

BUSINESS REVIEW

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited (“KMB”)

KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving more than 2.5 million passenger-trips each day. A workforce of more than 11,000 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 438 routes.



serving Hong Kong for

90 years



Ⓐ KMB has introduced electric double-deckers to operate on busy corridors in Hong Kong to improve the roadside air quality

Resumption of Normalcy

After three years of the COVID-19 pandemic in Hong Kong, the cancellation of isolation orders and the lifting of mask-wearing requirements in the first quarter of 2023 signalled the full resumption of normalcy in society. The demand for public transport services gradually recovered, accompanied by new customer travel patterns. Measures were implemented to ensure bus service levels met public needs.

New Fare Adjustment

KMB and LWB adjusted their fares with effect from 18 June 2023. As approved by the Chief Executive in Council, KMB fares should be increased by an overall actual weighted average rate of 3.9% after a 1.6 percentage points mitigation effect by its Franchised Bus Toll Exemption Fund, resulting in an average increment of HK\$0.3 per journey.

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 (plus two additional trips on Route B1). In May 2023, the Pass extended its coverage to include not only over 400 KMB routes, comprising regular routes, overnight routes and racecourse routes, but also LWB bus routes as a reward for passengers under the new 10-year LWB franchise. For LWB services, the Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X- routes and enjoy a 73% off on bus fare when taking LWB's A and NA routes. The price of the Pass increased to HK\$800 starting from September 2023, three months after the new fare came into effect.

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

- Ⓐ 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;
- Ⓐ With each purchase of the Pass, passengers can earn 800 points towards redeemable KMB gifts and eCoin under the KMB membership scheme, club1933; and
- Ⓐ A manned hotline with operators dedicated to enhancing the travel experience of Pass holders.

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To relieve the financial burden on student passengers, KMB launched two rounds of the Buy-2-Get-1-Free promotion scheme, running from March to June and August to December 2023. Passengers who have purchased a KMB Monthly Pass for three consecutive months will be entitled to a HK\$800 Octopus dollar rebate (equivalent to the price of one KMB Monthly Pass). The scheme was welcomed by student passengers. To provide more transportation information to students in the new school year, information booths were set up on the campuses of some universities and community colleges in September and October 2023.

Rewards to Passengers

In collaboration with a number of corporations, KMB organised Free Ride Days on specific routes and dates, providing passengers with a complimentary and unlimited bus service.

To celebrate KMB's 90th anniversary and encourage passengers to travel to different places in Hong Kong during the summer holiday in 2023, child passengers were offered free rides on more than 450 KMB and LWB routes on thirteen consecutive Sundays and public holidays.

KMB also rolled out a summer promotion for students, under which all student passengers enjoyed a half-fare discount on 30 selected cross-harbour routes from mid-July to early August 2023.

As part of the "Night Vibes Hong Kong" campaign, four KMB and LWB routes were carefully chosen to offer passengers the opportunity to embark on a nighttime excursion and savour the renowned night vistas of Hong Kong, thereby promoting

the evening economy. KMB also offered a 25% off on overnight bus routes from September to November 2023 in support of the "Night Vibes Hong Kong" events.

KMB and LWB launched the membership scheme, club1933, in 2021. Under the scheme, registered passengers can redeem gifts with accumulated points at fifteen designated locations in Kowloon and the New Territories. Selected passengers are invited to enjoy a privileged discount scheme for purchasing the KMB Monthly Pass. A new scheme "eCoin Wallet" was introduced to club1933 members. Their accumulated points can be used to redeem "eCoin" and pay for the bus fare.

Comprehensive Network

At the end of 2023, KMB operated a total of 438 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 2023, we implemented 83 route re-organisation 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").

- Ⓜ The electric double-deckers cover popular areas such as Tsim Sha Tsui, Kwun Tong, and Tuen Mun, and are warmly welcomed by the public





- Ⓐ At KMB's 90th anniversary ceremony, over 300 guests, including Government officials, Board members, current and retired employees, and business partners, are present to witness KMB's achievements in its 90 years of service in Hong Kong

KMB completed the set-up of 31 BBIs in major locations across Hong Kong in 2023. The BBI hubs have improved network efficiency and encouraged more passengers to take KMB/LWB bus routes by providing more choices and value-for-money services. The BBI network of KMB and LWB covers the entire eighteen districts of Hong Kong to offer more convenient travel options with more fare concessions. It also ensures bus resources are used effectively, contributing towards environmental protection. To facilitate easier passenger interchange, KMB has renamed the BBIs based on the districts where they are located and enhanced information on websites and mobile applications, ensuring passengers can make use of the BBI network for convenient travel across Hong Kong and experience that "interchanging is so simple". A new BBI page was also introduced in app1933 to show locations covered by the BBI network. Routes involving the BBIs are listed by destinations, showing information such as platform numbers, locations of the platforms, estimated travelling time, and interchange discounts.

In view of demographic changes, urban development and evolving passenger needs, particularly the upsurge in cross-boundary demand in the wake of relaxed social distancing measures and travel restrictions, KMB has introduced new boundary routes and enhanced its existing service levels to cater for the demand. To tie in with the completion of residential areas in Ching Fu Court in Tsing Yi, Queen's Hill in Fanling, Kong Ha Wai in Yuen Long and LOHAS Park in Tseung Kwan O, KMB has further strengthened its services in these districts by introducing new routes and improving the frequency of existing routes.

New Franchised Bus Routes serving Tsing Yi and West Kowloon Cultural District

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 49 and 49M through an operator selection exercise in 2022. The two new routes connecting Tsing Yi, Kowloon East and Tseung Kwan O started service in March and September 2023 respectively. On top of Tsing Yi, KMB is also being selected to operate a new Route W4 plying between West Kowloon Cultural District and High Speed Rail Hong Kong West Kowloon Station, serving the demand to and from M+ and Hong Kong Palace Museum in the area.

Green and Smart

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

Bus Fleet and Fleet Upgrade

During the year, 107 buses, including 83 double-deck buses and 24 BYD double-deck electric buses, were licensed. The new 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

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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.

Tyre Pressure Monitoring System (“TPMS”) are being installed on existing 2,400 buses. Real-time tyre pressure and temperature can be monitored by the bus captain in order to enhance bus safety. TPMS has been adopted to a standard feature in KMB’s new buses.

KMB has continued to invest in the latest environmentally 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 three years. In 2023, a batch of 24 new-generation double-deck electric buses commenced service. They are equipped with the Battery Management System 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.

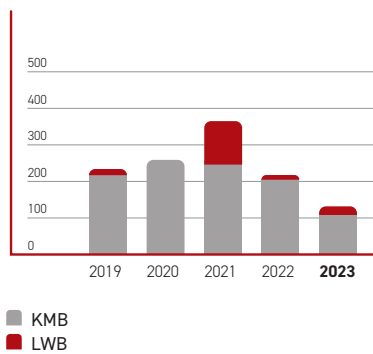
As of 31 December 2023, KMB operated a total of 4,055 licensed buses, comprising 3,904 double-deck buses and 151 single-deck buses. Among them were 24 electric double-deck buses and 26 electric single-deck buses.



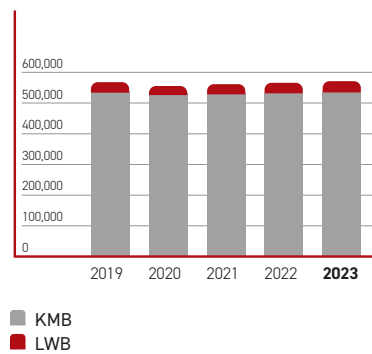
ⓐ KMB has been progressively installing the tyre pressure monitoring system in its bus fleet, allowing bus captains to monitor tyre pressure and temperature in real time, thereby enhancing bus safety

KMB’s Bus Fleet	Double-deck Buses	Single-deck Buses	Total Number of Buses
As of 1 January 2023	3,885	151	4,036
Addition during the year	107	0	107
Disposal during the year	(88)	0	(88)
As of 31 December 2023	3,904	151	4,055

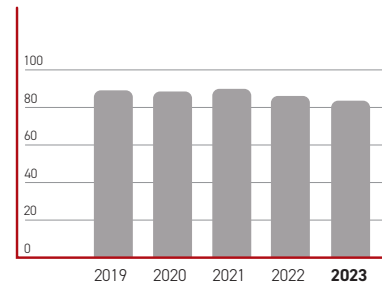
Number of New Buses Introduced to the Fleet



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.

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 brought the third generation Solar Panel Bus from prototype to a mass production stage while the solar panel system has become a standard feature in KMB's new buses. In 2023, 92 new licensed buses were equipped with solar panels on the bus roof. Moreover, KMB retrofitted solar panels on the current bus fleet. By the end of 2023, nearly 2,000 buses were retrofitted with solar panels on the bus roof.

Furthermore, KMB has continued the Solar-powered Bus Shelter Campaign, using solar energy to power up lighting devices. By the end of 2023, 1,907 bus stops were equipped with solar power equipment. KMB now installed 30,000 solar panels in total in order to illustrate how its development blueprint for new energy would apply in practice.

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. Among the KMB's bus fleet, around 2,500 buses will be gradually upgraded to incorporate 5G technology and provide free 5G Wi-Fi service. The On-board Occupancy Display has been set up in the compartment to show the number of seats available on the upper deck and the real-time bus occupancy rate on app1933 gives information on occupancy for the next three buses with icons.



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 sixteen platforms including the newly added American Express along with Discover / Diners Club, WeChat Pay HK, and Weixin Pay, enabling 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.



Ⓐ Leveraging 5G and innovative technology, KMB designs a graphic display to show the real-time occupancy rate of upcoming buses on its mobile application, app1933

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Ⓜ KMB manages its team according to international standards, ensuring a high quality of service among the professional maintenance personnel

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.

app1933 provides the Bus Estimated Time of Arrival ("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.

Performance Assurance

KMB has been providing reliable franchised bus services in Hong Kong for 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 2023, KMB achieved 150,249 km:1 in mechanical reliability and 96.78% in operational capability.

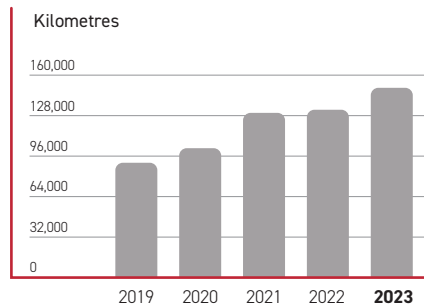
Depots

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 minor maintenance services and parking are available at ten smaller depots. 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.

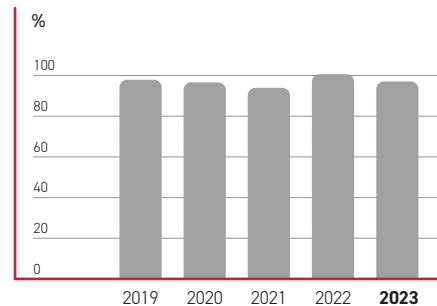
¹ Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board.

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 and 2021.

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 2023	Year in which Operations Commenced	Remarks
KMB Depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,086	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	858	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	1,138	1988	The depot land was acquired at a public auction in 1984.
Tuen Mun Depot	West New Territories	148,961	973	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	285	1998	The depot land has been leased from the Government on a short-term tenancy [#] .
Total		2,749,287	4,340		

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

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Hong Kong Franchised Public Bus Operations

Long Win Bus Company Limited (“LWB”)



new

10-year
franchise granted

LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1997. 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.





▲ LWB is making multiple measures to meet the travel needs of passengers using the Hong Kong-Zhuhai-Macao Bridge and the Airport in response to the resumption of the normalcy of society and the increasing demand for cross-boundary bus routes

Resumption of Normalcy

LWB's customer sources are mainly tourists and tourism-related activities. After the cancellation of social distancing and inbound and outbound quarantine restrictions in Hong Kong in 2023, locals are generally travelling again, and the number of visitors to Hong Kong has gradually rebounded, significantly improving LWB's passenger flow. LWB implemented measures to increase its bus service level from the pandemic level and ensure that public needs are met.

New Fare Adjustment

KMB and LWB adjusted their fares with effect from 18 June 2023. As approved by the Chief Executive in Council, LWB fares are set to increase by an overall actual weighted average rate of 4.2% after a 0.3 percentage points migration effect by its Franchised Bus Toll Exemption Fund. The average increment of each LWB journey is HK\$0.5.

New 10-year Franchise

LWB has been granted a new 10-year franchise by the Hong Kong SAR Government, starting from 1 May 2023. In the new term, the KMB Monthly Pass Scheme covers LWB bus routes to reward passengers. The Pass holders are entitled to use the Pass to travel on E-, N-, S-, R- and X- routes operated by LWB and enjoy a 73% off on bus fare when taking LWB's A and NA routes. This provides Pass holders with access to a bus network that connects different boundary control points.

Electronic Payment System

LWB is the first franchised bus company in Hong Kong to provide diversified e-payment services for the convenience of 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 2023 and accepted payments using American Express, Discover / Diners Club, WeChat Pay HK, and Weixin Pay. Currently, the system accepts sixteen 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 2023, LWB operated 42 routes. Subsequent to the cancellation of social distancing measures and inbound and outbound quarantine restrictions, demand arising from the Hong Kong-Zhuhai-Macao Bridge ("HZMB") and the Airport resumed rapidly. In view of this, LWB strengthened and resumed relevant services to cope with the demand. Especially for the HZMB area, some routes were re-routed to extend the service coverage to include districts such as Sha Tin, Tsuen Wan, Kwai Tsing, Yuen Long, Tai Po and North District.

Bus Fleet and Fleet Upgrade

LWB introduced 24 new buses equipped with the latest safety devices in 2023. As of 31 December 2023, LWB operated 281 double-deck buses, including 136 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.

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▲ LWB has equipped its entire fleet with the electronic payment system, offering sixteen different e-payment methods to bring convenience to travellers in Hong Kong

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 office at the Hong Kong International Airport Ground Transportation Centre offers 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 environmentally friendly buses to meet the stringent emission standards of the European Council of Environmental Ministers. The proportion of Euro V or above and electric buses in the LWB fleet now stands at over 96.84%.

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		Total Number of Buses
		Single-deck Buses		
As of 1 January 2023	261	4		265
Addition during the year	24	0		24
Disposal during the year	(4)	0		(4)
As of 31 December 2023	281	4		285

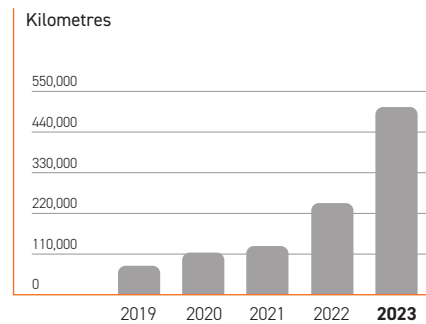
Performance Assurance

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 2023, LWB achieved 508,657 km:1 in mechanical reliability and 98.84% 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.

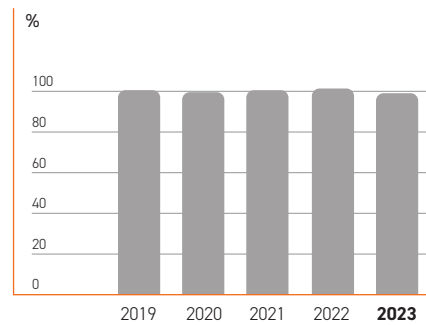
Depot

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 Siu Ho Wan Depot to increase water saving.

Mechanical Reliability¹ - LWB



Operational Capability² - LWB



Ⓐ LWB regularly conducts rigorous maintenance and inspections for its fleet to ensure bus 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.