

BUSINESS REVIEW

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited



KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving more than 2.6 million passenger-trips each day. A workforce of more than 12,000 employees, of which around 9,000 are bus captains, ensures that customers enjoy high-quality services on a fleet of around 4,000 buses operating on 433 routes.





▲ KMB is committed to moving towards green transportation by introducing advanced technology and zero-emission buses into its fleet

COVID-19 Impact

Following the onset of COVID-19 in early 2020, 2022 was another challenging year for the whole community as it continued to recover. During the fifth wave of COVID-19 in early 2022 that resulted in a plunge in demand for public transport services, measures were implemented to ensure that resources were efficiently utilised in the first quarter of 2022. Since April 2022, bus service levels have gradually resumed to meet the actual demand.

Preferred Choice of the Public

KMB is dedicated to providing bus services with the best travel experience for the public through a value-for-money service, a comprehensive bus service network, and innovative and eco-technologies.

Value-for-Money Services

KMB Monthly Pass

KMB continues to enhance its service by providing affordable and convenient journeys for passengers. KMB has launched the Monthly Pass Scheme (the "Pass"), the first monthly pass for franchised buses in Hong Kong, under which passengers can take up to ten rides per day on KMB buses for HK\$780 (plus two additional trips on Route B1). The Pass covers over 400 KMB routes, including regular routes, overnight routes and racecourse routes. Cross-harbour bus routes operated by KMB jointly with other franchised bus companies are also included in the Pass.

In response to the opportunities presented by the Government consumption vouchers, KMB launched the Buy-3-Get-1-Free promotion scheme in April 2022. Passengers purchasing a KMB Monthly Pass for 4 consecutive months will be entitled to a HK\$780 Octopus dollar rebate (equivalent to the price of one KMB Monthly Pass). The scheme was welcomed by the community and our passengers, and was extended in the second half of 2022. Further to the success of the Buy-3-Get-1-Free promotion, KMB launched the Student Buy-2-Get-1-Free promotion, allowing holders of a Student Identity Octopus card to enjoy the HK\$780 Octopus dollar rebate with only a 3-month purchase of the KMB Monthly Pass.

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

- 🚌 Free travels on LWB routes;
- 🚌 A "Fare for Upgraded Journey" campaign which offers a discounted fare for KMB Monthly Pass holders travelling on New Long-haul Bus Routes P960 and P968;
- 🚌 A seamless protection under the Bus Passenger MicroInsurance "BUS RYDE", offered in collaboration with MicroInsurance company YAS, for KMB journeys with a valid Monthly Pass, offered;
- 🚌 With each purchase of the Pass, passengers can earn 780 points towards redeemable KMB masks and other special gifts under the KMB membership scheme, club1933; and
- 🚌 A manned hotline with operators dedicated to enhancing the travel experience of Pass holders.



▲ KMB has launched its third Regional Short-haul Two-way Section Fare Scheme in North District and renovated its Bus-bus Interchanges in phases to encourage passengers to utilise its extensive bus network

Rewards to Passengers

In collaboration with a number of corporations, KMB organised Free Ride Days on designated routes and days for passengers to enjoy a comfortable and unlimited bus service for free.

KMB and LWB launched the membership scheme club1933 in 2021. Under the scheme, registered passengers can redeem gifts with accumulated points at 15 designated locations in Kowloon and the New Territories. Selected passengers are invited to enjoy a privileged discount scheme for purchasing the KMB Monthly Pass.

On top of the existing Fare Saver Kiosks in Kwun Tong, Mei Foo, Queen's Hill in Fanling and Tseung Kwan O, KMB has further expanded the Fare Saver Scheme to Tsim Sha Tsui, Yuen Long and Tin Shui Wai, where fare discounts of up to HK\$2 are offered to passengers.

Regional Short-haul Two-way Section Fare Scheme

The third Regional Short-haul Two-way Section Fare Scheme was implemented in North District on 14 August 2022. Passengers of five routes in the area can enjoy an intra-district ride with a single fare as low as HK\$3.8, potentially saving up to HK\$12.5 per journey.

Comprehensive Network

At the end of 2022, KMB operated a total of 433 bus routes. In a dynamic operating environment marked by railway commissioning, demographic changes and new highways, KMB reviews and arranges its resources to cater for the changing demand. KMB strives to operate an efficient, competitive and sustainable bus network while seeking opportunities for new market growth.

In 2022, we implemented 86 route reorganisation proposals, with the aim of enhancing the whole service network and bringing the following benefits to the public:

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

To fully utilise our comprehensive network and enhance its integrity, KMB also operates BBIs across Hong Kong. Following the introduction of the Tseung Kwan O – Lam Tin Tunnel BBI in December 2022, KMB operates a total of 23 BBIs covering most destinations in Hong Kong, enabling passengers to enjoy a value-for-money service through interchanging at the designated BBIs with a fare discount. KMB will continue to strengthen the BBI network and introduce more BBIs in the coming year.

In view of demographic changes, urban development and passenger needs, KMB introduced new routes to expand the ridership. To tie in with the completion of residential areas in Tuen Mun Area 54, Queen's Hill in Fanling and LOHAS Park in Tseung Kwan O, KMB further strengthened its services in the districts by introducing new routes and improving the frequency of existing routes.

New Franchised Bus Routes serving Tseung Kwan O and Yuen Long Districts

KMB is devoted to allocating resources to provide bus services in newly developed areas and is delighted to have been awarded the operating rights for Routes 90, 96 and 97 through tendering procedures. The three new routes connecting Tai Po, Sha Tin and Tseung Kwan O have been in service since September and



▲ The new generation of single-deck electric buses commenced service, marking a new milestone towards the goal of zero-emission

December 2022 respectively. KMB later launched a new Route 69, providing all-day direct service between Yuen Long and Tin Shui Wai, making it one of the few intra-district franchised bus routes in the area. Route 69 is also notable for serving the new transitional housing development, United Court, on the outskirts of Yuen Long giving its residents a much-needed public transport service.

Green and Smart

KMB shows its commitment to innovation by introducing a bus fleet with technological advances and environment-friendly features for a more desirable passenger experience. The Company aims to upgrade the entire fleet with new energy buses by 2040 to tie in with the Government's policy of achieving the carbon neutrality target.

Bus Fleet and Fleet Upgrade

During the year, 205 buses, including 189 double-deck buses and 16 BYD electric buses, were licensed. The 189 double-deck buses feature a light-directing glass window alongside the staircase connecting the two decks in place of the traditional sealed design, which lends a brighter ambience to the interior and enhances safety when passengers walk up and down stairs. Moreover, new buses are equipped with safety facilities, including the Advanced Driver Assistance System, the Electronic Stability Programme and the Driving Monitoring System, and all seats are equipped with seat belts and grab handles to ensure

the safety of passengers and bus captains. The addition of four horizontal ventilation windows has become a standard feature on new buses, which allows passengers to open the windows to let fresh air into the compartment.

KMB has continued to invest in the latest environment-friendly buses. In 2009, it became the first public bus company in Asia to introduce Euro V double-deck buses. In 2017, it again led the industry by introducing the first diesel-powered double-deck bus with Euro VI emission standards in Hong Kong. Euro III model buses will be completely phased out within the next four years. In 2022, a batch of 16 new-generation single-deck electric buses commenced service. They are equipped with the Battery Management System ("BMS") and the Water Cooling System, which help monitor the efficiency and condition of the battery and control its temperature, effectively extending the battery life cycle and improving performance. To pursue the Government policy of achieving carbon neutrality by 2050, KMB plans to introduce 500 electric buses in the coming three to five years, accounting for one-eighth of the entire bus fleet.

As of 31 December 2022, KMB operated a total of 4,036 licensed buses, comprising 3,885 double-deck buses and 151 single-deck buses. Among them were three hybrid double-deck buses and 26 electric single-deck buses. In addition, 118 double-deck Euro VI buses and 51 electric double-deck buses were on order for delivery in 2023.

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Energy Reduction

Dedicated to building a greener future, KMB has explored the application of renewable energy by extending the use of solar panels to depots, bus termini, bus shelters, bus poles and double-decker roofs. KMB introduced the third-generation Solar Bus with thinner panels installed on its roof. Solar panel installation has become a standard configuration for newly purchased buses.

Furthermore, KMB has continued the Solar-powered Bus Shelter Campaign, using solar energy to power up lighting devices. By the end of 2022, 2,000 bus stops were equipped with solar power equipment. The Company plans to install over 30,000 solar panels by 2023 in order to illustrate how its development blueprint for new energy would apply in practice.

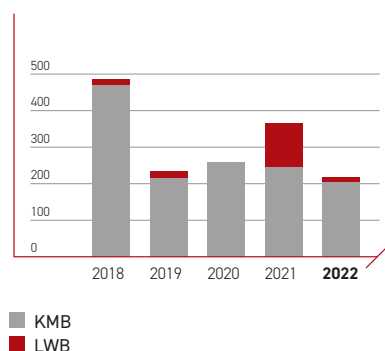
Moreover, KMB introduced two new innovative eco-friendly technologies to reduce carbon emissions and fuel consumption. These include wind curtains designed for buses installed at the rear exit to help prevent cooled air loss, the replacement of the existing lighting system with lower-powered LED strips to further conserve energy.



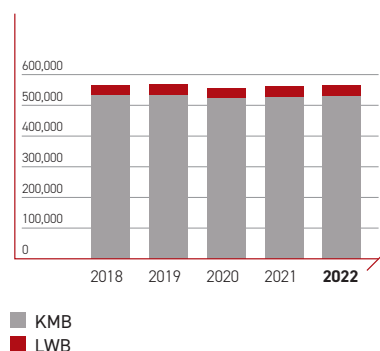
▲ Solar panels installed on the roof of buses have become a standard configuration for newly purchased buses

KMB's Bus Fleet	Double-deck Buses	Single-deck Buses	Total Number of Buses
As of 1 January 2022	3,877	136	4,013
Additions during year	194	16	210
Disposals during year	(186)	(1)	(187)
As of 31 December 2022	3,885	151	4,036

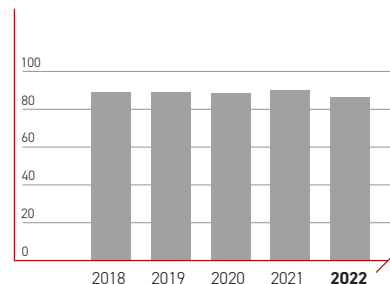
Number of New Buses Introduced to the Fleet



Total Passenger Capacity at 31 December



Percentage of Actual Number of Buses Operated on the Road to Licensed Bus Fleet - KMB



Notes:

- 38 buses transferred from LWB to KMB in 2020.
- 100 buses transferred from LWB to KMB in 2021.
- 5 buses transferred from LWB to KMB in 2022.

5G Technology

Moving towards a Smart City is one of the key development directions of Hong Kong. With the rise of industry-leading 5G mobile network technology, KMB has explored the use of 5G technology in daily operations. KMB launched an upgrade to 5G services in 2022. 2,500 buses will be gradually upgraded to incorporate 5G technology and provide free 5G Wi-Fi service. It is also planned to set up a bus occupancy display system in the compartment to show the number of seats available on the upper deck and give information on occupancy for the next three buses with icons in App1933.



Electronic Payment System

KMB has introduced electronic payment systems to the entire fleet. The e-payment system, which accepts more payment methods than any other public transport operators' system, now supports 11 platforms, including the new BoC Pay "transit code", which accept contactless payment, mobile payment and QR code payment. Fare concession schemes, including the Regional Short-haul Two-way Section Fare Scheme and BBI discount schemes between KMB and LWB routes, are also supported by the e-payment system.



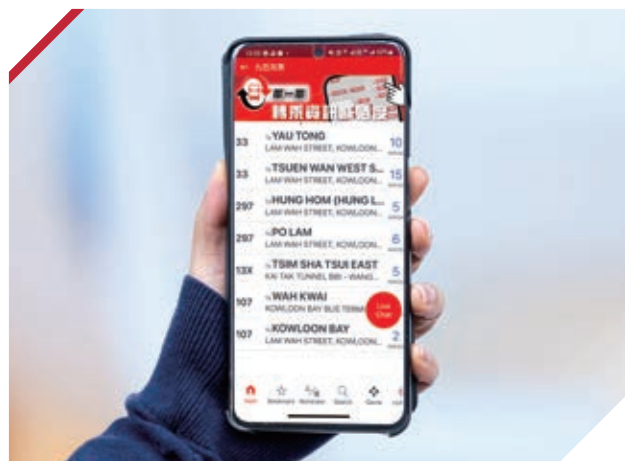
▲ KMB's entire fleet supports an electronic payment system, bringing a cashless payment experience to passengers

App1933

KMB launched the KMB and LWB mobile app, App1933, which has been well received by the public. Passengers may check information about bus routes and their estimated time of arrival conveniently.

KMB rolled out the Estimated Travelling Time ("ETT") and the Bus Estimated Time of Arrival ("ETA") service on App1933. This ETT function estimates the journey time based on the actual traffic conditions. It has gradually expanded to include 50 locations, assisting in selecting the most suitable transportation arrangements. Passengers can also obtain relevant information through TV screens or scan QR codes at bus stops with their mobile phones.

App1933 also provides ETA service of other franchised bus operators to make bus journey planning more comprehensive and easier for passengers. In spite of receiving nearby route information at bus stops through Bluetooth Beacon signal, App1933 carries an enhanced intrinsic location-based function, enabled by the "KMB Info" feature, to provide relevant traffic conditions, weather information and bus route suggestions based on the current location of the user.



▲ The "Bus Estimated Time of Arrival" function on App1933 assists passengers in journey planning



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

Performance Assurance

KMB has provided reliable franchised bus services in Hong Kong for almost 90 years and is an industry leader in operational and service excellence. KMB measures its operational performance by reference to the key performance indicators, mechanical reliability¹ and operational capability². In 2022, KMB achieved 109,094 km:1 in mechanical reliability and 103.08% in operational capability.

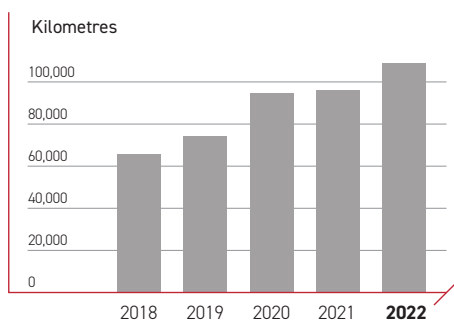
Depots

Routine maintenance and repair services are provided at KMB's four major bus depots in Kowloon Bay, Lai Chi Kok, Sha Tin and Tuen Mun, while 11 smaller depots offer minor maintenance services and parking. The KMB Overhaul Centre in Tuen Mun supports major overhaul services. Depot facilities are continually upgraded to ensure consistent service quality and a high level of productivity.

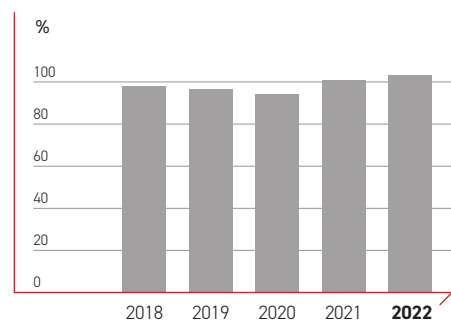
¹ Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board.

² Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the bus network.

Mechanical Reliability¹ – KMB



Operational Capability² – KMB



Note: Operational capability was affected by social distancing measures in 2020.

Management System Standards



Quality Management Systems (ISO9001)

Year of Adoption Since

1999

(Adopted to the latest version in 2018)



Environmental Management Systems (ISO14001)

Year of Adoption Since

2003*



Occupational Health and Safety Management Systems (ISO45001)

Year of Adoption Since

2019

(Migrated from OHSAS18001:2007)

* The two largest depots of KMB have been certified

Major Depots Serving KMB and LWB Buses

Depots	Areas Served/Main Purpose of Depot	Gross Floor Area (Square Feet)	Number of Buses Served as of 31 December 2022	Year in which Operations Commenced	Remarks
KMB Depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,096	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant.
Lai Chi Kok Depot	South and West Kowloon	648,946	855	2002	The depot land has been leased from the Government on a short-term tenancy [#] .
Sha Tin Depot	North and East New Territories	720,005	1,126	1988	The depot land was acquired at a public auction in 1984.
Tuen Mun Depot	West New Territories	148,961	959	1979	The depot land was acquired at a public auction in 1974.
KMB Overhaul Centre	Bus Overhaul	380,915	N.A.	1983	The depot land was acquired at market price from the Government in 1979 under a Private Treaty Grant.
LWB Depot:					
Siu Ho Wan Depot	Lantau Island	82,422	265	1998	The depot land has been leased from the Government on a short-term tenancy [#] .
Total		2,749,287	4,301		

[#] Under the short-term tenancy agreements, rentals at market rates are payable to the Hong Kong SAR Government.

Hong Kong Franchised Public Bus Operations

Long Win Bus Company Limited (“LWB”)



LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1997. In 2022, LWB was granted a new 10-year franchise by the Hong Kong SAR Government, starting from 1 May 2023. LWB's network currently covers the Airport, Tung Chung, Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.





COVID-19 Impact

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

Electronic Payment System

LWB is the first franchised bus company in Hong Kong to provide diversified e-payment services, providing convenience for passengers, especially those from overseas without access to the local currency or an Octopus card upon arrival in the city. The Company continued to enhance its e-payment system in 2022 and accepted payments using the contactless BoC Pay "transit code". Currently, the system accepts 11 payment methods including contactless payment, mobile payment and QR code payment, making it, together with KMB's, the e-payment system which accepts more payment methods than any other public transport operators' system.

Bus Service Network

At the end of 2022, LWB operated 39 routes. Although the passenger demand in 2022 declined under the anti-epidemic measures, LWB continued to strengthen its bus network coverage riding on the commissioning of new infrastructure and new residential development on North Lantau Island.

Further to the two phases of route diversion in Tuen Mun and Yuen Long District in conjunction with the commissioning of the Tuen Mun – Chek Lap Kok Tunnel ("TM-CLKT"), the third phase of route diversion, which involved the LWB Route E43 from North District, was implemented on 8 August 2022. The revamped service has shortened the journey time between North District and North Lantau. Apart from this, Route R33 linking up Tuen Mun and Hong Kong Disneyland has been rerouted via TM-CLKT since 18 July 2022, shortening the journey time. This service has continuously been enhanced as the gradual relaxation of social distancing measures has led to an increase in visitors to Hong Kong Disneyland.

With the gradual resumption of air traffic, LWB has enhanced its services on "A" routes since September 2022. LWB will explore more possibilities of strengthening its network and providing better service for passengers.

Bus Fleet and Fleet Upgrade

LWB introduced 13 new buses equipped with the latest safety devices in 2022, and transferred five buses to other operators. As of 31 December 2022, LWB operated 261 double-deck buses, including 192 buses which are 12.8 metres in length, and four electric single deck buses, all wheelchair accessible and equipped with the On-board Electronic Bus Stop Announcement System.



▲ Amid relaxed social distancing measures and growing traffic demands, LWB strengthens its Hong Kong – Zhuhai – Macao Bridge Hong Kong Port and Airport services

Safety and Customer Service

LWB buses are regularly and thoroughly serviced to make sure that they are maintained at the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, with safety briefings held from time to time and safety reminders circulated to bus captains. To enhance driving safety, the Driving Monitoring System and the Advanced Driver Assistance System were installed on LWB buses, which give early warnings to bus captains and provide assistance in their driving performance. In addition, the LWB customer service and airbus ticket offices at the Hong Kong International Airport Ground Transportation Centre and Hong Kong-Zhuhai-Macao Bridge Hong Kong Port offer e-payment methods to provide more options for passengers and tourists.

Environmental Protection

LWB is fully aware of the importance of environmental protection as it continues to invest in environment-friendly buses to meet the stringent emission standards of the European Council of Environmental Ministers. With five older buses transferred, the proportion of Euro V or above and electric buses in the LWB fleet now stands at over 95.09%.

The electrostatic air filtration function of the air-conditioning system on LWB buses significantly improves the air quality in the bus compartment while the Eco-driveline System reduces both fuel consumption and exhaust emissions.

LWB's Bus Fleet	Double-deck Buses	Electric Single-deck Buses	Total Number of Buses
As of 1 January 2022	252	4	256
Additions during year	14	0	14
Disposals during year	(5)	0	(5)
As of 31 December 2022	261	4	265

Performance Assurance

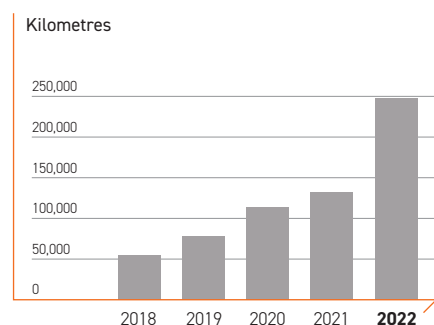
LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency are maintained at the highest level across its bus fleet. LWB measures its operational performance by reference to two key performance indicators, mechanical reliability¹ and operational capability². In 2022, LWB achieved 249,086 km:1 in mechanical reliability and 101.70% in operational capability.

LWB obtained ISO9001:2008 Quality Management Systems certification in November 2012, and has adopted the latest version of ISO9001 since August 2018.

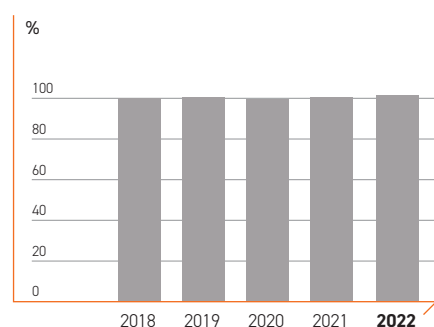
Depot

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

Mechanical Reliability¹ – LWB



Operational Capability² – LWB



◀ At LWB, regular and thorough bus maintenance and tire inspections are performed to ensure driving safety

¹ Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board.

² Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the bus network.