

FRANCHISED PUBLIC BUS OPERATIONS DIVISION

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

OPERATIONAL EXCELLENCE

International Organisation for Standardisation ("ISO") Certification

In keeping with our commitment to adhere to the highest possible standards of quality and continuous improvement in our operations, KMB has continued to develop and implement systems and mechanisms to ensure that all aspects of its operations, which have been ISO certified, meet world class standards of excellence.

Performance Pledge

The Performance Pledge on mechanical reliability and operational capability, the two core competencies in bus operations, reflects our commitment to provide passengers with high quality and reliable service.

Mechanical reliability is determined by the average number of trips operated by a bus before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departure trips within the overall bus network during the peak hours of 7:00 a.m. to 9:00 a.m. in the peak direction.

As recorded in the Performance Pledge Report 1999/2000 (for the year ended 30 June 2000), our performance was 2,507:1 for mechanical reliability and 100.26% for operational capability, better than our targets of 1,800:1 and 100% respectively.

Depots

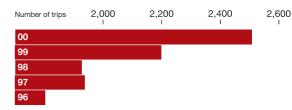
New Depot Construction and Existing Depot Renovation

Modern maintenance facilities are fundamental to upholding our performance in bus services. We assess the capability and forecast our future requirements of our depots continuously to ensure that the working environment is conducive to a high level of productivity and quality service. During the year under review, several major projects were either started or completed.

West Kowloon Permanent Depot

Construction of the new West Kowloon Permanent Depot's three storey superstructure began in September 2000 and is scheduled for completion by the end of 2001 to replace the Lai Chi Kok Depot. The new depot being built on a 23,300 square metre site in the West Kowloon Reclamation area will provide maintenance for some 1,000

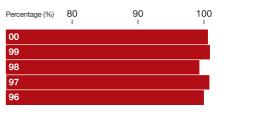
Mechanical reliability



■ KME

Average number of trips operated before a bus has one mechanical breakdown while passengers are on board

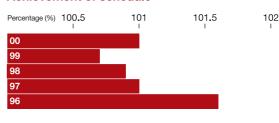
Operational capability



KMB

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

Achievement of schedule



KME

Percentage of actual number of buses operated on the road to scheduled bus allocation



buses and be equipped with a wide range of environmental protection measures. The total capital commitment at year-end 2000 for this depot was about HK\$311 million.

Tin Shui Wai/Yuen Long Temporary Depots

A new temporary depot site in
Tin Shui Wai was granted to KMB
at the end of October 2000 in
connection with the award of the
new Tin Shui Wai North routes.
Construction of the depot was
completed in January 2001.
Discussions with the Government
are underway to acquire a
second site in Yuen Long.
Enhancement work on the bus
maintenance facilities at the
existing temporary depot at Yuen
Long (Tung Tau) will be

completed in April 2001.

Sheung Shui Temporary Depot

Vacation from the temporary depot in Sheung Shui Area 30A by the third quarter of 2001 will be required. It will be replaced by the Sheung Shui Shek Wu Hui Depot Extension and Tai Po Area 33 Extension Sites.

Construction on the Shek Wu
Hui Depot Extension began in
November 2000 and the facility
was ready for occupation in
January 2001. The Tai Po Area
33 Extension was granted to
KMB at the end of 2000.

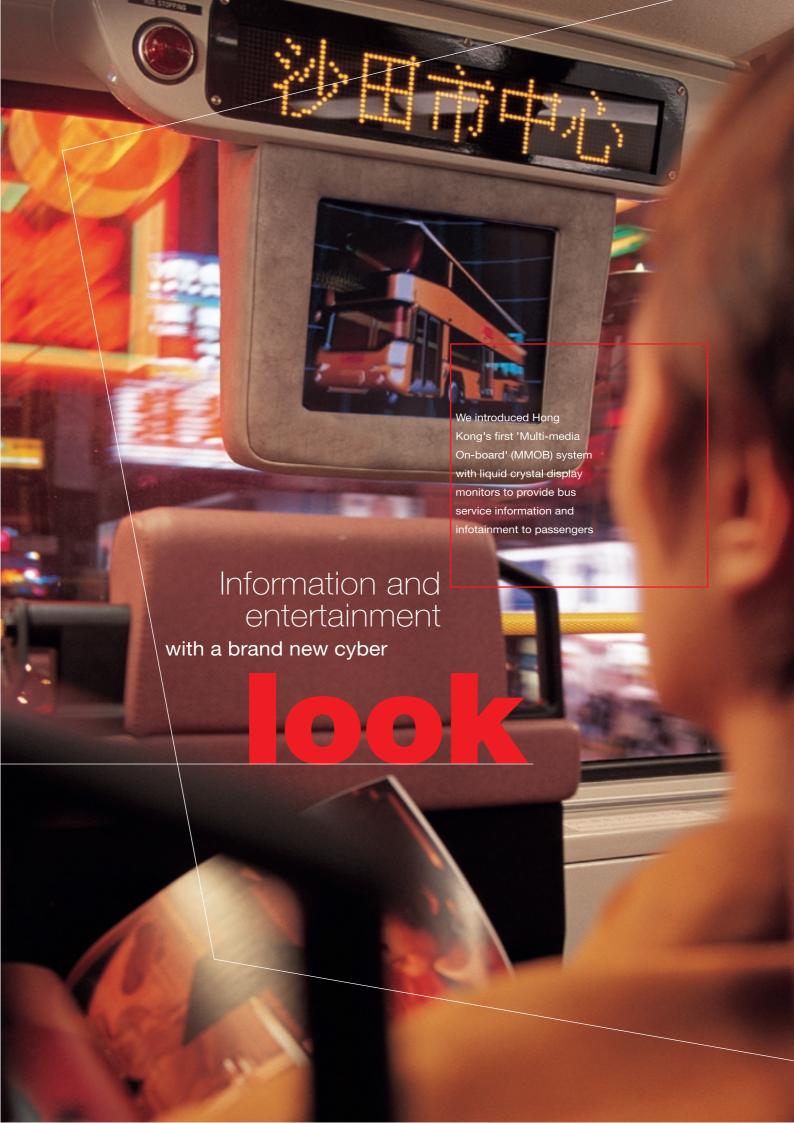
Tseung Kwan O Temporary Depot

The new temporary depot at Area 85 was completed and occupied in November 2000 to house buses originally parked at the Area 13 Depot that was decommissioned in early December 2000. Demolition of the structures on the latter site is scheduled for completion in March 2001 when the site will be returned to the Government.

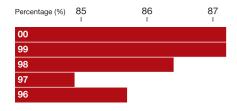
Fleet Upgrade

Air-conditioned Buses

KMB continued to deploy additional air-conditioned buses to provide better quality services to passengers. During 2000, the number of air-conditioned buses increased by 298 (including addition of 313 double-deck buses and scrapping of 15 single-deck buses) from 2,355 to 2,653, comprising 2,403 double-deck and 250 single-deck buses. At year-end 2000, about 62% of KMB's fleet was air-conditioned.

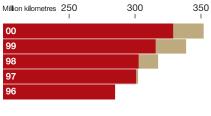


Fleet utilisation



Percentage of actual number of buses operated on the road to licensed bus fleet

Bus kilometres operated



Franchised public bus operations

■ KMB LWB

Super-low Floor Easy

Access Buses

400

The new air-conditioned doubledeck buses are all super-low floor easy access buses. A total of 578 easy access buses, comprising 566 double-deck and 12 single-deck buses, were deployed on 55 routes by the end of 2000 serving various segments of our bus network. With super-low floor design and wheelchair access facility, these buses provide better accessibility to passengers with disabilities, the elderly and young travellers.

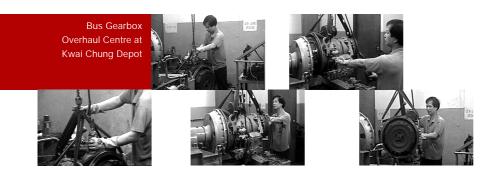
A further 260 new super-low floor easy access buses were on order at the end of 2000 for delivery or construction in 2001. To further improve air quality in bus compartments, electrostatic air filters were installed for testing in July 2000 on two air-conditioned double-deck buses. By eliminating some 80% of the fine dust present in the air, electrostatic filters will enable passengers to enjoy a more

comfortable journey. If the test results are satisfactory, we will consider retrofitting all airconditioned buses with the filters. Meanwhile, KMB has requested bus manufacturers to incorporate these filters as a standard feature on all new buses.

Thirty MAN bus chassis coupled with Berkhof bodies, another model of the super-low floor double-deck bus, have joined the Dennis Trident, Neoplan Centroliner and Volvo Super Olympian buses in the KMB super-low floor fleet.

Bus Tracking Capability

The trial of bus tracking systems continued in 2000. While results are promising, there remain technical problems to be overcome. The aim is to develop a system to allow our operations staff to accurately locate buses so that they can react quickly to traffic incidents and deploy our resources more effectively.



Financial and Operational Highlights

Managing Director's Report



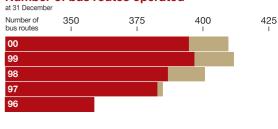
Other Technologies

Other technologies under trial or development include the electronic tachograph that records the speed and other performance indicators of buses in operation, and a communication system between the control centre and the buses. We ordered 170 electronic tachographs for selected highway routes that will improve monitoring of bus captains' driving performance. The two-way messaging system will provide real-time communication between the buses and the control centre and, in conjunction with the vehicle location system, will enable the control centre to react quickly to incidents.

New Routes and Service Expansion

During 2000, six new routes were launched. Three of these were designed to meet the demand due to the rapid population growth in the New Territories and the other three were recreation service routes. Included in the three new routes for the New Territories, one was introduced as a result of winning the tender in November 1999 for the operation of bus routes for Tin Shui Wai North. A further three routes under the same tender will be phased in by 2001.





Franchised public bus operations

Report of the Directors

KMB



CUSTOMER SERVICE

"Octopus" Contactless Smart Card

The entire KMB fleet was equipped with Octopus Card readers by year-end 2000. On average, about 1.8 million, or 57%, of our passengers used the Octopus Cards to pay bus fares in December 2000, a very positive vote of acceptance for this convenience. Usage has been highest on the cross harbour routes with around 76% of passengers using the card. The Octopus system also allowed us to introduce bus-bus interchange schemes, which offer discounts to passengers who change buses at major designated transfer points.

Bus-bus Interchange Scheme

The bus-bus interchange scheme is designed to provide total customer satisfaction and satisfy the conflicting needs of our customers and the community as a whole. Whilst passengers are

urging for more frequent services, more direct bus routes and wider network coverage, the community is increasingly concerned about traffic congestion and pollution caused by buses. With bus-bus interchange schemes, passengers do not have to wait for buses on a specific route, but can board any bus that is heading in the right direction and then interchange to buses on other routes with certain fare discounts. This would enable us to make better use of spare capacity on existing routes, reduce the need to introduce new routes not justified by demand and attract passengers from other modes of transport. Bus-bus interchange schemes also enable lower bus fares and higher frequency, as well as reduce the number of buses on busy corridors.

The advantages of bus-bus interchange can be illustrated in the following typical examples:

KMB's Octopus Bus-bus Interchange Scheme for Route No. 296A

The scheme involved Tseung
Kwan O Route No. 296A and five
other KMB routes (Route Nos.
38, 70X, 74X, 89X, 269C). It was
introduced in March 2000 and
was well received by passengers,
district councils and regulatory
authorities. Daily usage increased
from 2,000 passenger trips in
March 2000 to over 3,300 in
December 2000. It improved
network coverage between
Tseung Kwan O and Sha Tin, Tai
Po, North District, Kwai Chung,
Tin Shui Wai and Yuen Long.

Joint-operators Octopus Busbus Interchange Scheme

KMB pioneered the development of a common software used by other transport operators, including KCR's Light Rail Transit Bus Division ("LRT Bus"), Citybus Limited ("Citybus"), and LWB. With the implementation of this inter-modal scheme, Tin Shui Wai North passengers





taking the LRT Bus's new feeder Route No. 659 (Tin Fu -Tin Shui Wai Town Centre) can interchange at Tin Shui Wai Town Centre for the following bus routes, or vice versa:

Route No.	Destination	Operator
269C	Kwun Tong Ferry	KMB
E34	Airport (Ground Transportation Centre)	LWB
969	Causeway Bay (Moreton Terrace)	Citybus

Implemented in December 2000, this is the first inter-modal busbus interchange scheme involving four bus operators and offering a fixed discount on the "second leg" bus trip for Octopus Card users.

We will continue to develop busbus interchange schemes both within KMB's own route network and with other bus and rail operators. Already implemented schemes within the KMB route network at the end of 2000 include the Tates' Cairn Tunnel Routes, Package 1 (Route Nos. 82X, 85C, 89D) and Package 2 (Route Nos. 74X, 75X, 85C), which can enhance the network coverage between Sha Tin, Ma On Shan, Tai Po and East Kowloon; and the planned Eastern Harbour Crossing busbus interchange scheme that will involve three cross-harbour routes jointly operated by KMB and another franchised bus operator.

Bus Stop Announcement System

An on-board bus stop announcement system incorporating light emitting diode ("LED") displays and voice announcements advising the next stop has been introduced progressively since 1998 with 468 installed in 2000. The total number of buses so equipped was 603 at the end of 2000. This customer service feature, which has been well received as indicated by passenger satisfaction surveys, will be standard equipment on all buses.

Waiting Shelters

About 300 bus waiting shelters have been built or refurbished to improve the waiting environment for passengers. The roof of each shelter is made of a special material that allows natural light to pass through but protects against ultraviolet radiation and provides noise and thermal insulation.

New waiting shelters will be installed along busy corridors in Kowloon and the New Territories, including Argyle Street, Nathan Road, Waterloo Road, Prince Edward Road, Cheung Sha Wan Road, Lai Chi Kok Road, Kwai Chung Road, Lung Cheung Road, Kwun Tong Road, Sai Sha Road and Tai Chung Kiu Road. A total

of some 1,000 advertising panels will be fitted to such shelters.

Solar Powered Waiting Shelter

KMB constructed Hong Kong's first solar powered bus waiting shelter at Nathan Road, Tsim Sha Tsui. The adjustable photovoltaic grids installed on the shelter roof can generate sufficient power to operate the shelter's electronic information system and illuminated advertising panels. This development is another example of KMB's commitment to environmental protection and resource sustainability.

Cyber Bus Stop

KMB was granted a patent certificate for its pioneering Cyber Bus Stop by the Intellectual Property Department of the HKSAR Government. Fitted with a speaker system and two LED display panels, the Cyber Bus Stop offers continuous up-to-date information to passengers. In addition, a microcomputer and a touch-screen liquid crystal display ("LCD") panel allow passengers to browse KMB's homepage and obtain KMB bus route information.

The speaker system of the Cyber Bus Stop announces bus route information in Cantonese,

Profiles of Directors and Senior Executives

English and Putonghua. In addition, the bus stop name can be broadcast to waiting passengers at the end of each announcement. The first 100 Cyber Bus Stops will be installed along Nathan Road starting in the second half of 2001.

Bus Terminus Upgrading

Another improvement in passenger waiting facilities is the major upgrading project at Sha Tin New Town Plaza Terminus completed in December 2000. The project included refurbishment of paving and walls, improvement of illumination, replacement of obsolete railings with a new stainless steel design, installation of an integrated bus service information display system, seating for elderly passengers, recycling bins, illuminated signs denoting bus stops and buildings in the vicinity, and a new customer service centre. The service centre provides bus routes information, KMB homepage browsing facilities, departure time display, KMB souvenir and Octopus Card sales and Octopus add-value service.

We also refurbished twelve bus termini at Pak Tin, Hung Hom Ferry, Lai King North, Sai Kung, Ngau Tau Kok, Yue Man Square, Mei Lam, Hin Keng, Fu Heng, Tai Po Industrial Estate, Tai Hing and Siu Hong. More terminus upgrading work will be carried out during 2001.

Electronic Fare Display

Electronic fare display machines were installed on all buses to provide complete and clear information on full and concessionary fares. This is an improvement to the previous display system using cardboards.

Integrated Bus Service Information Display System

These systems are in operation at the Star Ferry, Tsuen Wan MTR, Tuen Mun Town Centre and Sha Tin New Town Plaza bus termini. Large LED or plasma display boards in the central part of the termini provide destinations, departure times, fares and emergency messages such as major traffic problems. Smaller LED display boards at individual platforms show the bus

routing, departure times and the fares. There are also a public address system and a closed circuit television system that allow monitoring at the terminus regulator's office and at the Radio Control Section at KMB headquarters. Similar systems will be installed in five termini in 2001 and eventually in all major termini.

Marketing and Advertising

Building a Positive Brand Image

The marketing strategy during the year was devised to reinforce KMB's leadership in the transportation industry by highlighting specific products, services and achievements, such as its extensive network coverage, the first green bus and the daily patronage of three million customers. A mix of mass and local media was used to convey our messages, including TV, newspapers, brochures and KMB's own



outdoor advertising channels.

In terms of brand and advertising awareness, market surveys reflected that KMB surpassed all other public transport operators, with a substantial lead over the second industry player. KMB's marketing and advertising initiatives gained industry recognition in various award programmes.

Enhancing Passenger Information

Work continued to familiarise passengers with KMB's services. A comprehensive Bus Guide, illustrated with maps, was produced covering all routes and bus stops. Passenger information was also distributed to customers in respect of bus services in specific areas, such as the Tin Shui Wai district and the overnight N-route service.

Generating Advertising Revenue

KMB's advertising revenue amounted to HK\$70.1 million in 2000, an increase of 45.8% over 1999. The significant growth was due to the increased recognition of the effectiveness of bus body advertising among outdoor advertising media and the refurbishment of bus waiting shelters.

Understanding Customer Needs

To help satisfy customer needs and to ensure delivery of the highest quality services, eight research projects were conducted during 2000 to gauge the public's travel patterns and their expectations of transportation services.

The research reflected that KMB is increasingly recognised as a modern, progressive and customer-centred organisation. Its core strengths were seen to be its extensive coverage, doorto-door and value-for-money services. The studies also underscored the importance of speeding up the introduction of modern, electronic communication facilities, as passengers consider these important value-added services.

Customer Service Hotline

Our 24-hour Customer Service Hotline received 4 million calls in 2000, representing an average of 333,000 calls per month. Conducted in Cantonese. Putonghua and English, the Hotline handles bus service enquiries, and provides fax-ondemand services and voice mail recordings.

The Hotline won the Hong Kong Retail Management Association

Customer Service Award in the 2000 Hong Kong Award for Services. The award promotes the importance of customer service in Hong Kong. The service standards of 18 companies that entered the competition were judged by "mystery shoppers". Their proposals to improve customer service were also rated.

In September 2000, Hotline operator service hours were extended to seven days a week, including Saturday afternoons, Sundays and public holidays. The operator service was provided daily from 9:00 a.m. to 6:00 p.m. By extending the service hours, customers' holiday transportation needs can be addressed promptly and effectively. The service has been well received and the number of enquiries received on holidays has increased. The operator service hours were subsequently advanced to 7:00 a.m. at the end of December 2000 and extended to 11:00 p.m. daily at the end of January 2001.

KMB Customer Service Centres

The KMB Customer Service Centres, located at the Sha Tin and Tsuen Wan Bus Termini, and Sha Tin New Town Plaza, offer a direct, one-stop channel for

customers to enquire about bus service information. More new service centres will be opened to serve our customers.

KMB Website http://www.kmb.com.hk

KMB's new website takes full advantage of advanced internet technology to offer the public innovative on-line services with up-to-the-minute information on bus operations, such as road works and traffic congestion. The new KMB Bus Route Search engine enables passengers to obtain detailed route information, including all bus stops along their chosen route, at the click of a button. Included on the website is an advanced service called Point-to-point Route Search where customers can enter their starting point and desired destination and receive detailed information regarding all relevant routes. Where no direct route is available, the search function provides bus-bus interchange information. Other features include an e-shopping mall where KMB souvenirs can be purchased on-line and KMB Net Fans can download KMB wallpapers and screen savers or play the site's interactive games.

Our new website has proved extremely popular, with an

average daily hit rate of about 380,500 since its launch on 27
June 2000 to the end of the year.
At 31 December 2000, there were 6,739 registered Net Fans.

As a reflection of the quality of information provided, the KMB Website was elected one of Hong Kong's "Ten Healthy Websites" in an election organised by the Television Entertainment and Licensing Authority of the HKSAR Government in December 2000. The final round of voting represented the views of over 10,000 youngsters aged between 12 and 19. KMB was the only public utility company in Hong Kong whose website was thus honoured.

PEOPLE

Our mission, "Caring for People", is demonstrated by our effort to promote team work across the whole organisation and a sense of belonging to KMB. Our success in managing such a highly labour-intensive company with some 13,000 staff can be reflected by the low staff turnover rate when compared with the market. Our main focuses on staff management include safety concerns, continual improvement of skills, appraising and rewarding exemplary

performance, proper communication channels and staff welfare. In particular, we pay full attention to any grievances from staff and adhere firmly to the principle of equal opportunity. On the whole, we aim at achieving a pleasant working environment and fostering harmonious relationships between all staff members and the management.

Bus Captain of the Year Competition

The annual Bus Captain of the Year Competition is a festive occasion that showcases the skills of our bus captains and provides a variety of exciting events, bus displays and game booths for KMB employees and the general public. From over 8,000 bus captains, 42 were selected to compete on their work performance, driving skills and knowledge of passenger safety and traffic regulations.

Safety

Road Safety Award

In recognition of our efforts to reduce bus accidents, the Chairman of the Road Safety Council presented the Transport Department's Road Safety Award to KMB in December 2000.

Based on Transport Department statistics, KMB achieved the best





performance in reducing accidents compared to other local bus companies in the third quarter compared with the same period last year. This resulted from the teamwork of various depots and departments that have the common goal of accident reduction. In April 2000, to heighten awareness of the importance of road safety, a Quarterly Lucky Draw for Accident-free Bus Captains and an Inter-depot Accident Reduction Competition were introduced.

Company Safety Committee

A Company Safety Committee was established with responsibility for the safety and health of all employees. The committee consists of representatives from various departments and is designed to promote co-operation between management and employees in developing and implementing measures to ensure job safety and health.

Safety Management System

A safety management system was also developed consisting of 14 elements including safety policy, safety organisation and safety arrangements. Similar to the ISO 9000 quality management system, these elements are designed to integrate occupational safety and health management processes within our existing management framework, improve our business performance and enhance our reputation as a responsible organisation.

Safe Community

KMB participated in the Kwai
Tsing Safe Community for
betterment of the community.
The concept of a safe
community was developed in
1989, at the first World
Conference on Accident and
Injury Prevention held in
Stockholm, Sweden. Experience
and information on accident and
injury prevention were

exchanged amongst the participating members, including government bodies, schools and other public utilities, to enhance safety awareness within the community. KMB benefits from improvement in productivity, as a result of less injury at works.

Staff Performance

During 2000, KMB presented the following staff with awards in appreciation of their dedication and contribution to KMB:

Good Service Annual Bonus

A total of 6,162 bus captains were eligible for this award.

Safe Driving Annual Bonus

A total of 4,072 bus captains were eligible for this award.

Safe Driving Award

A total of 73 bus captains were eligible for the 15-year accident free award, 177 for the 10-year accident free award and 411 for the five-year accident free award.

Loyal Service Award

A total of 213 employees received this award for 30 years of service with KMB.

Training

The Service Enhancement Project

A Service Enhancement Project involving more than 9,000 frontline and support staff, which was designed by outside consultants to cultivate a customer service culture throughout the organisation, was completed successfully in 2000. Support staff was trained to provide quality "internal service" to our frontline staff who interacts with the public - bus captains, inspectors and regulators - so that they can deliver better quality bus service. All those involved participated in a seminar and a workshop to learn service concepts and ways to deal with customers in various situations. In-house trainers are now responsible for conducting training sessions for new staff. Our team of inspectors was also given training to coach frontline staff on an on-going basis to ensure the integration and consistent application of quality service concepts in real job situations.

As a result of the completion of the project, there was an increase of 30% in the number of commendations received from the public on the service attitude of frontline staff.

Technical Training

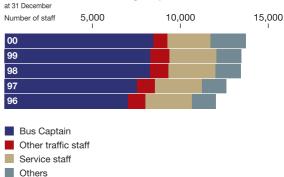
The KMB Technical Training School which began in 1973, has kept our maintenance staff abreast of the latest bus transportation technology. The current curricula include the latest On Board Computer Diagnosis System for bus bodies and chassis of new Neoplan and MAN buses. During 2000, a total of 102 in-house training sessions were held for 427 skilled workers and 17 sessions were organised for engineers, supervisors and foremen in conjunction with our vehicle manufacturers.

Apprentice Training

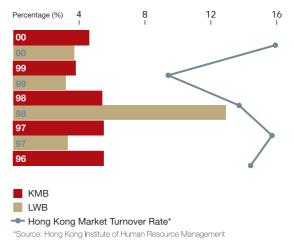
A four-year apprentice-training scheme at the KMB Technical Training School for young school leavers is designed to ensure an adequate supply of skilled maintenance workers. 57 apprentices graduated from the School in 2000, and the total number of graduates since 1973 was 1,910. At year-end 2000, there were 172 apprentices in training.

The high standard of KMB's

Number of staff in the group



Staff turnover rate



apprentice training was again recognised when KMB apprentices won all the prizes, including the champion award, in the automobile electrician trade category of the Best Apprentice Competition 2000 organised by the Vocational Training Council. The four winners were invited to visit the Honda Plant in Japan.

New Uniforms

All 9,000 KMB bus captains and outdoor staff changed their uniforms at the end of 2000 to disseminate a new youthful and energetic image. The new

uniforms, designed with three colours of light yellow, red and grey, reflect the staff's reliability and eagerness to serve. The design and choice of materials have paid particular attention to operational requirements, and are well received by the staff and the general public.

Staff Communication

The Joint Consultative Committee

The Joint Consultative Committee provides a channel for management and employee representatives to discuss matters affecting the daily operation of the depots and workers. The Committee meets on a monthly basis to discuss such matters as improvement of the working environment, safety, working procedures and staff welfare.

Staff Web-site http://www.kmb.org.hk

KMB launched a homepage exclusively for KMB and LWB's staff. It provides up-to-date information of and announcements from KMB and



LWB, details of upcoming and past events involving staff participation, a corner to recognise outstanding staff, lists of shops giving special discounts to our staff etc, in a more energetic and illustrative approach. The hit rate of the homepage has exceeded 11,000 since its inception.

Production of Staff Communication VCD and Magazine

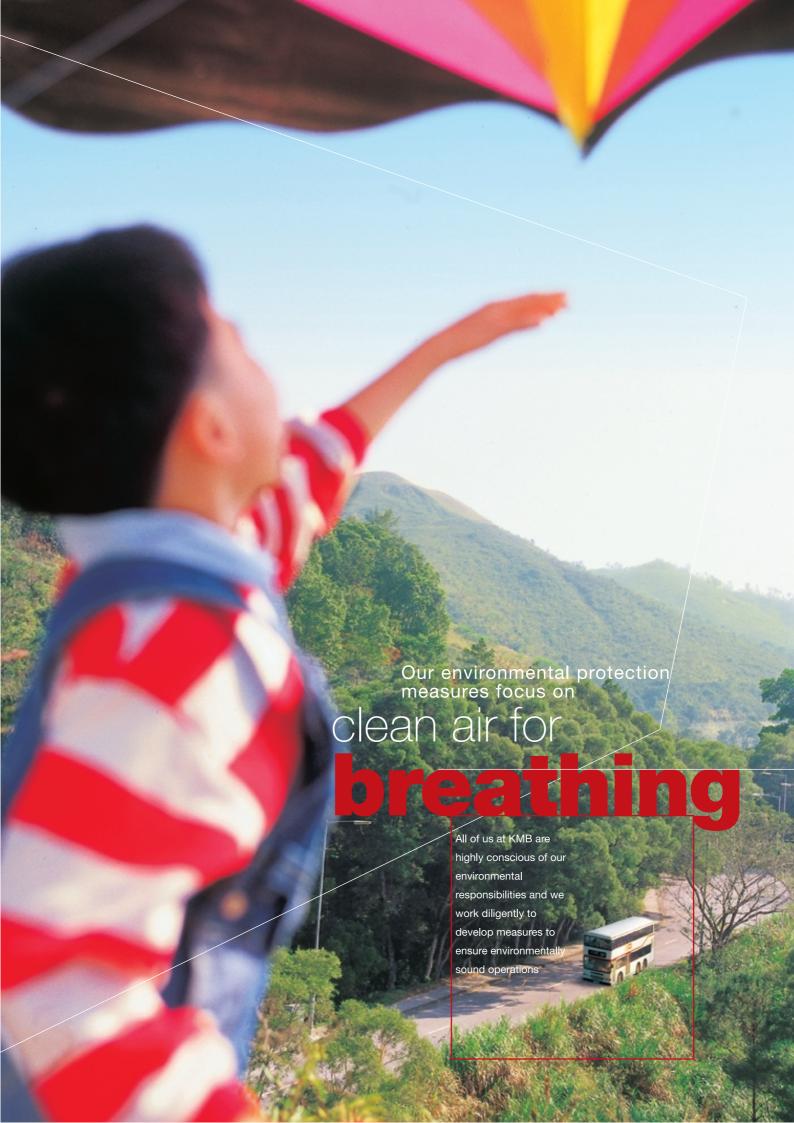
A video compact disc (VCD) entitled "Staff Canteen 900" was produced and distributed to all staff in the year 2000 to keep them abreast of the latest development of KMB, as a supplement to the monthly staff magazine, "KMB Today".

Staff Retirement Schemes

The Group operates two noncontributory defined benefit retirement schemes ("DB Schemes"), namely the KMB Monthly Rated Employees Provident Fund Scheme and the KMB Daily Rated Employees Retirement Fund Scheme, both registered under the Occupational Retirement Scheme Ordinance ("ORSO").

The Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance") became effective from 1 December 2000 requiring employers to provide MPF benefits for their employees. To this end, the Group chose to participate in the SHKP MPF **Employer Sponsored Scheme** (the "ES Scheme"), cosponsored by Sun Hung Kai Properties Limited and Standard Chartered Bank.

Under the MPF Ordinance, all existing ORSO schemes not exempted by the MPF Authority would have to cease operation after 1 December 2000. The Group successfully applied for exemption for its DB Schemes. The MPF Ordinance requires all members of the MPF exempted ORSO schemes to choose whether to stay in their existing schemes or to opt for MPF scheme. Further, for staff not covered by any exempted ORSO schemes, they need to be enrolled in a MPF scheme. To provide the existing members of our DB Schemes with similar retirement benefits if they opt for the ES Scheme, the employer contribution rates of the ES Scheme were designed so that the MPF benefits are in line with those of the DB Schemes. Accordingly, our employer contribution rates for the ES Scheme ranged from 5% to 12%.





All new buses are fitted with Euro 2 green engines

CONCERN FOR THE ENVIRONMENT

Environmental Protection

KMB has maintained a long standing commitment to conduct its business in a manner that is compatible with the environment.

Waste water produced from our depots' daily operation is treated before discharge into the government sewer. In 2000, KMB maintained 11 automatic waste water treatment systems for its fleet and depots with a total daily treatment capacity of 1,000 cubic metres.

Consumed lubricating oil collected during the bus maintenance process is delivered to a waste oil recycle agent. In 2000, about 1,200,000 litres of used oil were treated.

Chemical wastes are also treated and stored according to type in a specially designated area of the bus depot and disposed of by a registered chemical waste collector to a designated landfill.

Environmental protection issues and energy conservation are always important factors when KMB designs and builds new bus depots.

Environment Friendly Bus Fleet

A total of 313 buses equipped with engines of Euro 2 standard were introduced in 2000 bringing the number of these buses to 1,318.

Exhaust Treatment Device

To further improve exhaust emission quality, we committed ourselves to installing exhaust catalytic converters on all 1,800 pre-Euro 1 engine vehicles by the first quarter of 2001 and all 968 Euro 1 engine vehicles by the first quarter of 2002 to meet Euro 1 and Euro 2 standards in terms of particulate matter respectively.

Ultra Low Sulphur Diesel ("ULSD")

ULSD with 0.005% sulphur content was successfully tested and five Volvo Olympians equipped with Euro 2 engines on Route No. 914 have been using ULSD since 1 August 2000. KMB's entire fleet of more than 4, 200 buses have been using ULSD since January 2001. This shows once again our commitment towards environmental protection.

ULSD improves emission levels significantly because it contains only 0.005% sulphur, ten times less than that of ordinary low sulphur diesel. According to UK test reports, the use of ULSD in double-deck buses decreases the emission of particulate matter by up to 30% when compared with low sulphur diesel. The emission levels of sulphur oxides and nitrous oxides are also reduced significantly.

Continuous Regenerating Trap ("CRT")

A bus fitted with a CRT, a sophisticated exhaust treatment device, has shown an 80% to 90% reduction in particulate matter emission and zero smoke level. The exhaust emission quality was comparable to a natural gas fuelled vehicle. This test, which began in August 2000, will continue for a year to evaluate the equipment's reliability and durability.

Euro 3 Engine

Two Volvo Super Olympians, two

Neoplan Centroliners and two Dennis Tridents, all equipped with engines of Euro 3 standard, were ordered for delivery in the first half of 2001. A further reduction of 30% and 50% of nitrogen oxides and particulate matter, respectively, will be achieved when compared to the Euro 2 engine.

COMMUNITY OUTREACH

Passenger Liaison Groups ("PLGs")

The PLGs provide an important channel for face-to-face opinion exchange between management

and passengers. Six sessions were held during 2000 and the response from the public was enthusiastic. While the stated focus of the meetings was "the performance of the frontline staff", a range of other issues were also discussed, including the bus network, vehicle design and operational issues.

These sessions proved effective in generating ideas to improve service quality. Participants were recruited from various districts in the territory. University lecturers were invited to take part as



moderators, whilst representatives of the Transport Department of the HKSAR Government acted as observers.

Passenger Opinion Cabin

To facilitate direct communication with passengers, the Passenger Opinion Cabin, a modified singledeck bus, travelled regularly to various districts to collect passengers' opinions. A total of 630 suggestions were collected during 2000. On many occasions, the Chairmen and Vice-Chairmen of District Councils and the Chairmen of their respective **Traffic and Transport Committees** were invited to share their views with KMB senior management.

FRIENDS of KMB

FRIENDS of KMB, the company's passenger club, continues to promote the "Helping Others" spirit and KMB's image as a socially responsible company. The club mobilises its 1,400 members to participate in various social service, community building, civic, educational and environmental protection activities.

During 2000, FRIENDS of KMB received its second "Gold Award for Volunteer Service" from the Social Welfare Department of the HKSAR Government. The award

recognises the 2,270 hours of volunteer work contributed by more than 800 members.

Community Chest and Other Non-profit **Organisations**

KMB was awarded the Diamond Award by The Community Chest in recognition of its efforts to raise over HK\$800,000 during various fund-raising programmes for the year 1999/2000. These included the Corporate and **Employee Contribution** Programme, Dress Casual Day, Chek Lap Kok Year of the Dragon Walk, Sponsor a Tree for the Chest and the Community, and the Christmas Greetings for the Chest Campaign.

KMB also supported many other charitable organisations and community activities through sponsorships in various campaigns organised by the Government and charitable organisations, including the Hong Kong Awards for Industry, the Hong Kong Awards for Services, Hong Kong Arts Festival and the 30 Hours Famine 2000.

International Day of **Disabled Persons**

KMB and LWB offered free rides to disabled persons and their escorts on 3 December 2000 in support of the International Day of Disabled Persons.

District Councils and Community Groups

To facilitate communication between KMB senior management and district councils, political groups and environmental groups, 14 visits were arranged to brief their representatives on KMB's maintenance and environmental protection efforts. In addition, KMB representatives attended 54 district council and related meetings to listen to their views and to explain KMB's policies and service.

In a survey conducted by the Oriental Daily News on the performance of government departments and public utility companies in handling readers' comments and suggestions in 1999, KMB was rated among the top, along with China Light & Power Hong Kong Limited and the Environmental Protection Department of the HKSAR Government. This illustrates again our responsiveness towards our customers' expectations.

Report of the Directors



FRANCHISED PUBLIC BUS OPERATIONS DIVISION

Long Win Bus Company Limited ("LWB")

OPERATION

Following the consolidation and rationalisation of the bus network in 1999, LWB entered the millennium with a network of 15 routes and a peak hour allocation of 119 buses. While operating fewer buses than in the previous year, the catchment of LWB's network was extended to cover North District and Ma On Shan. The sluggish market environment for North Lantau and the Airport began to change for the better since mid-2000 due mainly to the

increased population intake of the Tung Chung New Town.

The total ridership of LWB for the year was 17.3 million passenger trips (a daily average of 47,135). This represents an increase of 2.1% over the previous year. Such increase was mainly attributed to improved market conditions. Total mileage operated in 2000 was 23.1 million km, down 1% from 1999.

Operational Performance

LWB's performance in the two

core competencies in bus operations - mechanical reliability and operational capability - was 1,567:1 on mechanical reliability and 100% on operational capability.

Fleet Size and Design

At year-end 2000, LWB had 149 air-conditioned double-deck buses and 10 air-conditioned single-deck buses serving Tung Chung and the Airport. All double-deck buses are super-low floor air-conditioned buses with wheelchair access and many of

the features recommended by the United Kingdom Disabled Persons Public Transport Advisory Committee. Also, LWB actively participated in an exchange forum with groups working to improve public transport facilities for disabled people.

As a result of the increased operation on the Airbus network, LWB upgraded seven of its conventional air-conditioned double-deck buses to Airbus configuration with moquette seating and larger luggage spaces.

Fleet and the Environment

As a socially responsible company, LWB responded to the Government's environmental protection initiative. All airconditioned double-deck buses are equipped with the environment friendly Euro 2 standard engines to improve emission control. The Euro 2 engine complies with the exhaust emission standards issued by the European Council of Environmental Ministers. Catalytic converters are also retrofitted on the pre-Euro engine single-deck airconditioned buses to reduce exhaust emissions.

Depot and the Environment

The bus servicing site at Tung Chung Town Centre and the

depot at Siu Ho Wan provide support services including refuelling, coin collection, bus washing, routine maintenance and bus parking. A treatment system at Siu Ho Wan Depot treats waste water before it is discharged into the public drainage system and ensures compliance with regulatory requirements.

Ultra Low Sulphur Diesel ("ULSD")

Same as KMB, the entire fleet of LWB has been using ULSD since January 2001.

CUSTOMER SERVICES

Octopus Smart Card and Electronic Bus Stop Announcement System

The Octopus Smart Card System, a fleet-wide feature, is gaining popularity with passengers as reflected in a 60% usage rate, up from the previous year's 40%. A total of 25 doubledeck air-conditioned buses are equipped with the Electronic Bus Announcement System with LED displays for operation on Route Nos. A31 and A41. Together with KMB, LWB participates in the joint-operators bus-bus interchange scheme by accepting passenger interchange at Tin Shui Wai Town Centre

between Route No. E34 and KCR LRT feeder bus Route No. 659 with discounted fare. This further extends the catchment area of LWB to Tin Shui Wai North.

Two-way Communication

LWB is dedicated to providing efficient, safe and customer oriented bus service. To achieve this, a host of two-way communication channels has been established with customers to solicit their views. These include the Customer Service Centre at the Airport, the Passenger Liaison Groups ("PLGs") and a hotline / hotfax.

Customer Service Centre

LWB's Customer Service Centre at the Arrivals Hall and the ticketing booth at the Ground Transportation Centre of the Airport's passenger terminal building provide information, coin change and ticket sales services. More than 160,000 passenger enquiries and ticket sales were handled at these two outlets during 2000.

Passenger Liaison Groups ("PLGs")

The PLGs provide an important channel for face-to-face exchanges between management and passengers. Six sessions were held during 2000 and the response from

LWB Airbus operations



the public was satisfactory.
Topics discussed included
service standards and the bus
network for the Airport and
North Lantau, performance of
bus captains, vehicle design
and operational issues.

Customer Helpline

The operator-assisted Helpline, manned by customer services representatives at the Airport's Customer Service Centre, received over 19,000 calls in 2000, representing an average of 1,595 calls per month. There was an increase of 25% over 1999. Apart from answering enquiries, the customer services representatives also receive customer opinions and handle lost and found.

Route Information

Several publications were written and made available to facilitate the use of LWB services. 66,000 copies of the pamphlet "LWBC Bus Services for North Lantau and the Airport" and 10,000 copies of "Leisure Pursuit" were distributed in 2000. To promote the use of the Airbus services,

10,000 copies of "Airbus Card" with detailed routing and departure information were produced for distribution to provide user-friendly information for the time-conscious Airport-bound passengers.

PEOPLE

LWB's staff totalled 405 at the end of 2000, down from 409 in 1999. Of this total, 356 and 49 are traffic operations and service support staff respectively. Under the Group's human resources policy of "Caring for People", LWB trained, upgraded skills, motivated and rewarded its staff to provide quality service.

Staff Performance

During 2000, LWB presented the following staff with awards in appreciation of their dedication and contribution to LWB.

Good Service Annual Bonus

A total of 221 bus captains were eligible for this award.

Safe Driving Annual Bonus

A total of 174 bus captains were eligible for this award.

Safe Driving Award

A total of four bus captains were eligible for the 15-year accident free award and three for the 10-year accident free award.

Loyal Service Award

A total of 29 employees received this award for 30 years of service with LWB or KMB.

Bus Captain of the Year Award and Competition

LWB achieved satisfactory results in the annual Bus Captain of the Year Competition, winning the team competition and coming in third in the individual competition in the Double-Deck Bus Section.

NON-FRANCHISED TRANSPORT OPERATIONS DIVISION

For the non-franchised transport business, the year of 2000 was a fast-growing and satisfactory year. Overall monthly turnover reached a record high of about HK\$9 million compared with 1999's average monthly turnover of about HK\$5 million.

SUN BUS HOLDINGS LIMITED AND ITS SUBSIDIARIES ("SBH")

Under the Group's nonfranchised Transport Operations Division, SBH comprises four business units, compared with two units in 1999. With Sun Bus Limited being the flagship, these business units were established or acquired during the past three years to serve various market segments that require different modes of operations and bus types. In spite of their operational differentiation, some major costs such as fuel, spare parts and administration overheads are pooled to benefit from the economies of scale.

SBH's services are categorised into two main streams: prestige premium services for clients seeking high quality and popular services for the general public where the major concern is value for money.

SBH had a fleet of 177 vehicles at the end of year 2000. It provides various types of non-franchised bus services such as residential, commercial, employee, tour, student and contract hiring. All buses are air-conditioned and single-decked with seating capacity ranging from 24 to 61. More than 95% of them are equipped with environment friendly Eurostandard engines.

While the fleet doubled in size during 2000, the number of full time employees grew by about 68%, reflecting productivity gains



Profiles of Directors and Senior Executives

realised from our focus on manpower efficiency.

In summary, SBH has evolved to become one of the leaders in Hong Kong's non-franchised bus service sector. Although facing greater competition, SBH will optimise its market share and cost efficiency through further economies of scale and more added value for total customer satisfaction in the years ahead.

NEW HONG KONG BUS COMPANY LIMITED ("NHKB")

NHKB jointly operates a crossboundary shuttle bus service the "yellow bus"- between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen together with its Shenzhen counterpart. This "yellow bus" service has been well received by both regular cross-boundary commuters and holiday travellers.

At present, only 10 air-conditioned single-deck buses are allowed to operate this service. In view of its popularity, NHKB and its Shenzhen partner have been in discussion with both the HKSAR and Shenzhen governments to seek to improve the service including adding more buses with greater peak-hour carrying capacity.

MEDIA SALES BUSINESS DIVISION

RoadShow Holdings Limited ("RoadShow")

The Group strives to improve its bus services to meet the ever-increasing needs and expectations of our customers and to stay ahead as the most-preferred mode of public transport. As such, the Group set up a new subsidiary, RoadShow Holdings Limited, to launch multi-media services in December 2000.

With an aim of becoming a leading out-of-home media sales company, RoadShow primarily markets advertising space on the interior of transit vehicles through a Multi-media On-board ("MMOB") system. The MMOB system consists of liquid crystal display ("LCD") monitors and video compact disc players, both mounted inside transit vehicles. The MMOB system transmits to passengers tailor-made programmes, which consist of information, entertainment, educational programmes, community service and advertisements.

RoadShow is currently the only provider of large-scale and territory-wide MMOB services on transit vehicles in Hong Kong. It also manages and markets advertising on the exterior of transit vehicles and advertising displays at transit vehicle

shelters, as well as engaging in a merchandising business of selling commemorative items.

As at the end of December 2000, 100 buses were equipped with MMOB. The Group expects to see a total of 2,000 transit vehicles equipped with MMOB by Apirl 2001.

In the longer term, the Group plans to expand the MMOB services to include a transit vehicle tracking system with a global positioning system ("GPS") technology. Such a system will facilitate efficient bus operations and location-specific advertising.

RoadShow plans to expand the delivery platform of advertising at transit vehicle shelters to include cyber bus stops, which are interactive computer terminals located at transit vehicle shelters along major roads and inside major transit vehicle terminals. Users will be able to read transit vehicle route information, browse certain websites and purchase goods and services by using the LCD panel located at the front of each cyber bus stop. Launch of cyber bus stop service is being planned for the end of 2001, with an initial establishment of about 100 cyber bus stops covering the major corridors in Hong Kong.

MAINLAND CHINA OPERATIONS DIVISION

DALIAN PROJECT

A co-operative joint venture (the "CJV"), established in 1997, between a 60% owned subsidiary of the Company and Dalian City No.1 Bus Company in Liaoning Province, PRC continued to make steady progress during 2000 yielding a satisfactory return on our investment. The CJV operates three bus routes in Dalian City deploying 46 double-deck and

40 single-deck buses. In addition, the CJV also became a minority shareholder in an organisation that issues smart cards in Dalian equivalent to the Octopus Cards in Hong Kong.

TIANJIN PROJECT

At the end of 2000, a new CJV contract was entered into between a 50% owned associate of the Company and Tianjin City **Public Transport Holding**

Company Limited in Tianjin, PRC. For the initial phase of the project, this CJV has operated seven bus routes in Tianjin deploying some 120 single-deck buses since January 2001. The Group will continue to explore opportunities to expand the operation in Tianjin.



Profiles of Directors and Senior Executives