

Individual Business Units

Franchised Public Bus Operations

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

	Unit	2019	2018
Revenue	HK\$ million	7,092.6	7,032.4
Other income	HK\$ million	299.3	106.1
Total operating expenses	HK\$ million	(6,982.7)	(6,595.1)
Profit from operations	HK\$ million	409.2	543.4
Finance costs	HK\$ million	(32.1)	(22.5)
Profit before taxation	HK\$ million	377.1	520.9
Income tax	HK\$ million	(62.2)	(86.6)
Profit after taxation	HK\$ million	314.9	434.3
Net profit margin		4.4%	6.2%
Passenger volume	Million passenger trips	1,022.9	1,022.3
Kilometres operated	Million km	280.8	281.3
Staff number at year-end	Number of staff	12,123	11,544
Fleet size at year-end	Number of buses	4,081	4,112
Total assets	HK\$ million	8,927.7	8,035.8

KMB recorded a profit after taxation of HK\$314.9 million for 2019, representing a decrease of HK\$119.4 million or 27.5% compared with HK\$434.3 million for 2018.

KMB's fare revenue for 2019 was HK\$6,866.5 million, an increase of HK\$41.2 million or 0.6% compared with HK\$6,825.3 million for 2018. The increase was mainly attributable to patronage growth in the first half of 2019 resulting from the enhancement of service on existing routes as well as the introduction of new services but was largely offset by the prolonged social unrest throughout the second half of 2019 which dampened patronage growth. As a result, KMB's total ridership for 2019 was 1,022.9 million passenger trips (a daily average of 2.80 million passenger

trips), which remained on par with 2018. Other income for 2019 included a fuel subsidy of HK\$137.2 million from the Government.

Total operating expenses for 2019 amounted to HK\$6,982.7 million, an increase of HK\$387.6 million or 5.9% compared with HK\$6,595.1 million for 2018. The increase was mainly attributable to the increase in staff costs of HK\$315.9 million as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges of HK\$39.2 million resulting from continued investment in new buses with enhanced safety features.

Long Win Bus Company Limited ("LWB")

	Unit	2019	2018
Revenue	HK\$ million	642.4	563.1
Other income	HK\$ million	16.2	2.4
Total operating expenses	HK\$ million	(594.1)	(520.4)
Profit from operations	HK\$ million	64.5	45.1
Finance costs	HK\$ million	(0.1)	(1.2)
Profit before taxation	HK\$ million	64.4	43.9
Income tax	HK\$ million	(10.7)	(7.1)
Profit after taxation	HK\$ million	53.7	36.8
Net profit margin		8.4%	6.5%
Passenger volume	Million passenger trips	45.8	41.5
Kilometres operated	Million km	37.7	37.5
Staff number at year-end	Number of staff	784	713
Fleet size at year-end	Number of buses	279	262
Total assets	HK\$ million	655.8	552.2

Financial Review

The profit after taxation of LWB for 2019 was HK\$53.7 million, representing an increase of HK\$16.9 million or 45.9% compared with HK\$36.8 million for 2018.

LWB's fare revenue for 2019 was HK\$638.1 million, an increase of HK\$78.3 million or 14.0% compared with HK\$559.8 million for 2018. The increase was mainly due to the continuous growth of A-route passengers in the first half of 2019 as a result of the increase in transport demand within the A-route network as well as the additional inflow of visitors following the opening of the Hong Kong-Zhuhai-Macao Bridge in late October 2018. However, such growth became stagnant in the second half of 2019 as a result of the social unrest. LWB recorded a total ridership of 45.8 million passenger trips (a daily average of 125,500 passenger trips) for 2019, as compared with 41.5 million passenger trips (a daily average of 113,700 passenger trips) for 2018. Other income for 2019 included a fuel subsidy of HK\$13.0 million from the Government.

Total operating expenses for 2019 amounted to HK\$594.1 million, an increase of HK\$73.7 million or 14.2% compared with HK\$520.4 million for 2018. The increase in operating expenses was mainly due to the increase in staff costs as a result of the annual pay rise and the improvement in benefit packages, as well as the increase in depreciation charges resulting from continued investment in new buses with enhanced safety features.

Non-franchised Transport Operations

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$39.8 million for 2019, representing a decrease of HK\$8.5 million or 17.6% compared with HK\$48.3 million for 2018. A review of the operations of the principal business units in this Division is set out as follows:

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

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

The revenue of the SBH Group for 2019 decreased by 8.2% compared with 2018 mainly due to the social unrest which affected the local transport services business. Total operating expenses for 2019 decreased by 8.1% compared with 2018, which was in line with the decline in revenue.

In 2019, the SBH Group purchased 16 (2018: 84) Euro VI buses for fleet replacement purposes. As at 31 December 2019, the SBH Group had a fleet of 390 buses (2018: 390 buses).

New Hong Kong Bus Company Limited ("NHKB")

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. The revenue of NHKB decreased by HK\$8.3 million or 17.3% from HK\$48.0 million in 2018 to HK\$39.7 million in 2019 mainly due to the increase in choices for cross-boundary services as well as the social unrest. As at 31 December 2019, NHKB had a fleet of 15 buses (2018: 15 buses).

Property Holdings and Development

The Group's Property Holdings and Development Division reported a profit after taxation of HK\$54.8 million for 2019, representing an increase of HK\$0.9 million or 1.7% compared with HK\$53.9 million for 2018. 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 2019, 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 2019, the carrying value of the shopping mall (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$76.0 million (2018: HK\$78.3 million).

LCK Real Estate Limited ("LCKRE")

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

As at 31 December 2019, the carrying value of the building stated at cost less accumulated depreciation and impairment losses, amounted to HK\$29.4 million (2018: HK\$31.0 million).

TM Properties Investment Limited ("TMPI")

TMPI, a wholly-owned subsidiary of the Group, is the owner of an industrial property at 1 Kin Fung Circuit, Tuen Mun. The property, comprising a single-storey high ceiling structure and a three-storey workshop building with a total gross floor area of about 105,900 square feet, has been leased out to generate rental income for the Group since March 2011.

As at 31 December 2019, the carrying value of the industrial property (classified as investment property on the consolidated statement of financial position), stated at cost less accumulated depreciation and impairment losses, amounted to HK\$1.9 million (2018: HK\$2.0 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 ("SHKRE"), a wholly-owned subsidiary of SHKP, has been appointed as the project manager to oversee the Development. The Group intends to hold the Development for long-term investment purposes.

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

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

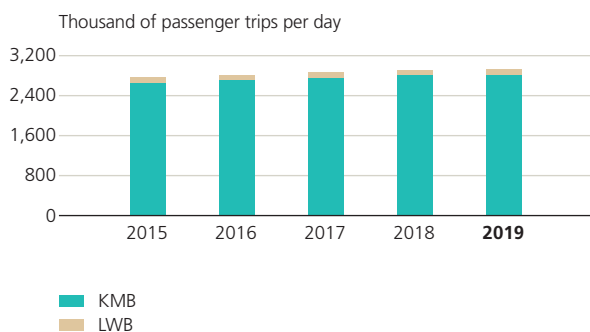
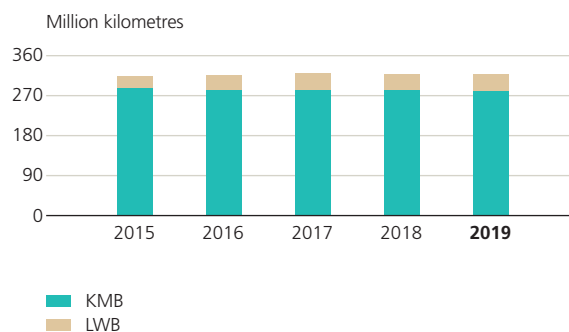
As at 31 December 2019, the carrying value of the Kwun Tong Site (classified as investment property under development on the consolidated statement of financial position) amounted to HK\$2,531.6 million (2018: HK\$2,301.1 million).

Financial Review

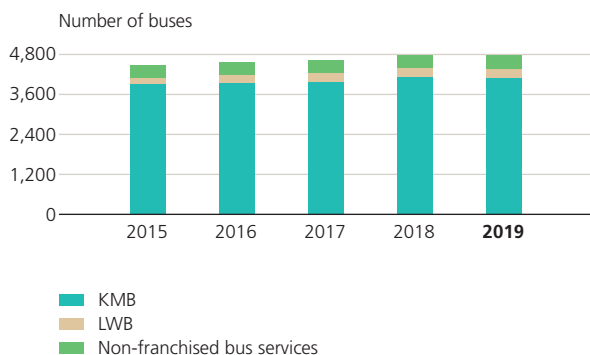
China Mainland Transport Operations

The Group's China Mainland Transport Operations Division reported a profit after taxation of HK\$21.5 million for 2019, representing a decrease of HK\$2.3 million or 9.7% compared with HK\$23.8 million for 2018.

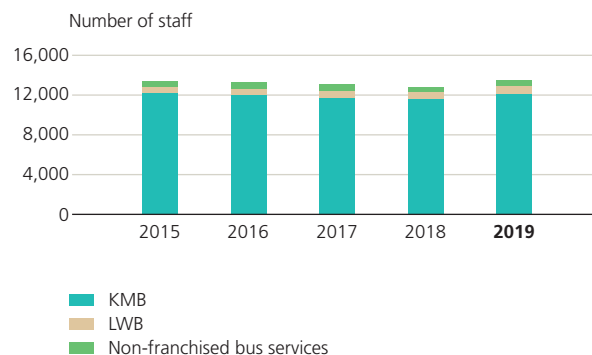
As at 31 December 2019, the Group's total interests in associates within the China Mainland Transport Operations Division amounted to HK\$606.9 million (2018: HK\$610.9 million). Such investments are mainly related to the operation of public transport services in Shenzhen, and taxi and car rental services in Beijing.

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



Summary of Investments in China Mainland Transport Operations as at 31 December 2019

	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 2019 (Number of vehicles)	11,599	4,956
Bus passenger volume (Million trips)	581	N/A
Bus kilometres travelled (Million km)	386	N/A
Staff number at year-end 2019	23,801	4,303

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 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 and taxi services in Shenzhen City, Guangdong Province, operating a fleet of over 5,000 buses running on around 300 routes and over 5,000 taxis. By continuously improving services, patronage of SZBG's bus and taxi operations increased by 1.6% to 713.3 million in 2019 as compared to 701.8 million in 2018. To improve its competitiveness in the public transport field, SZBG has taken measures to enhance its operational efficiency and productivity.

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 2019, BBKT had a fleet of over 3,000 taxis and 4,000 employees.

Beijing Beiqi First Company Limited (北京北汽福斯特股份有限公司) ("BBF")

Established in April 2013 as a Sino-foreign joint stock company with the same shareholding structure as BBKT, BBF operates the car rental business formerly undertaken by BBKT. With ISO 9001:2008 certification for management systems in car rental services, BBF is well placed to take advantage of the business opportunities afforded by business commuters as well as by the wide variety of events, conferences and exhibitions that are held in the capital. As at 31 December 2019, BBF had over 1,000 vehicles available for charter mainly in Beijing and Tianjin.

Connected Transactions and Continuing Connected Transactions

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

(a) THE GROUP

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

As described in note 33(a) to the financial statements on pages 231 and 232 of this Annual Report, on 2 November 2016, the Group entered into various insurance arrangements 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 (i) a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance from 1 January 2017 to 31 December 2018; and (ii) a directors and officers liability and company reimbursement insurance from 1 January 2017 to 30 June 2018 (collectively, the "2017/18 Insurance Arrangements"). On 1 November 2017, the Group also entered into an insurance policy with SHKPI, pursuant to which the Group maintained medical and dental insurance coverage with SHKPI from 1 January 2018 to 31 December 2019 (the "2018/19 Medical and Dental Insurance Arrangement"). On 1 November 2018, the Group entered into various insurance policies with SHKPI, pursuant to which SHKPI agreed to provide to the Group a motor vehicle third party and passengers' liability insurance and an employees' compensation insurance 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 will maintain medical and dental insurance coverage with SHKPI from 1 January 2020 to 31 December 2021 (the "2020/21 Medical and Dental Insurance Arrangement"). The transactions contemplated under the 2017/18 Insurance Arrangements, 2018/19 Medical and Dental Insurance Arrangement, 2019/20 Insurance Arrangements and 2020/21 Medical and Dental Insurance Arrangement constitute continuing connected transactions of the Company, particulars of which were disclosed in the announcements of the Company dated 2 November 2016, 1 November 2017, 1 November 2018 and 1 November 2019 respectively.