellence

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

## Risk Assessment

Rigorous risk assessments are conducted by managerial staff together with the relevant workers before discharging work duties. We ensure both the working environment and staff performance comply with legal requirements, in-house safety rules, and industry best practices during safety inspections and safety audits. Our Plan-Do-Check-Act management approach also helps drive continuous improvement in safety performance.

## Bus Safety Facilities and Maintenance

A number of technological devices, including speed limiting devices and the telematics system, 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 HKSAR Government.

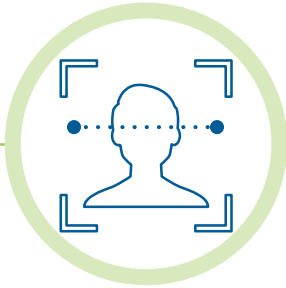
## Latest Bus Safety Measures

### GreenRoad System

KMB and LWB are the first franchised bus companies to have introduced the GreenRoad System in Hong Kong. Each bus captain has been given an electronic key with Radio Frequency Identification Technology ("RFID") to identify who is driving the bus. The system monitors over 150 driving dynamics and gives real-time feedback and rating to bus captains to help them remain vigilant on the road. Bus idling time is recorded and bus captains are reminded to switch off bus engines, thereby promoting a culture of environmental consciousness and health.

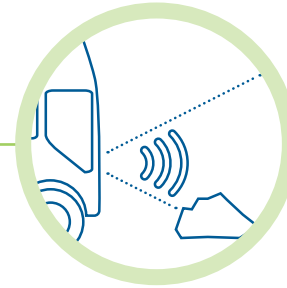
Through analysing the data collected by the system, the Company is able to identify the common types and locations of undesirable driving behaviours among by bus captains, and customise training materials, such as tips on paying attention to the routes, teaching videos, and driving improvement courses, to help bus captains improve their driving skills and performance. The system also gives instant feedback to bus captains through an online portal and app to enhance their driving performance.

The average accident rate of the fleet has decreased by about 10%, and more than 80% of bus captains have achieved a satisfactory safety level since the implementation of GreenRoad. A total of 105 bus captains have been granted the Annual GreenRoad Outstanding Awards as a commendation for their outstanding driving performance.



### **Driving Monitoring System (“DMS”)**

This 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 will be activated when a fatigue or abnormal situation is detected.



### **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 the corresponding distance. Early audio alerts and vibration warnings will be activated when “unsafe” conditions are detected.



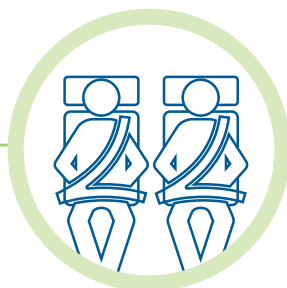
### **Electronic Stability Programme (“ESP”)**

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 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 for new buses.



## CASE STUDY

### Safety Bus Sets Off to Promote Passenger Safety

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 seat belt, and holding the handrail, and learn about blind spots on buses. In order to raise awareness of the participants, staff members from the Safety Department are also there to play quiz games and lecture on road and passenger safety.



The Safety Bus will visit different schools and elderly homes in the future. KMB has liaised with schools and non-profit organisations to launch a territory-wide promotion and education campaign on safety.



Yip Cheuk-chi, student at Islamic Dharwood Pau Memorial Primary School

“ I’m delighted that the KMB Safety Bus comes to our school. We can learn about road safety through mini-games there. The demonstration of fastening a seat belt has impressed me the most, and I have realised the importance of buckling up. I will share this with my parents and pay more attention to road conditions from now on. I will also be careful when crossing the road at a bus terminus. I like travelling by buses, so it is exceptional to have this exhibition on the bus. ”



Safety messages such as “Hold the handrail” are shown on the Bus Information Panel to remind passengers to observe safety at all times

## Public Safety Awareness Programme

Passenger safety is equally important to our bus operations. We use different channels 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. We put up safety stickers on our buses, such as “Hold the handrail” and “Fasten seatbelt”. Our mobile app, App1933 and KMB’s Facebook page also periodically communicate educational messages to the public.



Comprehensive training is offered to bus captains to ensure a professional, safe and quality service

Passenger safety videos produced by KMB are shown on bus information panels on board and at bus stops to remind passengers that safety comes first.

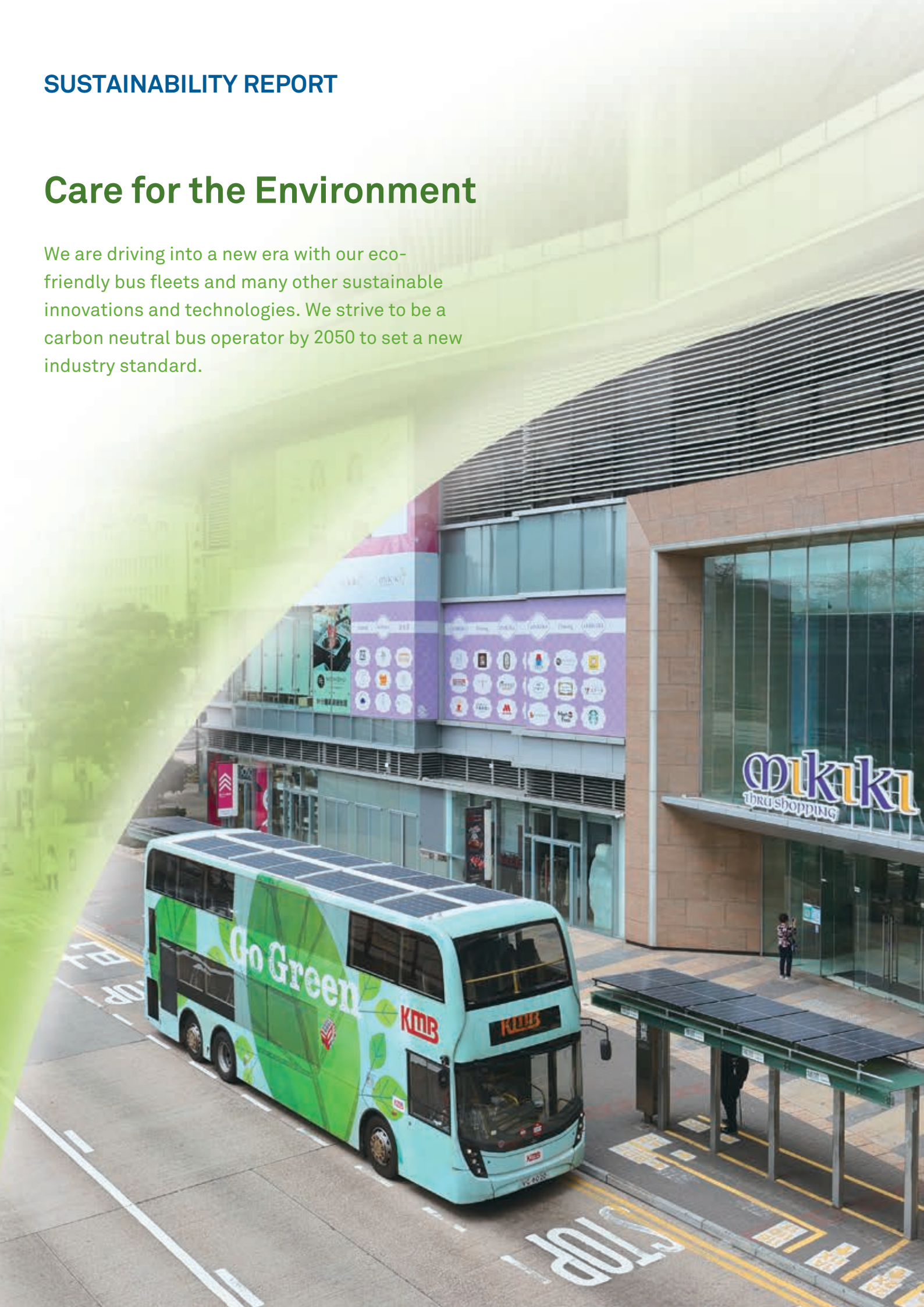
## Bus Captain Safety Training

The Bus Captain Training School (“BCTS”) provides comprehensive basic training to all new bus captains. Training is planned around building safety consciousness, bus manoeuvring skills and bus route knowledge. Apart from providing training for new bus captains, the BCTS also offers training courses for in-service bus captains, including route training, remedial training, bus type training and refresher training to improve their driving skills and reinforce their safety awareness.

To maintain proper driving technique and attitude among bus captains, the BCTS makes reference to the bus captain performance system to identify areas for improvement in the respective performance of bus captains and provide appropriate training for them. To take care of passenger safety on board, the module on driving technique and attitude for preventing passengers from “losing balance” has been enhanced for the basic training, remedial training and refresher courses. Through training and coaching, the BCTS strives to improve bus captains’ performance beyond expectation.

## Care for the Environment

We are driving into a new era with our eco-friendly bus fleets and many other sustainable innovations and technologies. We strive to be a carbon neutral bus operator by 2050 to set a new industry standard.







**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 and environmental 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 communications on environmental issues; and
- ✔ Ensuring compliance with all applicable local environmental legislation and other relevant requirements.

## Environmental Management

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



KMB and LWB commit to employing eco-friendly buses to foster carbon neutrality in Hong Kong

# SUSTAINABILITY REPORT



## Adopting TCFD reporting

The Task Force on Climate-related Financial Disclosures (“TCFD”), established by the Financial Stability Board, was set up to define how reporting could take account of climate-related issues. We adopted the framework recommended by TCFD, discussing in detail the risks of climate change, the potential impact on our business, and the actions we are taking to cope with these risks.

## Governance

TIH’s Board has overall accountability for managing all risks and opportunities, including climate change. The Board-level Committee, Audit and Risk Management Committee, was appointed to oversee strategic ESG-related issues related to 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 short- to long-term plans.

## Our Environmental Targets

## Our Visions and Targets

To align with the National 14<sup>th</sup> Five-Year Plan and the emission reduction target of the HKSAR Government, the Group has outlined a vision of upgrading the whole fleet with new energy buses by 2050. Hence, we have set short-term Environmental Targets for the financial year (“FY”) 2023. Using FY2019 as the baseline, we plan to reduce the carbon intensity and energy intensity, comprising carbon footprint of bus, oil consumption, electricity consumption and water consumption. Meanwhile, the Group is undergoing an in-depth ESG checking and planning to establish long-term targets to reach our 2050 vision.

## Risk Management

We have integrated climate-related risks into the Group’s Enterprise Risk Management. A Risk Key Performance Indicator (“Risk KPI 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 Risk KPI Report provides a comprehensive profile of the major risks and the mechanism established for monitoring these risks.

### Target by FY 2023

(Baseline: FY 2019)



# -10%

## Carbon Footprint of Bus

tCO<sub>2</sub>e per million km

Progress by FY2021: **-1.29%** (On Track)



# -10%

## Diesel Oil

GJ per million km

Progress by FY2021: **-1.42%** (On Track)



# -10%

## Electricity

kWh per m<sup>2</sup>

Progress by FY2021: **-37.50%\*** (On Track)



# -5%

## Water

m<sup>3</sup> per bus

Progress by FY2021: **-19.72%\*** (On Track)

\* The electricity and water consumption will be increased in the coming two years due to the implementation of anti-epidemic measures and reduction of using diesel oil buses.

## 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 2021, there were 584 Euro VI buses (including three Euro VI diesel-electric hybrid buses), 2,935 Euro V

buses and ten battery-electric buses in the KMB fleet, and 119 Euro VI buses, 117 Euro V buses and four battery-electric buses in the LWB fleet. The latest Euro VI double-decker features a glass window that shows the staircase leading to the upper deck. Sunlight is directed onto the stairs, enhancing the brightness in the bus compartment, safety and passengers' experience. The majority of these buses have been deployed on routes passing through low-emission zones to improve the air quality in busy districts. 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 emission". The average age of the KMB bus fleet is 6.6 years, while that of LWB is 6.0 years.



KMB has purchased 16 new single-deck electric buses as a step forward to the vision of upgrading the entire fleet to new energy buses by 2050

# SUSTAINABILITY REPORT

## Exploring Renewable Energy and Zero-emission Bus Technologies

KMB and LWB strive to explore renewable energy and zero-emission technologies, demonstrating KMB and LWB's determination to introduce green public transport in Hong Kong. To attach great importance to pursue the Government policy of achieving carbon neutrality by 2050, KMB and LWB introduce the electrification roadmap and plan to install over 22,000 solar panels in order to illustrate its development blueprint for new energy and electric buses.

- ✔ KMB plans to introduce 500 electric buses by 2025, accounting for one-eighth of the whole bus fleet. In the long run, KMB hopes that new-energy buses will be deployed in the entire fleet by 2050 to make Hong Kong a green city. KMB and LWB have 30 single-deck electric buses, together with the 52 double-deck electric buses privately purchased this year. It is expected to have over 80 electric buses by 2022;
- ✔ KMB has introduced the third generation solar panels on double-deckers. The system reduces the air temperature in the compartment by around 8-10°C compared to a bus without such a system. It supplies power to the fans of the air-conditioning system, thereby reducing fuel consumption. The third generation solar panel bus can save 5-8% of fuel consumption on each bus daily, which

is equivalent to reducing about six tonnes of carbon emissions per bus annually. The system becomes a standard feature in new purchase buses;


- ✔ Hydrogen fuel cell bus, alternative new energy technology, is being explored with bus manufacturers for the route with longer driving range. KMB will collaborate with different potential suppliers for hydrogen supply in order to follow the latest Government policy for the pilot trial scheme; and
- ✔ About 22,000 solar panels will be installed on buses, at depots, and bus stops. Up to ten million kilowatt-hours (kWh) of electricity will be generated annually, equivalent to the annual electricity consumption of 2,300 households in Hong Kong, and reducing about 5,400 tonnes of carbon dioxide emissions. As a franchised bus company with the largest solar panel system in Hong Kong, KMB and LWB aim to lead the public transport industry toward the new green era and promote carbon neutrality.

## Checks on CO<sub>2</sub> Concentration

Each year, 80 KMB buses and 15 LWB buses from passenger-intensive bus routes are selected for a data logger measurement of indoor CO<sub>2</sub> concentration. Our buses generally demonstrate compliance with the requirement.



To promote green public transport in Hong Kong, KMB and LWB lay out an electrification roadmap and install solar panels at bus stops and on bus roofs

 CASE STUDY



## Solar Bus to Reach Carbon Neutrality

To address the global warming crisis, KMB has been actively promoting the use of renewable energy. The third generation solar power devices installed on bus roofs generate electricity that drives 16 fans in the air-conditioning system. Ventilators powered by solar panels will start when the temperature in the saloon reaches 35°C or above after the bus engine stops. The hot air inside the bus will be vented, lowering the temperature by 8 to 10°C and saving seven litres of fuel per bus each day while reducing the fuel consumption by 5 to 8%, equivalent to six tonnes of carbon emission per year. KMB has been developing solar energy devices on buses since 2017. The third generation has a larger coverage area than previous ones. Solar panels are only 2mm thin and can be

directly pasted on bus roofs without installing aluminium frames, reducing the weight added to buses from 110kg to 70kg. The device also supplies electricity to the fans in the air conditioning system, increasing the energy efficiency by 33% when compared to that of the previous generation.



**Reducing 8%**  
of fuel consumption per bus daily



**Reducing 6 tonnes**  
of carbon emission per bus annually



Eric Cheung, Engineer at KMB

“ Summer in Hong Kong is hot. The temperature inside bus compartments rises when buses are parked outdoor under bright sunlight. We used to start engines and air conditioners to cool the bus interiors before picking up passengers, causing higher fuel consumption. In view of this, we have conducted studies on installing solar panels on bus roofs to supply electricity to exhaust fans on buses to vent the hot air out; that is, using solar energy to solve the heat problem brought by the sun. We have been improving our solar panel designs by introducing ultra-thin solar panels as thin as 2mm. The new design makes the panels weigh less and have a larger coverage area that almost doubles the power supply efficiency. We have played a team effort throughout the process and are very happy to contribute to environmental protection. ”

# SUSTAINABILITY REPORT

## Emissions Reduction

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

As part of our environmental protection commitment, KMB and LWB make continuous investments in upgrading the environmental performance of bus fleets and patrol cars. KMB and LWB have introduced electric patrol cars for back-up support and set up electricity-recharging facilities at the 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 we do it in a responsible way without posing risks to human health or the environment.

## Fuel

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

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

## Electricity

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

Besides 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 adjustment of illumination time of parking depots and optimisation of equipment used to support our facilities' operation duration.

We cooperate with a power company to install Solar Photovoltaic Systems consisting of more than 3,500 solar power panels at depots, bus termini and bus shelters to strengthen the application of renewable energy and reduce greenhouse gas emissions.

## Green Measures in the Office

The Green Office concept drives both the design and the renovation of our premises. We run our air-conditioning system 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. Solar film will be installed on building windows to isolate the outside heat effect and reduce electricity consumption and the demand for air-conditioning. We have also set up recycling arrangements for used toners, plastic materials and used papers.

## 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 ten automatic waste water 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 set up rainwater collection and recycling system has been introduced in some of our satellite depots. We would continue to install more rainwater collection and recycling systems in some other bus depots in the coming years so as to increase water consumption saving.

## Our Environmental Targets

### Target by FY 2023

(Baseline: FY 2019)



### Solid Chemical Waste

kg per million km

Progress by FY2021: **-3.79%** (On Track)



### Metal

kg per million km

Progress by FY2021: **-1.28%** (On Track)

## Tyres and Metals

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

## Fluorescent Tubes

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

## Oil and Chemicals

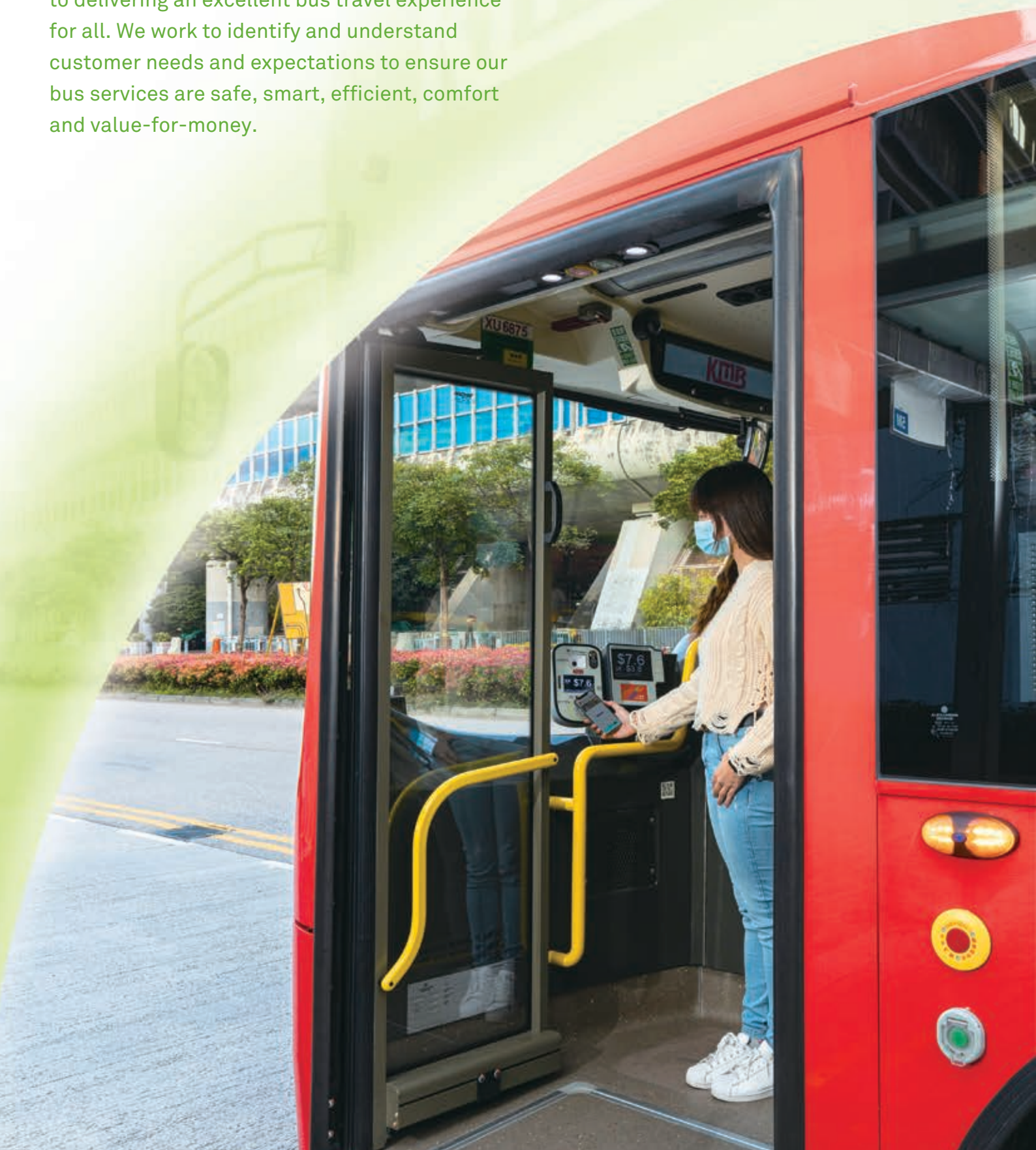
Solid chemical waste is processed and stored by type in designated areas at bus depots before being disposed of by a registered chemical waste collector at the Government's Chemical Waste Treatment Centre, while waste oil is recycled or disposed of in accordance with the statutory standards.

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.



## Care for Customers

As a public transport provider, we are dedicated to delivering an 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, comfort and value-for-money.







## Industry, Innovation and Infrastructure



## Sustainable Cities and Communities

### Innovation and Convenience

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

### Electronic Payment System

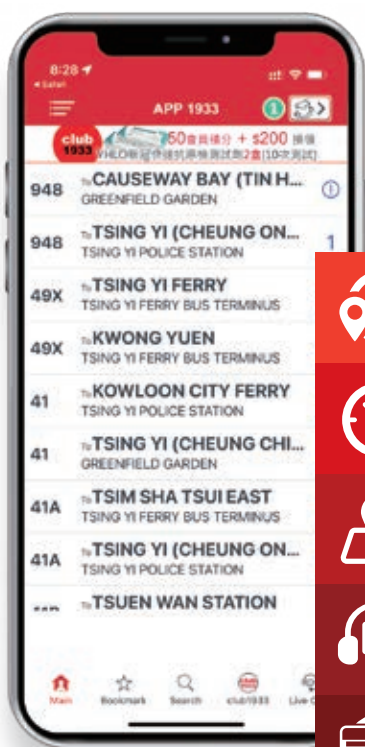
LWB has become the first franchised bus company in Hong Kong to install a diversified electronic payment system in its fleet. The system supports ten contactless payment methods, including credit cards, digital wallets on mobile devices, smart watches, and QR code for easy, fast and convenient bus fare payment options. It demonstrates our commitment to providing a better travelling experience and contributes to Hong Kong’s smart city vision. In 2021, the diversified electronic payment system has been extended to KMB.






### App1933

With one million daily unique users and around six 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. App1933 had a number of upgrades during the year, including:

- ✔ The introduction of Estimated Travelling Time and upgrade of the Bus Estimated Time of Arrival (“ETA”) service, to enable users to plan their trips more easily and check the ETAs provided by KMB and LWB as well as other franchised bus companies;
- ✔ The enhancement of the built-in location-based function, with which users can check real-time traffic conditions, weather information, flights schedule, anti-epidemic information and bus route suggestions based on their current location through the new “Relax Corner” feature;
- ✔ The introduction of the new membership scheme club1933, under which passengers can enjoy bus rides while earning points for gifts; and
- ✔ The development of the Artificial Intelligence Chatbot function, through which users can obtain information directly and precisely.



-  Estimated Travelling Time
-  Estimated Bus Arrival Time
-  Bluetooth Beacon Signal
-  Chatbot
-  Real-time Traffic Conditions & Weather Information

App1933 has been further enhanced with a series of innovative caring functions to take better care of passengers’ needs

# SUSTAINABILITY REPORT



Buses under the “New Long-haul Bus Service” are equipped with free 5G Wi-Fi to elevate passengers’ travelling experience

## 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 to our passengers.

- ✔ Our “New Long-haul Bus Service” mainly provides free 5G Wi-Fi service, the latest safety features, comfortable seats and allows no standee, offering a brand-new travelling experience to passengers; and
- ✔ An introduction of “5G Bus” with an ultra-fast free 5G Wi-Fi service. Passengers can enjoy 5G Wi-Fi service for free with unlimited sessions, elevating their travelling experience with an ultra-fast, stable and smooth 5G network.

## Facilities Upgrade

- ✔ Since the outbreak of pandemic in 2020, KMB has retrofitted more than 600 new licensed Euro VI buses with horizontal ventilation windows to provide natural ventilation and to bring passengers a comfortable journey;
- ✔ The Solar-powered Bus Shelter Campaign promotes green energy by installing solar panels to power lighting or mosquito repelling devices. 1,950 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 further bus route information, including bus frequencies;

- ✔ KMB and LWB have installed the Bus Information Panel System on more than 3,900 buses. With the alighting reminder function on App1933, passengers can obtain real-time bus stop information through the display screens on the upper and lower decks;
- ✔ 1,100 bus stop locations are equipped with display panels showing the estimated time of bus arrivals;
- ✔ The air quality in bus compartments benefits from electrostatic air filters installed on KMB and LWB buses; and
- ✔ All KMB and 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 have a fresh air function that extracts fresh air outside the compartment and purifies it using a double-layer filter system.

## Accessibility

Access to transportation is vital for independent living. 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, as well as wide entrance and exit doors for better passenger access, which means all KMB and LWB buses are accessible to the elderly and wheelchair users. In addition, KMB has retrofitted around 200 buses to accommodate two wheelchair passengers, to run mainly on routes travelling to and from hospitals.

## Upgrade of Depots, Termini and Bus Stops

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

- ✔ Bus Interchange Platform Numbering System is launched to facilitate passengers with greater convenience to enjoy Bus-Bus Interchange concession and have more choices; and
- ✔ Seats for the elderly, the disabled and young children are being introduced at bus shelters, bus termini and interchanges. By the end of 2021, 2,205 seats had been installed.

## 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 2021, including the following:

#### KMB

- ✔ KMB extended the Regional Short-haul Two-way Section Fare Scheme in Tuen Mun, Yuen Long and Tin Shui Wai to a total of 34 routes, in which the number of card readers increased to 53. The second Scheme was extended to Tseung Kwan O covering 16 routes with 27 card readers. Passengers of 15 selected routes can enjoy intra-district rides with a single fare as low as HK\$5.4 by tapping an Octopus card over any of the 27 Octopus card validators at bus stops after alighting;
- ✔ KMB Fare Saver Scheme offered a fare discount of up to HK\$4.0, covering some campuses of educational institutions and shopping malls;

- ✔ Partnering with Wilson Parking to encourage Park-and-Ride on KMB buses from Admiralty to Central, Wan Chai and Causeway Bay;
- ✔ A new interchange discount scheme for passengers interchanging designated bus routes between Ma Wan and Tsuen Wan, and vice versa;
- ✔ A senior passengers' special fare rebate scheme launched on weekends and public holidays in November and December 2021;
- ✔ ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when they paid for KMB and LWB rides;
- ✔ A fare rebate scheme for Citibank cardholders who enjoyed a 15% bus fare rebate year-round;
- ✔ Partnering with Hong Kong Tramways Limited and some Green Minibus operators, KMB provides inter-modal interchange fare concessions covering routes on Hong Kong Island and in the New Territories;
- ✔ A KMB-MTR interchange discount for passengers interchanging from designated routes solely operated by KMB to designated MTR stations, and vice versa; and
- ✔ Four new Bus-Bus Interchange concession schemes covering new services in New Territories East and West.

#### LWB

- ✔ ICBC/KMB UnionPay Dual Currency Cardholders enjoyed a maximum of 20% bus fare rebate when they paid for KMB and LWB rides;
- ✔ A fare rebate scheme for Citibank cardholders who enjoyed a 15% bus fare rebate year-round; and
- ✔ A new Bus-Bus Interchange concession scheme with New Lantau Bus was offered for passengers to leisure spots in Mui Wo, Tai O and Ngong Ping.



Platforms at interchanges and along trunk roads are now numbered so that a bus stop can be more easily located and more transfer options be provided



KMB Monthly Pass holders can enjoy exclusive privileges including the Bus Passenger MicroInsurance

## Bus-Bus Interchange (“BBI”) Schemes

KMB and LWB’s BBI Schemes offer fare discounts to passengers on the second leg of journeys and broaden the network coverage. As of the end of 2021, KMB operated a total of 157 BBI Schemes covering all KMB operated routes, while LWB operated 28 Octopus BBI Schemes covering 29 routes. The opening of the bus interchanges at the Tseung Kwan O Tunnel (Kowloon-bound) allows passengers to travel with a flexible journey plan. The KMB and LWB websites provide more detailed and comprehensive route-to-route BBI information for passengers.

## KMB Monthly Pass

The KMB Monthly Pass Scheme, whereby passengers can take up to ten rides per day on KMB buses for HK\$780 (and two additional trips on Route B1). The Pass covers over 400 KMB routes, including regular routes, overnight routes, racecourse routes and jointly operated Cross-Harbour Routes operated by KMB. The price of the Pass remains unchanged even the fare increment was launched in April 2021.

The KMB Monthly Pass holders can unlock some exclusive privileges, including the following:

- Each purchase of Monthly Pass can earn 780 points of the KMB membership scheme, club1933. Along with 200 welcoming points, the Pass holders can earn 980 points during the first registration, and the points are redeemable for KMB Masks and special gifts;

- Enjoy seamless protection from the Bus Passenger MicroInsurance “BUS RYDE” during a KMB journey;
- Enquiries via the KMB Monthly Pass Exclusive Hotline (3947 7888) will be handled by assigned operators; and
- Experience a comfortable bus journey on LWB “A” Routes, Routes P960 and P968 by paying a “Fare for Upgraded Journey.”

## Customer Privacy Protection

As the public uses our transport services on a daily basis, we recognise the vital role we play in protecting our customers’ privacy and strive to be 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 on all buses equipped with a CCTV system to inform bus passengers and bus captains of their 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 following management approval in accordance with the governing procedures.

CCTV cameras, including forward-looking cameras, to monitor road and saloon conditions, have been standard features on all new buses since 2015. At the end of 2021, CCTV cameras were installed on all KMB and LWB buses. The cameras protect the interests of bus captains in the event of police investigations or legal proceedings.

## CASE STUDY

# Enhancing their Experience through Innovative Initiatives

Innovation and caring services underpin KMB and LWB's philosophy. We have launched numerous fare concession plans to give back to customers and enhanced services to meet the daily needs of the public. KMB and LWB have launched a new membership programme, club1933. Passengers can register through the mobile application App1933 and earn points by taking buses to redeem exclusive gifts besides KMB Masks and hand sanitisers, which is an all-new travelling experience offered to passengers while we fight against the pandemic together with the community.



Mr Li, Passenger

In view of the demand for weekend entertainment, we have published Recreational Routes Recommendation eBooks to share with passengers many different leisure hot spots and themed tours across the city. Whether you are a lover of the indoors or a great outdoorsman, and no matter if you enjoy the urban bustle or countryside serenity, you can still fully enjoy your weekends and holidays on the recommended routes.

“ There were fewer choices of transport in the past. Now with more Octopus card validators installed for regional short-haul two-way section fare scheme at bus stops and bus interchanges, I can have more options to choose from when I go out. What's more, I can join club1933 to earn points and redeem gifts by travelling by bus. I love using App1933 to look for different bus interchange combinations that best fit my needs and get route recommendations for weekend leisure. I start to think that taking buses is a pleasure rather than just a habit. ”

## Care for Employees

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

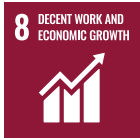




**Quality Education**



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

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

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



For better protection of staff and their families, the Government's outreach COVID-19 vaccination team has been invited to administer vaccines in KMB and LWB depots

# SUSTAINABILITY REPORT



The scholarship programme set up by KMB and LWB has benefitted more than 370 children of our staff members

## Staff Benefits and Wellbeing

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

- ✔ Increasing the annual leave entitlement of frontline and clerical staff;
- ✔ Upgrading the staff medical benefits by reallocating the staff clinics to more convenient locations; and
- ✔ Enhancing the staff dental benefits by providing more choices of service vendors and convenient locations at corporate discount rates.

We are committed to fostering a caring culture which covers both our staff members and their families. Since 2015, we have been providing a scholarship programme for the children of staff with satisfactory academic performance to support their tertiary education. As at 31 December 2021, more than 370 children of KMB and LWB staff members had received scholarships. We further launched an 8-week summer internship programme for our staff's children this year, allowing students to understand their strengths and potentials and have a better future career plan.

Festive joys were brought to our staff at different festivals as well. At the Lunar New Year, we distributed Chinese New Year gifts to our staff, while at Christmas, we organised a Christmas Lucky Draw live broadcast to celebrate the festive season. Senior corporate executives and managerial staff joined the gatherings and shared the festive joy with colleagues. During the year, several initiatives were implemented with overwhelming feedback. Online concerts also attracted those who were fond of talent shows.

In 2021, KMB and LWB launched a series of health-related activities, including health talks, free health books distribution, healthy meal menu available in staff canteens, a sports competition including jump rope and hula hoop, to promote a healthy lifestyle. To safeguard the health of our employees and passengers, we arranged the Government's outreach vaccination service and group booking service for our staff and their family members.

KMB and LWB continue to renovate and upgrade the working environment, especially for frontline staff, to provide better rest facilities for staff to take rest breaks. Our staff leisure areas, Club 1933, at Kowloon Bay Depot and Lai Chi Kok Depot, where a pool table, air hockey table and table football, are available.

To promote work-life balance, KMB and LWB staff members are encouraged to participate in sports and leisure activities as well as voluntary work. As at the end of 2021, ten interest clubs were available for staff interested in singing, hiking, photography, basketball, table tennis, badminton, soccer, running, chess and dragon boat racing. Various activities, training, and competitions were organised to promote a healthy work-life balance and boost team spirit.

In the most uncertain of times like during the COVID-19 pandemic, supporting employees' mental health is as important as other initiatives. KMB and LWB have engaged the Christian Family Service Centre to provide a counselling hotline service for staff members, including bus captains who need psychological assistance. The hotline offers service 24 hours a day, 7 days a week, and covers family members.



## Occupational Safety and Health

To promote and develop a strong safety culture among the Company, Safety Quiz, incorporating occupational safety and health issues and operations safety with both online and physical arrangements, was held successfully in 2021. KMB and LWB staff members are encouraged to suggest improvement measures to enhance health and safety. We have adopted staff suggestions at the regular meetings of the Working Committee for Safety, a series of safety control measures have been introduced.

## TIH Retiree Association

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

## Staff Development and Training

In 2021, KMB Technical Training School run 212 in-house training sessions for 1,020 skilled workers, while ten training sessions were organised in collaboration with our manufacturers for 171 senior maintenance staff. In addition, 28 apprentices were enrolled in the Apprentice Training Programme. The quality of our apprentice training was once again recognised in 2021 when a KMB apprentice was awarded the third Runner-up in the Vocational Training Council's Best Apprentice in the Automobile Trade Competition.

To nurture young people who aspire to a career in bus maintenance, the School runs a four-year apprenticeship training programme and a two-year technical trainee programme, in which the technical trainee programme was accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and recognised at level two under the qualification framework in Hong Kong, marking a new professional standard for the bus industry. The technical trainees who complete the programme will receive the "Certificate in Bus Maintenance" and a Completion Certificate recognised by two European bus manufacturing giants, Alexander Dennis Limited and Volvo Buses.

The total number of graduates since the School was established in 1973 stands at 2,549. KMB Academy is established in early 2022 to demonstrate our determination to strive for continuous service improvements and staff training, as well as to ensure a stable team providing maintenance service for the KMB, LWB and the transport industry.

## 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 Inspectors under Operations Section to enhance their knowledge and skills on handling emergency traffic incidents.



KMB and LWB have organised sport competition and parent-child activities to promote a healthy work-life balance

# SUSTAINABILITY REPORT

## Recognition for Service Excellence

In 2021, 264 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 36 employees received the 35-year award and a gold medal, 71 and 326 employees received the 30-year and 20-year awards, respectively, with a plaque and a pin, and 269 employees with ten years' service received a certificate of appreciation.

Besides, a total of 105 Bus Captains were granted the Annual GreenRoad Outstanding Awards, which was newly introduced in 2021. The top ten Gold Awardees were presented a HK\$10,000 cash prize and a certificate of appreciation. Including the Retirement Awards, over 1,500 employees were awarded in appreciation of their loyal and outstanding service.

## Staff Communication

To strengthen bilateral communication and employee wellbeing, the Joint Consultative Committees, comprising the management and staff representatives representing around 90% of total workforce, holds meetings regularly. The meetings are to review issues including safety, operations, work environment and staff welfare.

Staff members are kept informed through the staff website of useful information, including KMB and LWB announcements, safe driving tips, snapshots of KMB and LWB activities and notices of forthcoming events. Staff can check duty roster information and make annual leave arrangements through the internal application, OPS1933, and internal portal, as well as using an e-learning training platform. The bi-monthly corporate magazine, *KMB Today*, provides another means of keeping employees up to date on KMB and LWB news and industry developments.

We make use of media and online platforms to share information with our staff to cope with the onset of the COVID-19 and various infection control measures. Several online activities and programmes, including an online staff music concert and the Christmas Lucky Draw, were held on the KMB Staff Facebook page to maintain the connection with staff members.

## Senior Management Visits

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



Training courses are provided for operation inspectors to enhance their knowledge and skills in handling emergency traffic incidents

CASE STUDY

## Embrace Meritocracy and Equality

KMB is committed to creating an inclusive society by promoting equal job opportunities and constructing a harmonious working environment. For years, KMB has initiated a flexible employment mode to hire people with disabilities, non-Chinese and retirees. Their jobs and work hours are arranged based on their talents and education levels. They enjoy the same benefits as other full-time staff members do, including annual leave, medical and body check benefits, a bus pass for their dependents, a discounted price for haircuts, shopping discounts, etc.

The Coin Box Operations Section has hired people with hearing-impairment to help collect coin boxes on buses on a routine basis, and sort and count the coins by putting them into the sorting machine. KMB has also hired graduates from Hong Chi Association to assist in bus cleaning.

Besides jobs at workshops, KMB also offers back-end clerical positions for people with disabilities to discover their talents. This not only allows them to realise their full potential but also gains more practical experience that can be applied in daily life. The Customer Service Centre in Tuen Mun Road Interchange also offers internships for disabled people, where their retail and customer services skills are trained.

KMB also hires non-Chinese and retirees to work in different positions, including bus captains, maintenance workers and clerks, to let them utilise their skills and integrate into the big family of KMB.



**16.0%**

of the total workforce are non-Chinese, people with disabilities or retirees.



Chan O-shun, Worker at Coin Box Operations Section

“ KMB is my first employer. I have joined the Company for more than three years and got along well with my colleagues. They have offered me a lot of help, and we’re just like a family. Besides the Coin Box Operations Section, KMB also lets me work at the Legal Department, where I can learn more computing skills including word processing. All these have enhanced my interpersonal skills. It is beyond my expectation that I would work in an office, and I really treasure such an opportunity. ”

## Stakeholders Engagement

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





Athletes participated in the Tokyo 2020 Olympic Games and Paralympic Games were awarded Bus Naming Rights and free ride passes as a commendation for their efforts

## Engaging the Public

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

### Events

In 2021, a number of events were organised to interact with the public we serve:

- ✔ KMB and LWB held a total of 12 Passenger Liaison Group meetings at bus termini across their operating areas to collect customer views on a variety of issues, including interchange schemes, environment-friendly buses, passenger facilities and network connectivity;
- ✔ In April and October, KMB ran pop-up stores at Tuen Mun V city and Sham Shui Po V walk. The stores allowed the public to understand more about KMB's services, showcasing bus models and providing various games and photo opportunities related to bus services;
- ✔ In July, KMB joined the Hong Kong Book Fair in Hong Kong Convention and Exhibition Centre; and
- ✔ In December, as a commendation for the can-do spirit of Hong Kong elite athletes and their outstanding achievements at the Tokyo 2020 Olympic Games and Paralympic Games, KMB held an appreciation ceremony to offer "Bus Naming Rights" and free ride passes to all athlete representatives of the Hong Kong Delegation.

## Media and Social Media Platforms

In 2021, we invited the media to our events to strengthen communication and made increasing use of social media platforms such as Facebook and Instagram to publicise KMB and LWB-related information. Our interaction with netizens included a number of cross-media activities. These activities proved popular, as the number of fans of our Facebook page grew from over 170,000 in January to over 181,000 at the end of December. Likewise, the KMB Instagram account had reached more than 762,000 netizens in 2021.

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

The following activities were organised via online social media platforms:

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

### App1933

KMB has further launched the "Relax Corner" on App1933 to strengthen passenger information and interaction. Mini-games, bus fans blog, anti-epidemic measures and other updated route information are available in this corner.

# SUSTAINABILITY REPORT

## club1933

A new membership scheme, club1933, was launched bringing a brand new travelling experience to passengers. Passengers can register on App1933 and travel by bus to earn redeemable points on exclusive privileges.

## Websites

The KMB and LWB websites (www.kmb.hk and www.lwb.hk), as corporate information portals, provide corporate news, promotion information and a customer enquiry service. The websites also serve our passengers by providing a map-based point-to-point bus route search function with 360-degree photo “Street View” and “Octopus Refund Enquiry” functions.

## Depot Visits

To increase our stakeholders’ understanding of the daily operations at our bus depots, we received visitors from seven organisations in the reporting period, including social service organisations, Government departments and higher education institutes. We also engaged schools and non-government organisations through a depot visit programme to promote good manners and safety awareness on the bus, especially for students and families. We hosted 18 delegations in 2021.

## Excellent Customer Service

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

## Introduction of Chatbot

To provide more channels for passenger enquiries, KMB and LWB have set up an artificial intelligence Chatbot channel, bot1933, on their websites and App1933 to provide instant and year-round responses to customer enquiries. Since its launch in October, the capability of Chatbot channel to handle passenger enquiries was being enhanced and received positive feedback.

## Customer Service Hotline

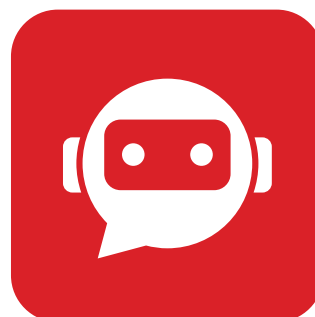
The KMB customer service hotline (2745 4466) and LWB customer service hotline (2261 2791) with a hotline operator service available daily, complemented by a 24-hour hotline system. Shortcut keys to get through to a live operator are available for prompt reporting of illegal parking that affects bus service and for providing assistance in finding lost elderly people.

## Customer Service Centres

Our Customer Service Centres provide passengers with a one-stop service offering KMB and LWB souvenirs, Octopus card add-value services and the provision of bus route information, while the Tai Lam Interchange Customer Service Kiosk similarly provides a wide range of services. The kiosk provides cash withdrawal and free Wi-Fi services, as well as a range of convenience goods, providing a handy one-stop service. Tuen Mun Road Bus-Bus Interchange Customer Service Centre provides an air-conditioned waiting area for passengers to enjoy a comfortable environment.



KMB and LWB has launched a Chatbot channel, bot1933, to provide instant and year-round response to customer enquiries





The Donation of Used and Retired Bus Programme has received positive feedback from schools and students

## Membership of Associations and Advocacy

During the reporting period, we further strengthened our connection with stakeholders via participation in 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 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 and help the 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. The buses can be regenerated explicitly to meet the creative learning needs of the schools or non-profit organisations. For the Donation of Bus Stop Pole Programme, we donated tailor-made bus stop poles to the elderly homes to help prevent seniors with dementia from wandering and missing and assist them in receiving treatment.

The list of beneficiary schools/non-profit organisations that received a donated bus/bus stop pole in 2021 is as follows:

#### Retired bus donation

- ✔ Tsang Pik Shan (Sung Lan) Secondary School;
- ✔ Creative Kindergarten; and
- ✔ Tung Wan Mok Law Shui Wah School.

#### Bus stop pole donation

- ✔ Lok Sin Tong Biu Chun Day Care Centre for the Elderly;
- ✔ TWGHs Jockey Club Blissful Villa; and
- ✔ Heung Hoi Ching Kok Lin Association Buddhist Po Ching Care And Attention Home for the Aged Women.



Bus stop poles are donated to elderly homes to help prevent seniors with dementia from getting lost

# SUSTAINABILITY REPORT

## Community Participation

- ✔ KMB and LWB participate in the International Day of Disabled Persons event organised by The Hong Kong Council of Social Service, offering free rides on all bus routes to people with disabilities and one accompanying carer every year;
- ✔ KMB and LWB supported the annual Senior Citizens Day by offering free rides to people aged 65 and over;
- ✔ KMB offers Free Ride Days (Cross-Harbour Routes and Recreational Routes) for the elderly on Saturdays, Sundays and Christmas Holidays in November and December. Through the “Rebate-after-ride” arrangement, the elderly can automatically get the fare rebate using the same Elder Octopus card to take a bus trip, make a consumption or reload after ten working days;
- ✔ KMB has invited medical specialists to shoot a video for broadcast via the bus information panels at bus stops and on buses, sharing health precautions with the elderly; and
- ✔ We sponsor a variety of local community programmes, including The Community Chest of Hong Kong’s Dress Casual Day and the University of Hong Kong’s Distinguished Transport Lecture Series and take part in The Hong Kong Council of Social Service Caring Company Patron’s Club. In 2021, KMB provided bus body

advertisements for 20 non-governmental organisations (“NGOs”) on 31 buses.

## 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 2,170 members, including passengers and KMB and LWB staff and their dependents.

During the reporting period, FRN volunteers participated in regular home visits and made care calls to the elderly who suffered from depression. The programme was organised by the Suicide Prevention Service, with whom FRN has built a partnership since 2013. FRN also assisted Food for Good Community Kitchen in packing hot meals and the People Service Centre’s “Food Friend Action” in collecting food from markets and bakery shops for the elderly and underprivileged families every week. In recognition of our contributions to the community, FRN received the Award of 10,000 Hours for Volunteer Service, Honour Award in the Highest Service Hour Award (Private Organisations – Best Customers Participation) and Merit in the Highest Service Hour Award (Private Organisations) from the Social Welfare Department.



FRN has continued its voluntary work amid the pandemic





## CASE STUDY



### Joining Hands to Embrace Social Inclusion

KMB and Hong Chi Association (HCA) have joined hands to foster a business-school partnership to take students out of the classroom. Students are given more opportunities to showcase their talents, which helps them integrate into society and equips themselves to enter the job market after graduation. Through KMB's Customer Service Centre at the Tuen Mun Road Bus Interchange (Tuen Mun-bound), students are able to show their art installations and sell their handmade decorations and accessories to the public. We have also provided on-the-job training courses for students on cleaning, cashier and shopkeeping services. The Café1933, a staff coffee shop, offers retail placements

as well as food and beverages for students. Under the partnership, KMB has also recruited graduates to clean bus compartments at depots and help with office gardening and greening. KMB is using its resources in many different ways to benefit and nurture the youth, including donating retired buses under the Donation of Used and Retired Bus Programme.



Mr Yuen Hok Sum  
Principal, Hong Chi Morninghope School, Tuen Mun

“ Students' placements and training opportunities are fewer under the pandemic. KMB has provided a multi-platform and placements for students to participant in animation production, show their artistic creations and improve their retail skills. Students are satisfied to have a chance to show their creations to the public. The interactive process helps students develop and unleash their potential. It is good for them to have pre-work experience. ”

## Performance Highlights

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### Safety

Over 80% of bus captains received excellent results in GreenRoad Outstanding Award on Safety and Eco-driving Performance



### Environment

Diesel oil consumption intensity  
↓ 0.69%



### Customer

AI Chatbot channel, bot1933 provided a 24-hour service



### Employee

16% of total workforce with non-Chinese, people with disabilities and retirees



### Community

Over 36,000 voluntary hours



### Supply Chain

Set up Green and Sustainable Procurement Policy

## Reporting Governance

SUSTAINABLE DEVELOPMENT GOALS

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

# Performance Statistics

	Unit	FY 2020	FY 2021	Year-On-Year Change
<b>Environmental</b>				
<b>Emissions</b>				
GHG Emissions of Bus (Scope I)	tCO <sub>2</sub> e	506,459 <sup>1</sup>	<b>516,326</b>	+1.95%
GHG Emissions of Bus (Scope I) Intensity	tCO <sub>2</sub> e per million km	1,769 <sup>1</sup>	<b>1,756</b>	-0.73%
GHG Emissions of Electricity (Scope II) <sup>2</sup>	tCO <sub>2</sub> e	12,852	<b>6,920</b>	-46.16%
GHG Emissions of Electricity (Scope II) Intensity <sup>2</sup>	tCO <sub>2</sub> e per m <sup>2</sup>	0.033	<b>0.017</b>	-48.48%
Nitrogen Oxides (NOx) <sup>3</sup>	tonnes	1,635	<b>1,675</b>	+2.45%
Sulphur Oxides (SOx) <sup>3</sup>	tonnes	3.09	<b>3.16</b>	+2.27%
Particulate Matter (PM) <sup>3</sup>	tonnes	118	<b>121</b>	+2.54%
<b>Waste</b>				
<i>Hazardous Waste</i>				
Solid Chemical Waste	kilograms (kg)	1,453,020	<b>1,411,945</b>	-2.83%
Solid Chemical Waste Intensity	kilograms (kg) per million km	5,075	<b>4,803</b>	-5.36%
Tyres	kilograms (kg)	1,063,800	<b>989,520</b>	-6.98%
Fluorescent Tubes	kilograms (kg)	900	<b>400</b>	-55.56%
Waste Oil	kilograms (kg)	583,060	<b>535,080</b>	-8.23%
Battery <sup>4</sup>	kilograms (kg)	166,000	<b>230,400</b>	+38.80%
<i>Non-hazardous Waste</i>				
Metal	kilograms (kg)	829,449	<b>811,556</b>	-2.16%
Metal Intensity	kilograms (kg) per million km	2,897	<b>2,472</b>	-14.67%
<b>Use of Resources</b>				
Diesel Oil Consumption	gigajoules (GJ)	7,402,297 <sup>5</sup>	<b>7,549,120</b>	+1.98%
Diesel Oil Consumption Intensity	GJ per million km	25,855 <sup>5</sup>	<b>25,677</b>	-0.69%
Water Consumption <sup>6</sup>	m <sup>3</sup>	339,724	<b>241,882</b>	-28.80%
Water Consumption Intensity <sup>6</sup>	m <sup>3</sup> per bus	80	<b>57</b>	-28.75%
Electricity Consumption <sup>6</sup>	kWh	25,703,619	<b>18,702,653</b>	-27.24%
Electricity Consumption Intensity <sup>6</sup>	kWh per m <sup>2</sup>	66	<b>45</b>	-31.82%

<sup>1</sup> The 2020 greenhouse gas emissions (Scope I) figures have been re-stated to use the Global Warming Potential provided on p.4 of the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange."

<sup>2</sup> The emission factors of greenhouse gas emissions due to electricity consumption were obtained from the Sustainability Report of CLP Power: 0.51 CO<sub>2</sub>e/kWh in 2019, 0.50 CO<sub>2</sub>e/kWh in 2020 and 0.37 CO<sub>2</sub>e/kWh in 2021.

<sup>3</sup> The emission factors were taken from "Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

<sup>4</sup> In enhancing the travelling experience, additional customer service features on buses were installed, leading to a shorter lifecycle of the battery.

<sup>5</sup> The 2020 diesel figures have been re-stated to use the conversion factors provided on p.13 of the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

<sup>6</sup> The water consumption and electricity consumption on all KMB and LWB premises, excluding tenants, were taken into account.

# SUSTAINABILITY REPORT

	Unit	FY 2020	FY 2021	Year-On-Year Change
<b>Social</b>				
<b>Employment</b>				
Total Workforce	no. of employees	13,582	<b>13,069</b>	-3.78%
<i>By Gender</i>				
Female	no. of employees	1,172	<b>981</b>	-16.30%
Male	no. of employees	12,410	<b>12,088</b>	-2.59%
<i>By Age Group</i>				
Below 40 Years Old	no. of employees	3,027	<b>2,959</b>	-2.25%
40-50 Years Old	no. of employees	4,011	<b>3,886</b>	-3.12%
Over 50 Years Old	no. of employees	6,544	<b>6,224</b>	-4.89%
<i>By Employment Category</i>				
Senior Level	no. of employees	30	<b>23</b>	-23.33%
Middle Level	no. of employees	285	<b>260</b>	-8.77%
Entry Level	no. of employees	13,267	<b>12,786</b>	-3.63%
<i>By Employment Type by Gender</i>				
Full Time Female	no. of employees	1,039	<b>914</b>	-12.03%
Full Time Male	no. of employees	11,807	<b>11,503</b>	-2.57%
Non Full Time Female	no. of employees	133	<b>67</b>	-49.62%
Non Full Time Male	no. of employees	603	<b>585</b>	-2.99%
<i>By Employment Contract by Region</i>				
Permanent in Hong Kong	no. of employees	12,452	<b>12,145</b>	-2.47%
Permanent in Other Region	no. of employees	0	<b>0</b>	0
Temporary in Hong Kong	no. of employees	1,130	<b>924</b>	-18.23%
Temporary in Other Region	no. of employees	0	<b>0</b>	0
<i>By Employment Contract by Gender</i>				
Permanent Female	no. of employees	1,025	<b>902</b>	-12.00%
Permanent Male	no. of employees	11,427	<b>11,244</b>	-1.60%
Temporary Female	no. of employees	147	<b>79</b>	-46.26%
Temporary Male	no. of employees	983	<b>845</b>	-14.04%
<b>Turnover Rate</b>				
<i>By Gender</i>				
Female	no. of employees	N.A.	<b>352</b>	N.A.
Male	no. of employees	N.A.	<b>2,158</b>	N.A.
<i>By Age Group</i>				
Below 40 Years Old	no. of employees	N.A.	<b>674</b>	N.A.
40-50 Years Old	no. of employees	N.A.	<b>478</b>	N.A.
Over 50 Years Old	no. of employees	N.A.	<b>1,358</b>	N.A.

	Unit	FY 2020	FY 2021	Year-On-Year Change
<b>Social</b>				
<i>By Geographical Region</i>				
Hong Kong	no. of employees	N.A.	<b>2,510</b>	N.A.
Other Region	no. of employees	N.A.	<b>0</b>	N.A.
<b>Health and Safety</b>				
Total Number of Work-related Fatalities Occurred <sup>7</sup>	no. of employees	0	<b>0</b>	0
	rate (no. of employees/ total workforce)	0	<b>0</b>	0
Lost Days Due to Work Injury <sup>8</sup>	days	N.A.	<b>22,428</b>	N.A.
<b>Development and Training</b>				
<i>By Gender</i>				
Female	% of employees trained	N.A.	<b>49.24</b>	N.A.
Male	% of employees trained	N.A.	<b>65.07</b>	N.A.
<i>By Employment Category</i>				
Senior Level	% of employees trained	N.A.	<b>8.70</b>	N.A.
Middle Level	% of employees trained	N.A.	<b>22.69</b>	N.A.
Entry Level	% of employees trained	N.A.	<b>64.82</b>	N.A.
<i>Training Hours</i>				
Total Training Hours	no. of hours	232,024	<b>324,511</b>	+39.86%
<i>Average Training Hours By Gender</i>				
Female	no. of hours	11	<b>23</b>	+109.09%
Male	no. of hours	18	<b>25</b>	+38.89%
<i>Average Training Hours By Employment Category</i>				
Senior Level	no. of hours	1	<b>4</b>	+300.00%
Middle Level	no. of hours	6	<b>7</b>	+16.67%
Entry Level	no. of hours	17	<b>25</b>	+47.06%
<b>Supply Chain Management</b>				
<i>By Region</i>				
Hong Kong	no. of suppliers	405	<b>400</b>	-1.23%
Other Region	no. of suppliers	48	<b>38</b>	-20.83%
<b>Product Responsibility</b>				
Service Related Complaints Received	no. of complaints received per million passenger trips	N.A.	<b>1.70</b>	N.A.
<b>Anti-corruption</b>				
Concluded Legal Cases	no. of cases	0	<b>0</b>	0

<sup>7</sup> In 2019, the total number of work-related fatalities occurred: 1; Rate (no. of employees/total workforce): 0.0074%.

<sup>8</sup> The data was generated on 14 January 2022.

## Reporting Content Index Tables

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

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
<b>GRI 101: Foundation 2016</b>				
<b>GRI 102: General Disclosures 2016</b>				
<b>Organisation Profile</b>				
	102-1	Name of the organisation	Group Profile	2-3 <sup>^</sup>
	102-2	Activities, brands, products, and services	Group Profile Business at a Glance Key Franchised Bus Network in Hong Kong	2-3 <sup>^</sup> 4-5 <sup>^</sup> 6-7 <sup>^</sup>
	102-3	Location of headquarters	Property Holdings and Development	38-39 <sup>^</sup>
	102-4	Location of operations	Business at a Glance	4-5 <sup>^</sup>
	102-5	Ownership and legal form	Business at a Glance	4-5 <sup>^</sup>
	102-6	Markets served	Business at a Glance	4-5 <sup>^</sup>
	102-7	Scale of the organisation	Business at a Glance Key Franchised Bus Network in Hong Kong Financial and Operational Highlights Care for Employees	4-5 <sup>^</sup> 6-7 <sup>^</sup> 8-9 <sup>^</sup> 68-73
B1.1	102-8	Information on employees and other workers	Care for Employees Performance Statistics	68-73 81-83
B5 General Disclosure, B5.1	102-9	Supply chain	Supply Chain Management Performance Statistics	47 81-83
	102-10	Significant changes to the organisation and its supply chain	About the Report	40-41
	102-11	Precautionary principle or approach	Sustainability Governance Corporate Governance Report	43 108-129 <sup>^</sup>
	102-12	External initiatives	Group Profile Management Discussion and Analysis About the Report Safety First Stakeholders Engagement	2-3 <sup>^</sup> 18-19 <sup>^</sup> 40-41 48-53 74-79
	102-13	Membership of associations	Stakeholders Engagement	74-79
<b>Strategy</b>				
	102-14	Statement from senior decision-maker	Chairman’s Letter Managing Director’s Message	12-15 <sup>^</sup> 16-17 <sup>^</sup>

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
	102-15	Key impacts, risks, and opportunities	Chairman's Letter Managing Director's Message	12-15^ 16-17^
<b>Ethics and Integrity</b>				
B7 General Disclosure	102-16	Values, principles, standards, and norms of behaviour	Group Profile Legal and Regulatory Compliance Supply Chain Management Safety First Care for the Environment Care for Customers Care for Employees Corporate Governance Report	2-3^ 43 47 48-53 54-61 62-67 68-73 108-129^
B7.2	102-17	Mechanisms for advice and concerns about ethics	Legal and Regulatory Compliance	43
<b>Governance</b>				
	102-18	Governance structure	Sustainability Governance Safety First Corporate Governance Report	43 48-53 108-129^
<b>Stakeholder Engagement</b>				
	102-40	List of stakeholder groups	Stakeholders Engagement and Materiality Assessment	44-46
	102-41	Collective bargaining agreements	Care for Employees	68-73
	102-42	Identifying and selecting stakeholders	Stakeholders Engagement and Materiality Assessment	44-46
	102-43	Approach to stakeholder engagement	Stakeholders Engagement and Materiality Assessment Stakeholders Engagement	44-46 74-79
	102-44	Key topics and concerns raised	Stakeholders Engagement and Materiality Assessment	44-46
<b>Report Profile</b>				
	102-45	Entities included in the consolidated financial statements	Financial and Operational Highlights Reporting Focus	8-9^ 41
	102-46	Defining report content and topic Boundaries	Reporting Principles Stakeholders Engagement and Materiality Assessment	41 44-46
	102-47	List of material topics	Stakeholders Engagement and Materiality Assessment	44-46
	102-48	Restatements of information	* There was no restatement of information provided in the previous report.	-
	102-49	Changes in reporting	Stakeholder Engagement and Materiality Assessment	44-46
	102-50	Reporting period	Reporting Focus	41
	102-51	Date of most recent Report	* April 2021	-
	102-52	Reporting cycle	* Annual	-
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	102-54	Claims of reporting in accordance with the GRI Standards	Reporting Principles	41

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HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
	102-55	GRI content index	Reporting Content Index Tables	84-91
	102-56	External assurance	* The Report was not externally assured.	-
<b>Material Topics</b>				
<b>GRI 201: Economic Performance 2016</b>				
	103-1 103-2 103-3 Management Approach		Financial Review	92-107 <sup>^</sup>
	201-1	Direct economic value generated and distributed	Financial Review	92-107 <sup>^</sup>
A4.1	201-2	Financial implications and other risks and opportunities due to climate change	Care for the Environment	54-61
<b>GRI 204: Procurement Practices 2016</b>				
B5 General Disclosure, B5.2, B5.3, B5.4	103-1 103-2 103-3 Management Approach		Supply Chain Management	47
	204-1	Proportion of spending on local suppliers	Supply Chain Management	47
B5.1	102-9	Number of suppliers by geographical region	Supply Chain Management	47
<b>GRI 205: Anti-corruption 2016</b>				
B7 General Disclosure	102-29 103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance	43
B7.1	205-3	Confirmed incidents of corruption and actions taken	Legal and Regulatory Compliance Performance Statistics	43 81-83
B7.3	205-2	Description of anti-corruption training provided to directors and staff	Legal and Regulatory Compliance	43
<b>GRI 301: Materials 2016</b>				
	103-1 103-2 103-3 Management Approach		+ Materials is not considered a material topic.	-
A2.5	301-1	Materials used by weight or volume	+ Quantitative data of total packaging materials are not available as they are not applicable to KMB & LWB's business.	-
<b>GRI 302: Energy 2016</b>				
A2 General Disclosure, A2.3 A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care of the Environment	54-61



<b>HKEX ESG Reporting Guide (General Disclosures and KPIs)</b>	<b>GRI Standards</b>	<b>GRI Disclosures</b>	<b>Reference/*Direct Answer/*Reason for omission</b>	<b>Page(s) ^: refer to TIH 2021 Annual Report</b>
A2.1	302-1	Energy consumption within the organisation	Care for the Environment Performance Statistics	54-61 81-83
A2.1	302-3	Energy intensity	Performance Statistics	81-83
A2.3	302-4	Reduction of energy consumption	Care for the Environment Performance Statistics	54-61 81-83
A2.3	302-5	Reductions in energy requirements of products and services	Care for the Environment Performance Statistics	54-61 81-83
<b>GRI 303: Water and Effluents 2018</b>				
A2 General Disclosure, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for the Environment	54-61
A2.4 A3.1	303-1	Interactions with water as a shared resource	Care 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.	54-61
	303-2	Management of water discharge-related impacts	Care for the Environment * We ensure water discharge to drainage systems and water bodies were in compliance with local government requirements.	54-61
A2.2	303-5	Water consumption	Care for the Environment Performance Statistics * No specific regions are water stressed in Hong Kong.	54-61 81-83
<b>GRI 305: Emissions 2016</b>				
A1 General Disclosure, A3 General Disclosure, A3.1 A4 General Disclosure	103-1 103-2 103-3 Management Approach		Care for the Environment	54-61
A1.1 A1.2	305-1	Direct (Scope 1) GHG emissions	Care for the Environment Performance Statistics	54-61 81-83
A1.1 A1.2	305-2	Energy indirect (Scope 2) GHG emissions	Care for the Environment Performance Statistics	54-61 81-83
A1.2	305-4	GHG emissions intensity	Care for the Environment Performance Statistics	54-61 81-83
A1.5	305-5	Reduction of GHG emissions	Care for the Environment Performance Statistics	54-61 81-83
A1.1	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Care for the Environment Performance Statistics	54-61 81-83

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HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
<b>GRI 306: Waste 2020</b>				
A1 General Disclosure, A1.6, A3 General Disclosure, A3.1	103-1 103-2 103-3 Management Approach		Care for the Environment	54-61
A3.1	306-1	Waste generation and significant waste-related impacts	Care for the Environment	54-61
A3.1	306-2	Management of significant waste-related impacts	Care for the Environment	54-61
A1.3 A1.4	306-3	Waste generated	Care for the Environment Performance Statistics	54-61 81-83
A1.6	306-4	Waste diverted from disposal	Care for the Environment Performance Statistics	54-61 81-83
A1.6	306-5	Waste directed to disposal	Care for the Environment Performance Statistics	54-61 81-83
<b>GRI 307: Environmental Compliance 2016</b>				
A1 General Disclosure	103-1 103-2 103-3 Management Approach		Supply Chain Management Care for the Environment	47 54-61
A1 General Disclosure	307-1	Non-compliance with environmental laws and regulations	* There was no non-compliance with local environmental laws and regulations in 2021.	-
<b>GRI: 401 Employment 2016</b>				
B1 General Disclosure, B1.1, B4 General Disclosure	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance Care for Employees Performance Statistics	43 68-73 81-83
B1.2	401-1(b)	Total number and rate of employee turnover during the reporting period, by age group, gender and region	Performance Statistics	81-83
	401-2	Benefits provided for full-time employees that are not provided for temporary or part-time employees	Care for Employees	68-73
<b>GRI 403: Occupational Health and Safety 2018</b>				
B2 General Disclosure, B2.3	103-1 103-2 103-3 Management Approach		Safety First Care for Employees	48-53 68-73
B2.3	403-1	Occupational health and safety management system	Safety First	48-53
	403-2	Hazard identification, risk assessment, and incident investigation	Safety First	48-53
B2.3	403-3	Occupational health services	Care for Employees	68-73

HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
	403-4	Worker participation, consultation, and communication on occupational health and safety	Safety First Care for Employees	48-53 68-73
B2.3	403-5	Worker training on occupational health and safety	Safety First Care for Employees	48-53 68-73
	403-6	Promotion of worker health	Care for Employees	68-73
B2.3	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety First	48-53
	403-8	Workers covered by an occupational health and safety management system	Safety First	48-53
B2.1	403-9	Work-related injuries	Performance Statistics	81-83
B2.2	Not directly covered by the GRI Standards.		Performance Statistics	81-83
<b>GRI 404: Training and Education 2016</b>				
B3 General Disclosure	103-1 103-2 103-3 Management Approach		Safety First Care for Employees	48-53 68-73
B3.1	Not covered by the GRI Standards.		Performance Statistics	81-83
B3.2	404-1	Average hours of training per year per employee	Performance Statistics	81-83
B3 General Disclosure	404-2(a)	Type and scope of programs implemented and assistance provided to upgrade employee skills	Care for Employees	68-73
<b>GRI 405: Diversity and Equal Opportunity 2016</b>				
B1 General Disclosure	103-1 103-2 103-3 Management Approach		Care for Employees	68-73
B1.1	405-1(b)	Percentage of employees per employee category in each of the following diversity categories: ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	Performance Statistics	81-83
<b>GRI 406: Non-discrimination 2016</b>				
B1 General Disclosure	103-1 103-2 103-3 Management Approach		Care for Employees	68-73
<b>GRI 408: Child Labour 2016</b>				
B4 General Disclosure	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance	43

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HKEX ESG Reporting Guide (General Disclosures and KPIs)	GRI Standards	GRI Disclosures	Reference/*Direct Answer/*Reason for omission	Page(s) ^: refer to TIH 2021 Annual Report
B4.1 B4.2	408-1(c)	Operations and suppliers at significant risk for incidents of child labour. Measures taken by the organisation in the reporting period intended to contribute to the effective abolition of child labour	Legal and Regulatory Compliance Supply Chain Management	43 47
<b>GRI 409: Forced or Compulsory Labour 2016</b>				
B4 General Disclosure	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance	43
B4.1 B4.2	409-1(b)	Measures taken by the organisation in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labour	Legal and Regulatory Compliance	43
<b>GRI 413: Local Communities 2016</b>				
B8 General Disclosure	103-1 103-2 103-3 Management Approach		Stakeholders Engagement	74-79
B8.1 B8.2	413-1	Operations with local community engagement, impact assessments, and development programs	Stakeholders Engagement	74-79
<b>GRI 414: Supplier Social Assessment 2016</b>				
B5 General Disclosure	103-1 103-2 103-3 Management Approach		Supply Chain Management	47
B5.2 B5.3	414-1	New suppliers that were screened using social criteria	Supply Chain Management	47
B5.2 B5.3	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	47
<b>GRI 416: Customer Health and Safety 2016</b>				
B6 General Disclosure, B6.1, B6.2, B6.3, B6.4	103-1 103-2 103-3 Management Approach		Safety First Stakeholders Engagement Performance Statistics * Products sold or shipped and intellectual property rights are not material to KMB and LWB's business nature.	48-53 74-79 81-83
	416-1	Assessment of the health and safety impacts of product and service categories	Safety First Care for the Environment	48-53 54-61

<b>HKEX ESG Reporting Guide (General Disclosures and KPIs)</b>	<b>GRI Standards</b>	<b>GRI Disclosures</b>	<b>Reference/*Direct Answer/*Reason for omission</b>	<b>Page(s) ^: refer to TIH 2021 Annual Report</b>
<b>GRI 417: Marketing and Labelling 2016</b>				
B6 General Disclosure	103-1 103-2 103-3 Management Approach		Stakeholders Engagement	74-79
<b>GRI 418: Customer Privacy 2016</b>				
B6 General Disclosure, B6.5	103-1 103-2 103-3 Management Approach		Safety First Care for Customer	48-53 62-67
B6 General Disclosure B6.2	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Safety First Care for our employee Stakeholders Engagement Performance Statistics * There were no significant incidents of non-compliance concerning laws and regulations during the reporting period.	48-53 68-73 74-79 81-83
<b>GRI 419: Socioeconomic Compliance 2016</b>				
B2 General Disclosure, B4 General Disclosure, B6 General Disclosure, B7 General Disclosure	103-1 103-2 103-3 Management Approach		Legal and Regulatory Compliance Safety First Care for Employees	43 48-53 68-73
B2 General Disclosure, B4 General Disclosure, B6 General Disclosure, B7 General Disclosure	419-1	Non-compliance with laws and regulations in the social and economic area	Legal and Regulatory Compliance Safety First Care for Employees	43 48-53 68-73

# FINANCIAL REVIEW

## The Group

### Summary of Financial Performance

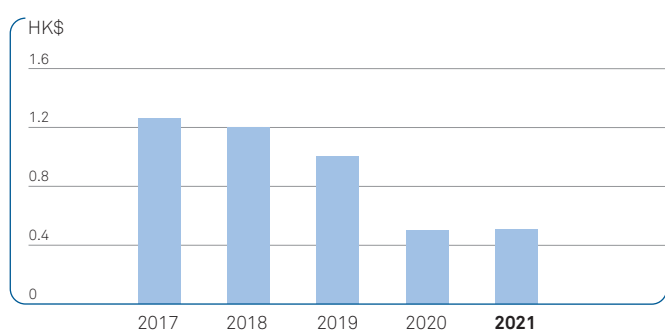
	2021 HK\$ million	2020 HK\$ million	Favourable/(Unfavourable) Change	
			HK\$ million	%
Revenue	7,202.0	6,190.9	1,011.1	16.3
Other income	254.0	1,249.6	(995.6)	(79.7)
Operating expenses	(7,197.4)	(7,193.5)	(3.9)	(0.1)
Profit from operations	258.6	247.0	11.6	4.7
Finance costs	(14.4)	(26.9)	12.5	46.5
Gain on disposal of a subsidiary	–	1,495.5	(1,495.5)	(100.0)
Share of profits of associates	19.6	6.5	13.1	201.5
Share of profit of joint venture	8.3	–	8.3	N/A
Profit before taxation	272.1	1,722.1	(1,450.0)	(84.2)
Income tax (expense)/credit	(27.1)	182.0	(209.1)	(114.9)
Profit for the year	245.0	1,904.1	(1,659.1)	(87.1)
Earnings per share (HK\$)	0.53	4.21	(3.68)	(87.4)

### Review of 2021 Financial Performance

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

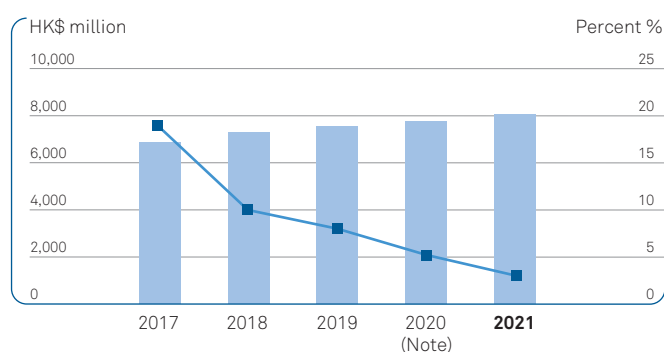
The Group's profit attributable to equity shareholders for the year ended 31 December 2021 was HK\$245.0 million (2020: HK\$1,904.1 million), representing a decrease of HK\$1,659.1 million compared with 2020. The decline was mainly due to the one-off non-recurring net gain of HK\$1,495.5 million in 2020. Total revenue increased by 16.3% from HK\$6,190.9 million in 2020 to HK\$7,202.0 million in 2021 due to a rebound in patronage. Profit from operations improved by 4.7% from HK\$247.0 million in 2020 to HK\$258.6 million in 2021. Earnings per share decreased correspondingly from HK\$4.21 for 2020 to HK\$0.53 for 2021.

#### Dividends per Share



#### Return on Average Net Fixed Asset Employed

(exclude property development)



■ Average net fixed asset  
■ Return on average net fixed asset

Note: Excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited

The revenue and underlying profit generated by the Group's five Divisions for the year ended 31 December 2021 are shown below:

HK\$ million	Revenue		Profit before taxation	
	2021	2020	2021	2020
Franchised Public Bus Operations Division	6,940.1	5,909.7	94.3	34.5
Non-franchised Transport Operations Division	212.6	208.3	11.2	42.2
Property Holdings and Development Division	49.3	72.9	55.8	63.0
Financial Services Division	–	–	68.6	66.3
China Mainland Transport Operations Division	–	–	19.6	6.5
	<b>7,202.0</b>	6,190.9	<b>249.5</b>	212.5
Finance costs			(14.4)	(26.9)
Unallocated net operating income			37.0	41.0
Gain on disposal of a subsidiary			–	1,495.5
Profit before taxation			<b>272.1</b>	1,722.1
Income tax (expense)/credit			(27.1)	182.0
Profit for the year			<b>245.0</b>	1,904.1

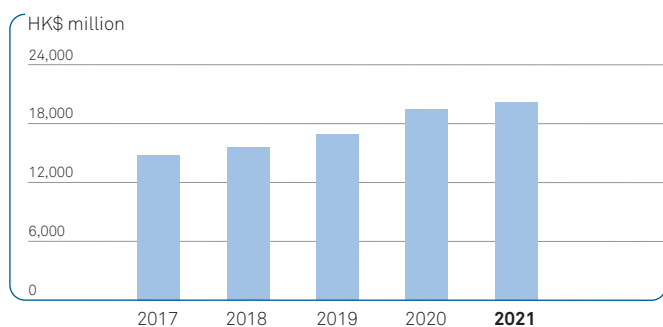
Segment information on the Group's main businesses is set out in note 12 to the financial statements on pages 195 to 197 of this Annual Report.

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

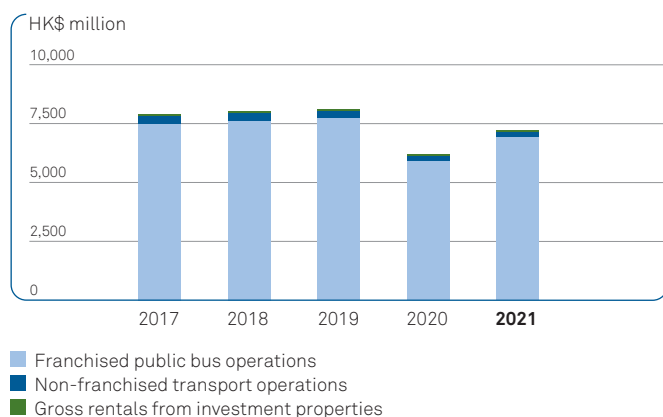
Revenue for 2021 amounted to HK\$7,202.0 million, an increase of HK\$1,011.1 million or 16.3% compared with HK\$6,190.9 million for 2020. The increase was mainly due to (i) the increase in revenue from the Group's franchised public bus operations of HK\$1,030.4 million, primarily as a result of patronage increase and fare increase with effect from 4 April 2021; and (ii) the increase in revenue from the Group's non-franchised transport operations of HK\$4.3 million, which was partly offset by the decrease in rental income arising from the Group's investment properties of HK\$23.6 million.

Other income decreased by HK\$995.6 million from HK\$1,249.6 million in 2020 to HK\$254.0 million in 2021. The decrease was mainly due to the decrease in government subsidies of HK\$1,008.5 million from various support schemes rolled out by the Government under the Anti-epidemic Fund to provide financial support to the public transport sector in 2020. The breakdown of other income is set out in note 4 to the financial statements on page 187 of this Annual Report.

### Total Assets at 31 December



### Group Revenue



■ Franchised public bus operations  
■ Non-franchised transport operations  
■ Gross rentals from investment properties

# FINANCIAL REVIEW

Total operating expenses for 2021 amounted to HK\$7,197.4 million, an increase of HK\$3.9 million or 0.1% compared to HK\$7,193.5 million for 2020. The increase was mainly due to the increase in fuel cost as a result of the rise in international fuel prices.

The Group's share of profits of associates for 2021 amounted to HK\$19.6 million, an increase of HK\$13.1 million or 201.5% compared to HK\$6.5 million for 2020.

Income tax expense for the year amounted to HK\$27.1 million (2020: income tax credit of HK\$182.0 million). The breakdown of the income tax expense/credit is set out in note 6 to the financial statements on page 190 of this Annual Report.

More detailed information in respect of the Group's individual business units is set out on pages 99 to 104 of this Annual Report.

## Dividend

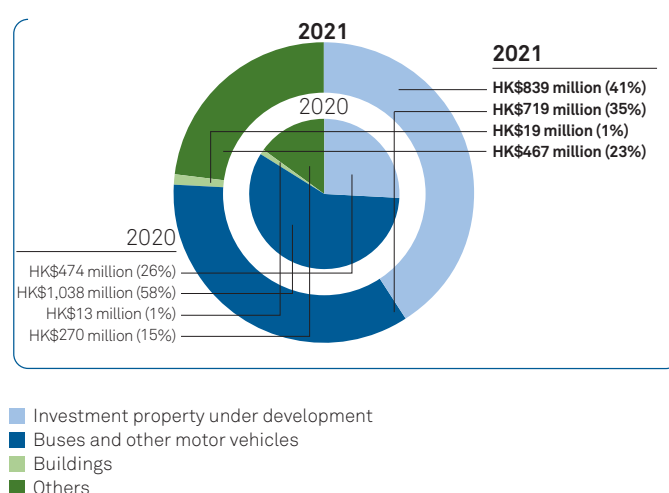
The Board has recommended an ordinary final dividend of HK\$0.50 per share (2020: HK\$0.50 per share). Subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 19 May 2022 or at any adjournment thereof, the total dividend for the year amounted to HK\$0.50 per share (2020: HK\$0.50 per share). The Company's intention is to maintain stable returns to shareholders.

## Key Changes to Financial Position

### Capital Expenditure

As at 31 December 2021, 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\$11,976.1 million (2020: HK\$10,953.6 million). The increase was mainly due to the development of the Kwun Tong Site and purchase of new buses by KMB and LWB for fleet replacement during the year. None of the assets was pledged or charged as at 31 December 2021. The breakdown of the capital expenditure is shown in note 13 to the financial statements on pages 198 to 203 of this Annual Report.

### Capital Expenditure



### Intangible Assets and Goodwill

As at 31 December 2021, the Group's intangible assets and goodwill amounted to HK\$419.7 million (2020: HK\$365.0 million) and HK\$84.1 million (2020: HK\$84.1 million) respectively. The intangible assets mainly represent passenger service licences and transport operating rights of the Group's non-franchised transport operations.



## Current Assets and Current Liabilities

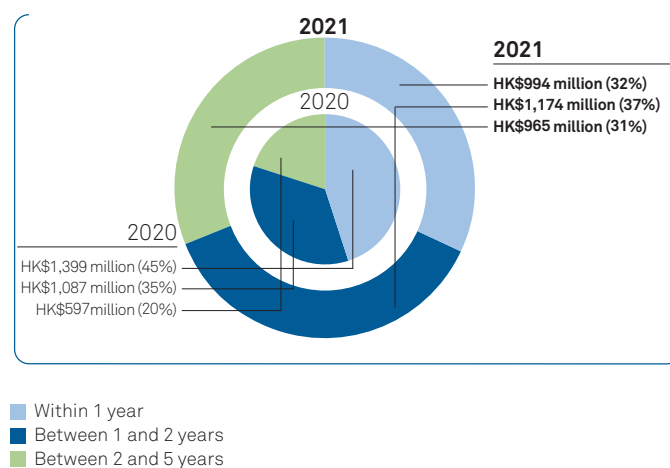
The Group's total current assets as at 31 December 2021 amounted to HK\$2,720.0 million (2020: HK\$3,316.3 million), mainly comprising liquid funds of HK\$1,237.5 million (2020: HK\$2,293.7 million) and accounts receivable of HK\$605.1 million (2020: HK\$660.5 million). The Group's liquid funds as at 31 December 2021 were mainly denominated in Hong Kong dollars.

Total current liabilities as at 31 December 2021 amounted to HK\$2,759.5 million (2020: HK\$3,087.0 million), which mainly included accounts payable and accruals, and the current portion of bank loans.

## Bank Loans

As at 31 December 2021, bank loans, all unsecured, amounted to HK\$3,132.5 million (2020: HK\$3,082.5 million). The maturity profile of the bank loans of the Group as at 31 December 2021 and 31 December 2020 is shown in the chart below:

**Debt Maturity Profile at 31 December**



As at 31 December 2021, the Group had undrawn committed banking facilities totalling HK\$1,555.0 million (2020: HK\$2,110.0 million).

## Capital Commitments

The Group's capital commitments as at 31 December 2021 amounted to HK\$1,605.2 million (2020: HK\$2,579.1 million). These commitments were mainly in respect of the development of the Kwun Tong Site and the purchase of buses and other motor vehicles, which are to be financed by bank borrowings and from the Group's internal resources. A summary of the capital commitments is set out below:

HK\$ million	2021	2020
Development of the Kwun Tong Site	950.9	1,752.8
Purchase of buses and other motor vehicles	552.3	680.3
Purchase of other properties, plant and equipment	102.0	146.0
<b>Total</b>	<b>1,605.2</b>	<b>2,579.1</b>

As at 31 December 2021, the Group had 200 (2020: 427) new buses on order for delivery in 2022.

# FINANCIAL REVIEW

## Funding and Financing

### Financial Liquidity and Resources

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

### Net Cash/Net Borrowing and Liquidity Ratio

As at 31 December 2021, the Group's net borrowing (i.e. total borrowings less cash and deposits at banks) amounted to HK\$1,895.0 million (2020: HK\$788.8 million) with a liquidity ratio (the ratio of current assets to current liabilities) of 1.0 (2020: 1.1). The details of the Group's net cash/net borrowing position by currency are set out as follows:

Currency	Cash and deposits at bank in foreign currency million	Cash and deposits at bank HK\$ million	Bank loans HK\$ million	Net cash/ (Net borrowing) HK\$ million
<i>At 31 December 2021</i>				
Hong Kong dollars		1,004.7	(3,132.5)	(2,127.8)
United States dollars	29.0	226.3	–	226.3
Other currencies		6.5	–	6.5
Total		1,237.5	(3,132.5)	(1,895.0)
<i>At 31 December 2020</i>				
Hong Kong dollars		1,746.0	(3,082.5)	(1,336.5)
United States dollars	68.9	534.5	–	534.5
Other currencies		13.2	–	13.2
Total		2,293.7	(3,082.5)	(788.8)

### Finance Costs and Interest Cover

The finance costs incurred by the Group for the year ended 31 December 2021 were HK\$14.4 million, a decrease of HK\$12.5 million compared with HK\$26.9 million for 2020. The decrease was mainly due to the decrease in the average interest rate from 1.68% per annum for 2020 to 0.97% per annum for 2021 but was partly offset by the increase in average bank borrowings of the Group.

For the year ended 31 December 2021, the Group's interest income exceeded the total finance costs by HK\$46.8 million (2020: HK\$49.7 million).

## Net Cash Flow

For 2021, there was a net decrease of HK\$310.4 million (2020: net increase of HK\$589.3 million) in cash and cash equivalents. The sources are set out below:

	2021 HK\$ million	2020 HK\$ million
Net cash generated from/(used in):		
• Operating activities	1,319.9	1,198.4
• Investing activities	(1,581.4)	(827.0)
• Financing activities	(48.9)	217.9
Net cash (outflow)/inflow	<b>(310.4)</b>	589.3

The main components of the net cash outflow of HK\$310.4 million (2020: net cash inflow of HK\$589.3 million) included: (i) net cash generated from operating activities of the franchised public bus operations of HK\$1,116.1 million (2020: HK\$1,006.6 million); (ii) payment of capital expenditure of HK\$2,093.1 million (2020: HK\$1,648.4 million); (iii) decrease of HK\$810.3 million (2020: increase of HK\$43.7 million) in bank deposits with original maturities of over three months; (iv) proceeds received on the maturity of debt securities of HK\$436.3 million (2020: HK\$722.8 million); (v) purchase of debt securities of HK\$767.3 million (2020: HK\$438.3 million); (vi) increase of HK\$55.0 million in bank loans (2020: HK\$370.0 million); and (vii) payment of dividends of HK\$109.4 million (2020: HK\$149.2 million). Net cash inflow in 2020 included proceeds received from disposal of a subsidiary of HK\$744.7 million.

Details of the Group's cash flow movement for the year ended 31 December 2021 are set out in the consolidated cash flow statement on page 166 of this Annual Report.

## Treasury Risk Management

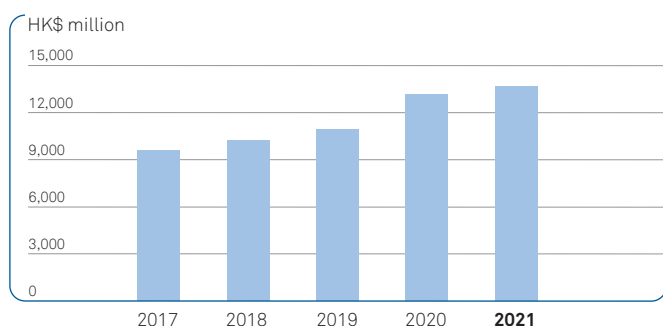
The Group's activities are exposed to various financial risks, including foreign currency, interest rate, fuel price, credit and liquidity risks. The Group's exposure to these risks as well as its risk management policies and practices are described below:

### Foreign Currency Risk

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

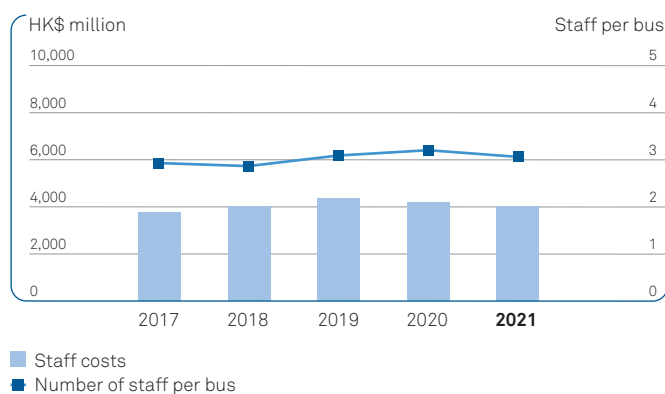
As at 31 December 2021, the Group had outstanding GBP forward contracts totalling GBP7.1 million (2020: GBP15.2 million), which had maturities of less than one year after the end of the reporting period.

## 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. Different techniques and instruments, including natural hedges achieved by spreading loans over different rollover periods and maturity dates, and derivative financial instruments such as interest rate swaps will be considered as and when appropriate. As at 31 December 2021, 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 and considered 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. A price cap arrangement, which enables the Group to benefit from the fall in international fuel oil prices while limiting risk exposure in the event that oil prices rise above the cap level, has been introduced in these contracts. It is expected that the fuel price will continue to be volatile as a result of the Russia-Ukraine crisis. The 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 security to minimise the overall risk as well as the concentration risk. The credit ratings of the debt issuers and market news relating to them, as available, are closely monitored over the life of the transactions. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution. The Group does not provide guarantees to third parties which would expose the Group to credit risk.

## *Cash Flow and Liquidity Risk*

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

### Employees and Remuneration Policies

Running a transport operation is a labour intensive business, and staff costs accounted for about 56% (2020: 60%) of the total operating expenses of the Group in 2021. 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 2021 amounted to HK\$3,832.1 million (2020: HK\$4,119.9 million), representing a decrease of 7.0%. As at 31 December 2021, the Group employed over 13,000 staff (2020: over 13,000 staff).

## Individual Business Units

### Franchised Public Bus Operations

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

	Unit	2021	2020
Revenue	HK\$ million	<b>6,613.5</b>	5,559.9
Other income	HK\$ million	<b>132.0</b>	1,033.1
Total operating expenses	HK\$ million	<b>(6,610.2)</b>	(6,541.7)
Profit from operations	HK\$ million	<b>135.3</b>	51.3
Finance costs	HK\$ million	<b>(12.7)</b>	(26.8)
Profit before taxation	HK\$ million	<b>122.6</b>	24.5
Income tax (expense)/credit	HK\$ million	<b>(21.2)</b>	178.8
Profit after taxation	HK\$ million	<b>101.4</b>	203.3
Net profit margin		<b>1.5%</b>	3.7%
Passenger volume	Million passenger trips	<b>891.3</b>	777.5
Kilometres operated	Million km	<b>268.1</b>	258.6
Staff number at year-end	Number of staff	<b>12,336</b>	12,768
Fleet size at year-end	Number of buses	<b>4,013</b>	4,009
Total assets	HK\$ million	<b>10,219.0</b>	9,678.1

KMB recorded a profit after taxation of HK\$101.4 million for 2021, representing a decrease of HK\$101.9 million or 50.1% compared with HK\$203.3 million for 2020 (which included government subsidies of HK\$895.5 million). When excluding such subsidies, KMB would record a year-on-year improvement of HK\$793.6 million for 2021.

Fare revenue for 2021 was HK\$6,289.7 million, an increase of HK\$981.3 million or 18.5% compared with HK\$5,308.4 million for 2020. The increase was mainly attributable to the rebound in patronage along with the fare increase which took place on 4 April 2021. KMB's total ridership increased by 14.6% to 891.3 million passenger trips (a daily average of 2.44 million passenger trips) as compared with 777.5 million passenger trips (a daily average of 2.12 million passenger trips) for 2020.

Total operating expenses for 2021 amounted to HK\$6,610.2 million, an increase of HK\$68.5 million or 1.0% compared with HK\$6,541.7 million for 2020. The increase was mainly attributable to the increase in fuel costs as a result of the rise in international fuel prices.

# FINANCIAL REVIEW

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

	Unit	2021	2020
Revenue	HK\$ million	<b>332.2</b>	364.1
Other income	HK\$ million	<b>53.8</b>	90.6
Total operating expenses	HK\$ million	<b>(426.4)</b>	(470.9)
Loss from operations	HK\$ million	<b>(40.4)</b>	(16.2)
Finance costs	HK\$ million	<b>(1.7)</b>	(0.1)
Loss before taxation	HK\$ million	<b>(42.1)</b>	(16.3)
Income tax credit	HK\$ million	<b>7.1</b>	16.9
(Loss)/profit after taxation	HK\$ million	<b>(35.0)</b>	0.6
Net (loss)/profit margin		<b>(10.5)%</b>	0.2%
Passenger volume	Million passenger trips	<b>28.9</b>	28.2
Kilometres operated	Million km	<b>26.4</b>	28.2
Staff number at year-end	Number of staff	<b>733</b>	814
Fleet size at year-end	Number of buses	<b>256</b>	241
Total assets	HK\$ million	<b>714.6</b>	798.7

The loss after taxation of LWB for 2021 was HK\$35.0 million, representing an unfavourable variance of HK\$35.6 million compared with profit after taxation of HK\$0.6 million for 2020.

LWB’s fare revenue for 2021 was HK\$320.4 million, a decrease of HK\$25.7 million or 7.4% compared with HK\$346.1 million for 2020. The decline was mainly due to the decrease in average fare as the impact of COVID-19 leading to global travel restrictions began to take effect from February 2020 but was partly offset by the increase in ridership. LWB recorded a total ridership of 28.9 million passenger trips (a daily average of 79,000 passenger trips) for 2021, as compared with 28.2 million passenger trips (a daily average of 77,000 passenger trips) for 2020.

Total operating expenses for 2021 amounted to HK\$426.4 million, a decrease of HK\$44.5 million or 9.4% compared with HK\$470.9 million for 2020. The decrease in operating expenses was largely due to the decrease in toll charges as a result of the reduction in number of trips resulting from service reductions as well as bus route diversion arrangements following the commissioning of the Tuen Mun-Chek Lap Kok Tunnel with effect from 20 June 2021.

## Non-franchised Transport Operations

The Group’s Non-franchised Transport Operations Division reported a profit after taxation of HK\$8.8 million for 2021, representing a decrease of HK\$32.7 million or 78.8% compared with HK\$41.5 million for 2020 (which included government subsidies of HK\$43.3 million). 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 2021 was at par with 2020. Total operating expenses for 2021 decreased compared with 2020 as management continued to implement various cost control measures to streamline its business.

In 2021, SBH Group continued to modernise its bus fleet with the latest Euro VI buses. As at 31 December 2021, the SBH Group had a fleet of 397 buses (2020: 390 buses).

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

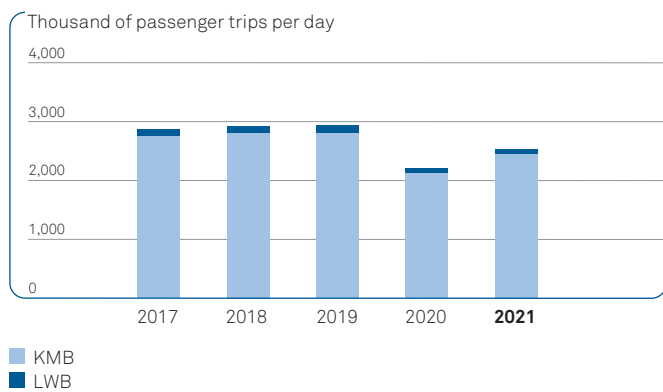
NHKB jointly operates with its Shenzhen counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) serving regular commuters and leisure travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen.

The revenue of NHKB for 2021 decreased by 65.5% compared with 2020. The decrease was primarily attributable to the suspension of Huang Bus service with effect from 4 February 2020 as the immigration clearance service for passengers at Lok Ma Chau Control Point was suspended by the Government as part of its anti-epidemic measures.

As at 31 December 2021, NHKB had a fleet of 15 buses (2020: 15 buses).

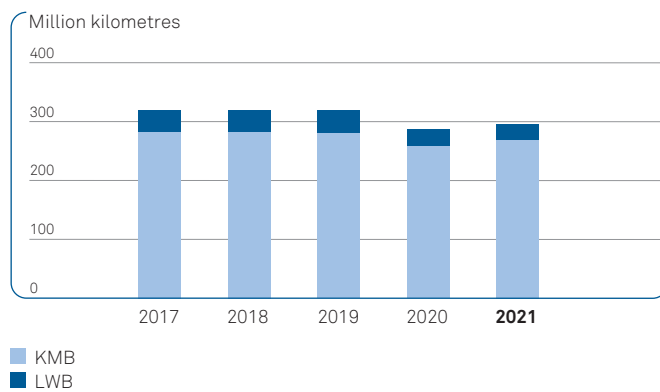
#### Average Number of Passenger Trips per Day

(Franchised public bus operations)

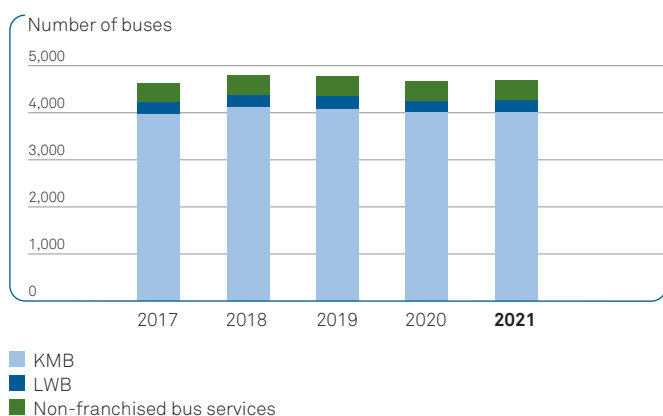


#### Bus Kilometres Operated

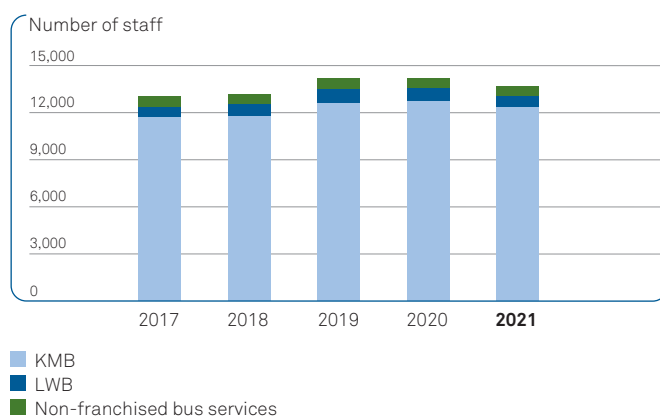
(Franchised public bus operations)



#### 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\$48.1 million for 2021, representing a decrease of HK\$4.7 million or 8.9% as compared with the profit after taxation (excluding a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited) of HK\$52.8 million for 2020. A review of the Group's investment properties is set out as follows:

### LCK Commercial Properties Limited ("LCKCP")

LCKCP, a wholly-owned subsidiary of the Group, is the owner of "Manhattan Mid-town", the commercial complex of Manhattan Hill. The 50,000 square feet shopping mall has provided Manhattan Hill residents and other shoppers with high quality retail facilities since its opening in March 2009. As at 31 December 2021, the entire lettable area of the shopping mall was leased out, generating a stream of recurring rental income for the Group.

As at 31 December 2021, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation, amounted to HK\$71.0 million (2020: HK\$73.5 million).

### LCK Real Estate Limited ("LCKRE")

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

As at 31 December 2021, the carrying value of the building stated at cost less accumulated depreciation, amounted to HK\$23.1 million (2020: HK\$26.5 million).

### KT Real Estate Limited ("KTRE")

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

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

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

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

As at 31 December 2021, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$3,844.6 million (2020: HK\$3,005.4 million).



### TM Properties Investment Limited (“TMPI”)

TMPI is jointly owned by TM Properties Holdings Limited (“TMPH”), an indirect wholly-owned subsidiary of the Group, and Mega Odyssey Limited (“MOL”), an indirect wholly-owned subsidiary of SHKP subsequent to the disposal of TMPH’s 50% equity interest in TMPI to MOL on 29 December 2020. TMPI, the owner of the property at Tuen Mun Town Lot No. 80 in the New Territories, has become a 50%-owned joint venture of the Group.

TMPI owns an industrial property which is currently designated for industrial use or godown purposes or both. TMPI has applied to the relevant authorities for approval for a change of use from the existing industrial use to office, shop and services uses. As at 31 December 2021, 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\$19.6 million for 2021, representing an increase of HK\$13.1 million or 201.5% compared with HK\$6.5 million for 2020.

As at 31 December 2021, the Group’s total interests in associates within the China Mainland Transport Operations Division amounted to HK\$681.7 million (2020: HK\$656.6 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

### Summary of Investments in China Mainland Transport Operations as at 31 December 2021

	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 2021 (Number of vehicles)	11,170	5,056
Bus passenger volume (Million trips)	422	N/A
Bus kilometres travelled (Million km)	343	N/A
Staff number at year-end 2021	25,615	2,933

# FINANCIAL REVIEW

## 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 5,500 buses running on around 320 routes and over 5,000 taxis. As a result of effective containment of the COVID-19 pandemic in China, the number of patronage of SZBG including its bus and taxi operation increased by 11.7% to 544.1 million in 2021 as compared to 487.0 million in 2020.

## 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 2021, BBKT had a fleet of over 3,700 taxis and 2,872 employees.

## Beijing Beiqi First Company Limited

### (北京北汽福斯特股份有限公司) (“BBF”)

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. With ISO 9001:2008 certification for management systems in car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2021, BBF had over 1,100 vehicles available for charter mainly in Beijing and Tianjin.

## Continuing Connected Transactions

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

### (a) THE GROUP

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

As described in note 34(a) to the financial statements on pages 231 and 232 of this Annual Report, on 1 November 2018, 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 a motor vehicle third party and passengers’ liability insurance and an employees’ compensation insurance coverage from 1 January 2019 to 31 December 2020 (the “2019/20 Insurance Arrangements”). On 1 November 2019, the Group entered into an insurance policy with SHKPI, pursuant to which the Group maintained medical and dental insurance coverage with SHKPI from 1 January 2020 to 31 December 2021 (the “2020/21 Medical and Dental Insurance Arrangement”). On 3 November 2020, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers’ liability insurance and an employees’ compensation insurance from 1 January 2021 to 31 December 2022 (the “2021/22 Insurance Arrangements”). On 5 November 2021, the Group entered into certain supplemental insurance policies with SHKPI, pursuant to which the type of insurance covered or to be 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”). The transactions contemplated under the 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements and 2022 Supplemental Motor Insurance Arrangements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 1 November 2018, 1 November 2019, 3 November 2020 and 5 November 2021 respectively.

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2019/20 Insurance Arrangements for the years ended 31 December 2019 and 2020 as disclosed in the announcement dated 1 November 2018 were HK\$90,000,000 and HK\$93,000,000 respectively. Such annual cap amounts are determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2019/20 Insurance Arrangements. For the year ended 31 December 2021, the insurance premium paid and payable to SHKPI under the 2019/20 Insurance Arrangements was HK\$Nil (2020: HK\$90,454,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2020/21 Medical and Dental Insurance Arrangement for the years ended 31 December 2020 and 2021 as disclosed in the announcement dated 1 November 2019 were HK\$22,090,000 and HK\$22,090,000 respectively. Such annual cap amounts were determined with reference to the estimated medical and dental needs of the Group’s employees for such periods, the insurance premium rates as specified under the 2020/21 Medical and Dental Insurance Arrangement and the historical transaction amount under the 2018/19 Medical and Dental Insurance Arrangement. For the year ended 31 December 2021, the insurance premium paid and payable to SHKPI under 2020/21 Medical and Dental Insurance Arrangement was HK\$21,370,000 (2020: HK\$21,428,000).

The cap amounts of the insurance premium payable by the Group to SHKPI under the 2021/22 Insurance Arrangements for the year ended 31 December 2021 and the year ending 31 December 2022 as disclosed in the announcement dated 3 November 2020 were HK\$132,500,000 and HK\$99,500,000 respectively. Such annual cap amounts are determined mainly with reference to the historical transaction amounts, the estimated business requirements of the Group, including the estimated vehicles, staffing and fixed assets requirements, and the insurance premium rates as specified under the 2021/22 Insurance Arrangements. For the year ended 31 December 2021, the insurance premium paid and payable to SHKPI under 2021/22 Insurance Arrangements was HK\$115,100,000.

## FINANCIAL REVIEW

The amount of the insurance premium payable by the Group to SHKPI under the 2022 Supplemental Motor Insurance Arrangements for the year ending 31 December 2022 as disclosed in the announcement dated 5 November 2021 will be approximately HK\$36,500,000.

The insurance premium paid and payable by the Group under the 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements and 2022 Supplemental Motor Insurance Arrangements was and will be satisfied by internal resources of the Group. The transactions under 2019/20 Insurance Arrangements, 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements and 2022 Supplemental Motor Insurance Arrangements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

### **(b) SUN BUS LIMITED, HOI TAI TOURS LIMITED, KING YIP TRAVEL COMPANY LIMITED, CAG LIMITED, BUN TANG BUS SERVICE COMPANY LIMITED, FRONTIER TRANSPORTATION LIMITED and SAU LUEN P.L.B. COMPANY LIMITED (collectively "Sun Bus Group")**

#### **Shuttle Bus Services Agreements with certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP")**

As described in note 34(a) to the financial statements on pages 231 and 232 of this Annual Report, Sun Bus Group (a series of indirect wholly-owned subsidiaries of the Company) has entered into various shuttle bus service contracts ("Shuttle Bus Services Agreements") with certain subsidiaries of SHKP, pursuant to which Sun Bus Group agreed to provide and operate various shuttle bus services for the period from 1 March 2019 to 20 March 2022. The service fees for the provision of the shuttle bus services were charged in accordance with the rates specified in the relevant contracts, ranging from approximately HK\$350 to HK\$530 per hour per bus, which were determined after taking into account factors such as the number and model of buses requested, the days and hours of services requested, the relevant costs and expected loads and routes, using the prevailing market rates as a price indicator, namely, the service fees charged for similar bus operations in the market. The transactions contemplated under the Shuttle Bus Services Agreements constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcement of the Company dated 20 August 2020. The cap amounts estimated to be receivable by Sun Bus Group under the Shuttle Bus Services Agreements for the two years ended 31 December 2020 and 2021 and year ending 31 December 2022 as disclosed in the announcement dated 20 August 2020 were HK\$6,850,114, HK\$4,206,232 and HK\$244,413 respectively. Such cap amounts were determined with reference to (i) the rates specified in the relevant contracts; and (ii) the expected demand for the services. For the year ended 31 December 2021, the service fees received or receivable by Sun Bus Group (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) under the Shuttle Bus Services Agreements amounted to HK\$2,776,000 (2020: HK\$6,299,000). The transactions contemplated under the Shuttle Bus Services Agreements are only subject to the reporting, announcement and annual review requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement.

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 2021 with SHKPI and certain subsidiaries of SHKP were entered into:
  - (i) in the ordinary and usual course of the business of the Group;
  - (ii) either on normal commercial terms or better; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI under the 2020/21 Medical and Dental Insurance Arrangement and 2021/22 Insurance Arrangements for the year ended 31 December 2021 did not exceed the cap amounts of HK\$22,090,000 and HK\$132,500,000 respectively as disclosed in the announcement dated 1 November 2019 and 3 November 2020 respectively; and
3. the service fees received and receivable by Sun Bus Group (inclusive of the fees for basic services, overtime services, on-demand additional services, and toll charges) from certain subsidiaries of SHKP under the Shuttle Bus Services Agreements for the year ended 31 December 2021 did not exceed the cap amount of HK\$4,206,232 as disclosed in the announcement dated 20 August 2020.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (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 2021 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 is the foundation of business success as it provides the basis for stakeholder confidence and sustainable returns for shareholders.

The Board believes that the interplay between good corporate governance and social responsibility helps the Group maintain a healthy balance in all aspects of its business. It also strengthens our efforts to better enhance control mechanisms, increase shareholder value and improve satisfaction among shareholders and stakeholders. The Audit and Risk Management Committee has a primary role in overseeing management of the Environmental, Social and Governance (“ESG”) issues, including monitoring the internal control system and risk management.

The governance of sustainability is integrated into our corporate governance structure throughout the Group. Board members and staff observe a set of sound policies, procedures and rules. The Group also takes into account the interests of stakeholders when setting long term business goals.

## Corporate Governance Framework

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

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

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

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

## Corporate Governance Code Compliance

The Company abides by the corporate governance principles contained in the Corporate Governance Code (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (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 2021, except that two Directors of the Company were unable to attend the Annual General Meeting of the Company held on 20 May 2021 (the “2021 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 at 31 December 2021, 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 at 31 December 2021 are stated below:

	<b>Independent Non-executive Directors</b>	<b>Non-executive Directors</b>	<b>Executive Director</b>	<b>Total</b>
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 management's performance in meeting agreed corporate goals and objectives. Their contribution is made, among other ways, by attending Board meetings, at which they provide independent views on various matters relating to the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct. The term of appointment of Non-executive Directors is for a period of three years.

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

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

In accordance with Mandatory Disclosure Requirement B(h) of Appendix 14 of the Listing Rules, the relationship between members of the Board is disclosed in the Directors' Profiles section of the Annual Report.

# 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. All candidates are considered against these criteria. In 2021, the Nomination Committee reviewed the Board Diversity Policy and confirmed that the selection of Board members would continue to be based on merit with reference to such policy. This policy can be found on the Company's website.

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

The age group and gender diversity of the Board of Directors as at 31 December 2021 are set out below:

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

## The Role of the Board

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

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



## The Roles of Chairman and Managing Director

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

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

Responsibilities of the Chairman:

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

Responsibilities of the Managing Director:

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

The Chairman also meets once a year with the Independent Non-executive Directors, in the absence of the Non-executive Directors and the Executive Director, to discuss the Group's business affairs. For 2021, the meeting was held on 21 October 2021.

# 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 Group's various business areas. The Company Secretary prepares draft minutes of Board meetings, which record the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors. The draft minutes are circulated to the Directors for their comments. The final version of the draft minutes is submitted to the Board at the ensuing meeting for formal adoption. The adopted minutes are kept by the Company Secretary, and are available for inspection by the Directors.

### Voting on Connected Transactions

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

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary is responsible for making sure that all connected transactions entered into are in compliance with the Listing Rules. In 2021, the Company entered into a continuing connected transaction, details of which are given on pages 105 to 107 of this Annual Report.

## Obligations of Directors

### Code of Conduct

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

### Securities Transactions by Directors

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

After making specific enquiries, all Directors confirmed that they had complied with the standard of dealings set out in the Model Code throughout 2021. Details of the shareholding interests held by the Directors in the Company as at 31 December 2021 are set out on pages 147 to 148 of this Annual Report.

### Induction and Continuous Professional Development

All Directors attended training programmes during the year to keep themselves abreast of the latest developments in the fields relevant to their respective expertise and professions. The Company Secretary is responsible for providing tailored induction programmes for new Directors and appropriate training programmes for the ongoing development of all Directors to ensure that they have proper understanding of the Company's business operations and practices and are fully aware of their responsibilities under the Listing Rules and other regulatory requirements. Information on the latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as and when required. The Directors are provided with detailed monthly management reports, as well as monthly media reports, including press articles relevant to the Company's businesses. On 17 June 2021, a seminar was run by ICAC to brief the Directors on Integrity Management in Public Bodies. 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 118 of this Annual Report.

### Time Commitment of Directors

For the year ended 31 December 2021, 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 not longer than three years. Shareholders may remove a Director before the expiration of his/her period of office by passing a special resolution giving detailed reasons at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

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

## Re-election of Directors

At the 2021 AGM, eight Directors, namely, Mr Raymond KWOK Ping Luen, *JP*, Mr Charles LUI Chung Yuen, *M.H.*, Ms Winnie NG, *JP*, Dr Eric LI Ka Cheung, *GBS, OBE, JP*, Professor LIU Pak Wai, *SBS, JP*, Mr TSANG Wai Hung, *GBS, PDSM, JP*, Dr CHEUNG Wing Yui, *BBS* and Mr LEE Luen Fai, *JP*, retired by rotation and were re-elected as Directors of the Company.

Dr Norman LEUNG Nai Pang, *GBS, JP*, Mr William LOUEY Lai Kuen and Mr LUNG Po Kwan will retire as Directors of the Company and offer themselves for re-election at the 2022 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 2022 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 Protections

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 liability incurred in connection with the Company's activities. These indemnities were in force during 2021 and remain in force.

## Delegation by the Board of Directors

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

The membership of each Committee (as at 1 January 2022) is shown below:

Name of Directors	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
<b>Independent Non-executive Directors</b>				
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		
<b>Non-executive Directors</b>				
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	
<b>Executive Director</b>				
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 2021, the Standing Committee held six meetings with the senior management to review and discuss the Group's financial, operational and strategic planning, as well as potential investment opportunities.

## Audit and Risk Management Committee

The Chairman of the Audit and Risk Management Committee is Dr Eric LI Ka Cheung, an Independent Non-executive Director of the Company. He is a Certified Public Accountant who possesses the professional qualifications and accounting expertise prescribed by the Listing Rules. Dr LI and the other members of the Audit and Risk Management Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 134 to 142 of this Annual Report. None of the members of the Audit and Risk Management Committee is a former or existing partner of the external auditors of the Company. The Audit and Risk Management Committee is responsible for establishing and maintaining an adequate internal control structure, ensuring the quality and integrity of financial statements, nominating independent external auditors, reviewing the adequacy of external audits in respect of cost, scope and performance, and ensuring that an effective system of internal control and risk management is established within the Company. The Audit and Risk Management Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are regularly updated with reference to the recommendations of the CG Code of the Listing Rules. The terms of reference are available on the websites of the Company and the Stock Exchange respectively.

# CORPORATE GOVERNANCE REPORT

In 2021, the Audit and Risk Management Committee and the senior management held a meeting 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 work undertaken by the Audit and Risk Management Committee in the financial year ended 31 December 2021 included:

## (a) Supervision of the Company's Financial Reporting Process, 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 and their findings concerning the interim and annual financial statements and results announcements, as well as 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 done and the findings arising therefrom;
- ✔ Examined the qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources and training programmes;
- ✔ Conducted reviews with the external auditors and 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 2021 and the audited annual financial statements for the year ended 31 December 2021 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 2022.

## (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 2021 are set out in the Remuneration Report on pages 130 to 133 of this Annual 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:

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

In 2021, the Nomination Committee also performed the following main tasks:

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

# CORPORATE GOVERNANCE REPORT

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 sections, appointment and re-appointment of the Directors. This policy can be found on the Company's website.

## Attendance Records and Training Records

The Directors' attendance at the Annual General Meeting, Board Meetings and Committee Meetings together with training records in 2021 is given below:

Members of the Board of Directors	Audit and Risk						Types of Training
	2021 AGM	Board	Standing Committee	Management Committee	Remuneration Committee	Nomination Committee	
<b>Independent Non-executive Directors</b>							
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	2/2	1/1	A, B
Professor LIU Pak Wai, SBS, JP	1/1	6/6		3/3	2/2		A, B
Mr TSANG Wai Hung, GBS, PDSM, JP	1/1	6/6	6/6	3/3			A, B
<b>Non-executive Directors</b>							
Mr Raymond KWOK Ping Luen, JP (with Ms Susanna WONG Sze Lai, as alternate)	0/1	0/6	5/6				A, B
Mr NG Siu Chan (with Ms Winnie NG, JP as alternate)	0/1	0/6					B
Mr Charles LUI Chung Yuen, M.H.	1/1	5/6	5/6				A, B
Mr William LOUEY Lai Kuen (with GAO Feng as alternate)	1/1	6/6	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			2/2		A, B
<b>Executive Director</b>							
Mr Roger LEE Chak Cheong (Managing Director)	1/1	6/6	6/6				A, B
<b>Alternate Directors</b>							
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)	1/1	6/6					A, B
Ms Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen, JP)	0/1	6/6					A, B

### Notes:

- Particulars of the 2021 AGM are set out on page 127 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 2021, which exceeded the minimum requirement of four Board meetings a year under the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least two hours.



## Delegation of Responsibilities to Senior Management

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, senior management provides accurate, adequate and detailed financial and operational information in a timely manner to the Board to keep the Directors informed of the latest developments of the Group, enabling them to make informed decisions and discharge their responsibilities effectively.

## The Role of the Company Secretary

The post of Company Secretary is held by Ms Lana WOO, who is a fellow member of The Hong Kong Chartered Governance Institute. 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 2021, 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 2021 given on pages 160 to 235 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 2021.

### 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.

# CORPORATE GOVERNANCE REPORT

## 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 staff are appropriately trained for their relevant positions to ensure that they carry out their duties in accordance with the requirements of good internal control practices.

### *Management*

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

### *The Internal Audit Department*

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

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

## Control Environments

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

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

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

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

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

## Risk Assessment

### *TIH Enterprise Risk Management System*

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

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

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

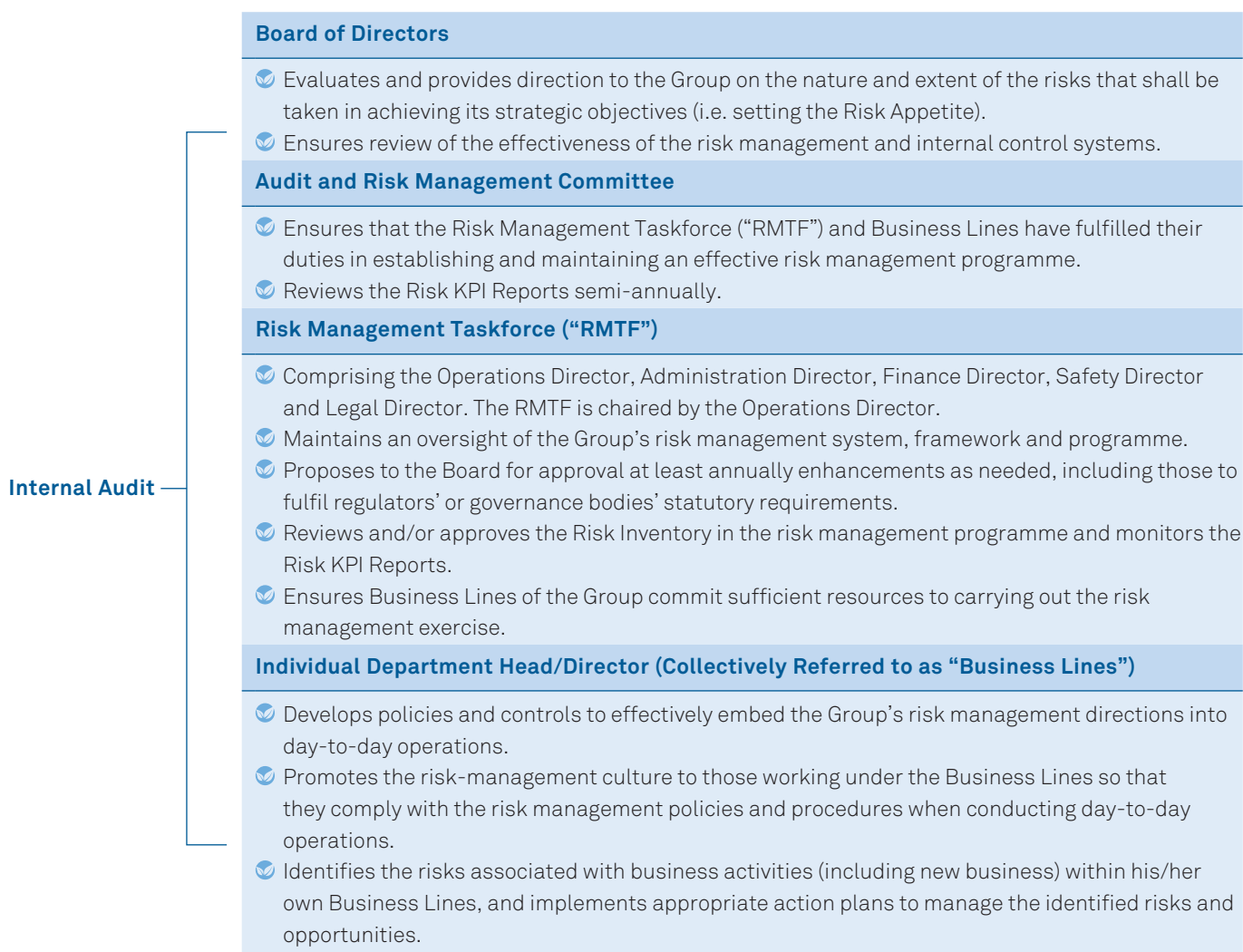
# CORPORATE GOVERNANCE REPORT

The Group's risk management structure is as follows:

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

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

## TIH Risk Management Framework



## Control Activities

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

- Annual budgeting and planning processes;
- Financial and payment authorisation guidelines;
- Procurement and tendering policies; 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 QMS to assess its effectiveness, efficiency and conformity. During 2021, there was no non-conformity in QMS noted during the ISO audit of the operations of both KMB and LWB.

As of December 2021, 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 key business and IT operations. The BCP is reviewed and updated from time to time according to changes in circumstances. BCP, which is an integral part of the risk management process, creates a systematic approach for providing effective response that enables management to safeguard shareholder value in a crisis by responding promptly and by resuming KMB's critical business functions at acceptable pre-defined levels. KMB performs walkthrough tests and drills periodically to ensure that the BCP will be able to adequately ensure minimal disruption to key businesses if an unforeseeable event occurs.

## Information and Communication/Monitoring Activities

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

# CORPORATE GOVERNANCE REPORT

## 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 2021, 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 2021.

## 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.

## External Audit

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

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

The Company engaged KPMG as its external auditors to audit the financial statements of the Company for the year ended 31 December 2021. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2021 and up to the date of this Annual Report, it remains independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services rendered by KPMG to the Group for the year ended 31 December 2021 are set out below:

	HK\$ million
Audit related services	4.1
Non-audit related services (Note)	1.0
<b>Total</b>	<b>5.1</b>

Note:

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

## Engagement with Stakeholders

### Shareholders

The Company had 3,725 registered shareholders as at 31 December 2021. The shareholders comprise individual shareholders, institutional investors plus people and organisations holding shares via financial intermediaries such as nominees, investment funds and the Central Clearing and Settlement System ("CCASS") of Hong Kong.

The names of the shareholders holding 5% or more of the shares of the Company as at 31 December 2021, other than those who are also the Directors of the Company, are disclosed in the Report of the Directors on page 151 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 40.3% in the Company.

As at 31 December 2021, 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	1,384	37.16	432,048	0.09
1,001-5,000	1,389	37.29	3,285,733	0.70
5,001-10,000	379	10.17	2,872,157	0.62
10,001-100,000	468	12.56	13,769,286	2.96
Above 100,000	105	2.82	445,110,190	95.63
	<b>3,725</b>	<b>100</b>	<b>465,469,414</b>	<b>100</b>

Note:

46.10% 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 2021.

# CORPORATE GOVERNANCE REPORT

## 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 is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels to convey messages to the shareholders, including press releases, announcements, circulars and interim and annual reports. Interim and annual reports, notices of general meetings, announcements and circulars in English and Chinese are posted on the Company's website ([www.tih.hk](http://www.tih.hk)) and the website of the Stock Exchange. They are also delivered to shareholders within the respective deadlines stipulated by the Listing Rules. Other information of interest to shareholders and the public is also available on the Company's website.

## Annual Reports

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

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2021, the Company won the Gold Award for Cover Photo/Design, Bronze Awards for Traditional Annual Reports and Interior Design, Honours for Written Text and Printing & Production in the Transportation and Leasing category of the International ARC Awards and the Silver Award in the Transportation & Logistics category of the Vision Awards.

## The Company's General Meetings

The Directors consider the Company's general meetings an important way of communicating with shareholders. The annual general meetings and other general meetings are normally attended by all Directors and 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 20 clear business days before the annual general meeting.



## Annual General Meeting

The 2021 AGM was held on 20 May 2021 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 2020;
- ✔ Approval of an ordinary final dividend of HK\$0.50 per share for the year ended 31 December 2020;
- ✔ Re-election of Mr Raymond KWOK Ping Luen, *JP*, Mr Charles LUI Chung Yuen, *M.H.*, Ms Winnie NG, *JP*, Dr Eric LI Ka Cheung, *GBS, OBE, JP*, Professor LIU Pak Wai, *SBS, JP*, Mr TSANG Wai Hung, *GBS, PDSM, JP*, Dr CHEUNG Wing Yui, *BBS* and Mr LEE Luen Fai, *JP* as the 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 2021 AGM were published on the websites of the Company and the Stock Exchange on 20 May 2021.

The 2022 Financial Calendar of the Company is set out as follows:

✔ Announcement of 2021 final results	17 March 2022
✔ Dispatch of 2021 Annual Report and the accompanying circular to shareholders	14 April 2022
✔ Last day to register transfer to qualify for attending and voting at 2022 AGM	13 May 2022
✔ Book closure for 2022 AGM (both dates inclusive)	16 May 2022 to 19 May 2022
✔ Date of 2022 AGM	19 May 2022
✔ Last day to register transfer to qualify for 2021 final dividend	24 May 2022
✔ Book closure for 2021 final dividend	25 May 2022
✔ Payment of 2021 final dividend	30 June 2022
✔ Announcement of 2022 interim results	mid-August 2022
✔ Payment of 2022 interim dividend	mid-October 2022
✔ Financial year end date	31 December 2022

# CORPORATE GOVERNANCE REPORT

## Shareholders' Right

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

## Constitutional Documents

An up-to-date and consolidated version of the Bye-laws of the Company is published on the websites of the Company and the Stock Exchange. No changes were made to the Company's constitutional documents in 2021.

## Dividends

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

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

## General Public

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

*Website* – The Company's website ([www.tih.hk](http://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 which keep the travelling public updated on their services and operations. These publications can be accessed on the companies' websites ([www.kmb.hk](http://www.kmb.hk) and [www.lwb.hk](http://www.lwb.hk)).

## Employees

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

The Staff Handbook, which is accessible on the staff website, allows staff to know more 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 and other stakeholders of the Company. The Committee has 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 the market practices and packages for similar posts offered by comparable companies.

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

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

In 2021, the work conducted by the Remuneration Committee included:

- ✔ Reviewing the Remuneration Policy for 2021;
- ✔ Reviewing the annual performance-related bonuses for the Group's employees, with reference to the performance of the Group, individual achievement, assessment criteria and market norms;
- ✔ Examining employees' wage and salary increments on a merit basis with reference to relevant factors including market pay trends and inflation forecasts; and
- ✔ Reviewing the remuneration of Executive and Non-executive Directors, benchmarked against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business.

## Criteria for Determining the Remuneration of Directors

In line with good corporate governance practice, assessment of the remuneration of Directors is based on formal principles which take into account both the market practices and a tried and tested methodology. As in previous years, Directors' fees for 2021 were determined based on the methodology developed in the "Higgs Report" on the "Review of the Role and Effectiveness of Non-executive Directors" in the United Kingdom, in view of the likely workload, the scale and complexity of the business and the responsibility involved. Reference was also made to the results of a desk-top survey conducted by the Company on the remuneration of the Directors of 20 major companies listed on the Stock Exchange. The fee structure for the Directors in 2021 is set out as follows:

	Fee per annum HK\$
<b>Board Members</b>	
– Chairman	546,000
– Other Directors	390,000
<b>Audit and Risk Management Committee Members</b>	
– Chairman	260,400
– Other members	186,000
<b>Remuneration Committee Members</b>	
– Chairman	70,000
– Other members	60,000
<b>Nomination Committee Members</b>	
– Chairman	70,000
– Other members	60,000
<b>Standing Committee Members (except Executive Director)</b>	
– Chairman	369,600
– Other members	264,000

Except as disclosed above, no Independent Non-executive Director or Non-executive Director received any pension benefits or bonuses from the Group in 2021.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2021, together with 2020 comparison, is given in note 7 to the consolidated financial statements on pages 191 and 192 of this Annual Report.

# REMUNERATION 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 148 and 150 of this Annual Report.

## Staff Retirement Schemes

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

### i) The Monthly Scheme

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

### ii) The Daily Scheme

Formally established under trust and registered under the ORSO, the Daily Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member’s benefit is equivalent to the final daily basic 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, BA*

Chairman and Independent Non-executive Director, aged 81. Dr Leung has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He has been appointed as the Chairman of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012. Dr Leung is the Chairman of the Standing Committee of the Company. He is an Independent Non-executive Director of Sun Hung Kai Properties Limited (A company listed on the Hong Kong Stock Exchange). Dr Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002, a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials from 2007 to 2013, Council Chairman of the City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of such University from 2005 to June 2016. Dr. Leung has been appointed as the Council Chairman of The Chinese University of Hong Kong since May 2016.



**Dr John CHAN Cho Chak**

*GBS, JP, DBA(Hon),  
DSocSc(Hon), BA, DipMS,  
CCMI, FCILT, FHKIoD*

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





**Raymond KWOK Ping Luen**

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

Non-executive Director, aged 68. 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 member of the 13th National Committee of the Chinese People’s Political Consultative Conference. He is also a Director of The Real Estate Developers Association of Hong Kong and a Member of the Council of The Chinese University of Hong Kong.



**NG Siu Chan**

Non-executive Director, aged 91. Mr Ng has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) since 3 March 1983 and 8 May 1997 respectively. Mr Ng was an Independent Non-executive Director of Century City International Holdings Limited from 2 December 1994 to 31 December 2017, Paliburg Holdings Limited from 18 August 1995 to 31 December 2017 and Regal Hotels International Holdings Limited from 22 March 2005 to 31 December 2017.

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

## DIRECTORS' PROFILES



**William LOUEY Lai Kuen**

*BSc(Econ)*

Non-executive Director, aged 62. 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 87. Mr Lui has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively, and has been re-designated as a Non-executive Director of the Company with effect from 20 October 2016. He is also a member of the Standing Committee of the Company. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited ("KMB (China)") on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003 until 20 October 2016.



**Winnie NG**

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

Non-executive Director, aged 58, has been Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”) since 1995 and Director of Transport International Holdings Limited (the “Company”) and Long Win Bus Company Limited since 1997, and was Founder and Deputy Chairman of RoadShow Holdings Limited (“RoadShow”) until 12 December 2017. Ms Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited which are all listed companies. Ms Ng has received numerous awards and recognition. In 2019, Ms Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award, and China Top Ten Outstanding Women Entrepreneurs. In previous years, she was named a Woman of Excellence, was selected as one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, won the Yazhou Zhoukan Young Chinese Entrepreneur Award, was named one of China’s 100 Outstanding Women Entrepreneurs, was Mason Fellow of Harvard University, and was the Caring Heart Award recipient.

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

Active in public service, she is Director of Po Leung Kuk, Member of Women’s Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Supervisor of Mr & Mrs Chan Pak Keung Tsing Yi School, Advisor of Our Hong Kong Foundation, Court member of The Hong Kong Polytechnic University, Council Member of The Better Hong Kong Foundation. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of the Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. She acted as the judge for Miss Hong Kong Pageant 2014, and also acted as the judge for Hong Kong Volunteer Award from 2005 to 2021.

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

## DIRECTORS' PROFILES



**Dr Eric Li Ka Cheung**

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

Independent Non-executive Director, aged 68. 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 member of the 13th National Committee of the Chinese People’s Political Consultative Conference. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit and Risk Management Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.



**Professor LIU Pak Wai**

*SBS, JP*

Independent Non-executive Director, aged 74. Professor Liu was appointed Independent Non-executive Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 1 September 2011. He was appointed as a member of the Remuneration Committee and the Audit and Risk Management Committee of the Company with effect from the conclusion of the Annual General Meeting of the Company held on 17 May 2012 and on 19 May 2017 respectively. He received his AB degree from Princeton University and PhD degree from Stanford University in the United States of America. He is the Research Professor and formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong and holds a number of positions related to his field of study, including Executive Committee Chairman of the Lau Chor Tak Institute of Global Economics and Finance. Professor Liu is an Independent Non-executive Director of Hang Lung Group Limited 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 Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and a member of the Judicial Officers Recommendation Commission. He was a past member of the Commission on Strategic Development, the Working Group on Long Term Fiscal Planning, the Independent Review Committee for the Prevention and Handling of Potential Conflicts of Interests, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR.



**Allen FUNG Yuk Lun**

*BA, Ph.D.*

Non-executive Director, aged 53. 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, an Honorary Secretary of The Hong Kong Federation of Youth Groups, an Executive Committee Member of The Hong Kong Management Association, the President of the Hong Kong Society for the Protection of Children, a member of the Board of the Asian Youth Orchestra and 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 Leisure and Cultural Services Department.

## DIRECTORS' PROFILES



**Roger LEE Chak Cheong**

*BSc, MSc, MICE, CEng*

Managing Director, aged 59. Mr Lee has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited (“LWB”) since 3 March 2014. He has been appointed as Managing Director of the Company, KMB and LWB since 1 January 2015. He is a member of the Standing Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr Lee also served as an Alternate Director to Mr Raymond Kwok Ping Luen of the Company, KMB and LWB for the period from 1 April 2013 to 2 March 2014.

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

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

Mr Lee is currently a Council Member of the Business Environment Council and a committee member of the Employers’ Federation of Hong Kong.



**Andy TSANG Wai Hung**

*GBS, PDSM, JP, MBA*

Independent Non-executive Director, aged 63. 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 72. 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.

## DIRECTORS' PROFILES



**LEE Luen Fai**

*BBS, JP, BA*

Non-executive Director, aged 68. Mr Lee has been a Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 January 2018. He is the Director of Public Affairs of Sun Hung Kai Properties Limited (“SHKP”). He joined SHKP in May 2005. He is a veteran of the broadcasting industry, with more than 20 years of experience in the field. He joined Radio Television Hong Kong (“RTHK”) in the 70’s and has hosted a number of popular programmes including “Talkabout” and “City Forum”. Mr Lee has also been the Head of Public Affairs for RTHK radio division. In 1993, he was promoted as the Head of Public and Current Affairs of the television division overseeing all public and current affairs programmes. He became Controller of Educational Television in 1996 and was responsible for all educational TV and school programmes. Mr Lee graduated from Grantham College of Education (now known as The Education University of Hong Kong) and holds a bachelor of arts degree in Chinese History from University of East Asia (now known as University of Macau).

Mr Lee has an extensive record of public and community service and is currently a Member of the Standing Commission on Civil Service Salaries and Conditions of Service, Civil Service Training Advisory Board, Basic Law Promotion Steering Committee, and Election Committee (Transport Sub-sector). He also is the Chairman of Pay Trend Survey Committee.



**LUNG Po Kwan**

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

Non-executive Director, aged 56. 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 31 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.



## KEY CORPORATE EXECUTIVES

Company/Position	Name
<b>Transport International Holdings Limited</b> Managing Director Administration Director Finance Director Legal Director Company Secretary Head of Internal Audit Department Head of Legal Department	Roger LEE Chak Cheong, BSc, MSc, MICE, CEng Steve HUI Chun Tak, PDSM, MMgt Joseph LEUNG Cho Tak, BA, CPA, AICPA Henry LEUNG Ho Yin, BA, MBA, LLB Lana WOO, BA, MBA, FCG, HKFCG(PE), CPA(Canada), CGA Ken HO Wing Kin, BCom, CPA (Aust.), HKICPA, CFE Teresa O Ching Yuan, BA, MSc, LLB
<b>The Kowloon Motor Bus Company (1933) Limited</b> <b>Long Win Bus Company Limited</b> Operations Director Safety Director  Assistant Commercial Director Assistant Director (Communications) Assistant Director (Finance) Assistant Director (Strategic Planning) Assistant Operations Director (East Division) Assistant Operations Director (West Division) Assistant Operations Director (Bus Servicing & Engineering) Assistant Operations Director (Bus Servicing) Head of Human Resources Department Head of Information Technology Department Head of Major Works Department Head of Procurement Department Head of Staff Relations & Welfare Services Department	Andrew KWAN Chi Wai, CMILT Rachel KWAN Chui Lan, BA(Hons), MSc (Urban Planning), MPA, MSc (ITM), MCIT Emily CHEUNG Yee Hang, BA, MA, MCILT Addie LAM Tsz Ho, BA, MSc Kathy CHEUNG Mei Lam, BBA, CPA Gary LEUNG Ling Yin, BSc Utan WONG Yu Ting, BA Kelvin YEUNG, BSc George WEI Ming Chi, BEng, MBA, MHKIE LAI Yick Kin, BBA Cindy LUI Fung Kuen, BBA, MIHRM(HK) Karen WONG Hau Ling, BSc(Hons), MPhil Jacky NG Chin To, BA Anita LAM Chiu Lin, BCom, MSc, MCIPS Wing YIM Wing Han, BA, PgDHRM, MHRM
<b>Sun Bus Holdings Limited</b> General Manager	Susan SO, BBA, MSc, FCCA, HKICPA

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# DIRECTORS' REPORT

The Directors submit herewith their Annual Report together with the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2021.

## Principal place of business

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

## Principal activities and business review

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

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

The Group's revenue and profit are mainly attributable to franchised bus operations.

The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business, a discussion of the Group's environmental policies and performance, and its compliance with the relevant laws and regulations that have a significant impact on the Group and an account of the Group's key relationships with its employees, customers and suppliers that have a significant impact on the Group can be found in the Management Discussion and Analysis set out on pages 18 to 133 of this Annual Report. This discussion forms part of this Directors' Report.

## Recommended dividend

No interim dividend has paid to the shareholders (2020: HK\$Nil). The Directors now recommend that a final dividend of HK\$0.50 per share (2020: HK\$0.50 per share) in respect of the year ended 31 December 2021 be paid to shareholders on 30 June 2022.

## Charitable donations

Charitable donations made by the Group during the year amounted to HK\$2,784,000 (2020: HK\$4,012,000).

## Share capital

Details of the movements in share capital of the Company during the year are set out in note 30(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 30(b) to the financial statements.

## Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$2,302,842,000 (2020: HK\$2,304,043,000). After the end of the reporting period, the Directors proposed a final dividend of HK\$0.50 per share (2020: HK\$0.50 per share), amounting to HK\$232,735,000 (2020: HK\$228,910,000) (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*, GBS, JP	(Chairman)
Dr John CHAN Cho Chak*, GBS, JP	(Deputy Chairman)
Raymond KWOK Ping Luen, JP	
NG Siu Chan	
William LOUEY Lai Kuen	
Charles LUI Chung Yuen, M.H.	
Winnie NG, JP	(Director and Alternate Director to Mr NG Siu Chan)
Dr Eric LI Ka Cheung*, GBS, OBE, JP	
Professor LIU Pak Wai*, SBS, JP	
Allen FUNG Yuk Lun	
Roger LEE Chak Cheong	(Managing Director)
TSANG Wai Hung*, GBS, PDSM, JP	
Dr CHEUNG Wing Yui, BBS	
LEE Luen Fai, BBS, JP	
LUNG Po Kwan	
Susanna WONG Sze Lai	(Alternate Director to Mr Raymond KWOK Ping Luen, JP)
GAO Feng	(Alternate Director to Mr William LOUEY Lai Kuen)

\* Independent Non-executive Director

In accordance with the Company's Bye-laws 87(1), Dr Norman Leung Nai Pang, Mr William Louey Lai Kuen and Mr Lung Po Kwan will retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 134 to 142 of this Annual Report.

## Indemnity provision

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

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

## DIRECTORS' REPORT

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

The Directors of the Company who held office at 31 December 2021 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*	100,000	-	-	-	-	100,000	0.021%
Dr John CHAN Cho Chak*	2,000	-	-	-	-	2,000	-
Raymond KWOK Ping Luen (note 1)	525,832	-	-	-	-	525,832	0.113%
NG Siu Chan	-	25,724,528	-	-	-	25,724,528	5.527%
William LOUEY Lai Kuen	8,032,913	-	-	-	26,821,148	34,854,061 (note 2)	7.488%
Charles LUI Chung Yuen	14,271	-	-	3,317,532 (note 3)	-	3,331,803	0.716%
Winnie NG (Director and Alternate Director to Mr NG Siu Chan)	181,416	-	-	25,724,528 (note 4)	-	25,905,944	5.566%
Dr Eric LI Ka Cheung*	1,600	-	-	-	-	1,600	-
Professor LIU Pak Wai*	-	-	-	-	-	-	-
Allen FUNG Yuk Lun	-	-	-	-	-	-	-
Roger LEE Chak Cheong (Managing Director)	132,127	-	-	-	-	132,127	0.028%
TSANG Wai Hung*	-	-	-	-	-	-	-
Dr CHEUNG Wing Yui	-	-	-	-	-	-	-
LEE Luen Fai	-	30,000	-	-	-	30,000	0.006%
LUNG Po Kwan	-	-	-	-	-	-	-
Susanna WONG Sze Lai (Alternate Director to Mr Raymond KWOK Ping Luen)	-	-	-	-	-	-	-
GAO Feng (Alternate Director to Mr William LOUEY Lai Kuen)	-	-	-	-	-	-	-

\* Independent Non-executive Director

Notes:

- (1) Of these shares in the Company, Mr Raymond Kwok Ping Luen held 521,659 shares jointly with his spouse.
- (2) Mr William Louey Lai Kuen, Ms Phyllis Louey and Ms Carol Wilma Louey entered into a shareholders voting agreement and together have interests in 34,854,061 shares of the Company.
- (3) Mr Charles Lui Chung Yuen and members of his family together had interests in certain private trusts which beneficially held 3,317,532 shares in the Company.
- (4) Ms Winnie Ng had an interest in 25,724,528 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 2021, 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 2021 was 40,363,941 shares (including options for 11,725,000 shares that have been granted but not yet lapsed or exercised) which represented 8.7% of the ordinary shares of the Company in issue at 31 December 2021. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

At 31 December 2021, 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 2021 was HK\$12.8) granted for a consideration of HK\$1 under the share option scheme of the Company. As at 31 December 2021, the total grant date fair value of unexercised vested and unvested options, measured in accordance with the accounting policy set out in note 1(x)(iv) to the financial statements, amounted to HK\$2,710,000 and HK\$4,015,000, 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 2021 are exercised, the Company will receive proceeds of HK\$179,627,000.

## DIRECTORS' REPORT

### Equity-linked agreement (continued)

#### Share option scheme (continued)

	No. of options outstanding at 1 January 2021	No. of shares forfeited during the year	No. of options lapsed during the year	No. of options outstanding at 31 December 2021	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options*
<b>Director</b>								
Roger LEE Chak Cheong	860,000	-	(860,000)	-	31 October 2016	31 October 2017 to 30 October 2021 (note 1)	HK\$23.45	HK\$23.45
	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
	450,000	-	-	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 3)	HK\$15.32	HK\$15.32
Norman LEUNG Nai Pang	450,000	-	-	450,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
John CHAN Cho Chak	425,000	-	-	425,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Raymond KWOK Ping Luen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
NG Siu Chan	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
William LOUEY Lai Kuen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Charles LUI Chung Yuen	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Winnie NG	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Allen FUNG Yuk Lun	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
CHEUNG Wing Yui	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LEE Luen Fai	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LUNG Po Kwan	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
Eric LI Ka Cheung	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
LIU Pak Wai	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
TSANG Wai Hung	400,000	-	-	400,000	19 November 2020	19 November 2021 to 18 November 2025 (note 2)	HK\$15.32	HK\$15.32
<b>Employees</b>	633,200	(72,000)	(561,200)	-	31 October 2016	31 October 2017 to 30 October 2021 (note 1)	HK\$23.45	HK\$23.45
<b>Employees</b>	7,100,000	(1,900,000)	-	5,200,000	19 November 2020	19 November 2021 to 18 November 2025 (note 3)	HK\$15.32	HK\$15.32

## DIRECTORS' REPORT

### Equity-linked agreement (continued)

#### Share option scheme (continued)

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

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

	<i>Percentage of options granted</i>
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

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

	<i>Percentage of options granted</i>
On or after 19 November 2021	50%
On or after 19 November 2022	100%

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

	<i>Percentage of options granted</i>
On or after 19 November 2021	30%
On or after 19 November 2022	60%
On or after 19 November 2023	100%

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(x)(iv) and note 21 to the financial statements respectively.

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

### Directors' service contracts

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

### Directors' interests in transactions, arrangements or contracts

As disclosed in note 34(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 and Dr Cheung Wing Yui are also directors of SHKP and/or Sun Hung Kai Properties Insurance Limited, and Mr Lee Luen Fai and Mr Lung Po Kwan are employees of SHKP. Among them, Mr Raymond Kwok Ping Luen is a director of SHKP and is materially interested in these transactions by virtue of his interest and deemed interest under Part XV of the SFO in more than 5% of the issued shares of SHKP.

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

At 31 December 2021, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK\$1 each				Total number of shares held	Percentage of total issued shares
	Registered shareholders	Corporate interests	Trustee interests			
HSBC Trustee (C.I.) Limited	–	–	187,647,687	187,647,687	40.3%	
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	187,647,687	–	187,647,687	40.3%	
Arklake Limited (Note 1)	103,360,763	–	–	103,360,763	22.2%	
Hung Fat (Hop Kee) General Contractors Limited (Note 1)	30,941,693	–	–	30,941,693	6.6%	
Wister Investment Limited (Note 1)	27,448,464	–	–	27,448,464	5.9%	
HSBC International Trustee Limited	37,805,269	–	–	37,805,269	8.1%	
Kwong Tai Holdings (PTC) Limited (Note 3)	25,724,528	–	–	25,724,528	5.5%	

Notes:

- 1 The interest disclosed by Sun Hung Kai Properties Limited ("SHKP") includes the 161,750,920 shares disclosed by Arklake Limited, Hung Fat (Hop Kee) General Contractors Limited and Wister Investment Limited.
- 2 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% creeper 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% creeper under Rules 26.1(c) and (d) of the Takeovers Code.
- 3 The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 25,724,528 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both of whom are Directors of the Company.

### Purchase, sale or redemption of the Company's shares

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

## DIRECTORS' REPORT

### Pre-emptive rights

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

### Senior management

The Executive Director of the Company, Mr Roger Lee Chak Cheong, is a member of the senior management of the Group whose brief particulars are set out on page 140 of this Annual Report.

### Staff retirement schemes

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

#### (a) Defined benefit retirement schemes

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

The most recent actuarial valuations of the two schemes were at 1 January 2022 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

#### The KMB Monthly Rated Employees Scheme

- (i) The scheme was established with effect from 15 February 1978.
- (ii) The actuary of the scheme is Ms Wing Lui, Fellow of the Society of Actuaries of the United States of America. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: salary escalation at 4.0% per annum; mortality rates 2019 Hong Kong Life Tables; and normal retirement age of 65.
- (iii) The market value of the scheme assets at 31 December 2021 was HK\$1,063,305,000 (2020: HK\$1,053,029,000).
- (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 2021 and 2020.
- (v) The ongoing funding surplus in the scheme was HK\$666,527,000 (2020: HK\$593,476,000) and the solvency surplus was HK\$667,315,000 (2020: HK\$593,476,000) at 31 December 2021.

## 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 2020 Hong Kong Life Tables; and normal retirement age of 60.
- (iii) The market value of the scheme assets at 31 December 2021 was HK\$2,240,261,000 (2020: HK\$2,351,520,000).
- (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 2021 and 2020.
- (v) The ongoing funding surplus in the scheme was HK\$1,476,292,000 (2020: HK\$1,423,742,000) and the solvency surplus was HK\$1,524,405,000 (2020: HK\$1,476,539,000) at 31 December 2021.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 20 to the financial statements).

#### (b) Defined contribution retirement scheme

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

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014). Contributions to the SHKP Scheme during the year are charged to profit or loss as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2021 were insignificant to the Group.

### Bank loans

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 24 to the consolidated financial statements.

### Major customers and suppliers

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

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

### Financial summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 236 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 2021, except that two Directors of the Company were unable to attend the Annual General Meeting of the Company held on 20 May 2021 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 108 to 129 of this Annual Report.

### Properties

Particulars of the investment properties of the Group are shown on pages 102 and 103 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 2021.

### 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, 17 March 2022

# INDEPENDENT AUDITOR'S REPORT



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

*(Incorporated in Bermuda with limited liability)*

### Opinion

We have audited the consolidated financial statements of Transport International Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 160 to 235, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters (continued)

### Assessing the carrying value of buses and other motor vehicles

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

The Key Audit Matter	How the matter was addressed in our audit
<p>The carrying value of the Group's buses and other motor vehicles as at 31 December 2021 totalled HK\$6,339 million which accounted for 32% of the Group's total assets as at that date. Buses and other motor vehicles mainly represent the bus fleet employed in the Group's franchised bus operations.</p> <p>The estimated useful lives and residual values of buses and other motor vehicles are reviewed annually by management taking into consideration factors which include bus deployment and scrapping plans and technological changes which may affect the useful life expectancy of the assets and, therefore, could have a material impact on any impairment charge or the depreciation charge for the year.</p> <p>Internal and external information is reviewed by management annually to determine whether there are any indicators that the buses and other motor vehicles may be impaired.</p> <p>We identified assessing the carrying value of buses and other motor vehicles as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves the exercise of judgement by management, in particular in considering the nature, timing and likelihood of changes to factors such as bus deployment and scrapping plans and technological developments which may affect the carrying value of buses and other motor vehicles.</p>	<p>Our audit procedures to assess the carrying value of buses and other motor vehicles included the following:</p> <ul style="list-style-type: none"><li>– assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of bus deployment and scrapping plans;</li><li>– 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;</li><li>– discussing with management their assessment of whether any indicators of potential impairment of buses and other motor vehicles existed at the reporting date;</li><li>– 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.</li></ul>

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters (continued)

### Assessing the contingency provision for insurance

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

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group is involved from time to time in litigation and claims in connection with its bus operations. The contingency provision for insurance in connection with the Group's franchised bus operations, which represented the majority of the total balance of HK\$259 million as at 31 December 2021, has been set aside by management to meet the liabilities which are expected to arise from third party claims for incidents which have occurred. Management assessed the provision based on an independent valuation performed by a qualified external actuary.</p> <p>The assessment of the provision involves estimates based on past claims experience and recent claims developments. The ultimate claim amount is dependent on future external events which are inherently uncertain and actual claims may therefore deviate from management estimations.</p> <p>We identified the assessment of the contingency provision for insurance as a key audit matter because of the level of management judgement required in assessing the variable factors and assumptions in order to estimate the potential costs of settlement of claims.</p>	<p>Our audit procedures to assess the contingency provision for insurance included the following:</p> <ul style="list-style-type: none"><li>– assessing the design, implementation and operating effectiveness of key internal controls over management's maintenance of claims records and the assessment of related provision;</li><li>– assessing the independence, qualifications and expertise of the external actuary engaged by management and evaluating whether a consistent methodology had been applied in determining the amount of the provision;</li><li>– with the assistance of our internal actuarial specialists, assessing the valuation methodology adopted by the external actuary and comparing the key estimates and assumptions adopted in the actuarial valuation with past claims experience;</li><li>– comparing the claims details provided by management to the external actuary with the claims records maintained by management, on a sample basis.</li></ul>

## 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.

## INDEPENDENT AUDITOR'S REPORT

### 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



## INDEPENDENT AUDITOR'S REPORT

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

(continued)

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

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

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

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

17 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	3 & 12	<b>7,202,008</b>	6,190,880
Other income	4	<b>253,985</b>	1,249,571
Staff costs	5(a)	<b>(4,054,179)</b>	(4,339,974)
Depreciation		<b>(1,018,161)</b>	(993,019)
Fuel and oil		<b>(815,870)</b>	(619,612)
Spare parts		<b>(216,248)</b>	(197,468)
Toll charges		<b>(275,427)</b>	(272,388)
Other operating expenses		<b>(817,552)</b>	(771,009)
<b>Profit from operations</b>		<b>258,556</b>	246,981
Finance costs	5(b)	<b>(14,350)</b>	(26,933)
Gain on disposal of a subsidiary	35	<b>–</b>	1,495,548
Share of profits of associates		<b>19,635</b>	6,525
Share of profit of joint venture		<b>8,252</b>	35
<b>Profit before taxation</b>	5	<b>272,093</b>	1,722,156
Income tax (expense)/credit	6(a)	<b>(27,049)</b>	181,958
<b>Profit for the year</b>		<b>245,044</b>	1,904,114
<b>Earnings per share</b>			
<b>Basic and diluted</b>	10	<b>\$0.53</b>	\$4.21

The notes on pages 167 to 235 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 2021 (Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Profit for the year</b>		<b>245,044</b>	1,904,114
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of net defined benefit asset, net of tax expense of \$51,439,000 (2020: \$72,295,000)		<b>260,314</b>	365,857
Equity investment at fair value through other comprehensive income: net movement in fair value reserve (non-recycling), net of nil tax		<b>191,234</b>	1,649
<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		<b>18,459</b>	39,151
Investments in debt securities: net movement in fair value reserve (recycling), net of nil tax	9	<b>(120,445)</b>	9,409
Share of other comprehensive income of an associate, net of nil tax		<b>3,140</b>	43,050
Other comprehensive income for the year		<b>352,702</b>	459,116
<b>Total comprehensive income for the year</b>		<b>597,746</b>	2,363,230

The notes on pages 167 to 235 form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Investment properties	13(a)	95,400	97,875
Investment property under development	13(a)	3,844,604	3,005,416
Interest in leasehold land	13(a)	50,491	53,318
Other property, plant and equipment	13(a)	7,985,606	7,797,012
		<b>11,976,101</b>	10,953,621
Intangible assets	14	419,729	364,964
Goodwill	15	84,051	84,051
Interest in associates	17	681,749	656,610
Interest in joint venture	18	750,799	750,547
Other financial assets	19	1,353,662	1,473,574
Employee benefit assets	20(a)	1,959,462	1,701,495
Deferred tax assets	28(b)	528	456
		<b>17,226,081</b>	15,985,318
<b>Current assets</b>			
Spare parts		103,421	95,300
Accounts receivable	22	605,137	660,519
Other financial assets	19	741,095	234,198
Deposits and prepayments		26,924	27,422
Current tax recoverable	28(a)	5,857	5,085
Restricted bank deposits	23(a)	411,749	350,365
Bank deposits and cash	23(a)	825,787	1,943,400
		<b>2,719,970</b>	3,316,289
<b>Current liabilities</b>			
Accounts payable and accruals	25	1,665,467	1,585,519
Contingency provision – insurance	26	93,800	90,323
Bank loans	24	994,032	1,398,257
Lease liabilities	27	3,513	3,615
Current tax payable	28(a)	2,657	9,262
		<b>2,759,469</b>	3,086,976
<b>Net current (liabilities)/assets</b>		<b>(39,499)</b>	229,313
<b>Total assets less current liabilities</b>		<b>17,186,582</b>	16,214,631

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Non-current liabilities</b>			
Bank loans	24	2,138,517	1,684,266
Lease liabilities	27	3,306	1,865
Deferred tax liabilities	28(b)	1,187,522	1,123,423
Contingency provision – insurance	26	177,590	217,716
Provision for long service payments	29	919	1,049
		<b>3,507,854</b>	3,028,319
<b>NET ASSETS</b>			
		<b>13,678,728</b>	13,186,312
<b>CAPITAL AND RESERVES</b>			
Share capital	30(b)	465,469	457,821
Reserves		13,213,259	12,728,491
<b>TOTAL EQUITY</b>		<b>13,678,728</b>	13,186,312

Approved and authorised for issue by the Board of Directors on 17 March 2022

**Norman LEUNG Nai Pang**

Chairman

**Roger LEE Chak Cheong**

Managing Director

The notes on pages 167 to 235 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

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

The notes on pages 167 to 235 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital \$'000	Share premium \$'000 (note 30 (c)(i))	Capital reserve \$'000 (note 30 (c)(ii))	Other reserves \$'000	Exchange reserve \$'000 (note 30 (c)(iii))	Fair value	Fair value	Retained profits \$'000	Total \$'000
						reserve (recycling) \$'000 (note 30 (c)(iv))	reserve (non-recycling) \$'000 (note 30 (c)(v))		
Note									
<b>Balance at 1 January 2021</b>	457,821	1,100,490	3,308	1,102,614	130,271	10,043	545,269	9,836,496	13,186,312
<b>Changes in equity for 2021:</b>									
Profit for the year	-	-	-	-	-	-	-	245,044	245,044
Other comprehensive income for the year	-	-	-	-	18,459	(120,445)	194,374	260,314	352,702
Total comprehensive income for the year	-	-	-	-	18,459	(120,445)	194,374	505,358	597,746
Shares issued in respect of scrip dividend – 2020 final dividend	30(b) 7,648	111,824	-	-	-	-	-	-	119,472
Forfeiture of share options	-	-	(681)	-	-	-	-	-	(681)
Equity-settled share-based transactions	-	-	4,789	-	-	-	-	-	4,789
Lapse of share options	-	-	(2,707)	-	-	-	-	2,707	-
Dividends approved in respect of the previous year	11(b) -	-	-	-	-	-	-	(228,910)	(228,910)
	7,648	111,824	1,401	-	-	-	-	(226,203)	(105,330)
<b>Balance at 31 December 2021</b>	465,469	1,212,314	4,709	1,102,614	148,730	(110,402)	739,643	10,115,651	13,678,728

The notes on pages 167 to 235 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Cash generated from operations	23(c)	1,284,302	1,187,259
Interest received		72,087	113,010
Interest paid		(14,701)	(25,165)
Tax paid			
– Hong Kong Profits Tax		(21,033)	(75,429)
– The People's Republic of China ("PRC") withholding tax		(805)	(1,262)
<b>Net cash generated from operating activities</b>		<b>1,319,850</b>	<b>1,198,413</b>
<b>Investing activities</b>			
Increase in restricted bank deposits		(61,384)	(203,410)
Decrease/(increase) in bank deposits with original maturities of over three months		810,307	(43,700)
Decrease/(increase) in loan receivables		123	(34,541)
Payment for the purchase of other property, plant and equipment		(1,417,316)	(1,272,512)
Payment for other additions of investment property under development		(675,775)	(375,853)
Payment for the purchase of intangible assets		(54,765)	–
Payment for the purchase of debt securities		(767,308)	(438,285)
Receipt of government grant for the purchase of other property, plant and equipment		97,863	18,046
Receipt of government grant for the disposal of other property, plant and equipment		1,085	306
Proceeds from the disposal of other property, plant and equipment		12,487	9,159
Proceeds on the maturity of debt securities		436,346	722,815
Dividends received from associates		16,095	43,969
Dividends received from unlisted equity securities		38,539	31,000
Net cash inflow in respect of disposal of subsidiary	35	–	744,735
Finance costs paid and capitalised		(17,687)	(28,682)
<b>Net cash used in investing activities</b>		<b>(1,581,390)</b>	<b>(826,953)</b>
<b>Financing activities</b>			
Proceeds from new bank loans	23(d)	2,895,000	2,515,000
Repayment of bank loans	23(d)	(2,840,000)	(2,145,000)
Loan repaid by a joint venture		8,000	–
Capital element of lease rentals paid	23(d)	(2,365)	(2,727)
Interest element of lease rentals paid	23(d)	(94)	(161)
Dividends paid to equity shareholders of the Company		(109,438)	(149,228)
<b>Net cash (used in)/generated from financing activities</b>		<b>(48,897)</b>	<b>217,884</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(310,437)</b>	<b>589,344</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,133,093</b>	<b>542,351</b>
<b>Effect of foreign exchange rate changes</b>		<b>3,131</b>	<b>1,398</b>
<b>Cash and cash equivalents at 31 December</b>	23(a)	<b>825,787</b>	<b>1,133,093</b>
<b>Analysis of cash and cash equivalents:</b>			
Bank deposits and cash in the consolidated statement of financial position	23(a)	825,787	1,943,400
Less: bank deposits with original maturities of over three months	23(a)	–	(810,307)
<b>Cash and cash equivalents in the consolidated cash flow statement</b>		<b>825,787</b>	<b>1,133,093</b>

The notes on pages 167 to 235 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies

### (a) Statement of compliance

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

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

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and a joint venture.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (c) Changes in accounting policies

The Group has applied Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* issued by the HKICPA to these financial statements for the current accounting period. Other than the amendment to HKFRS 16, the Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### **Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* (2021 amendment)**

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance equity at 1 January 2021.

### (d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(n)(iii)).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (e) Associates, joint venture and joint operations

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(n)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture after applying the expected credit loss ("ECL") model to such other long-term interests, where applicable (see note 1(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not measured. Instead, the investment continues to be accounted for under equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

The Group recognises in the financial statements its share of a joint operation's assets and any liabilities incurred jointly with other operators according to their nature. Liabilities and expenses incurred directly in respect of its interest in the joint operation are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the joint operation, together with its share of any expenses incurred by the joint operation, are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(n)(iii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Other investments in debt and equity securities

The Group's and the Company's accounting policies for investments in debt and equity securities, other than investments in subsidiaries 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 32(f). These investments are subsequently accounted for as follows, depending on their classification.

#### (i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iv)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (g) Other investments in debt and equity securities (continued)

#### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(u)(v).

### (h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

### (i) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges).

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in the accounting policies set out in note 1(u)(vi).

### (k) Other property, plant and equipment

Properties held for own use and other items of plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(l)), are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Government grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land	The shorter of 40 years and the unexpired terms of the leases
- Leasehold land	The unexpired terms of the leases
- Buses	14 years
- Other motor vehicles	5 to 14 years
- Others	2 to 7 years

No depreciation is provided for buses under construction.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (l) Leased assets (continued)

#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(vi).

### (m) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(n)(iii)).

Passenger service licences and transport operating rights are assessed and regarded by the Group to have indefinite useful lives and are not amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated remaining useful life.

### (n) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including bank deposits and cash, trade and other receivables, including loan to joint venture, which is held for the collection of contractual cash flows which represent solely payments of principal); and
- investments in debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (n) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (n) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (n) Credit losses and impairment of assets (continued)

#### (i) Credit losses from financial instruments (continued)

##### ***Basis of calculation of interest income***

Interest income recognised in accordance with note 1(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

##### ***Write-off policy***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (n) Credit losses and impairment of assets (continued)

#### (ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(n)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

#### (iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties and investment property under development;
- other property, plant and equipment, including right-of-use assets;
- interest in leasehold land;
- intangible assets;
- goodwill;
- interest in associates;
- interest in joint venture; and
- investments in subsidiaries in the Company’s statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (n) Credit losses and impairment of assets (continued)

#### (iii) Impairment of other non-current assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, their recoverable amounts are estimated annually whether or not there is indication of impairment.

#### – *Calculation of the recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### – *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable). 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.

#### – *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(n)(i) and 1(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (o) Spare parts

Spare parts are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

### (p) Accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Accounts receivable are initially recognised at 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.

### (s) Bank deposits and cash

Bank deposits and cash comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank deposits and cash are assessed for ECL in accordance with the policy set out in note 1(n)(i).

### (t) Provisions and contingent liabilities

#### (i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (u) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promise consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.
- (ii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.
- (iii) Income from media sales management and administrative services, production of advertisements, and advertising agency services is recognised when the related services are rendered.
- (iv) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(n)(i)).
- (v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (vii) Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

### (v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (w) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in The People's Republic of China ("PRC") is Renminbi. The presentation currency of the Group is Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (x) Employee benefits

#### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### (ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (x) Employee benefits (continued)

#### (ii) Defined benefit retirement plan obligations (continued)

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

#### (iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

#### (iv) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

#### (v) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

### (y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (y) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (z) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
  
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) The entity is controlled or jointly controlled by a person identified in (i).
  - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2 Accounting judgements and estimates

Notes 15, 20(f), 21(c) and 32(f) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

#### (a) Depreciation

Investment properties, interest in leasehold land and other property, plant and equipment, including right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

#### (b) Credit losses and impairment of assets

##### (i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the asset. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition.

##### (ii) Impairment of other non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

#### (c) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 26, is based on past claim experience and recent claim developments. The provision is assessed based on an independent valuation performed by a qualified external actuary. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

The amount of each significant category of revenue is as follows:

	2021 \$'000	2020 \$'000
Fare revenue from franchised public bus services	6,609,291	5,653,807
Revenue from non-franchised transport services	212,458	208,204
Licence fee income	256,968	224,723
Media sales revenue	71,597	31,299
Gross rentals from investment properties	51,694	72,847
	<b>7,202,008</b>	6,190,880

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

	2021 \$'000	2020 \$'000
Interest income on financial assets measured at FVOCI (recycling)	54,483	51,313
Interest income on financial assets measured at amortised cost	6,683	25,311
Dividend income from unlisted equity securities	38,539	31,000
Claims received	24,963	30,956
Net miscellaneous business receipts	12,910	8,869
Net gain on disposal of other property, plant and equipment	9,233	8,833
Net loss on derecognition of investments in debt securities (note 9)	(3,163)	(213)
Net foreign exchange gain/(loss)	12,772	(11,243)
Government subsidies (note)	5,394	1,013,855
Drawdown from toll exemption fund (note 5(d))	49,428	–
Sundry income	42,743	90,890
	<b>253,985</b>	1,249,571

Note: This mainly represented subsidies from the Hong Kong Special Administrative Region ("HKSAR") Government to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak 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):

	2021 \$'000	2020 \$'000
<b>(a) Staff costs</b>		
Defined benefit retirement plan expense (note 20(e))	53,786	43,508
Contributions to defined contribution retirement plans	163,327	173,862
Movements in provision for long service payments (note 29)	3,280	5,241
Total retirement cost	220,393	222,611
Equity-settled share-based payment expenses	4,108	600
Salaries, wages and other benefits	3,832,128	4,119,913
	4,056,629	4,343,124
Less: staff costs included in cost of mask production	(2,450)	(3,150)
	4,054,179	4,339,974
<b>(b) Finance costs</b>		
Interest on bank loans	28,932	51,588
Interest on lease liabilities (note 23(d))	94	161
Total interest expense on financial liabilities not at FVPL	29,026	51,749
Less: interest expense capitalised*	(14,676)	(24,816)
	14,350	26,933

\* The borrowing costs have been capitalised at the average interest rate of 0.85% per annum (2020: 1.45% per annum).

	2021 \$'000	2020 \$'000
<b>(c) Rentals received and receivable from investment properties</b>		
Gross rentals (note)	(51,694)	(72,847)
Less: direct outgoings	12,855	12,190
	(38,839)	(60,657)

Note: Included contingent rental income of \$86,000 (2020: \$128,000).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 5 Profit before taxation (continued)

	2021 \$'000	2020 \$'000
<b>(d) Other items</b>		
Depreciation <sup>#</sup>		
– owned property, plant and equipment	1,011,898	986,659
– right-of-use assets	6,678	6,554
Write-down/(write-back) of spare parts	2,531	(17)
Provision for passenger reward (note a)	–	–
Provision for toll exemption fund (note b)	149,559	193,730
Auditors' remuneration		
– audit services	4,103	4,170
– other services	985	1,090

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 2021 and 2020 was 8.7% per annum. The balance of passenger reward of the Group as at 31 December 2021, included in accounts payable and accruals (note 25), was \$Nil (2020: \$7,154,000).

Note b: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying toll when using the Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the “Toll Exemption Fund” which will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of 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 2021, included in accounts payable and accruals (note 25), was \$417,258,000 (2020: \$392,863,000). The drawdown from the Toll Exemption Fund was recognised in the consolidated statement of profit or loss for the year.

#: Cost of mask production includes depreciation of \$415,000 (2020: \$194,000), which amount is included in the total amount disclosed in note 5(d) for depreciation.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6 Income tax in the consolidated statement of profit or loss

#### (a) Taxation in the consolidated statement of profit or loss represents:

	2021 \$'000	2020 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	13,804	17,139
Over-provision in respect of prior years	(148)	(24,244)
	13,656	(7,105)
<b>PRC withholding tax</b>	805	1,262
	14,461	(5,843)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	12,588	(176,115)
	27,049	(181,958)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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:

	2021 \$'000	2020 \$'000
Profit before taxation	272,093	1,722,156
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	46,120	284,837
Tax effect of non-deductible expenses	4,600	4,946
Tax effect of non-taxable income	(24,589)	(434,228)
Tax effect of unused tax losses not recognised	1,119	841
Tax effect of temporary differences previously not recognised	–	(12,780)
Over-provision in respect of prior years	(148)	(24,244)
Others	(53)	(1,330)
Actual tax expense/(credit)	27,049	(181,958)



## 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:

		2021						
		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
<b>Executive Director</b>								
Roger Lee Chak Cheong	(a)	390	6,269	628	345	7,632	300	7,932
<b>Non-executive Directors</b>								
Raymond Kwok Ping Luen		654	-	-	-	654	157	811
Ng Siu Chan		390	-	-	-	390	157	547
Charles Lui Chung Yuen		654	-	-	-	654	157	811
William Louey Lai Kuen		654	-	-	-	654	157	811
Winnie Ng		714	-	-	-	714	157	871
Allen Fung Yuk Lun		636	-	-	-	636	157	793
Dr Cheung Wing Yui		390	-	-	-	390	157	547
Lee Luen Fai		390	-	-	-	390	157	547
Lung Po Kwan		450	-	-	-	450	157	607
Susanna Wong Sze Lai		-	-	-	-	-	-	-
Gao Feng		-	-	-	-	-	-	-
<b>Independent non-executive Directors</b>								
Dr Norman Leung Nai Pang		2,116	-	-	-	2,116	177	2,293
Dr John Chan Cho Chak		794	-	-	-	794	167	961
Dr Eric Li Ka Cheung		770	-	-	-	770	157	927
Professor Liu Pak Wai		636	-	-	-	636	157	793
Tsang Wai Hung		840	-	-	-	840	157	997
		<b>10,478</b>	<b>6,269</b>	<b>628</b>	<b>345</b>	<b>17,720</b>	<b>2,528</b>	<b>20,248</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7 Directors' emoluments (continued)

	2020							Total \$'000
	Note	Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total (note (b))	Share-based payment (note (c))	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Executive Director</b>								
Roger Lee Chak Cheong	(a)	390	6,269	800	353	7,812	37	7,849
<b>Non-executive Directors</b>								
Raymond Kwok Ping Luen		654	–	–	–	654	20	674
Ng Siu Chan		390	–	–	–	390	20	410
Charles Lui Chung Yuen		654	–	–	–	654	20	674
William Louey Lai Kuen		654	–	–	–	654	20	674
Winnie Ng		714	–	–	–	714	20	734
Allen Fung Yuk Lun		636	–	–	–	636	20	656
Dr Cheung Wing Yui		390	–	–	–	390	20	410
Lee Luen Fai		390	–	–	–	390	20	410
Lung Po Kwan		390	–	–	–	390	20	410
Susanna Wong Sze Lai		–	–	–	–	–	–	–
Gao Feng		–	–	–	–	–	–	–
<b>Independent non-executive Directors</b>								
Dr Norman Leung Nai Pang		2,116	–	–	–	2,116	22	2,138
Dr John Chan Cho Chak		794	–	–	–	794	21	815
Dr Eric Li Ka Cheung		770	–	–	–	770	20	790
Professor Liu Pak Wai		636	–	–	–	636	20	656
Tsang Wai Hung		840	–	–	–	840	20	860
		10,418	6,269	800	353	17,840	320	18,160

Notes:

- (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)(iv).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' report and note 21.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2020: 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:

	2021 \$'000	2020 \$'000
Fees	390	390
Salaries, allowances and benefits in kind	15,433	16,157
Discretionary bonuses	1,392	1,821
Equity-settled share-based payment expenses	777	97
Retirement scheme contributions	732	899
	<b>18,724</b>	19,364

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2021	2020
\$2,000,001 – \$2,500,000	2	1
\$2,500,001 – \$3,000,000	1	1
\$3,000,001 – \$3,500,000	1	2
\$7,500,001 – \$8,000,000	1	1

### 9 Other comprehensive income

	2021 \$'000	2020 \$'000
<b>Investments in debt securities:</b>		
Change in fair value recognised during the year	(123,608)	9,196
Amounts transferred to profit or loss on derecognition of investments in debt securities (note 4)	3,163	213
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	(120,445)	9,409

## 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 \$245,044,000 (2020: \$1,904,114,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

#### Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 1 January	457,820,696	446,941,011
Effect of shares issued in respect of scrip dividend	3,876,747	5,499,294
Weighted average number of ordinary shares at 31 December	461,697,443	452,440,305

#### (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

	2021		2020	
	Per share \$	Total \$'000	Per share \$	Total \$'000
Final dividend proposed after the end of the reporting period	0.50	232,735	0.50	228,910

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.

#### (b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021		2020	
	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	228,910	0.70	312,859

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2020 was paid on 30 June 2021, of which \$119,472,000 was settled by the issuance of 7,648,718 shares at an issue price of \$15.62 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2019 was paid on 30 June 2020, of which \$163,631,000 was settled by the issuance of 10,879,685 shares at an issue price of \$15.04 per share under the scrip dividend scheme.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 Segment reporting

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

Franchised bus operation:	The provision of franchised public transport services in Hong Kong.
Property holdings and development:	The holding and development of non-residential properties for the use as investment properties.
All other segments:	The provision of non-franchised transport services, provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen) and investment holding.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

#### (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 2021 and 2020 is set out below.

	Franchised bus operation		Property holdings and development		All other segments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	6,940,074	5,909,703	49,337	72,847	212,597	208,330	7,202,008	6,190,880
Inter-segment revenue	782	14,308	5,477	5,759	3,178	8,366	9,437	28,433
<b>Reportable segment revenue</b>	<b>6,940,856</b>	<b>5,924,011</b>	<b>54,814</b>	<b>78,606</b>	<b>215,775</b>	<b>216,696</b>	<b>7,211,445</b>	<b>6,219,313</b>
<b>Reportable segment profit</b>	<b>65,852</b>	<b>203,285</b>	<b>48,103</b>	<b>1,548,289</b>	<b>22,415</b>	<b>47,310</b>	<b>136,370</b>	<b>1,798,884</b>
Interest income	28	421	-	-	37	-	65	421
Interest expense	(14,350)	(26,933)	-	-	-	-	(14,350)	(26,933)
Depreciation	(972,112)	(944,057)	(7,053)	(6,744)	(38,996)	(42,218)	(1,018,161)	(993,019)
Staff costs	(3,951,690)	(4,233,612)	-	-	(91,838)	(95,921)	(4,043,528)	(4,329,533)
Share of profits of associates	-	-	-	-	19,635	6,525	19,635	6,525
Share of profit of joint venture	-	-	8,252	35	-	-	8,252	35
Gain on disposal of a subsidiary (note 35)	-	-	-	1,495,548	-	-	-	1,495,548
Income tax (expense)/credit	(14,142)	195,651	(7,719)	(10,213)	(5,188)	(3,480)	(27,049)	181,958
<b>Reportable segment assets</b>	<b>10,931,735</b>	<b>10,475,512</b>	<b>4,698,759</b>	<b>3,867,664</b>	<b>1,847,096</b>	<b>1,782,501</b>	<b>17,477,590</b>	<b>16,125,677</b>
- including interest in associates	-	-	-	-	681,749	656,610	681,749	656,610
- including interest in joint venture	-	-	750,799	750,547	-	-	750,799	750,547
Additions to non-current segment assets during the year	1,177,921	1,312,179	840,027	474,769	26,363	7,688	2,044,311	1,794,636
<b>Reportable segment liabilities</b>	<b>4,381,960</b>	<b>4,380,771</b>	<b>1,758,496</b>	<b>1,611,224</b>	<b>83,013</b>	<b>87,499</b>	<b>6,223,469</b>	<b>6,079,494</b>

## 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

	2021 \$'000	2020 \$'000
<b>Revenue</b>		
Reportable segment revenue	6,995,670	6,002,617
Revenue from all other segments	215,775	216,696
Elimination of inter-segment revenue	(9,437)	(28,433)
Consolidated revenue	7,202,008	6,190,880
<b>Profit</b>		
Reportable segment profit	113,955	1,751,574
Profit from all other segments	22,415	47,310
Unallocated profits	108,674	105,230
Consolidated profit after taxation	245,044	1,904,114
<b>Assets</b>		
Reportable segment assets	15,630,494	14,343,176
Assets from all other segments	1,847,096	1,782,501
Unallocated assets	2,468,461	3,175,930
Consolidated total assets	19,946,051	19,301,607
<b>Liabilities</b>		
Reportable segment liabilities	6,140,456	5,991,995
Liabilities from all other segments	83,013	87,499
Unallocated liabilities	43,854	35,801
Consolidated total liabilities	6,267,323	6,115,295

#### (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.

	<b>Specified non-current assets</b>	
	2021 \$'000	2020 \$'000
Hong Kong	13,062,809	11,988,839
The PRC	849,620	820,954
	13,912,429	12,809,793

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment

#### (a) Reconciliation of carrying amount

	Buildings \$'000	Other properties leased for own use carried at cost \$'000	Buses and other motor vehicles \$'000	Buses under construction \$'000	Tools and others \$'000	Sub-total \$'000	Investment property under development \$'000	Investment properties \$'000	Interest in leasehold land \$'000	Total \$'000
<b>Cost:</b>										
At 1 January 2021	1,561,570	13,939	12,050,514	567,507	3,470,737	17,664,267	3,007,436	182,560	115,513	20,969,776
Additions	18,589	6,042	104,363	617,247	457,481	1,203,722	839,188	3,517	-	2,046,427
Disposals	-	-	(665,048)	-	(52,989)	(718,037)	-	-	-	(718,037)
Transfers	-	-	731,018	(731,018)	-	-	-	3,141	(3,141)	-
At 31 December 2021	1,580,159	19,981	12,220,847	453,736	3,875,229	18,149,952	3,846,624	189,218	112,372	22,298,166
<b>Accumulated depreciation:</b>										
At 1 January 2021	1,195,305	8,539	5,781,305	-	2,943,353	9,928,502	2,020	84,685	62,195	10,077,402
Charge for the year	37,243	4,666	762,537	-	205,311	1,009,757	-	6,807	2,012	1,018,576
Written back on disposals	-	-	(662,338)	-	(52,445)	(714,783)	-	-	-	(714,783)
Transfers	-	-	-	-	-	-	-	2,326	(2,326)	-
At 31 December 2021	1,232,548	13,205	5,881,504	-	3,096,219	10,223,476	2,020	93,818	61,881	10,381,195
<b>Net book value:</b>										
At 31 December 2021	347,611	6,776	6,339,343	453,736	779,010	7,926,476	3,844,604	95,400	50,491	11,916,971
Add: Deposits paid in respect of buses on order						59,130	-	-	-	59,130
						7,985,606	3,844,604	95,400	50,491	11,976,101



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

#### (a) Reconciliation of carrying amount (continued)

	Buildings \$'000	Other properties leased for own use carried at cost \$'000	Buses and other motor vehicles \$'000	Buses under construction \$'000	Tools and others \$'000	Sub-total \$'000	Investment property under development \$'000	Investment properties \$'000	Interest in leasehold land \$'000	Total \$'000
<b>Cost:</b>										
At 1 January 2020	1,549,349	10,942	12,101,802	86,537	3,249,533	16,998,163	2,533,616	212,649	115,513	19,859,941
Additions	13,041	2,997	35,186	1,063,564	265,610	1,380,398	473,820	941	-	1,855,159
Disposals	(820)	-	(669,068)	-	(44,406)	(714,294)	-	-	-	(714,294)
Disposals through disposal of a subsidiary (note 35)	-	-	-	-	-	-	-	(31,030)	-	(31,030)
Transfers	-	-	582,594	(582,594)	-	-	-	-	-	-
At 31 December 2020	1,561,570	13,939	12,050,514	567,507	3,470,737	17,664,267	3,007,436	182,560	115,513	20,969,776
<b>Accumulated depreciation:</b>										
At 1 January 2020	1,154,648	3,997	5,721,790	-	2,777,050	9,657,485	2,020	107,655	60,183	9,827,343
Charge for the year	41,477	4,542	728,545	-	210,421	984,985	-	6,216	2,012	993,213
Written back on disposals	(820)	-	(669,030)	-	(44,118)	(713,968)	-	-	-	(713,968)
Written back on disposals through disposal of a subsidiary (note 35)	-	-	-	-	-	-	-	(29,186)	-	(29,186)
At 31 December 2020	1,195,305	8,539	5,781,305	-	2,943,353	9,928,502	2,020	84,685	62,195	10,077,402
<b>Net book value:</b>										
At 31 December 2020	366,265	5,400	6,269,209	567,507	527,384	7,735,765	3,005,416	97,875	53,318	10,892,374
Add: Deposits paid in respect of buses on order						61,247	-	-	-	61,247
						7,797,012	3,005,416	97,875	53,318	10,953,621

#### (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	2021 \$'000	2020 \$'000
Interest in leasehold land, carried at amortised cost, with remaining lease term between 10 and 50 years	(i)	50,491	53,318
Other properties leased for own use, carried at depreciated cost	(ii)	6,776	5,400
		57,267	58,718
Investment property under development with remaining lease term between 10 and 50 years		2,153,903	2,153,903
		2,211,170	2,212,621

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

#### (b) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interest in leasehold land	2,012	2,012
Other properties leased for own use	4,666	4,542
	6,678	6,554
Interest on lease liabilities (note 5(b))	94	161
Expense relating to short-term leases	1,892	1,861
COVID-19-related rent concessions received	(2,338)	(1,808)

During the year, additions to right-of-use assets were \$6,042,000 (2020: \$2,997,000). This amount related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(e) and 27, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to HKFRS 16, Leases, Covid-19-related rent concessions beyond 30 June 2021, and applies the practical expedient to all eligible rent concessions received by the Company. Further details are disclosed in (ii) below.

#### (i) Interest in leasehold land

The Group holds several pieces of land for industrial and commercial buildings for its public transportation and property holding and development business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners or the Government, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

#### (ii) Other properties leased for own use

The Group has obtained the right to use other properties as its staff rest kiosks and bus regulators' offices through tenancy agreements. The leases typically run for an initial period of two to three years. During 2021, the Group received rent concessions in the form of a discount on fixed payments of \$2,338,000 (2020: \$1,808,000).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

#### (c) Fair value measurement of properties

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment property under development disclosed at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2021			
	Fair value \$'000	Fair value measurements categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong				
– commercial properties	3,407,870	–	–	3,407,870
– industrial property	617,417	–	617,417	–
Investment property under development in Hong Kong	5,025,500	–	–	5,025,500
<hr/>				
	2020			
	Fair value \$'000	Fair value measurements categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Recurring fair value disclosures</i>				
Investment properties in Hong Kong				
– commercial properties	3,085,560	–	–	3,085,560
Investment property under development in Hong Kong	4,470,000	–	–	4,470,000

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's management have had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at each annual reporting date. As at 31 December 2021, investment property under development of \$3,844,604,000 (2020: \$3,005,416,000) related to the Group's interests in a joint operation.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

#### (c) Fair value measurement of properties (continued)

##### (ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of its industrial property in Hong Kong as at 31 December 2021 was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

##### (iii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties	Market comparison approach	Discount/premium on quality of shops	-80% to 30% (2020: -50% to 40%)
Investment property under development in Hong Kong	Market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	-25% to 0% (2020: -40% to 0%)

The Group adopted a market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2021 and 2020. The fair value of commercial properties using a market comparison approach is determined by reference to the recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's commercial properties compared to recent sales. Higher premiums for higher quality buildings will result in a higher fair value measurement.

The fair value of investment property under development located in Hong Kong is determined using market comparison and residual valuation approaches by reference to recent transaction data of nearby projects, and the recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property under development compared to the recent transactions. A higher premium for higher quality redevelopment will result in a higher gross development value.

(d) The Group leased out investment properties under operating leases. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date, at which time all terms are renegotiated. Certain leases include contingent rentals, being the excess of a percentage of the monthly revenue generated by the lessees over the monthly minimum lease rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021 \$'000	2020 \$'000
Within 1 year	42,238	39,120
After 1 year but within 2 years	22,248	27,077
After 2 years but within 3 years	14,148	7,348
After 3 years but within 4 years	3,813	4,444
After 4 years but within 5 years	450	1,826
	<b>82,897</b>	79,815

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(e) In 2021, subsidies totalling \$97,863,000 (2020: \$18,046,000) were received or receivable from the HKSAR Government for purchase of diesel-electric hybrid buses and electric buses (“the Buses”) and for installation of facilities at bus stops and termini. The purposes of the subsidies are to encourage the use of the Buses by granting financial assistance to franchised public bus operators to purchase the Buses for trial and to expedite the installation of facilities for the convenience of passengers. The Group has to use the Buses for trial on certain routes agreed with the HKSAR Government for two years. The subsidies received or receivable have been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(k).

### 14 Intangible assets

	Passenger service licences and transport operating rights \$'000
<b>Cost:</b>	
At 1 January 2020, 31 December 2020 and 1 January 2021	364,964
Additions	54,765
At 31 December 2021	<b>419,729</b>
<b>Accumulated amortisation:</b>	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	—
<b>Net book value:</b>	
At 31 December 2021	<b>419,729</b>
At 31 December 2020	364,964

In respect of those passenger service licences and transport operating rights of the Group that are regarded as having indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Intangible assets that are regarded as having indefinite useful lives have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15 Goodwill

	2021 \$'000	2020 \$'000
<b>Cost and carrying amount:</b> At 1 January and 31 December	<b>84,051</b>	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:

	2021 %	2020 %
Growth rate	1.5	1.3
Discount rate	5.8 – 6.7	5.2 – 5.6

The growth rate used does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the cash-generating unit based on the value-in-use calculations is higher than its carrying amount. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Sun Bus Limited	Hong Kong	2 shares	100	–	100	Provision of non-franchised bus services
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Champion Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
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
KMB Design Company Limited	Hong Kong	10,000 shares	100	–	100	Trading of bus souvenirs
All Fine Limited	Hong Kong	1 share	100	–	100	Trading of face masks



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 Interest in associates

	2021 \$'000	2020 \$'000
Share of net assets	615,239	591,960
Goodwill	66,392	64,535
Amount due from an associate	118	115
	<b>681,749</b>	656,610

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The following list contains the particulars of the material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB951,430,306	35	35	Provision of bus and taxi hire services (note)

Note: Shenzhen Bus Group Company Limited, a transportation operator in the PRC, enables the Group to have exposure to this market through local expertise.

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	
	2021 \$'000	2020 \$'000
<b>Gross amounts of the associate</b>		
Current assets	3,748,154	3,361,914
Non-current assets	7,078,614	6,700,145
Current liabilities	6,480,528	5,030,655
Non-current liabilities	2,838,060	3,609,448
Total equity	1,508,180	1,421,956
Non-controlling interest	(8,011)	(9,979)
Revenue	1,958,565	1,676,079
Profit for the year	72,063	23,926
Other comprehensive income	8,971	123,000
Total comprehensive income	81,034	146,926
Dividend from the associate	12,097	6,911
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate attributable to equity shareholders	1,500,169	1,411,977
Group's effective interest	35%	35%
Group's share of net assets of the associate	525,059	494,192
Goodwill	66,392	64,535
Carrying amount in the consolidated financial statements	<b>591,451</b>	558,727

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2021 \$'000	2020 \$'000
<b>Aggregate carrying amount of individually immaterial associates in the consolidated financial statements</b>	<b>90,298</b>	97,883
<b>Aggregate amounts of the Group's share of those associates</b>		
Loss for the year	(5,587)	(1,849)
Total comprehensive income	(5,587)	(1,849)

### 18 Interest in joint venture

On 29 December 2020, the Group disposed of 50% of its equity interest in TM Properties Investment Limited ("TMPI"), being the wholly-owned subsidiary which holds the Tuen Mun Town Lot No. 80 site, but retained joint control through holding the remaining 50% equity interest. The investment in TMPI has been treated as a joint venture subsequent to the disposal. See note 35 for further details.

The following list contains the particulars of the joint venture, which is an unlisted corporate entity whose quoted market price is not available:

Name of joint venture	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
TM Properties Investment Limited	Incorporated	Incorporated in the British Virgin Islands and operates in Hong Kong	2 shares of US\$1 each	50	50	Property investment (note 1)

Note 1: TMPI operates in Hong Kong and generates rental income from the leasing of an industrial building in Tuen Mun.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	TM Properties Investment Limited	
	2021 \$'000	2020 \$'000
<b>Gross amounts of the joint venture</b>		
Current assets	16,277	6,684
Non-current assets	78,945	78,946
Current liabilities	78,648	85,560
Total equity	16,574	70

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18 Interest in joint venture (continued)

	<b>For the year ended 31 December 2021 \$'000</b>	For the period from 30 December to 31 December 2020 \$'000
Revenue	<b>20,048</b>	111
Profit for the year/period	<b>16,504</b>	70
Total comprehensive income	<b>16,504</b>	70
<b>Reconciled to the Group's interest in the joint venture</b>		
Gross amounts of net assets of the joint venture attributable to equity shareholders	<b>16,574</b>	70
Group's effective interest	<b>50%</b>	50%
Group's share of net assets of the joint venture	<b>8,287</b>	35
Fair value of retained interest in the joint venture	<b>710,537</b>	710,537
Loan to a joint venture (note 2)	<b>31,975</b>	39,975
Carrying amount in the consolidated financial statements	<b>750,799</b>	750,547

Note 2: Loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

### 19 Other financial assets

	Note	<b>2021 \$'000</b>	2020 \$'000
<b>Equity securities designated at FVOCI (non-recycling)</b>			
– Unlisted equity securities	(i)	<b>708,809</b>	517,575
<b>Financial assets measured at FVOCI (recycling)</b>			
– Debt securities listed outside Hong Kong	(ii)	<b>1,351,530</b>	1,155,656
<b>Financial assets measured at amortised cost</b>			
– Loan receivables		<b>34,418</b>	34,541
		<b>2,094,757</b>	1,707,772
Less: debt securities listed outside Hong Kong classified as current assets		<b>(731,045)</b>	(234,075)
loan receivables classified as current assets		<b>(10,050)</b>	(123)
Other financial assets classified as non-current assets		<b>1,353,662</b>	1,473,574

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 \$38,539,000 (2020: \$31,000,000) were received on these investments during the year.
- (ii) Debt securities are issued by corporate entities with credit rating ranging from BB- to A. As at 31 December 2021 and 2020, the Group's investments in debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 20 Employee retirement benefits

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for employees upon retirement. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. The members' benefits are determined based on the employees' final remuneration and length of service.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans at 31 December 2021 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 246% (2020: 200%) covered by the plan assets held by the trustee.

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement schemes have similar risks and features, information about the two plans is aggregated and disclosed below:

#### (a) The amount recognised in the consolidated statement of financial position is as follows:

	2021 \$'000	2020 \$'000
Present value of funded obligations (note 20(c))	(1,344,104)	(1,703,054)
Fair value of plan assets (notes 20(b) and 20(d))	3,303,566	3,404,549
	1,959,462	1,701,495
<b>Represented by:</b>		
Employee benefit assets	1,959,462	1,701,495

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 2022 is \$Nil (2021: \$Nil).

#### (b) Plan assets consist of the following:

	2021 \$'000	2020 \$'000
Equity securities:		
– Hong Kong and Mainland China	618,181	708,208
– Rest of Asia Pacific	748,050	751,997
– Europe	450,730	458,814
– North America	660,713	673,699
	2,477,674	2,592,718
Bonds	717,288	752,415
Cash and others	108,604	59,416
	3,303,566	3,404,549

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)

### 20 Employee retirement benefits (continued)

#### (c) Movements in the present value of the defined benefit obligations:

	2021 \$'000	2020 \$'000
At 1 January	1,703,054	1,831,713
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(81)	(147)
– Actuarial (gains)/losses arising from changes in financial assumptions	(69,344)	91,093
– Actuarial gains arising from liability experience	(72,913)	(78,909)
	(142,338)	12,037
Benefits paid by the plans	(281,712)	(236,031)
Current service cost	56,790	63,359
Interest cost	8,310	31,976
	(216,612)	(140,696)
At 31 December	1,344,104	1,703,054

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 8.5 and 5.6 years respectively (2020: 8.8 and 5.6 years respectively).

#### (d) Movements in plan assets:

	2021 \$'000	2020 \$'000
At 1 January	3,404,549	3,138,564
Administrative expenses paid	(5,201)	(3,672)
Benefits paid by the plans	(281,712)	(236,031)
Interest income	16,515	55,499
Return on plan assets, excluding interest income	169,415	450,189
At 31 December	3,303,566	3,404,549

#### (e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2021 \$'000	2020 \$'000
Current service cost	56,790	63,359
Net income on net defined benefit asset	(8,205)	(23,523)
Administrative expenses paid	5,201	3,672
Total amounts recognised in profit or loss	53,786	43,508
Actuarial (gains)/losses	(142,338)	12,037
Return on plan assets, excluding interest income	(169,415)	(450,189)
Amounts recognised in other comprehensive income	(311,753)	(438,152)
Total defined benefit income	(257,967)	(394,644)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 20 Employee retirement benefits (continued)

#### (f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2021	2020
Discount rate		
– Monthly Rated Employees Scheme	1.4%	0.7%
– Daily Rated Employees Scheme	1.2%	0.4%
Future salary increases	4.0%	4.0%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of a 0.25 percentage point change in the significant actuarial assumptions:

	2021		2020	
	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	(22,055)	21,985	(28,977)	29,155
Future salary increases	19,349	(19,611)	25,559	(25,650)

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.

### 21 Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options at a consideration of \$1 to subscribe for shares of the Company. The period within which the options must be exercised will be specified by the Company at the date of grant. This period must expire no later than 10 years from the relevant date of grant. The Directors of the Company may also provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

#### (a) The terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 31 October 2016	860	i	five years from the date of grant
– on 19 November 2020	6,075	ii	five years from the date of grant
Options granted to employees:			
– on 31 October 2016	4,700	i	five years from the date of grant
– on 19 November 2020	7,850	iii	five years from the date of grant
Total share options granted	19,485		

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 Equity-settled share-based transactions (continued)

#### (a) The terms and conditions of the grants are as follows: (continued)

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

Vesting condition (i):

	Percentage of options granted
On or after 31 October 2017	30%
On or after 31 October 2018	60%
On or after 31 October 2019	100%

Vesting condition (ii):

	Percentage of options granted
On or after 19 November 2021	50%
On or after 19 November 2022	100%

Vesting condition (iii):

	Percentage of options granted
On or after 19 November 2021	30%
On or after 19 November 2022	60%
On or after 19 November 2023	100%

#### (b) The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	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	\$16.12	15,118	\$23.45	2,313
Forfeited during the year	\$15.62	(1,972)	\$21.27	(1,120)
Lapsed during the year	\$23.45	(1,421)	–	–
Granted during the year	–	–	\$15.32	13,925
Outstanding at the end of the year	\$15.32	11,725	\$16.12	15,118
Exercisable at the end of the year	\$15.32	4,673	\$23.45	1,493

The options outstanding at 31 December 2021 had a weighted average exercise price of \$15.32 (2020: \$16.12) and weighted average remaining contractual lives of 3.88 years (2020: 4.48 years).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 Equity-settled share-based transactions (continued)

#### (c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

#### Fair value of share options and assumptions for share options granted on

	19 November 2020
Fair value at measurement date	\$0.5681 – \$0.5819
Share price at the date of grant	\$15.32
Exercise price	\$15.32
Expected volatility	14%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years
Expected dividends	4.98%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	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.

### 22 Accounts receivable

	2021 \$'000	2020 \$'000
Trade and other receivables	584,076	643,978
Interest receivable	21,421	16,901
Less: loss allowance (note 22(b))	(360)	(360)
	605,137	660,519

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)

### 22 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:

	2021 \$'000	2020 \$'000
Current	62,636	41,149
Less than 1 month past due	60,320	59,678
1 to 3 months past due	52,107	35,466
More than 3 months past due	89,425	28,988
	<b>264,488</b>	165,281

According to the Group's credit policy set out in note 32(a) to the financial statements, the credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

#### (b) Loss allowance of trade receivables

Loss allowance in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables directly (see note 1(n)(i)).

No movement in the loss allowance account in respect of trade receivables during the year:

	2021 \$'000	2020 \$'000
Balance at 1 January and 31 December	360	360

Loss allowance of receivables are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive) (see note 1(n)(i)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23 Bank deposits and cash

#### (a) Bank deposits and cash comprise:

	2021 \$'000	2020 \$'000
Cash at bank and on hand	149,493	359,391
Bank deposits	1,088,043	1,934,374
	<b>1,237,536</b>	2,293,765
Less: restricted bank deposits (note 23(b))	<b>(411,749)</b>	(350,365)
Bank deposits and cash in the consolidated statement of financial position	<b>825,787</b>	1,943,400
Less: bank deposits with original maturities of over three months	–	(810,307)
Cash and cash equivalents in the consolidated cash flow statement	<b>825,787</b>	1,133,093

(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 2021, the related restricted bank deposits amounted to \$4,077,000 and \$407,672,000 (2020: \$7,443,000 and \$342,922,000) respectively.

#### (c) Reconciliation of profit before taxation to cash generated from operations:

	Note	2021 \$'000	2020 \$'000
<b>Profit before taxation</b>		<b>272,093</b>	1,722,156
Adjustments for:			
Depreciation	5(d)	1,018,576	993,213
Finance costs	5(b)	14,350	26,933
Dividend income from unlisted equity securities	4	<b>(38,539)</b>	(31,000)
Interest income		<b>(61,166)</b>	(76,624)
Net loss on derecognition of investments in debt securities	4	3,163	213
Share of profits of associates		<b>(19,635)</b>	(6,525)
Share of profit of joint venture		<b>(8,252)</b>	(35)
Gain on disposal of a subsidiary	35	–	(1,495,548)
Net gain on disposal of other property, plant and equipment	4	<b>(9,233)</b>	(8,833)
Equity-settled share-based payment expenses	5(a)	4,108	600
Receipt of government grant for the disposal of other property, plant and equipment		<b>(1,085)</b>	(306)
COVID-19-related rent concessions received	13(b)	<b>(2,338)</b>	(1,808)
Effect of foreign exchange rate		<b>(7,092)</b>	5,352
<b>Operating profit before changes in working capital</b>		<b>1,164,950</b>	1,127,788
Changes in working capital:			
Decrease in employee benefit assets		53,786	43,508
Increase in spare parts		<b>(8,121)</b>	(16,301)
Decrease/(increase) in accounts receivable		59,902	(18,863)
Decrease/(increase) in deposits and prepayments		498	(668)
Increase in accounts payable and accruals		50,066	115,938
Decrease in contingency provision – insurance		<b>(36,649)</b>	(62,638)
Decrease in provision for long service payments		<b>(130)</b>	(1,505)
<b>Cash generated from operations</b>		<b>1,284,302</b>	1,187,259

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23 Bank deposits and cash (continued)

#### (d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans \$'000 (Note 24)	Lease liabilities \$'000 (Note 27)	Total \$'000
<b>At 1 January 2021</b>	<b>3,082,523</b>	<b>5,480</b>	<b>3,088,003</b>
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	2,895,000	–	2,895,000
Repayment of bank loans	(2,840,000)	–	(2,840,000)
Capital element of lease rentals paid	–	(2,365)	(2,365)
Interest element of lease rentals paid	–	(94)	(94)
Total changes from financing cash flows	<b>55,000</b>	<b>(2,459)</b>	<b>52,541</b>
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year	–	6,042	6,042
Interest expenses (note 5(b))	–	94	94
COVID-19-related rent concessions received (note 13(b))	–	(2,338)	(2,338)
Amortisation of bank loans arrangement fee	(4,974)	–	(4,974)
Total other changes	<b>(4,974)</b>	<b>3,798</b>	<b>(1,176)</b>
<b>At 31 December 2021</b>	<b>3,132,549</b>	<b>6,819</b>	<b>3,139,368</b>

	Bank loans \$'000 (Note 24)	Lease liabilities \$'000 (Note 27)	Total \$'000
<b>At 1 January 2020</b>	<b>2,706,572</b>	<b>7,018</b>	<b>2,713,590</b>
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	2,515,000	–	2,515,000
Repayment of bank loans	(2,145,000)	–	(2,145,000)
Capital element of lease rentals paid	–	(2,727)	(2,727)
Interest element of lease rentals paid	–	(161)	(161)
Total changes from financing cash flows	<b>370,000</b>	<b>(2,888)</b>	<b>367,112</b>
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year	–	2,997	2,997
Interest expenses (note 5(b))	–	161	161
COVID-19-related rent concessions received (note 13(b))	–	(1,808)	(1,808)
Amortisation of bank loans arrangement fee	5,951	–	5,951
Total other changes	<b>5,951</b>	<b>1,350</b>	<b>7,301</b>
<b>At 31 December 2020</b>	<b>3,082,523</b>	<b>5,480</b>	<b>3,088,003</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23 Bank deposits and cash (continued)

#### (e) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 \$'000	2020 \$'000
Within operating cash flows	1,892	1,861
Within financing cash flows	2,459	2,888
	<b>4,351</b>	4,749

### 24 Bank loans

At 31 December 2021, the bank loans were repayable as follows:

	2021 \$'000	2020 \$'000
Within 1 year or on demand	994,032	1,398,257
After 1 year but within 2 years	1,173,367	1,087,099
After 2 years but within 5 years	965,150	597,167
	<b>2,138,517</b>	1,684,266
	<b>3,132,549</b>	3,082,523

All of the bank loans were unsecured.

### 25 Accounts payable and accruals

	2021 \$'000	2020 \$'000
Trade payables	200,132	98,479
Balance of passenger reward (note 5(d))	–	7,154
Balance of toll exemption fund (note 5(d))	417,258	392,863
Other payables and accruals	1,043,155	1,082,101
Amount due to an associate	4,922	4,922
	<b>1,665,467</b>	1,585,519

All of the accounts payable and accruals are expected to be settled within one year.

Amount due to an associate is unsecured, interest-free and has no fixed terms of settlement.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2021 \$'000	2020 \$'000
Due within 1 month or on demand	190,075	95,250
Due after 1 month but within 3 months	8,761	633
Due after more than 3 months	1,296	2,596
	<b>200,132</b>	98,479

The credit period granted to the Group is generally between 30 days and 90 days.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 26 Contingency provision – insurance

	2021 \$'000	2020 \$'000
At 1 January	308,039	370,677
Provision charged to profit or loss	46,776	19,796
Payments made during the year	(83,425)	(82,434)
At 31 December	271,390	308,039
<b>Representing:</b>		
Current portion	93,800	90,323
Non-current portion	177,590	217,716
	271,390	308,039

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.

### 27 Lease liabilities

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 \$'000	2020 \$'000
Within 1 year	3,513	3,615
After 1 year but within 2 years	2,208	1,624
After 2 years but within 5 years	1,098	241
	3,306	1,865
	6,819	5,480

### 28 Income tax in the consolidated statement of financial position

#### (a) Current taxation in the consolidated statement of financial position represents:

	2021 \$'000	2020 \$'000
Provision for Hong Kong Profits Tax for the year	13,804	17,139
Provisional Profits Tax paid	(14,176)	(16,007)
	(372)	1,132
Disposal of a subsidiary (note 35)	–	(83)
Balance of Profits Tax provision relating to prior years	(2,828)	3,128
Net current tax (recoverable)/payable	(3,200)	4,177
<b>Representing:</b>		
Current tax recoverable	(5,857)	(5,085)
Current tax payable	2,657	9,262
Net current tax (recoverable)/payable	(3,200)	4,177

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 28 Income tax in the consolidated statement of financial position (continued)

#### (b) Deferred tax assets and liabilities recognised:

- (i) The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax (assets)/ liabilities arising from:	Depreciation allowances in excess of the related depreciation \$'000	Intangible assets \$'000	Provisions \$'000	Tax losses \$'000	Defined benefit assets \$'000	Others \$'000	Total \$'000
At 1 January 2020	1,045,079	14,511	(40,642)	(2,583)	215,631	(5,230)	1,226,766
Charged/(credited) to profit or loss	41,684	–	(1,135)	(209,048)	(7,179)	(437)	(176,115)
Charged to reserves	–	–	–	–	72,295	–	72,295
Disposal of a subsidiary (note 35)	21	–	–	–	–	–	21
At 31 December 2020 and 1 January 2021	<b>1,086,784</b>	<b>14,511</b>	<b>(41,777)</b>	<b>(211,631)</b>	<b>280,747</b>	<b>(5,667)</b>	<b>1,122,967</b>
Charged/(credited) to profit or loss	<b>37,189</b>	–	<b>5,660</b>	<b>(21,899)</b>	<b>(8,875)</b>	<b>513</b>	<b>12,588</b>
Charged to reserves	–	–	–	–	<b>51,439</b>	–	<b>51,439</b>
At 31 December 2021	<b>1,123,973</b>	<b>14,511</b>	<b>(36,117)</b>	<b>(233,530)</b>	<b>323,311</b>	<b>(5,154)</b>	<b>1,186,994</b>

- (ii) Amounts recognised in the consolidated statement of financial position:

	2021 \$'000	2020 \$'000
Net deferred tax assets	(528)	(456)
Net deferred tax liabilities	<b>1,187,522</b>	1,123,423
	<b>1,186,994</b>	1,122,967

#### (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 \$20,132,000 (2020: \$19,013,000) in respect of cumulative tax losses of \$122,012,000 (2020: \$115,230,000) 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 2021 and 2020, these tax losses do not expire under the current tax legislation.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 Provision for long service payments

Details of the provision for long service payments of the Group are as follows:

	2021 \$'000	2020 \$'000
At 1 January	1,049	2,554
Movements charged to profit or loss (note 5(a))	3,280	5,241
Payments made during the year	(3,410)	(6,746)
At 31 December	919	1,049

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

### 30 Capital and reserves

#### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 January 2020</b>		446,941	947,739	4,216	1,300,000	1,005,392	3,704,288
<b>Changes in equity for 2020</b>							
Shares issued in respect of							
scrip dividend – 2019 final dividend	30(b)	10,880	152,751	–	–	–	163,631
Forfeiture of share options		–	–	(1,508)	–	1,508	–
Equity-settled share-based transaction	5(a)	–	–	600	–	–	600
Dividends approved in respect of							
the previous year	11(b)	–	–	–	–	(312,859)	(312,859)
Profit and total comprehensive income for the year		–	–	–	–	310,002	310,002
<b>Balance at 31 December 2020</b>		457,821	1,100,490	3,308	1,300,000	1,004,043	3,865,662

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 30 Capital and reserves (continued)

#### (a) Movements in components of equity (continued)

	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>		457,821	1,100,490	3,308	1,300,000	1,004,043	3,865,662
<b>Changes in equity for 2021</b>							
Shares issued in respect of scrip dividend – 2020 final dividend	30(b)	7,648	111,824	–	–	–	119,472
Forfeiture of share options		–	–	(681)	–	–	(681)
Lapse of share options		–	–	(2,707)	–	2,707	–
Equity-settled share-based transaction		–	–	4,789	–	–	4,789
Dividends approved in respect of the previous year	11(b)	–	–	–	–	(228,910)	(228,910)
Profit and total comprehensive income for the year		–	–	–	–	225,002	225,002
<b>Balance at 31 December 2021</b>		<b>465,469</b>	<b>1,212,314</b>	<b>4,709</b>	<b>1,300,000</b>	<b>1,002,842</b>	<b>3,985,334</b>

The Company's reserves available for distribution to shareholders at 31 December 2021 amounted to \$2,302,842,000 (2020: \$2,304,043,000). After the end of the reporting period, the Directors proposed a final dividend of \$0.50 (2020: \$0.50) per share, amounting to \$232,735,000 (2020: \$228,910,000). 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

	2021		2020	
	No. of shares	\$'000	No. of shares	\$'000
<b>Authorised:</b>				
Ordinary shares of \$1 each	600,000,000	600,000	600,000,000	600,000
<b>Ordinary shares of \$1 each, issued and fully paid:</b>				
At 1 January	457,820,696	457,821	446,941,011	446,941
Share issued in respect of scrip dividend – 2019 final dividend	–	–	10,879,685	10,880
Share issued in respect of scrip dividend – 2020 final dividend	7,648,718	7,648	–	–
At 31 December	<b>465,469,414</b>	<b>465,469</b>	457,820,696	457,821

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 30 Capital and reserves (continued)

#### (c) Nature and purpose of reserves

##### (i) Share premium

The application of the share premium account is governed by the Company's Bye-laws and the Companies Act 1981 of Bermuda.

##### (ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to the Directors of the Company and certain employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(x)(iv).

##### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

##### (iv) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(g)).

##### (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)).

#### (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)

### 30 Capital and reserves (continued)

#### (d) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2021 and 2020 was as follows:

	Note	2021 \$'000	2020 \$'000
Current liabilities:			
Bank loans	24	994,032	1,398,257
Lease liabilities	27	3,513	3,615
Non-current liabilities:			
Bank loans	24	2,138,517	1,684,266
Lease liabilities	27	3,306	1,865
Total debt		3,139,368	3,088,003
Less: Bank deposits and cash	23(a)	(825,787)	(1,943,400)
Restricted bank deposits	23(a)	(411,749)	(350,365)
<b>Adjusted net debt</b>		<b>1,901,832</b>	<b>794,238</b>
<b>Capital</b>		<b>13,678,728</b>	<b>13,186,312</b>
<b>Adjusted net debt-to-capital ratio</b>		<b>13.9%</b>	<b>6.0%</b>

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 31 Commitments

- (i) At 31 December 2021, 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:

	2021 \$'000	2020 \$'000
Contracted for	654,363	826,253

- (ii) At 31 December 2021, 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:

	2021 \$'000	2020 \$'000
Contracted for	950,954	1,752,768

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and investments in debt securities.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year. Due to the financial strength of these customers and the short duration of the trade and other receivables, the ECL allowance is considered insignificant.

Investments in debt securities are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. No loss allowance for investments in debt securities was recognised as at 31 December 2021 and 31 December 2020.

The Group's exposure to credit risk arising from bank deposits and cash is limited because the counterparties are banks, which the Group considers to have low credit risk.

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from investments in debt securities and trade and other receivables are set out in notes 19 and 22 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Financial risk management and fair values of financial instruments (continued)

#### (b) Liquidity risk

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

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

#### Non-derivative financial liabilities

	2021					2020				
	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	1,017,852	1,187,506	984,896	3,190,254	3,132,549	1,421,420	1,099,376	601,827	3,122,623	3,082,523
Lease liabilities	3,564	2,227	1,101	6,892	6,819	3,689	1,884	-	5,573	5,480
Accounts payable and accruals	1,665,467	-	-	1,665,467	1,665,467	1,585,519	-	-	1,585,519	1,585,519
	<b>2,686,883</b>	<b>1,189,733</b>	<b>985,997</b>	<b>4,862,613</b>	<b>4,804,835</b>	<b>3,010,628</b>	<b>1,101,260</b>	<b>601,827</b>	<b>4,713,715</b>	<b>4,673,522</b>

#### (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 2021 and 2020, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of prevailing market conditions.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Financial risk management and fair values of financial instruments (continued)

#### (c) Interest rate risk (continued)

##### (i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing assets and liabilities at the end of the reporting period.

	2021		2020	
	Effective interest rate p.a. %	Amount \$'000	Effective interest rate p.a. %	Amount \$'000
<b>Fixed rate assets:</b>				
Bank deposits	0.6	1,088,043	0.6	1,934,374
Investments in debt securities	3.7	1,351,530	4.3	1,155,656
		<b>2,439,573</b>		<b>3,090,030</b>
<b>Fixed rate liabilities:</b>				
Lease liabilities	1.1	(6,819)	2.2	(5,480)
<b>Variable rate liabilities:</b>				
Bank loans	0.8	(3,132,549)	0.9	(3,082,523)

##### (ii) Sensitivity analysis

At 31 December 2021, 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 \$13,701,000 (2020: \$13,245,000). Other components of consolidated equity would have decreased/increased by approximately \$17,538,000 (2020: \$13,461,000) 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 2020.

#### (d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily British Pounds Sterling and United States dollars.

##### (i) Exposure to currency risk

The table below details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Financial risk management and fair values of financial instruments (continued)

#### (d) Currency risk (continued)

##### (i) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2021		2020	
	British Pounds Sterling \$'000	United States dollars \$'000	British Pounds Sterling \$'000	United States dollars \$'000
Bank deposits and cash	1,202	226,195	1,632	534,493
Accounts payable and accruals	(78,820)	(2,019)	(163,144)	(1,287)
Investments in debt securities	–	1,351,530	–	1,155,656
Gross exposure arising from recognised assets and liabilities	(77,618)	1,575,706	(161,512)	1,688,862

##### (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.

	2021			2020		
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits \$'000	Increase/ (decrease) in other components of equity \$'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits \$'000	Increase/ (decrease) in other components of equity \$'000
British Pounds Sterling	6%	(3,877)	–	6%	(8,076)	–
	(6)%	3,877	–	(6)%	8,076	–
United States dollars	1%	2,245	13,515	1%	5,334	11,557
	(1)%	(2,245)	(13,515)	(1)%	(5,334)	(11,557)

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 2020.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 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 years ended 31 December 2021 and 2020. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2021 and 2020.

#### (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

	2021				2020			
	Fair value \$'000	Fair value measurements categorised into			Fair value \$'000	Fair value measurements categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>								
<i>Assets:</i>								
Investments in debt securities – listed	1,351,530	1,351,530	–	–	1,155,656	1,155,656	–	–
Unlisted equity securities	708,809	–	708,809	–	517,575	–	–	517,575
Derivative financial instruments – other forward foreign exchange contracts	169	–	169	–	1,546	–	1,546	–
<i>Liabilities:</i>								
Derivative financial instruments – other forward foreign exchange contracts	(12)	–	(12)	–	–	–	–	–

As at 31 December 2021, the fair value of unlisted equity instruments is determined with reference to the pricing of a recent transaction. Accordingly, the fair value measurement was transferred from Level 3 to Level 2.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Financial risk management and fair values of financial instruments (continued)

#### (f) Fair values measurement (continued)

##### (i) Financial instruments measured at fair value (continued)

###### *Fair value hierarchy (continued)*

As at 31 December 2020, the fair value of unlisted equity instruments was determined using the market approach of comparable companies adjusted for lack of marketability discount.

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 2021 and 2020. 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.

##### (ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 31 December 2021 in Level 2 were marked to market using quoted market prices from financial institutions.

##### (iii) Information about Level 3 fair value measurement in 2020

	Valuation technique	Significant unobservable inputs	Percentage
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	40%

The fair value of unlisted equity instruments is determined using the market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5 percentage points would have increased/decreased the Group's other comprehensive income by \$43,131,000.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2021 \$'000	2020 \$'000
Unlisted equity securities:		
At 1 January	517,575	515,926
Net unrealised gains recognised in other comprehensive income during the year	–	1,649
Transferred out	(517,575)	–
At 31 December	–	517,575

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 2021 and 2020 except as follows:

Amounts due from/to associates and loan to joint venture of the Group are unsecured, interest-free and have no fixed terms of repayment/settlement. Given these terms, it is not meaningful to disclose their fair values.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 Contingent liabilities

At 31 December 2021 and 2020, guarantees were given to banks by the Company in respect of bank loans extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under these guarantee arrangements. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by the subsidiaries that are covered by the guarantees, being \$1,675,000,000 (2020: \$1,600,000,000).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

### 34 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

#### (a) Transactions with related companies

Nature of transactions	Note	Income/(expense)	
		2021 \$'000	2020 \$'000
Service fees for provision of coach services	(i) & (ii)	45,745	47,162
Insurance premium paid	(iii)	(136,470)	(111,882)
Amount paid and accrued for building management services	(iv)	(840)	(886)
Amount paid and accrued for project management service and lease modification	(v)	–	–
Amount paid and accrued for a building contract	(vi)	–	–
Advertising income	(vii)	2,501	572
Service income	(viii)	5,000	–

Notes:

- (i) During the year, the Group provided coach services (“Shuttle Bus Service Agreements”) to certain subsidiaries of Sun Hung Kai Properties Limited (“SHKP”), a substantial shareholder of the Company, details of which were disclosed in the announcement of the Company dated 20 August 2020. The amounts received and receivable under the Shuttle Bus Service Agreements amounted to \$2,776,000 (2020: \$6,299,000). During the year, the Group also provided coach services to certain subsidiaries of SHKP (“Other Shuttle Bus Service Agreements”). The amounts received and receivable under the Other Shuttle Bus Service Agreements amounted to \$4,230,000 (2020: \$196,000). Outstanding balances due from these companies at 31 December 2021 amounted to \$1,830,000 (2020: \$1,864,000).
- (ii) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries (“SHKP Group”) where the SHKP Group acts as agent for collection of the service fees (“Coach Service Arrangement”). The amounts received and receivable for these Coach Service Arrangements amounted to \$38,739,000 (2020: \$40,667,000). Outstanding balances due from these companies at 31 December 2021 amounted to \$8,301,000 (2020: \$11,093,000).
- (iii) In 2018, 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 2019 to 31 December 2020 (the “2019/20 Insurance Arrangements”). In 2019, the Group entered into contracts with SHKPI for the provision of medical and dental insurance services to the Group for the period from 1 January 2020 to 31 December 2021 (the “2020/21 Medical and Dental Insurance Arrangement”). In 2020, 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 2021 to 31 December 2022 (the “2021/22 Insurance Arrangements”). The amount paid and payable under the 2020/21 Medical and Dental Insurance Arrangement and 2021/22 Insurance Arrangements during the year amounted to \$136,470,000 (2020: \$111,882,000). There was no outstanding balance payable for these contracts at 31 December 2021 (2020: \$Nil).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Material related party transactions (continued)

#### (a) Transactions with related companies (continued)

Notes: (continued)

- (iv) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited (“Royal Elite”), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the “Deed”) pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the year amounted to \$840,000 (2020: \$886,000). Outstanding balance payable for this contract at 31 December 2021 amounted to \$90,000 (2020: \$209,000).
- (v) On 26 April 2010, KT Real Estate Limited (“KTRE”), a wholly-owned subsidiary of the Company, and Turbo Result Limited (“TRL”), a subsidiary of SHKP, entered into an agreement with Sun Hung Kai Real Estate Agency Limited (“SHKRE”), pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the “Kwun Tong Site”) and the construction of the Kwun Tong Site.
- The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) \$20,000,000; and (2) the lower of (a) 1% of the project cost and (b) \$25,000,000. The amount payable for lease modification services shall be in the sum of the lower of (1) \$3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification; and (2) \$3,840,000. Outstanding balance payable for this contract as at 31 December 2021 amounted to \$2,000,000 (2020: \$2,000,000).
- (vi) On 20 December 2018, KTRE, TRL and Yee Fai Construction Company Limited (“Yee Fai”) (a wholly-owned subsidiary of SHKP) entered into a building contract in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at the Kwun Tong Site (the “Building Contract”). KTRE and TRL shall pay Yee Fai, in equal shares, the contract sum of \$4,436,057,000 (i.e. \$2,218,028,500 each), subject to adjustments in accordance with the Building Contract. Outstanding balance payable for this contract as at 31 December 2021 amounted to \$235,140,000 (2020: \$82,567,000).
- (vii) During the year, the Group provided advertising services to certain subsidiaries of SHKP. The amounts received and receivable for these advertising services amounted to \$2,501,000 (2020: \$572,000). Outstanding balances due from these companies at 31 December 2021 amounted to \$21,000 (2020: \$32,000).
- (viii) During the year, the Group provided management service to a subsidiary of SHKP. The amount received and receivable for the service amounted to \$5,000,000 (2020: Nil). Outstanding balance due from the company at 31 December 2021 amounted to \$5,000,000 (2020: Nil).

#### (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 34(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 Agreements by including the relevant disclosures in the section headed “Continuing Connected Transactions” under “Financial Review” on pages 105 to 107 of this Annual Report whereas the transactions under the Other Shuttle Bus Service Agreements 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 note 34(a)(ii) above, in which the relevant SHKP Group companies acted as agents for collection of the coach service fees, did not fall within the definition of connected transactions of the Company under Chapter 14A of the Listing Rules.

The related party transactions as described in note 34(a)(iii) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed “Continuing Connected Transactions” under “Financial Review” on pages 105 to 107 of this Annual Report.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Material related party transactions (continued)

#### (c) Applicability of the Listing Rules relating to connected transactions (continued)

The related party transaction as described in notes 34(a)(iv), 34(a)(vii) and 34(a)(viii) above constitute continuing connected transaction 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 transaction as described in notes 34(a)(v) and 34(a)(vi) above constitute connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The relevant reporting requirements pursuant to Chapter 14A of the Listing Rules have been complied with by including disclosures in the Company's annual report published immediately following the entering into of such transactions.

### 35 Partial disposal of a subsidiary resulting in loss of control

On 9 November 2020, a subsidiary of the Company entered into a sale and purchase agreement with Mega Odyssey Limited, an indirect wholly-owned subsidiary of SHKP, to dispose of its 50% equity interest in TMPI for a total consideration of \$750,512,000. The transaction was completed on 29 December 2020 ("date of disposal"). The assets and liabilities of TMPI at the date of disposal and a reconciliation to gain arising from the disposal are as follows:

	\$'000
Investment properties (note 13(a))	1,844
Deferred tax assets (note 28(b))	21
Accounts receivable	843
Deposits and prepayments	170
Bank deposits and cash	5,777
Accounts payable and accruals	(5,704)
Current tax payable (note 28(a))	(83)
Net assets disposed of	2,868
Gain arising from the disposal:	
Net assets disposed of	(2,868)
Professional charges	(2,608)
Cash consideration received	750,512
Retained interest at fair value	750,512
	1,495,548
Net cash inflow arising from the disposal:	
Cash consideration received	750,512
Cash and cash equivalents disposed of	(5,777)
	744,735

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 36 Company-level statement of financial position

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries		1,199,043	1,194,934
Property, plant and equipment		31	–
Deferred tax assets		535	535
		<b>1,199,609</b>	1,195,469
<b>Current assets</b>			
Deposits and prepayments		1,722	1,718
Amounts due from subsidiaries		10,593,037	9,607,206
Bank deposits and cash		3,901	3,707
		<b>10,598,660</b>	9,612,631
<b>Current liabilities</b>			
Accounts payable and accruals		13,765	13,569
Amounts due to subsidiaries		7,799,170	6,928,869
		<b>7,812,935</b>	6,942,438
<b>Net current assets</b>		<b>2,785,725</b>	2,670,193
<b>NET ASSETS</b>		<b>3,985,334</b>	3,865,662
<b>CAPITAL AND RESERVES</b>			
Share capital	30(a)	465,469	457,821
Reserves		3,519,865	3,407,841
<b>TOTAL EQUITY</b>		<b>3,985,334</b>	3,865,662

Approved and authorised for issue by the Board of Directors on 17 March 2022

**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 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

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)

	2021 \$'M	2020 \$'M	2019 \$'M	2018 \$'M	2017 \$'M	2016 \$'M (Restated) Note (b)	2015 \$'M	2014 \$'M	2013 \$'M	2012 \$'M (Restated) Note (a)
		Note (e)	Note (d)	Note (c)						
<b>Statement of profit or loss</b>										
<b>Continuing operations</b>										
Revenue	7,202	6,191	8,112	8,009	7,888	7,744	7,780	7,557	7,420	7,181
Profit before taxation	272	1,722	699	837	1,008	1,016	747	508	458	197
Income tax (expense)/credit	(27)	182	(94)	(117)	(148)	(150)	(128)	(69)	(55)	(6)
<b>Profit for the year from continuing operations</b>	<b>245</b>	1,904	605	720	860	866	619	439	403	191
<b>Discontinued operations</b>										
<b>Profit/(loss) for the year from discontinued operations</b>	<b>-</b>	-	-	-	429	(42)	-	-	-	-
Profit for the year	245	1,904	605	720	1,289	824	619	439	403	191
Non-controlling interests	-	-	-	-	6	7	10	(24)	(32)	(25)
Profit attributable to equity shareholders of the Company	245	1,904	605	720	1,295	831	629	415	371	166
<b>Statement of financial position</b>										
Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment	11,976	10,954	10,154	9,841	9,261	8,875	6,133	4,817	4,487	3,852
Intangible assets	420	365	365	361	132	132	132	135	132	132
Goodwill	84	84	84	84	84	84	84	84	84	84
Non-current prepayments	-	-	-	-	-	2	15	7	12	4
Interest in associates	682	657	612	611	625	602	634	740	724	672
Interest in joint venture	751	751	-	-	-	-	-	-	-	-
Other financial assets	1,354	1,474	1,264	1,709	1,493	1,207	112	183	229	591
Employee benefit assets	1,959	1,701	1,307	913	1,287	626	577	861	1,018	326
Net current (liabilities)/assets	(39)	229	1,369	711	438	377	1,321	2,112	2,009	2,226
Employment of funds	17,187	16,215	15,155	14,230	13,320	11,905	9,008	8,939	8,695	7,887
<i>Financed by:</i>										
Share capital	465	458	447	435	422	412	404	404	404	404
Reserves	13,213	12,728	10,525	9,761	9,120	7,414	6,804	6,793	6,704	5,832
Total equity attributable to equity shareholders of the Company	13,678	13,186	10,972	10,196	9,542	7,826	7,208	7,197	7,108	6,236
Non-controlling interests	-	-	-	-	-	146	154	190	192	185
Total equity	13,678	13,186	10,972	10,196	9,542	7,972	7,362	7,387	7,300	6,421
Contingency provision – insurance	178	218	244	241	285	253	251	274	298	311
Long-term bank loans	2,139	1,684	2,707	2,625	2,353	2,724	589	545	399	598
Employee benefit liabilities	-	-	-	3	-	9	9	6	-	-
Other liabilities	1,192	1,127	1,232	1,165	1,140	947	797	727	698	557
Funds employed	17,187	16,215	15,155	14,230	13,320	11,905	9,008	8,939	8,695	7,887
<b>Earnings/(loss) per share (\$)</b>	<b>0.53</b>	4.21	1.38	1.68	3.11	2.04	1.56	1.03	0.92	0.41
- From continuing operations	0.53	4.21	1.38	1.68	2.07	2.12	-	-	-	-
- From discontinued operations	-	-	-	-	1.04	(0.08)	-	-	-	-
<b>Dividends per share (\$)</b>	<b>0.50</b>	0.50	1.00	1.20	1.25	1.25	1.20	0.90	0.60	0.60
<b>Total assets per share (\$)</b>	<b>42.85</b>	42.16	37.40	35.46	34.69	32.34	27.42	25.28	25.36	23.19
<b>Net assets per share (\$)</b>	<b>29.39</b>	28.80	24.55	23.46	22.59	19.36	18.24	18.30	18.09	15.91

## Notes:

- In order to comply with Revised Hong Kong Accounting Standard 19, *Employee benefits*, which was effective for the accounting period beginning on 1 January 2013, the Group adopted new accounting policies for defined benefit plans. Figures for the year 2012 have been restated accordingly.
- The disposal of RoadShow Holdings Limited in 2017 constituted a discontinued operation. In accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations*, the Group has re-presented the comparative information in 2016 in this regard.
- The Group has initially applied HKFRS 9, *Financial instruments*, at 1 January 2018. Under the transition method chosen, comparative information was not restated.
- As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of recognising right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under the transition method chosen, comparative information was not restated.
- The Group recorded a non-recurring net gain amounting to HK\$1,495.5 million arising from the revaluation and disposal of 50% equity interest in TM Properties Investment Limited in 2020.

# CORPORATE DIRECTORY

## Board of Directors

### Dr Norman LEUNG Nai Pang\*

GBS, JP, LLD, BA  
Chairman

### Dr John CHAN Cho Chak\*

GBS, JP, DBA(Hon), DSocSc(Hon),  
BA, DipMS, CCMI, FCILT, FHKIoD  
Deputy Chairman

### Raymond KWOK Ping Luen^

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

### NG Siu Chan^

### William LOUEY Lai Kuen^

BSc(Econ)

### Charles LUI Chung Yuen^

M.H., BEc, AASA, FCILT

### Winnie NG^

JP, BA, MBA(Chicago), MPA(Harvard),  
FCIM, CMILT, MHKIoD  
(Non-executive Director and Alternate  
Director to Mr NG Siu Chan^)

### Dr Eric LI Ka Cheung\*

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

### Professor LIU Pak Wai\*

SBS, JP

### Allen FUNG Yuk Lun^

BA, Ph.D.

### Roger LEE Chak Cheong

BSc, MSc, MICE, CEng  
Managing Director

### TSANG Wai Hung\*

GBS, PDSM, JP, MBA

### Dr CHEUNG Wing Yui^

BBS, BCom, Hon DBA, CPA (Aust.)

### LEE Luen Fai^

BBS, JP, BA

### LUNG Po Kwan^

BSocSc, MSocSc(Economics), MBA, CFA

### Susanna WONG Sze Lai

(Alternate Director to  
Mr Raymond KWOK Ping Luen, JP^)

### GAO Feng

(Alternate Director to  
Mr William LOUEY Lai Kuen^)

## Board Committees

### Audit and Risk Management Committee

#### Dr Eric LI Ka Cheung, 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

#### Lana WOO

BA, MBA, FCG, HKFCG(PE), CPA (Canada),  
CGA

### Registered Office

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

### Principal Office

15/F, 9 Po Lun Street, Lai Chi Kok  
Kowloon, Hong Kong  
Telephone: (852) 2786 8888  
Facsimile: (852) 2745 0300  
Website: [www.tih.hk](http://www.tih.hk)  
E-mail: [director@tih.hk](mailto:director@tih.hk)

### Auditor

#### KPMG

Certified Public Accountants  
Public Interest Entity Auditor  
registered in accordance with the  
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 2022 AGM:  
16 May 2022 to 19 May 2022  
(both dates inclusive)

Book closure for 2021 final dividend:  
25 May 2022

## Dividends

### Final (proposed)

HK\$0.50 per share,  
payable on 30 June 2022

## 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](http://www.tih.hk)



載通國際  
Transport International

## Transport International Holdings Limited

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Stock Code: 62



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