



Professional



Reliable

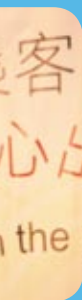


DELIVERING QUALITY SERVICES AND DEVELOPING OUR PEOPLE

Overview and Strategy

All our people are dedicated to providing service of the highest possible quality. We endeavour not only to operate efficient transportation but contribute to the quality of life for the communities we serve. The key to delivering such quality service is a sustainable approach that embraces the economic, social and environmental aspects of doing business.





Delivering Quality Services and Developing Our People

Quality Services

The continued excellence of the customer service we provide depends greatly on the feedback we receive from our patrons. It is through understanding the needs and aspirations of our customers and the communities we serve that we can best hope to continue offering the services they require.



Three generations enjoy the ride aboard KMB

OCTOPUS BUS-BUS INTERCHANGE SCHEMES (“OCTOPUS BBI SCHEMES”)

At the end of 2009, KMB operated 75 Octopus BBI Schemes covering 263 routes, while LWB had six Octopus BBI Schemes covering 12 routes, including those serving Hong Kong Disneyland and AsiaWorld-Expo. The Octopus BBI Schemes are welcomed by our passengers, who benefit from extensive fare discounts on the second leg of journeys and improved network coverage. The Octopus BBI Schemes also improve the utilisation of buses and reduce

traffic congestion on busy roads, thereby contributing to an improved environment. We will continue to look at ways of enhancing our Octopus BBI coverage, both across the KMB and LWB networks and through inter-modal schemes jointly operated with other public transport operators.

BUS FARE DISCOUNT SCHEMES

KMB and LWB operate a number of fare discounts and concessions to passengers who pay by Octopus cards. In 2009, both KMB and LWB extended the Sunday and public holiday fare discount for the elderly to 31 January 2011.



“ In 2009, around 89% of our franchised bus fare revenue was collected via the convenient and popular Octopus card. ”

THE OCTOPUS SMART CARD

The electronic Octopus Smart Card System has proven to be the preferred fare payment method with public transport users since it was introduced in Hong Kong in 1997. Now the world's leading contactless smart card system, it has the highest penetration, the highest transaction volume and the widest range of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in terms of the value and number of transactions. In 2009, around 89% of our franchised bus fare revenue was collected via Octopus cards, which bring convenience for passengers and cost savings for the Group in respect of cash collection and administration.

LUMINOUS CRYSTAL BUS STOP POLES

In December 2009, KMB introduced the pioneering luminous crystal bus stop pole for trial in Hong Kong. The newly designed, environment-friendly pole is a fusion of the modern and the traditional, adding a sparkle to Hong Kong's night scene. The rectangular crystal bus stop sign at the top of the pole retains the traditional red circular pattern within it for displaying bus route numbers. A multi-sided, rotating route information panel allows passengers to obtain route information conveniently. The panel is illuminated at night by environment-friendly LED lighting, which has treble the lifespan and six times the electricity-saving capacity of fluorescent tubes.

	Discount rates	Exceptions	Effective period
(1) Passengers aged 65 and over ⁽ⁱ⁾	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 to 31 January 2010 and further extended to 31 January 2011 (both dates inclusive)
(2) Jointly-operated cross-harbour routes with fares at or above HK\$15 ⁽ⁱⁱ⁾	20% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)
(3) Jointly-operated cross-harbour routes with fares between HK\$10 and HK\$14.9 ⁽ⁱⁱ⁾	10% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)

(i) Applicable to KMB and LWB

(ii) Applicable to KMB

Delivering Quality Services and Developing Our People



Comfort for passengers begins at our environment-friendly bus shelters

BUS SHELTERS

We aim to make the bus waiting environment more pleasant for passengers through our bus shelter improvement programme. In 2009, KMB added 20 new bus shelters, raising the total to 2,402, while LWB maintained its number at 30. With 2,720 advertising panels installed, the bus shelters not only provide convenience to our passengers but also generate advertising revenue for our franchised bus operations.

CUSTOMER SERVICE CENTRES

KMB's eight customer service centres, situated at the public transport interchange hubs of Tsim Sha Tsui, Hung Hom, Lam Tin, Mei Foo, Tsuen Wan, Sha Tin, Tuen Mun and Tin Shui Wai, provide a convenient one-stop service to our customers. Our customer service ambassadors provide route and timetable information, collect

opinions on KMB's services and assist customers who want to buy KMB souvenirs and obtain Octopus card services. The Digital Map Passenger Enquiry System in the centres' multimedia kiosks allows customers to make route searches and view landmarks on their chosen routes on a three-dimensional map. Customers may also use the multimedia kiosks for browsing our KMB website.

In 2009, a KMB customer service centre representative won the Gold Award in the Counter Service Individual category of the Customer Service Excellence Award 2008 organised by the Hong Kong Association for Customer Service Excellence.

LWB's customer service and ticketing office at Hong Kong International Airport provides a one-stop centre for ticketing, customer enquiries and lost property services.

CUSTOMER SERVICE HOTLINES

For many years KMB's award-winning customer service hotline (2745 4466) has been a popular and effective communication channel with our passengers. During the year, the hotline handled around 3.8 million calls, an average of about 320,000 calls a month. Our hotline operator service is available daily from 7:00 a.m. to 11:00 p.m., while the 24-hour hotline system, operating in Cantonese, English and Putonghua, provides on-demand bus route information, service updates, traffic news and a voicemail service, as well as bus route information via SMS. A total of 13,445 calls were handled in 2009 by LWB's customer service helpline (2261 2791) – an average of approximately 1,120 calls a month. Besides answering passengers' enquiries, the helpline gathers and processes customer feedback and handles lost and found enquiries.

SAFETY CULTURE

In providing public transport services, safety is the Group's top priority. We operate an in-house Bus Captain Training School at our Sha Tin Depot which is equipped with an advanced driving simulator studio. The training emphasises safe driving at every stage of all training, both initial and in-service. Various safety awards and competitions are organised to promote the concept of excellence in driving to our bus captains. Technological measures adopted on board buses to enhance safety include speed limiters (which limit the speed of buses to 70 km/h) and electronic tachographs, which record vehicle speed and other

relevant operational information. At the end of 2009, 3,632 KMB buses were equipped with electronic tachographs. In 2009, KMB and LWB established a special cross-departmental Safety Taskforce to review a series of measures to further enhance the culture of safe driving of buses. It has come up with numerous new measures, for example, upgrading the database of potentially hazardous areas of bus routes, launching standardised safety briefings for our bus captains during duty dispatch and strengthening the monitoring of frontline operations. An updated “Safe Driving Card” was prepared and distributed to bus captains, and posters with key

messages were placed at bus termini to reinforce safe driving briefings. The canteen and washroom facilities at bus termini were also reviewed with a view to enabling bus captains to make fuller use of their rest time.

BUS DESIGN AND MAINTENANCE

KMB engineers work with major bus manufacturers to design new bus types that thrive in Hong Kong’s unique operating environment and provide passengers with reliability, safety and comfort. New KMB buses are equipped with the three-in-one integrated monitoring system. This system enables bus captains to

monitor the upper deck, keep an eye on any objects behind the bus when reversing and observe passengers as they get off the bus. Speed limiting devices and electronic tachographs that record detailed bus operational data are also employed to enhance safety.

All KMB and LWB buses are subject to our ISO-certified maintenance regime, comprising daily, monthly, half-yearly and annual professional inspections at our depots. Our franchised buses are also subject to regular random checks by Motor Vehicle Examiners (MVEs) from the Transport Department.



A rigorous maintenance regime is the key to our safe and reliable bus services

Delivering Quality Services and Developing Our People

People Development

As a caring employer, the Group is attentive to our 13,000 employees and is truly committed to “developing our people” so that we can deliver the highest quality service. A comprehensive training and recognition programme is in place to help engender a workplace where excellent performance is valued and rewarded.



Bus captains share their experiences during the “Service from the Heart” training programme

The Group continues to invest heavily in improving the safety of its bus operations. This is done in a number of ways: by providing intensive training to our bus captains, by strengthening performance monitoring procedures, by improving bus designs, and by maintaining our

buses to the highest standards. Our culture of training and recognition also motivates staff to maintain service levels of the highest order.

The following table gives a breakdown of the workforce of the Group by division at the end of 2009 and at the end of 2008:

Division	2009	2008
Franchised Public Bus Operations		
• KMB	11,870	11,947
• LWB	457	451
Non-franchised Transport Operations	635	838
Media Sales Business [#]	105	78
Mainland Transport Operations [*]	7	7
Total	13,074	13,321

[#] 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

The Group operates six Joint Consultative Committees for KMB and LWB, providing a two-way channel for management and staff representatives to meet and discuss in depth those matters that affect daily operations. Meeting monthly at KMB and bi-monthly at LWB, matters addressed include safety and operating procedures, the work environment and staff welfare.

KMB and LWB employees can log onto our staff website to access staff-related information, such as company announcements, annual leave balances, weather reports,

reports on staff events and details of upcoming activities.

The monthly corporate magazine KMB Today and in-house VCDs are other effective means to keep all our staff informed of company developments. Additionally, a library at KMB headquarters offers staff at all levels a wide selection of books for self-study or leisure reading. For their greater convenience, readers are able to reserve library materials on the staff website.

STAFF TRAINING

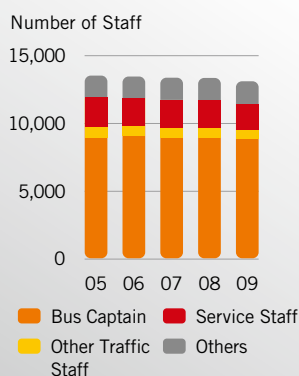
The Group sees staff training as a significant investment in its present and future human capital. Training and development courses are arranged for staff at all levels.

In November 2009, senior management of KMB and LWB attended a leadership development programme conducted by the Richard Ivey School of Business, the University of Western Ontario to enhance their leadership and people management skills. Areas

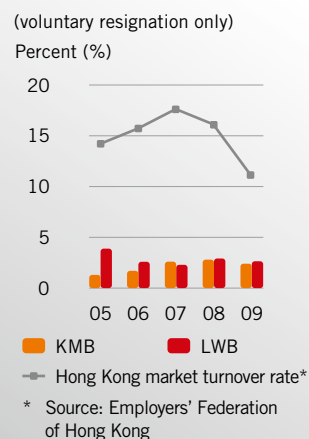
covered included identifying and developing talent, engaging employees, managing performance, developing collaborative teamwork and maximising team performance.

KMB and LWB also organised a large scale training programme for all operations and maintenance staff, leveraging the expertise of a renowned training consultancy firm that specialises in customer service training. Named "Service from the Heart", the programme was tailor-made to cultivate a positive service mindset among staff and raise their awareness of customers' expectations of quality service. In the first phase of the programme, 52 seminars were held for more than 10,000 staff members in the fourth quarter of 2009. From January to April 2010, the second phase of the programme, comprising more than 300 workshops with a focus on experiential learning for small groups of about 30 frontline staff in each session, is being organised to equip them with the skills required to handle challenging customer service situations.

Number of staff in the Group at 31 December



Staff turnover rate



Delivering Quality Services and Developing Our People

To upgrade the skills of our Performance Management Team, which comprises Driving Instructors and Bus Captain Performance Assessors, training was also provided during the year to sharpen their communication skills, and their presentation and counselling techniques.

In 2009, 369 of our staff members attended courses organised by the Labour Department and the Occupational Safety and Health Council. Following the implementation of the Race Discrimination Ordinance in July 2009, the Equal Opportunity Commission was invited to conduct a series of seminars for our management staff and frontline operations staff.

For the fourth successive year, we invited a renowned Harvard Business School professor who specialises in business strategies to update our KMB and LWB management team on the latest trends and developments in the business world.

REWARDING SERVICE EXCELLENCE

KMB continued its Outstanding Service Award programme during the year, with 65 employees rewarded for their performance excellence. To promote teamwork and give recognition to groups of staff who have attained achievements beyond their normal scope of work, in 2009 the Outstanding Service Award Programme was extended to teams. The following awards were also presented to KMB and LWB staff in recognition of their committed performance:

2009 Good Service and Safe Driving Annual Award for Bus Captains

Number of Bus Captains	KMB	LWB	Total
Good Service Annual Award	5,683	260	5,943
Safe Driving Annual Award	4,039	212	4,251

2009 Good Service and Attendance Award for Terminus Supervisors/Assistant Terminus Supervisors/Customer Service Assistants

Number of Employees	KMB	LWB	Total
Good Service Award	338	21	359
Attendance Award	169	5	174

The operating companies of the Group's Non-franchised Transport Operations Division also ran good service and safe driving award programmes in 2009 to recognise their drivers' outstanding performance.

KMB's voluntary turnover rate for 2009 was 2.4%, again significantly lower than the market average. Such a low staff turnover rate not only helps sustain service excellence, it also attests to the success of the Group's approach to staff training and management.

BUS CAPTAIN TRAINING

Operating out of Sha Tin Depot, the KMB Bus Captain Training School provides new and existing bus captains with comprehensive training and improvement courses to ensure the continued provision of safe, comfortable and reliable bus services. In 2009, more than 30 Driving Instructors and some 30 training buses were employed at our Training School.

New recruits take our training course that includes on-road training and theory lessons where the focus is on

driving safety and customer service. In addition to passing Government driving examinations, all our new bus captains need to undergo stringent internal assessments to ensure they are capable of handling the responsibilities of their position. Experienced bus captains receive training aimed at reinforcing their safety awareness and sensitivity to passenger comfort. All our bus captains receive training in "eco-driving", which promotes good practices such as switching off idling engines.

By recreating real-world driving environments and vehicle behaviours, the Training School's state-of-the-art Driving Simulator Studio is geared towards improving driving performance and driver response to different situations. Each of the four simulator stations feature an authentic driving cabin, with driving seat, steering wheel, accelerator, brake and instrument panel, and are equipped with multiple 42-inch plasma displays broadcasting high-resolution three-dimensional images. Further authenticity is provided by simulation of the vehicle's interaction with the road surface

and of the sounds that are typically generated both inside and outside the cabin. The system can generate a report for each training participant covering areas such as speed, trip duration and passenger comfort. KMB Instructors provide feedback to each participant after the training session.

BUS CAPTAIN PERFORMANCE

We ensure that the performance of our bus captains is maintained at a high level by means of a systematic performance assessment mechanism that provides constant monitoring. If a bus captain falls below these high standards, we provide remedial training, with a Performance Management Team helping bus captains identify their strengths and weaknesses. In the event of continued under-performance or misconduct, disciplinary action will be taken. On the other hand, outstanding performance is rewarded by multiple awards and bonus schemes. The performance of the Group's non-franchised bus captains is monitored in a similar way.

Our Safe Driving Award was introduced in 1990 to promote road safety. In 2009, a total of 827 KMB and LWB bus captains received the Safe Driving Award in recognition of their outstanding safety records.

TECHNICAL AND APPRENTICE TRAINING

Since its establishment in 1973, the KMB Technical Training School has been training our maintenance staff in the newest bus transport technologies. During the year, 233 in-house training sessions were



KMB's Driving Simulator Studio is a state-of-the-art training facility for our bus captains

organised for 1,730 skilled workers and 18 sessions were run for 277 engineers, supervisors and foremen in collaboration with our bus manufacturers.

The Technical Training School runs a four-year apprenticeship training scheme for school leavers to ensure an adequate supply of skilled maintenance workers. 2009 witnessed the graduation of 29 apprentices, bringing the total since the School's establishment to 2,160. At the end of the year, School enrolment stood at 236 apprentices.

The quality of KMB's apprentice training programme was once again recognised in 2009. Two of our apprentices were First Runner-up and Third Runner-up in the Best Apprentice Competition in the Automobile Trade, organised by the

Vocational Training Council, and were invited to visit the Toyota Plant in Japan. Another KMB apprentice won the Outstanding Apprentice Award in the Automobile Trade, organised by the Vocational Training Council, and was invited on a study trip to Singapore.

ONLINE APPRECIATION COLUMN

To promote an appreciation culture among staff, an appreciation column was developed on our staff website in 2009. Members of staff can choose from a range of e-cards and festive greetings to show their appreciation of their colleagues' assistance.