



CORPORATE SOCIAL RESPONSIBILITY

OVERVIEW AND STRATEGIES

As one of the world's leading public transport operators, TIH is particularly conscious of the social and environmental aspects of doing business in the rapidly evolving and interconnected global community of today. We, at TIH, are committed to contributing to sustainable economic development, and working as a team with our employees, our customers, the local community and society at large to improve their quality of life. Our aims are to minimise the impact of our business on the environment, to have a positive effect on society, to communicate with all our stakeholders in a transparent and timely manner, and to work with other organisations that embrace these objectives.

The economic and social progress of our two major markets, Hong Kong and the China Mainland, are at the heart of our corporate social responsibility strategy. But we seek to create a better, more sustainable world wherever our business portfolio takes us.



Every one of us will have to continuously step up our environmental protection efforts in preserving beautiful scenery like this one at Nam Sang Wai, New Territories

A CARING COMPANY

COMMUNICATION

CUSTOMER SERVICE CULTURE

Teamwork is of utmost importance to everyone at TIH. This means that we work in close partnership with one another, with our customers and with the community at large to provide the highest quality customer service in harmony with the social and environmental needs of everyone we serve, wherever they may be.

THE OCTOPUS SMART CARD

Introduced in 1997, the electronic Octopus Smart Card System has been widely used by commuters to pay fares on public transport in Hong Kong. Indeed, it is now the world's leading and most extensive contactless smartcard system, with the highest penetration, the highest transaction volume and the widest scope of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in terms of the value and the number of card

payment transactions. In 2007, about 88% of our franchised bus fare revenue was collected via Octopus cards. The Octopus cards provide convenience to our passengers to board our buses and enable the Group to save costs on cash collection and administration.

OCTOPUS BUS-BUS INTERCHANGE SCHEMES ("OCTOPUS BBI SCHEMES")

We constantly look into ways to optimise and expand the Octopus

BBI Schemes, both within KMB and LWB's route networks and also on inter-modal schemes jointly operated with other public transport operators. These Schemes benefit our passengers by giving them extensive fare discounts on the second legs of their journeys. They also improve our network coverage, save additional resources that would otherwise be required for serving a larger transportation network, and relieve traffic congestion along busy transport corridors. By the end

of 2007, KMB had 68 Octopus BBI Schemes covering 258 bus routes, whilst LWB had six such Schemes operating on 13 routes including those serving Hong Kong Disneyland and AsiaWorld-Expo.

We are a supporter of the HKSAR Government's "Action Blue Sky Campaign"「藍天行動」for conservation of the environment. We advocate rationalising and cancelling bus routes with low occupancy rates, and we keep the impact of

this on passengers to the minimum by introducing various Octopus BBI Schemes. This arrangement would help reduce buses on the road to achieve win-win solutions both in environmental and transportation terms.

BUS FARE DISCOUNT SCHEMES

We are committed to providing our customers with a focused and reliable public transport service that gives excellent value for money.

KMB and LWB have implemented a variety of fare discounts and concessions to their passengers paying by Octopus Cards. The following fare concession schemes, which had been introduced by KMB and LWB for a period of 36 months commencing from their respective effective dates in early 2006 for the benefit of our customers, were in operation throughout 2007.

	Discount rates	Exceptions	Effective date
1. Passengers aged 65 or above	A flat fare of HK\$2.00 or half fare (whichever is the lower) on Sundays and public holidays	Airport "A" and racecourse routes	28 January 2006
2. Fares at or above HK\$15	20% fare discount for the return trip of the same route or route group on the same day	Airport "A", racecourse and recreation routes	19 February 2006 (note)
3. Fares between HK\$10 and HK\$14.9	10% fare discount for the return trip of the same route or route group on the same day	Airport "A", racecourse and recreation routes	19 February 2006 (note)

Note: The fare concessions under schemes (2) and (3) above were extended to cover jointly-operated cross-harbour routes with effect from 1 July 2006.

BUS SHELTERS

We continued our bus shelter improvement programme with the aim of enhancing the waiting environment for our passengers. During the year, KMB added 35 new bus shelters, and LWB added one, bringing the total number of bus shelters of KMB to 2,383 and LWB to 30 at the end of 2007. Installed with 2,717 advertising panels, these bus shelters not only provide convenience to our customers but also generate advertising revenue for our franchised bus operations.

CYBER BUS STOPS

At the end of 2007, there were eight KMB cyber bus stops installed at the Star Ferry concourse and along Canton Road and Nathan Road. These cyber bus stops have light emitting diode and liquid crystal display panels that display route information, local and international news, and weather information. They are also equipped with public address systems that announce route information in Cantonese, English and Putonghua, and provide access to the KMB website for point-to-point route search and service information.

CUSTOMER SERVICE CENTRES

Currently, KMB has a total of eight customer service centres located at the public transport interchange hubs of Tsim Sha Tsui, Hung Hom, Sha Tin, Mei Foo, Tsuen Wan, Lam Tin, Tuen Mun and Tin Shui Wai, which provide a convenient one-stop service to public transport users. Our friendly customer service ambassadors at these centres assist passengers with route and timetable information and collect customer feedback.



Multimedia kiosk at KMB's Mei Foo Customer Service Centre

The "Digital Map Passenger Enquiry System" in the multimedia kiosks at the customer service centres not only provides the users with a route search function, but also lets the users view the surrounding landmarks on a three-dimensional map. This innovative system was first launched by KMB in 2006 and has been well received by passengers. Our customers may make use of the multi-media kiosks for browsing the KMB website. They may also purchase KMB souvenirs and use Octopus card services conveniently at these centres.

In addition to our customer service centres, the customer service and ticketing office of LWB at Hong Kong International Airport provides a one-stop shop for handling customer

enquiries, ticketing as well as lost and found services.

ENQUIRY HOTLINES

KMB's customer service hotlines continue to serve as an effective communication channel with our customers. In 2007, the enquiry hotline handled about 3.8 million calls, representing an average of about 320,000 calls per month. Our hotline operator service is available daily from 7:00 a.m. to 11:00 p.m. while the 24-hour hotline system, which operates in Cantonese, English and Putonghua, provides the public with on-demand bus route information, traffic news, service updates, voice mail recording and short message service (SMS) on bus route information. LWB's customer service helpline handled over 14,500 calls in

2007 – an average of about 1,200 calls per month. The helpline also gathers and processes customer feedback and handles lost and found enquiries.

KMB's customer service hotline is internationally recognised as an industry leader. The hotline won Gold Awards in two categories of the Asia Pacific Region of the Contact Center World Awards 2007, and represented the Asia Pacific region along with winners from the Americas and Europe, Middle East and Africa at the Contact Center World Awards finals organised by ContactCenterWorld.com. As testimony to our service excellence, our customer service hotline won the Gold Awards in the Best Contact Center (under 50 agents) and Best Technology Innovation categories in the world finals held in Las Vegas, USA in 2007.

CORPORATE WEBSITES

The Group's website at www.tih.hk provides a broad spectrum of information about the individual businesses of TIH and its subsidiaries. The KMB website, www.kmb.hk, features a convenient point-to-point route search function and also helps visually impaired and novice internet users overcome virtual barriers to access transport information. The continuing popularity of the website was reflected in its average daily hit rate of 5.3 million in December 2007.

CUSTOMER COMMUNICATIONS

We recognise that in order to maintain our leadership role,

we need to tap into public opinions and identify customer needs. For this reason, customers' feedback is highly valued and we are always eager to solicit customer needs and expectations. In 2007, KMB's Passenger Opinion Cabin, a modified single-deck bus, visited ten districts in Hong Kong to collect the customers' opinions on its services. In addition, six Passenger Liaison Group meetings ("PLGs") were held to gather opinions and assess public expectations. These meetings were chaired by specialist university lecturers and the Transport Department of the HKSAR Government also sent its representatives to attend as observers. Appropriate enhancement and changes in KMB's services were implemented in response to the various suggestions gathered. The overall feedback demonstrated that our passengers are generally satisfied with KMB's services. Similarly, LWB also held six PLGs during the year and received satisfactory response from its customers.

KMB's dedication to customer communications was once again recognised in 2007, following its success in 2006, in which the promotional campaigns "Equipping KMB's Passenger Opinion Cabin to Provide More Congenial Services" and "Environmental Protection: Ride Green with KMB" won Silver Awards in the Community Relations and Environmental Protection categories respectively at the 7th China Golden Awards for Excellence in Public Relations organised by the China International Public Relations

Association. KMB was awarded the PRC Consumers' Most Favourable Hong Kong Brands 2007 Gold Award. In addition, the "KMB 2006 Passenger Liaison Group Report" received the Award of Excellence in the Apex 2007 Awards for Publication Excellence, a testament to the quality of the Company's channels for customer feedback.

INFORMATION PUBLICATIONS

During the year, we published a "KMB's Efforts in Environmental Protection" booklet featuring KMB's latest efforts in environmental protection. The booklet highlights KMB's environment-friendly practices on buses, in depots and at the corporate level. It also describes how we contribute to the economic and social development of Hong Kong. In addition, we published a "Ride KMB for Fun" travel guide introducing 26 exciting attractions in Hong Kong with maps of the various scenic spots and relevant bus route information.

In 2007, LWB distributed over 17,000 copies of various information leaflets including Airbus Cards and "LWBC Bus Services for North Lantau and the Airport" to the public. The Airbus Cards provide route and departure information on LWB's Airport routes.

MARKETING AND PUBLIC EDUCATION

To raise public awareness of our efforts in environmental protection, a total of 12 press sessions and briefings were organised in 2007 to

promote various new environment-friendly initiatives, including the introduction of Euro IV bus engines, enhancement of the waste water recycling systems, zero disposal of scrapped tyres, environment-friendly functions of the Unit Overhaul Depot, full-fleet installation of the Posilock Refuelling System, the Electronic Terminus Management System, and improvement in bus emission levels.

Press sessions were also held to publicise the advances in bus technologies and innovation, including the multi-sided rotating route information bus stop panels and the new emergency exits on buses.

A newly launched "Civic Education Campaign", which mainly comprised a series of six 10-second civic education television programmes (three with an environmental protection theme and three focusing on passenger safety), was conducted during the period from April 2007 to February 2008 to promote the importance of proper conduct on buses. To further promote these civic education messages, ten related designs were displayed on more than 50 buses and at over 1,000 bus shelters.

In 2007, the HKSAR Government launched a special environmental publicity campaign to educate the public on the benefits of better air quality and the programme was broadcast on our MMOB system.



COMMITMENT

PEOPLE AND SAFETY

Our company ethos of “Caring for People” extends not only to passenger satisfaction and safety but also to our 13,000 members of staff. The TIH workforce is the bedrock of our company culture of quality service, excellent teamwork and industry-leading innovation. In reflection of this, we continue to focus on intensive training and re-training, as well as on creating a work environment that values performance, working together and a sense of social responsibility.

As in past years, the Group has continued to invest a great deal of effort and resources to enhance the safety of our bus and ferry operations. The core initiatives have been the provision of intensive training to our bus captains and ferry crews, the strengthening of performance monitoring procedures, the improvement of bus design, and the execution of stringent maintenance programmes for our buses and ferries. By means of training, motivation and rewards, a working culture has been built that is firmly based on safety and the continuous pursuit of high quality service.

The table below summarises the size of the staff force in each division of the Group at the end of 2007 and 2006 respectively:

Division	2007	2006
Franchised Public Bus Operations		
• KMB	12,000	12,133
• LWB	443	432
Non-franchised Transport Operations	817	784
Media Sales Business [#]	71	69
Mainland Transport Operations [*]	7	7
Total	13,338	13,425

[#] including the employees of the Group's subsidiary companies on the Mainland

^{*} excluding the employees of the Group's joint venture companies on the Mainland

STAFF COMMUNICATIONS

Excellent communications, which are the foundation of all our stakeholder initiatives, underpin the Group's successful staff relations. Each of the six Joint Consultative Committees of KMB and LWB is a constructive and proactive channel that enables management and employee representatives to meet and discuss in depth those matters that affect daily business operations. The Committee meets monthly at KMB and bi-monthly at LWB to review issues such as safety and operating procedures, the working environment, and staff welfare. We also have a dedicated homepage that contains a variety of information such as management announcements, real-time weather reports, details of upcoming activities and reports on staff events for access

by KMB and LWB staff. Periodic video compact discs such as "900 Tearoom" and a monthly in-house magazine are alternative innovative and interactive communication means to keep all our frontline staff informed of the company's policy and developments, both within the Group and the industry. In addition, we provide a staff library at our headquarters to promote the spirit of continuous self-learning.

The Employee Relations and Communications Section of KMB has been established under the Human Resources Department with the aim of further enhancing employee relations and communications. An Employee Caring Programme, consisting of professional counselling services to employees and their family members as well as health and recreational courses, was introduced by the Section during the year.

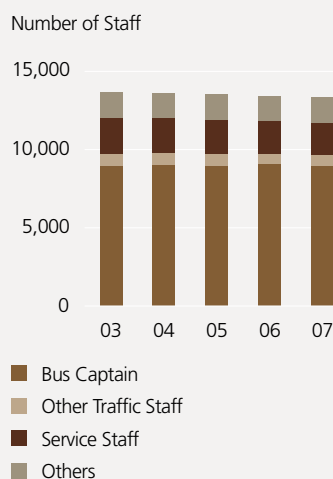
GENERAL STAFF TRAINING

The Group believes that training is not only a path to better practice but also a significant investment in the Group's present and future human capital. Leveraging on a focused platform of top down training, the Group made outstanding progress in terms of both innovation and creativity in 2007. Throughout the year of 2007, training sessions focusing on supervisory skills, interpersonal and communication skills, computer software applications and English writing skills were provided to our staff at KMB and LWB. We organised the Myers-Briggs Type Indicator ("MBTI") team building workshop for the management staff of KMB and LWB in order to foster team spirit and enhance departmental performance. In addition, 305 of our staff attended safety training courses organised by the Occupational Safety and Health Council and the Labour Department of the HKSAR Government during the year.

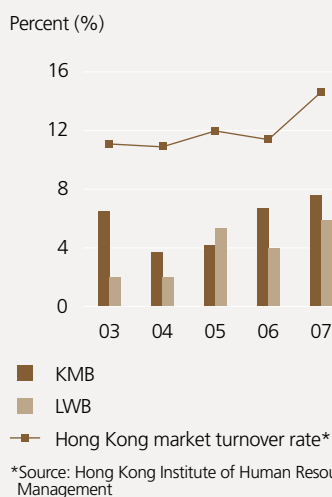
OUTSTANDING SERVICE AWARD

To promote its quality service culture, KMB continued its "Outstanding Service Award" programme in 2007. This year, 51 staff members were recognised for their outstanding performance. In addition, the following awards were presented to the staff of KMB and LWB in appreciation of their dedication and contribution:

Number of staff in
the Group
at 31 December



Staff turnover rate



2007 GOOD SERVICE AND SAFE DRIVING ANNUAL AWARDS FOR BUS CAPTAINS

Number of Bus Captains	KMB	LWB	Total
Good Service Annual Award	6,467	279	6,746
Safe Driving Annual Award	4,033	186	4,219

2007 GOOD SERVICE AND ATTENDANCE ANNUAL AWARDS FOR TERMINUS SUPERVISORS/ASSISTANT TERMINUS SUPERVISORS/CUSTOMER SERVICE ASSISTANTS

Number of Employees	KMB	LWB	Total
Good Service Annual Award	391	21	412
Attendance Annual Award	235	7	242

Same as the franchised public bus operations, the operating companies of the Group's Non-franchised Transport Operations Division also ran good service and safe driving award schemes in 2007 to recognise the outstanding performance of their drivers.

With the twin aims of fostering a caring and community-focused environment and promoting teamwork, a number of media sessions were held to recognise the commitment and outstanding achievements of our staff. These included press interviews with the winners of the Outstanding Service Award, Safe Driving Award and Long Service Award, as well as features on the first female maintenance staff member, an award-winning hotline supervisor and fathers and sons working together for KMB.

BUS CAPTAIN TRAINING

We are committed to providing a safe, comfortable and reliable transport service for our passengers. Over the years, we invested heavily in the KMB Bus Captain Training School ("Training School") at our Sha Tin Depot, which is responsible for training new bus captains and

providing improvement courses for existing bus captains. At present, we have more than 30 Driving Instructors and some 30 training buses.

Newly recruited bus captains have to undergo a series of training programmes at the Training School, including theory lessons in classroom that emphasise safety and customer service, as well as practical on-road training. Apart from undertaking driving examinations held by the HKSAR Government, all our bus captains are subject to stringent internal assessments to ensure that they are well qualified and capable of handling the responsibilities of their positions. For experienced bus captains, the Training School provides enhancement training courses to reinforce their sensitivity to passenger comfort and awareness of safety issues.

Towards the end of 2007, KMB introduced a state-of-the-art Driving Simulator Studio in the Training School. This Driving Simulator Studio is equipped with Hong Kong's first high-fidelity bus driving simulator system which can simulate real-world driving environments and vehicle behaviours to train and improve driver decision-making and performance over a wide range of vehicle manoeuvres. It also captures bus driving performance information, including passenger comfort indicators, bus speed and trip duration through a report generated

**KMB
DRIVING
INSTRUCTOR**
LO HON CHUNG



after the simulations are finished. There are four driver's stations in the Driving Simulator Studio. Each station is equipped with three 42-inch plasma displays broadcasting high-resolution three-dimensional driving images, as well as a real driving cabin, including real-sized driving seat, steering wheel, accelerator, brake and instrument panel. Bus captains under training are provided with realistic images of the operating environment. They can even feel the interaction between the vehicle and the road surface, and hear the sounds generated inside and

outside the cabin. Instructors will give on-the-spot instructions and review and share their experiences with the trainees after the session, in order to improve their driving skills.

BUS CAPTAINS' PERFORMANCE MONITORING

Bus captains' performance is constantly monitored by our specialised team through a systematic performance assessment mechanism. Remedial training courses are provided for bus captains whose

performance needs to be enhanced. In addition, the Performance Management Team has been established by KMB to assist bus captains to identify their strengths and weaknesses. Disciplinary actions are taken on cases of under-performance. Bus captains who demonstrate outstanding performance are recognised with various awards and bonuses. Similar measures are also implemented to monitor the staff performance of the Group's non-franchised bus and ferry operations.



One of the four newly introduced state-of-the-art driving simulator stations at the Bus Captain Training School



Our specialised teams work to stringent maintenance regimes to ensure a high standard of bus safety, reliability and efficiency

First introduced in 1990 to recognise the efforts of the bus captains of KMB and LWB, the Safe Driving Award has been an effective means of promoting road safety. The following awards were presented to KMB and LWB staff for their outstanding safety records during the year:

2007 SAFE DRIVING AWARD FOR BUS CAPTAINS

Number of Bus Captains	KMB	LWB	Total
35-year accident free	1	–	1
30-year accident free	3	–	3
25-year accident free	7	–	7
20-year accident free	43	2	45
15-year accident free	69	–	69
10-year accident free	166	2	168
5-year accident free	542	20	562
Total	831	24	855

BUS DESIGN AND MAINTENANCE

Safe operations and passenger satisfaction depend on the design and maintenance of our buses. Over the years, KMB's engineering team has actively collaborated with major bus manufacturers in designing new bus types tailor-made to Hong Kong's unique operating environment. Standard equipment such as speed limiting devices and electronic tachographs that record the on-road performance data of buses are used in our fleet to monitor and enhance safety.

All KMB and LWB buses are subject to daily, monthly and annual professional inspections and examinations at our depots. Such maintenance regimes fully comply with our current ISO certified programmes. In addition, our franchised buses are also subject to random spot checks at our depots by engineers of the Transport Department of the HKSAR Government from time to time.

INTEGRATED BUS MONITORING SYSTEM

New buses of KMB are equipped with the three-in-one integrated monitoring system with a periscope. When driving, a bus captain can make use of this system to observe and monitor the general condition of the upper saloon of the bus from the periscope, the objects behind the bus during reversing manoeuvres, and the passengers alighting the bus when the exit door is opened.

FERRY CREW TRAINING

On-board safety is a key focus of the ferry operations of Park Island Transport Company Limited ("PITC"). All PITC's crew members have appropriate maritime qualifications and seagoing experience and they participate in PITC's ongoing training and professional development programmes.

Newly recruited ferry crew members are required to attend various training programmes to fully familiarise themselves with all operational aspects relating to the handling and navigation of the fleet of catamarans, on-board safety and customer service. Ongoing professional development programmes are also provided to enhance the skills of crew members in areas such as effective radar and Very High Frequency (VHF) radio operations. Management also encourages the crew members to attend general training courses organised by the Vocational Training Council on passenger safety, medical first aid, fire fighting and survival techniques.

The crew members' ability to react promptly and effectively to emergency situations is enhanced by planned emergency exercises. On-board fire-fighting, collision and equipment failure drills are organised on a systematic basis. Special attention is paid to increasing our crews' awareness of safety issues and sensitivity to passenger comfort. We constantly review

and identify ways to enhance our performance standards to maintain PITC's outstanding service and safety records.

TECHNICAL AND APPRENTICE TRAINING

The KMB Technical Training School, established in 1973, is responsible for providing training in the latest bus transportation technology to our maintenance staff. During 2007, a total of 233 in-house training sessions were organised for 1,698 skilled workers and nine sessions were held for a total of 107 engineers, supervisors and foremen in conjunction with our bus manufacturers.

In order to ensure an adequate supply of skilled maintenance workers, the KMB Technical Training School also runs a four-year apprenticeship-training scheme for young school leavers. In 2007, a total of 21 apprentices graduated from the School, bringing the total number of graduates since its inception to 2,113. At the end of 2007, there were 164 apprentices receiving training in the School. The proven quality of KMB's apprentice training scheme was again recognised in 2007. Three of our apprentices won the second, fifth and sixth prize respectively in the automobile combined mechanical trade and electrical trade category of the 2007 "Best Apprentice Competition" organised by the Vocational Training Council. The winners were invited to visit the Mazda plant in Japan.



CONSIDERATION

COMMUNITY INVOLVEMENT

The Group has a long tradition of enthusiastic participation in a broad spectrum of community outreach programmes to support young people, the elderly, the handicapped and other people in need, through sponsorship of Government and charity-backed activities. In 2007, the Hong Kong Council of Social Service once again recognised the Group as a “Caring Company”, while the Community Chest of Hong Kong again presented an Award of Distinction to KMB.

FRIENDS OF KMB

KMB's customers are our fellow citizens and friends with shared hopes, social values, concerns and aspirations. In recognition of this common culture, we have developed KMB's volunteer club, FRIENDS OF KMB, as a model to extend across our various commercial businesses. During 2007, its 2,850

members voluntarily contributed a total of about 11,000 hours of their time to activities relating to community building, civic education, environmental protection and social service. Club members visited children's homes, centres for the elderly and a sheltered workshop and participated in charity walks, raffle ticket sales, carnivals and environmental protection efforts.

Since its inception 12 years ago, FRIENDS OF KMB has recorded over 60,000 hours of voluntary service, which was recognised in 2007 by the Social Welfare Department of the HKSAR Government when it named the club second-runner-up of the Highest Service Hour Award 2006 (Private Organisation – Best Customer Participation).

THE COMMUNITY CHEST OF HONG KONG AND OTHER NOT-FOR-PROFIT ORGANISATIONS

The various companies of our Group have long been supporters of programmes that serve young people, the elderly, the less able and people in need. The Group is an enthusiastic participant in community sponsorship programmes such as the Corporate and Employee Contribution Programme, Corporate Challenge Half Marathon, Dress Special Day and New Territories Walk for Millions organised by The Community Chest of Hong Kong, and other programmes organised by the HKSAR Government, professional groups and charitable organisations.

Following 2006, KMB was again presented an Award of Distinction by The Community Chest of Hong Kong and was also named a "Caring Company" by the Hong Kong

Council of Social Service in 2007. The arts, cultural events and sports were among the community sponsorship commitments made by us over the year, as well as campaigns that focus on industry improvement and social awareness. Beneficiaries included the Hong Kong Arts Festival, the Hong Kong Sports Stars Awards, the Hong Kong Outstanding Youth Volunteers Scheme, the Hong Kong Awards for Industries, the Hong Kong Management Association Quality Award and the Greater China Culture Global Association.

In addition, the Group's subsidiary company, RoadShow Holdings Limited ("RoadShow"), has received the "5 Years Plus Logo" of the Caring Company Award organised by the Hong Kong Council of Social Service in recognition of its sustained commitment to good corporate citizenship with an extra effort. RoadShow continues to support many charities and not-for-

profit organisations through the broadcasting of community service messages and charity appeals on its Multi-media On-board (MMOB) system.

ASSISTANCE TO THOSE WITH SPECIAL NEEDS

As in the past, the Group offered free bus rides on its franchised bus routes to different categories of passengers in Hong Kong in November 2007. On "Elderly Day" on 18 November 2007, free rides were given on both KMB and LWB buses to passengers aged 65 and above. Similar support was provided to disabled people and their escorts through a free ride offer on 25 November 2007 – "International Day of Disabled Persons". During the year, KMB and LWB continued to work closely with disabled groups through exchange forums on improvements to facilitate the use of public transport by the disabled.

KMB's Long Distance Run Club team members are frequent winners of the Standard Chartered Hong Kong Marathon races





CONCERN

CARING FOR THE ENVIRONMENT

As a successful member of the international business community, the Group has long recognised its corporate responsibilities towards both the environment and the community. We believe in the importance of environmental protection and we continue to implement and develop procedures and products that minimise environmental impacts across all our operations. KMB's certification by the Hong Kong Q-Mark Council and our publication, "KMB's Efforts in Environmental Protection", which received the Grand Award in the Apex 2007 Awards for Publication Excellence, reflect our commitment to building a sustainable future.

KMB'S EXCELLENCE IN ENVIRONMENTAL MANAGEMENT RECOGNISED BY HONG KONG Q-MARK COUNCIL

KMB has been granted Hong Kong Green Mark Certification by the Hong Kong Q-Mark Council (the "Council") of the Federation of Hong

Kong Industries. This recognised that the delivery of franchised bus services and the maintenance and repair of buses by KMB's four depots, namely, Kowloon Bay Depot, Lai Chi Kok Depot, Sha Tin Depot and Tuen Mun Depot, had met the prescribed Hong Kong Green Mark Standard under the Hong Kong Green Mark Certification Scheme

(the "Scheme"). The Scheme is a system certification scheme designed by the Council to help business enterprises to identify, control and monitor the environmental aspects of their operations. KMB is subject to surveillance audits on a quarterly basis to ensure that stringent environmental management standards are maintained throughout

the certification period from 4 May 2007 to 30 April 2010. We are the first listed public transport organisation to have been awarded this certification.

ENVIRONMENT-FRIENDLY BUSES

KMB and LWB bus fleets are continuously upgraded to ensure that they comply with, and in many aspects exceed, the latest internationally recognised environmental standards. We lead the bus industry in Hong Kong, and even the world, in making environmental enhancements to buses by using innovative techniques and equipment.

Euro Engines

In 2006, KMB took an industry lead by first introducing one Dennis Trident Enviro 500 double-deck buses equipped with a Euro IV engine and one Volvo Olympian B9TL Euro IV prototype for testing in the local operating environment. In 2007, a Euro IV Scania prototype and 61 new buses with emissions complying with the Euro III standard were further added to our fleet.

KMB and LWB buses are fully equipped with environment-friendly engines and emission reduction devices that meet the stringent exhaust emission standards of the European Council of Environmental Ministers. All of KMB's buses with pre-Euro or Euro I engines and LWB's buses with pre-Euro engines have been installed with catalytic converters. Together with the use of Ultra Low Sulphur Diesel, the exhaust emissions of these pre-Euro and Euro I-engined buses have been enhanced to the level of Euro I and Euro II engine standards respectively.

In addition, a total of 504 Euro III-engined KMB buses have been equipped with Continuous Regeneration Traps ("CRTs") plus exhaust gas recirculation devices. These devices significantly reduce particulate matters and bring smoke levels to virtually zero, improving the exhaust emission standard of these buses to a level comparable to the Euro IV engine standard.

At 31 December 2007, the number of KMB and LWB buses that met the respective emission standards are tabulated as follows:

Emission Standards (in terms of particulate matters)	Number of buses meeting such standards		
	KMB	LWB	Total
Euro I	527	3	530
Euro II	2,403	134	2,537
Euro III	447	16	463
Euro IV	670	2	672
Total	4,047	155	4,202

The bus fleets of the Group's Non-franchised Transport Operations Division are also equipped with environment-friendly engines.

Ultra Low Sulphur Diesel ("ULSD")

At present, the Group has the largest bus fleet in the Asia-Pacific region using ULSD with less than 0.005% sulphur content, which significantly reduces exhaust emission levels of sulphur oxides, nitrous oxides and particulates. Our bus fleet in Hong Kong is gradually adopting a newly introduced "Euro V Diesel" with 0.001% sulphur content. This new type of near-zero sulphur diesel can make a further contribution to improving the environment through cleaner emissions.

Environment-friendly Non-franchised Buses

The bus fleets of the SBH Group and New Hong Kong Bus Company Limited are equipped with environment-friendly engines. Over 63% of the fleet operates with Euro III or Euro IV engines.

Revolutionary Diesel-Electric Hybrid Buses

PITC has three diesel-electric hybrid air-conditioned super-low floor single-deck buses that are powered by rechargeable batteries with an energy-regenerating function during braking and moving down slopes, thereby drastically reducing exhaust emissions. Their on-board micro-turbine generators are powered

by diesel and only operate when the batteries have run down to a pre-set level.

Synthetic Transmission Oil

All the gearboxes of KMB and LWB double-deck buses have been using synthetic oil since 2004. As a result, we have significantly reduced oil wastes by 80% compared with using the traditional mineral oil. The use of synthetic oil has extended the oil drain interval substantially from 30,000 kilometres to 150,000 kilometres.

Eco-Driveline

The pioneering Eco-Driveline on buses was developed by KMB. This Eco-Driveline integrates an engine with a high torque, six-speed double overdrive gearbox coupled with an optimised final drive ratio axle and a sophisticated electronic control gear-shift program. Besides providing our customers with a smoother and more comfortable ride, the Eco-Driveline also reduces both fuel consumption and exhaust emissions for urban and highway routes.

Air Foam Filter

Our Group's double-deck buses have been installed with air foam filters for air filtration since 2004. The air foam filters, after extensive testing, were proved to have an average life

span of about 12 months, which is six times longer than that of conventional paper filters. While the operating performance of buses has not been compromised, the solid waste associated with the used filters has been greatly reduced with the use of air foam filters.

WASTE TREATMENT

WasteWise Scheme

Waste minimisation and treatment is one of the priority environmental issues that the Group has focused on for many years. During the year, KMB continued to record promising results in resource saving and waste-reduction in daily operations, particularly in waste paper, disposable batteries and fluorescent tubes collection, reduced sludge generation and procurement of long-life fluorescent tubes. The solid waste management scheme enables the efficient use of materials and significantly reduces the amount of solid waste generated. Due to our continual efforts in environmental protection, KMB was once again granted the Gold WasteWise Scheme Logo by the Environmental Protection Department of the HKSAR Government in 2007. The TIH Group is committed to exploring, developing and implementing environmental protection initiatives to reduce the negative impact to the ecosystem that may arise from our operations.

Tyre Retreading and Recycling of Scrapped Tyre

To alleviate environmental impacts caused by industrial waste and to fully utilise resources, KMB's tyre retreading plant retreaded 34,400 tyres in 2007, bringing the total number of tyres retreaded since operations began to over 600,000. To further explore every possibility in the recycling of scrapped tyres, KMB has made arrangements with a tyre recycling agent since July 2006 to collect and extract various materials from scrapped tyres previously dumped to government landfill into a variety of products such as playground flooring or other rubber products. By the end of 2007, over 20,000 pieces of scrapped tyres and 230 tonnes of tyre chips were collected through this recycling exercise.

Recycling of Fluorescent Tubes

KMB became the first enterprise in Hong Kong to participate in a fluorescent tube recycling campaign in 2006. With an aim to reduce the impact of solid waste on the environment, KMB engaged a licensed contractor to regularly collect its used fluorescent tubes for recycling. The contractor removes mercury from the used tubes at a Government chemical waste treatment centre before the tubes are crushed into glass granules, allowing

the retrieved mercury, glass granules and other metal parts to be reused. In 2007, approximately 62,000 pieces of used fluorescent tubes were sent to the Government chemical waste treatment centre for recycling.

Waste Oil and Chemical Waste

During 2007, about 879,000 litres (2006: 890,000 litres) of consumed lubricating oil from our bus maintenance programmes were delivered to a registered waste oil recycling agent for treatment and about 362,400 kilograms (2006: 335,880 kilograms) of solid chemical waste were disposed of by a registered chemical waste collector at the authorised landfills in Hong Kong.

Waste Water

KMB depots are equipped with a total of 11 automatic waste water treatment systems for its fleet and depots with a total daily treatment capacity of 773 cubic metres. Waste water is treated according to regulatory standards before it is discharged into the public sewage system.

Self-developed Filter-compressing Machine

During 2007, KMB continued to operate the in-house developed "Filter-compressing Machine" which had won the certificate of Merit in Green Innovative Practice in

the 2006 Hong Kong Eco-Business Awards. Since the introduction of this machine in 2005, the volume of disposed fuel filters and oil filters has been reduced by 60%. This leads to a reduction in solid chemical waste and an extension in the lifespan of landfills. Further environmental conservation benefits accrue as waste lubricating oil collected from this process goes through a reclaiming process and is subsequently recycled.

GREEN PREMISES

Environmental protection and energy conservation are a primary concern in our design, construction and operation of bus depots. All the depots of KMB and LWB are equipped with dedicated facilities, including waste water treatment systems, water recycling facilities and environment-friendly fire service systems. Energy saving features are built into our lighting, air-conditioning and ventilation systems to conserve energy. Regular air sampling has also been conducted in depot areas to ensure a fresh air working environment.

The "Green Office" concept has also been applied to the design and renovation of the Group's headquarters in Hong Kong. Pre-set timers are installed to switch off lightings when they are not needed or when outdoor light is

sufficient. Temperature controllers in our air-conditioned premises are set to 25.5°C to conserve energy and reduce air pollution in response to the HKSAR Government's "Action Blue Sky Campaign". The indoor air quality of our headquarters building has been certified as "Good Class" by the Indoor Air Quality Information Centre of the Environmental Protection Department in recognition of our hygienic work environment and excellent air quality.

KMB
PRINCIPAL ENGINEER
SHUM YUET HUNG

