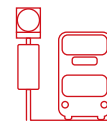


## Hong Kong Franchised Public Bus Operations

Franchised public bus operations are the Group's core business. The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited offer passengers world-class, innovative and value-for-money bus services across the Kowloon Peninsula, the New Territories and Hong Kong Island, while driving advances in bus design and environmental protection.





## **THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED ("KMB")**

*Founded in 1933, KMB, the Group's wholly-owned flagship subsidiary, provides extensive public bus services across the territory. KMB serves approximately 2.6 million passenger-trips a day on its fleet of over 3,800 buses running on some 390 routes. Its workforce of about 12,000 employees, including some 8,400 bus captains, is committed to providing a world-class service to its customers.*

### **OPERATIONAL EXCELLENCE**

With 80 years' experience operating franchised public bus services in Hong Kong, KMB pursues long term sustainable operational excellence.

The accreditation which KMB has obtained for various aspects of its operations, including quality management, environmental protection, and occupational health and safety, testifies to its commitment to establishing the highest standards of operational excellence.

### **1999**

KMB became the first public bus company and the fourth organisation in Hong Kong to obtain ISO 9001:1994 certification on a corporate-wide basis for its quality management systems.

### **2002**

KMB obtained ISO 9001:2000 certification for the excellence of its management systems.

### **2003**

KMB's Lai Chi Kok and Sha Tin Depots were awarded ISO 14001:1996 certification for their environmental management systems, making KMB the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation. In the following two years, KMB's Lai Chi Kok and Sha Tin Depots were further upgraded to ISO 14001:2004 certification.

### **2007**

KMB's four main operating depots at Lai Chi Kok, Sha Tin, Kowloon Bay and Tuen Mun were certified by the Q-Mark Council of the Federation of Hong Kong Industries as having met the Green Mark Standard in the Hong Kong Green Mark Certification Scheme.

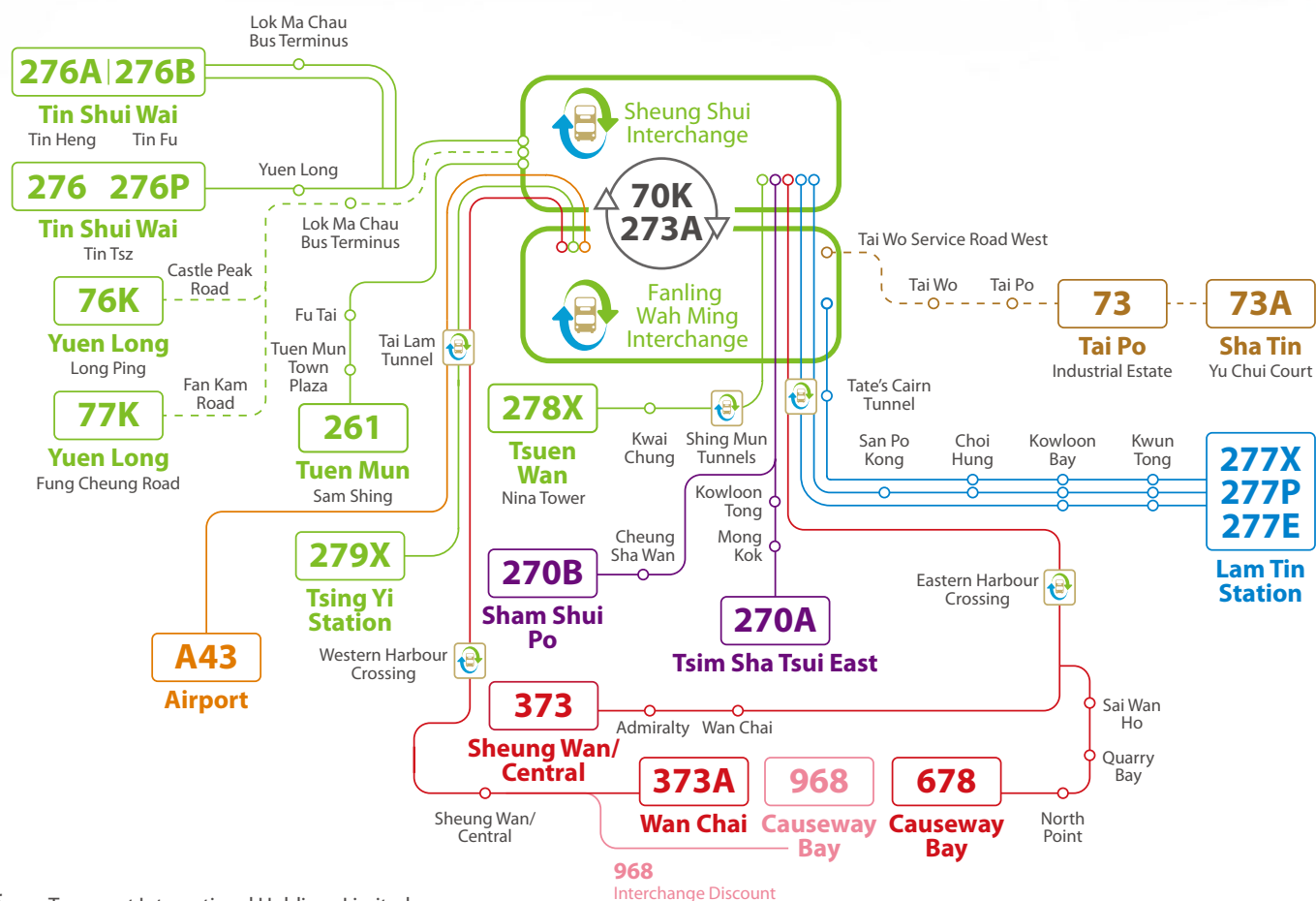
### **2009**

KMB received the latest ISO 9001:2008 certificates from the Hong Kong Quality Assurance Agency ("HKQAA") on completion of upgrading audits in its four certification areas: KMB Headquarters; Traffic Department and the four operating depots; the Overhaul Centre; and the Unit Overhaul Depot.

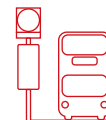
### **2012**

KMB's Operations Division was awarded Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certification by the HKQAA. The accreditation recognised KMB's implementation of effective risk management systems in its bus operations and maintenance activities. KMB is the first franchised bus company in Hong Kong to achieve this certification.

**The accreditation which KMB has obtained for various aspects of its operations, including quality management, environmental protection, and occupational health and safety, testifies to its commitment to establishing the highest standards of operational excellence.**







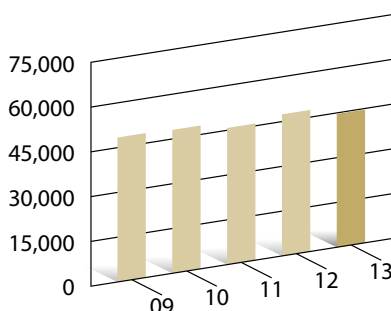
The upgraded Fanling Bus-Bus Interchange at Wah Ming enhances network connectivity and efficiency



**MORE ABOUT NORTH  
DISTRICT ROUTE  
REORGANISATION**

### Mechanical reliability – KMB

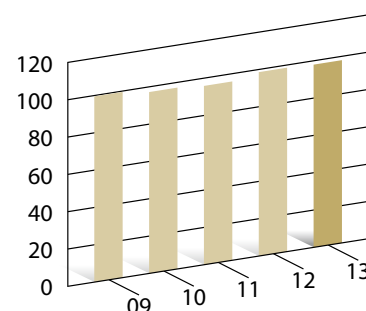
Kilometres



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

### Operational capability – KMB

Percent (%)



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

## PERFORMANCE PLEDGE

We are committed to providing our customers with safe and efficient bus services of the highest quality. The key benchmarks set by the Group for the operational performance of its public bus services are mechanical reliability and operational capability.

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. In 2013, the mechanical reliability of KMB's fleet was 44,667 km : 1 against a target of 45,000 km : 1.

Operational capability refers to the ratio of actual to scheduled departures in the peak direction during the peak operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2013, the operational capability achieved was 97.9% against a target of 100%.

## BUS FLEET AND FLEET UPGRADE

Constant innovation and bus fleet modernisation are two of KMB's major priorities for service improvement.

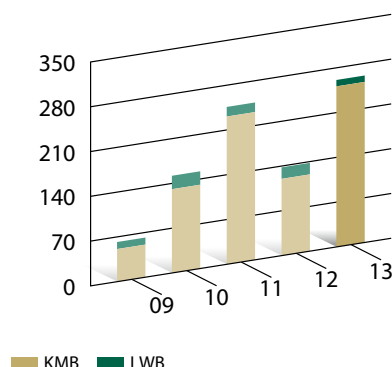
In 1997, KMB collaborated with its bus suppliers to introduce the world's first super-low floor, wheelchair accessible double-deck buses to Hong Kong. Various innovative features, including the On-board Electronic Bus Stop Announcement System, the Octopus Smart Card System and Hong Kong's first "Multi-media On-board" platform offering infotainment to passengers, were progressively installed on KMB buses. In 2003, KMB pioneered the introduction of a new generation of buses offering a wider bus saloon and entrance, a revolutionary straight staircase design for easier access to the upper deck and a new air-conditioning system with advanced circulation inside the bus compartment.

We are committed to building a better environment through investing in environment-friendly buses that meet the strict exhaust emission standards of the European Council of Environmental Ministers. This commitment was demonstrated by the introduction of Asia's first Euro V double-deck bus in 2009 when legislation, which is still effective today, required only that newly-registered diesel vehicles meet Euro IV emission standards. To further improve fleet environmental performance, KMB has collaborated with a British bus manufacturer to co-develop the new generation Euro V double-deck E500 bus, which was deployed in Hong Kong in May 2013. The new generation E500 bus, equipped with new driveline technology and a more energy-efficient air-conditioning system, has a lighter build which reduces fuel consumption and results in 10% lower carbon emissions. Its chassis is also compatible with future Euro VI engine development and hybrid technology.

In 2013, we continued to make substantial investments in new buses featuring the latest safety, environmental and design features. A total of 250 new super-low floor air-conditioned buses, consisting of 239 Euro V double-deck buses and 11 Euro V single-deck buses, were added to the KMB fleet.

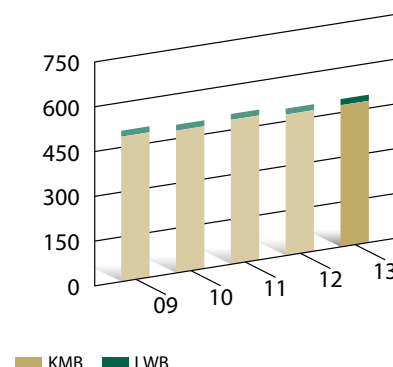
### Number of new buses introduced to the fleet

Number of buses



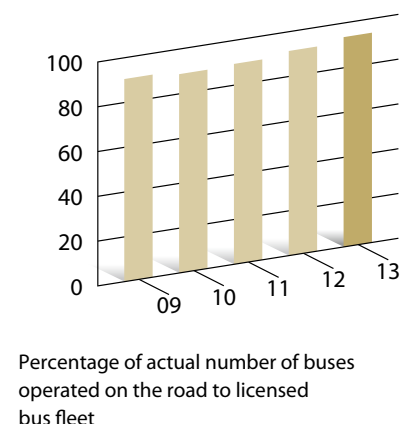
### Total fleet capacity at 31 December

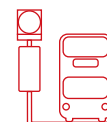
Thousand of passengers



### Fleet utilisation – KMB

Percent (%)





KMB's green fleet makes it a first mover in the local bus industry

<b>KMB's bus fleet</b>	<b>Air-conditioned double-deck buses</b>	<b>Air-conditioned single-deck buses</b>	<b>Total number of buses</b>
As at 1 January 2013	3,652	168	<b>3,820</b>
Additions during year	244	11	<b>255</b>
Disposals during year	(228)	(2)	<b>(230)</b>
As at 31 December 2013	3,668	177	<b>3,845</b>

As part of our fleet enhancement project, we have been replacing retiring single-deck buses with brand new wheelchair accessible super-low floor single-deck buses with a stylish design and greater headroom to provide passengers with a comfortable ride.

In 2013, we continued to make substantial investments in new buses featuring the latest safety, environmental and design features. A total of 250 new super-low floor air-conditioned buses, consisting of 239 Euro V double-deck buses and 11 Euro V single-deck buses, were added to the KMB fleet.

As at 31 December 2013, KMB operated a total of 3,845 air-conditioned buses, comprising 3,668 double-deck buses and 177 single-deck buses.

In addition, it had on order 226 air-conditioned double-deck Euro V buses for delivery in 2014.



### BUS SERVICE NETWORK

At the end of 2013, KMB operated a network of 392 bus routes covering Kowloon, the New Territories and Hong Kong Island. To enhance the efficiency of its bus network, KMB continues to review the viability of bus routes in the light of changes in the external operating environment, including railway expansion, population redistribution and the building of new highways. Matching resource allocation to the new demand patterns does not only safeguard long term sustainability; it also enables expansion into new growth markets such as routes serving boundary-crossing points. Strategic bus network reorganisation therefore remains central to KMB's response to ongoing changes in market conditions.

In 2013, we submitted 75 route reorganisation proposals to the Government, 64 of which were put forward for consultation with District Councils. We also introduced the 'Area Approach', whereby instead of looking at the performance of individual routes on a piecemeal basis, we reviewed the entire route network of a particular district to devise a comprehensive and holistic reorganisation package based on sound transport planning principles. In this way, we were able to offer the following benefits to the travelling public:

- Eliminating wasteful duplication between different modes of transport, thereby releasing resources for redeployment in new growth areas;
- Straightening routes that were previously unduly circuitous;

- Introducing new express routes that utilise the new highway infrastructure;
- Offering new connectivity between routes using Bus-Bus Interchanges according to the 'Hub and Spoke' principle;
- Simplifying the network of "historic" bus routes with the aim of improving their effectiveness.

Following the commissioning of the second phase of the Tuen Mun Road Bus-Bus Interchange in July 2013, bus routes serving Tuen Mun District have been reorganised for increased connectivity and network coverage. The interchange is equipped with many passenger amenities such as free WiFi, seating and improved signage. In addition, the Area Approach for North District covering 21 routes was successfully implemented in three phases starting in August 2013. The success of these area reviews is reflected in increased passenger numbers and in improved network connectivity.

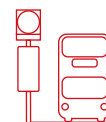
In addition to route reorganisation, some 111 proposals relating to service frequency adjustments were submitted to the Government for consideration. Following consideration of the route reorganisation and service frequency adjustment proposals, 31 buses were saved, while nine buses were redeployed to new routes such as Route 5M, serving Kai Tak Development Area, and other growth initiatives.

Building on the success of the route reorganisations in Tuen Mun and North District, we have developed proposals



for the remaining districts in our network area for formal consultation in 2014. By engaging the local communities and keeping stakeholders involved in the reorganisation proposals, we are confident that full implementation of the Area Approach will bring material benefits to our customers and to the wider public through a more relevant deployment of our fleet that reflects today's circumstances.





Area-based route reorganisation has brought benefits to the residents of North District

A summary of the bus network reorganisation carried out in 2013 is tabulated below:

	Proposed		Implemented	
	Number of proposals	Number of buses to be saved	Number of proposals	Number of buses saved
Route reorganisation	75	47	41	8 (17.0%) <sup>#</sup>
Service frequency reduction	111	76	44	23 (30.3%) <sup>#</sup>
<b>Total</b>	<b>186</b>	<b>123</b>	<b>85</b>	<b>31 (25.2%)<sup>#</sup></b>

<sup>#</sup> As percentage of proposed number of buses to be saved





KMB's Five Route Day Pass offers convenience to travellers seeking to visit Hong Kong's major tourist spots

### BUS SERVICE RELIABILITY

Deteriorating traffic conditions have been adversely affecting the reliability of our bus services over recent years to the extent that a large number of KMB routes are recording an actual journey time greater than that published in the Government gazette. To cope with the worsening traffic congestion and to do our best to ensure that buses depart from the terminus on time, we comprehensively rescheduled approximately 100 routes in 2013 and

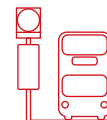
will introduce more improvement initiatives of this type in the coming years. We remain committed to offering safe, reliable and value-for-money services aimed at maintaining the bus as the mode of choice for Hong Kong residents and visitors alike – including our existing valued customers who make more than 2.6 million journeys with KMB on a daily basis.

We will continue to work closely with the HKSAR Government to

mitigate both the traffic congestion and enforcement-related issues. Our advocacy will incorporate proposals for more bus priority measures, including traffic signal priority, extended hours for bus-only lanes and a vision for a Bus Rapid Transit (BRT) system, as found in other cities around the world.

### BUS ROUTE PROMOTION

An extensive route promotion programme was carried out in 2013 to support the North District Area



Approach, the commissioning of the Tuen Mun Road Bus-Bus Interchange and the route reorganisation programme. A total of 89 bus routes were involved in the bus route marketing exercise. Besides the use of bus-stop poles, mega panels at bus shelters, the KMB smartphone app and the KMB website, passenger communication leaflets and district level network maps were distributed at the community level, and promotional flyers were distributed or mailed to residents of targeted districts.

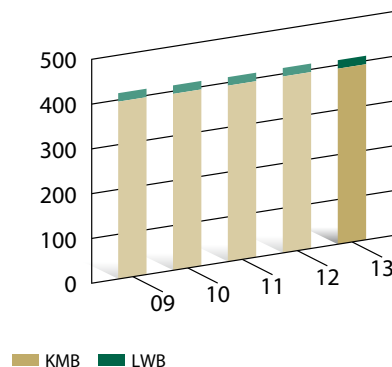
In addition to the bus route promotion programme, KMB has continued to participate in joint promotion campaigns with numerous shopping malls. Passengers can redeem a free bus journey ticket upon reaching a designated spending target at participating malls. A Five Route Day Pass was also launched to appeal to the

tourist segment of the market. Initially, the pass was restricted to holidays and weekends but starting from 7 September 2013, the pass was made available on a daily basis. Moreover, to encourage more elderly people to take the bus following the launch of the Public Transport Fare Concession Scheme for the Elderly

and Eligible Persons with Disabilities, we conducted targeted direct mail campaigns, sending tailor-made promotional leaflets which gave details of bus routes and major attractions along the way, to selected public housing estates. A total of nine direct mail campaigns were conducted in 2013.

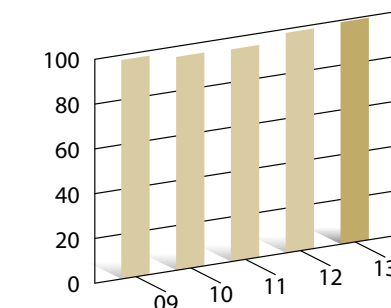
### Number of bus routes operated at 31 December

Number of bus routes

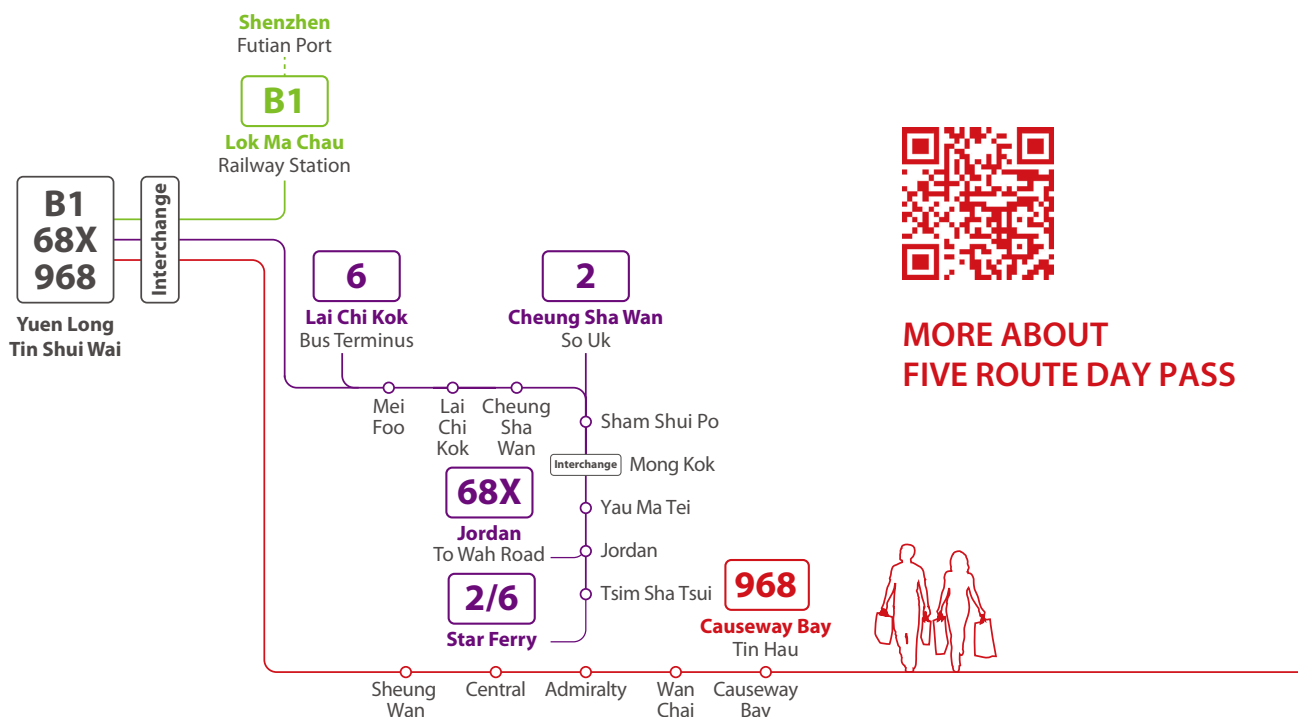


### Achievement of schedule – KMB

Percent (%)



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



**MORE ABOUT  
FIVE ROUTE DAY PASS**



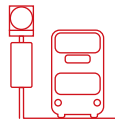


## DEPOTS

KMB's four major depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun provide routine maintenance and repair services for its bus fleet. Ten smaller depots provide parking and minor maintenance services, while major bus overhaul work is done at the KMB Overhaul Centre. Continuous improvements are made to our depot facilities to ensure that a consistently high level of productivity and service quality is maintained.

Major Depots Serving KMB and LWB Buses					
Depot	Areas served/main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2013	Year in which operations commenced	Remarks
<b>KMB depots:</b>					
Kowloon Bay Depot	East Kowloon	768,038	1,018	1990	The depot land was acquired at market price from the Government in 1986 under Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,109	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	855	2002	The depot land has been leased from the Government through short term tenancy <sup>#</sup>
Tuen Mun Depot	West New Territories	148,961	863	1979	The depot land was acquired at 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 Private Treaty Grant
<b>LWB depot:</b>					
Siu Ho Wan Depot	Lantau Island	82,422	172	1998	The depot land has been leased from the Government through short term tenancy <sup>#</sup>
<b>Total</b>		<b>2,749,287</b>	<b>4,017</b>		

<sup>#</sup> Under the short term tenancy, rentals at market rates are payable to the HKSAR Government



## KMB SMARTPHONE APP

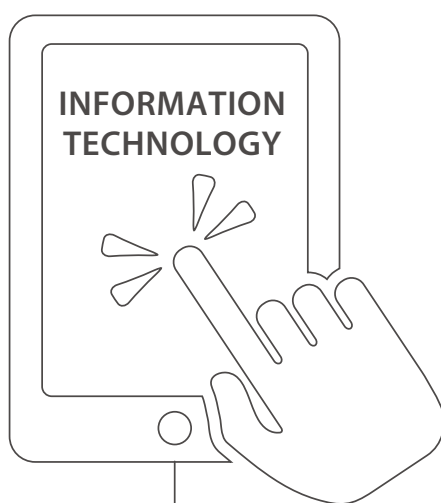
By the end of 2013, the KMB/LWB free Smartphone App Version 2 (the “App”) had been downloaded by more than two million iPhone, iPad, iPod Touch, Android and Windows phone users. The App allows users to access real-time special traffic information and conduct route searches directly on the map or by major landmarks. It also gives

suggestions on bus routes with the fewest en-route stops and lowest fare to any destination a passenger selects. The App offers users a choice of ways to search for a bus route, providing route maps, timetables and photos of every bus stop. Its powerful “Nearby Bus Stop” function makes use of global positioning technology to automatically identify the location of the user and list all bus routes

within a 200-metre radius together with the location of the corresponding bus stops. In addition, for greater peace of mind, the App also features the pioneering “Alight Reminder” function, which emits an alert sound (or vibration) two bus stops before the selected destination is reached. The App comes in traditional Chinese, simplified Chinese and English versions.







KMB's advanced information technology enhances productivity, provides effective monitoring of daily operational performance and improves internal and external communications.



## CUSTOMER SERVICE

### Bus Estimated Time of Arrival Display

Developed in-house, the Bus Estimated Time of Arrival ("ETA") display at the Tuen Mun Road Bus-Bus Interchange is the first system of its kind in Hong Kong. Using global positioning technology, the ETA system calculates the estimated arrival time of buses travelling via the interchange. The system currently provides information on eight long-haul routes using the interchange.

### Integrated Bus Service Information Display System

The Integrated Bus Service Information Display System ("IBSID") is installed at KMB's major bus termini, displaying information on bus route destinations, departure times, fares and major traffic disruptions via large display panels. IBSID also relays pictures of the traffic and operating conditions in the area surrounding the termini to KMB headquarters as well as to the termini themselves via closed circuit television. At the end of 2013, IBSID had been installed in 28 bus termini.

### Electronic Bus Stop Announcement System

The On-Board Electronic Bus Stop Announcement System is installed fleetwide on KMB, broadcasting voice announcements in Cantonese, English and Putonghua and showing the name of the next bus stop on light emitting diode ("LED") displays. As well as giving passengers details of the next stop in advance, the system also broadcasts safety reminders and bus service messages.

### Lost Property Management System

The Lost Property Management System ("LPM") keeps track of lost items from initial recovery to reclaim by passengers or eventual disposal, enabling lost property claims and inquiries to be handled efficiently. In 2013, LPM processed about 30,000 lost property cases, representing approximately 70,000 lost property items.



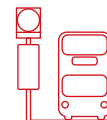
## OPERATIONS

### Terminus Management System

KMB's Terminus Management System ("TER") facilitates the management of daily bus operations at 165 termini by automatically displaying the next departure time and any special instructions when the bus captain presents his or her personalised Octopus card upon arrival at the bus terminus. Information on the arrival and departure of buses is also recorded and transmitted to headquarters and depots so that service adjustments can be made when necessary.

### Traffic Operations Management System

KMB's Traffic Operations Management System ("TOM") eases bus captain duty assignment through the use of handheld radio frequency identification ("RFID") readers by means of which depot staff identify the parking location of buses for retrieval by bus captains at our duty dispatch offices. TOM also keeps management up to date on duty dispatch matters.



*KMB uses advanced information technology extensively for performance monitoring, internal and external communications and productivity enhancement. At the end of 2013, a total of 2,162 personal computers were in use across KMB's facilities, each interlinked via high-speed communication lines to 89 computer servers located at headquarters. This data network serves to integrate the operations at headquarters, bus depots, bus termini and customer service centres. Some 47 software applications, including in-house developed programs and proprietary software, are used for day-to-day operational purposes and financial management. The continuous upgrading of information technology systems allows us to improve our customer service by enhancing fleet and depot operations, human resources management and cost control.*



## HUMAN RESOURCES & FINANCIAL MANAGEMENT

### Operations Communications Management System

KMB's Operations Communications Management System ("OCM") improves the speed and accuracy of message distribution to depots and departments by streamlining the handling of real-time information on operational incidents such as traffic accidents, road congestion and weather conditions as logged by KMB's Radio Control Section.

### Bus Onboard Monitoring System

The Bus Onboard Monitoring System ("BOM") provides reports on the driving performance of bus captains for analysis by depots and departments, with a view to raising training standards with regard to driving safety and passenger comfort.

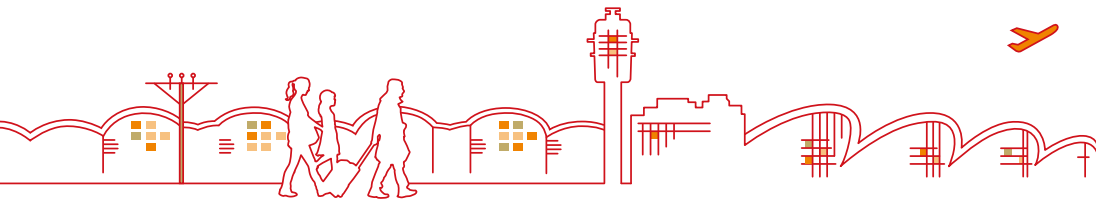
### Bus Maintenance Information System

The Bus Maintenance Information System ("BMS") monitors maintenance costs and helps with the assignment of jobs by providing management with information on bus type, repair and maintenance records, overhaul of major units and maintenance workers' work records. BMS also keep tracks of the performance of retreaded tyres to optimise their use and ensure safety and environmental protection.

### Advanced Finance and Administration Systems

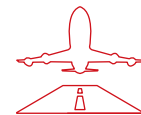
KMB's SAP ERP e-Business Software for financial and human resources management enhances the efficiency of financial planning, control and reporting as well as improving the overall quality of human resources administration and planning. In combination with an advanced electronic document management system, e-tendering, e-payslips, and company-wide email, this software substantially reduces paper use and improves internal and external communications, document distribution, filing and retrieval.





Established on 1 June 1997, LWB operates franchised public bus services linking the New Territories with Hong Kong International Airport and North Lantau. The areas currently served by LWB's network include the Airport, Tung Chung, and leisure and tourism developments such as Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.





## LONG WIN BUS COMPANY LIMITED ("LWB")

The new ten-year franchise for LWB, which was granted by the HKSAR Government in April 2012, came into effect on 1 May 2013.

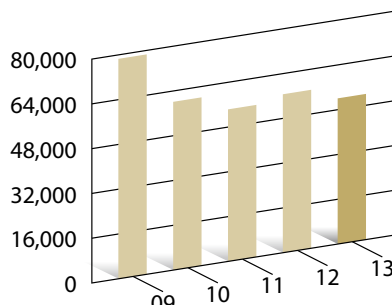
Serving travel demand from Mainland visitors, new developments at the Airport and construction work in nearby areas, LWB's ridership continued to grow in 2013. With its comprehensive network, LWB is well positioned to provide transport services to construction workers on the Hong Kong-Zhuhai-Macao Bridge and housing projects at Tung Chung, and those working at the new air cargo terminal.

## PERFORMANCE ASSURANCE

By constantly reviewing its operations, LWB is able to ensure that safety and efficiency are maintained at the highest levels for its bus fleet. Two key performance indicators, namely, mechanical reliability and operational capability, are used to measure its operational performance. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the

## Mechanical reliability – LWB

Kilometres



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

ratio of actual to scheduled departures in the peak direction during the peak morning hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2013, LWB's buses achieved 52,053 km : 1 in mechanical reliability and 99.6% in operational capability, against a target of 50,000 km : 1 and 100% respectively.

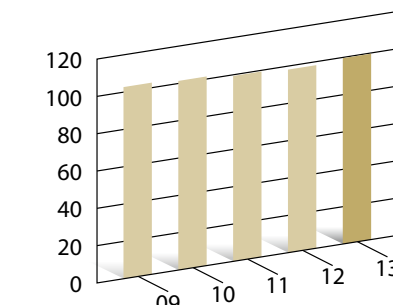
LWB has been ISO 9001:2008 certified for quality management systems since November 2012.

## BUS FLEET AND FLEET UPGRADE

In 2013, in order to meet increasing passenger demand and improve its

## Operational capability – LWB

Percent (%)



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

overall service, LWB strengthened its fleet by introducing ten new Euro V super-low floor air-conditioned double-deck buses to replace older buses. New buses incorporate advanced features such as the Bus Telematics System, which provides enhanced functions for fleet management, and on-board CCTV systems that monitor passengers' luggage and improve security.

As at 31 December 2013, LWB operated 172 air-conditioned super-low floor double-deck buses, all with wheelchair access and equipped with the electronic bus stop announcement system.

LWB's air-conditioned double-deck bus fleet	Total number of buses
As at 1 January 2013	165
Additions during year (Note)	12
Disposals during year	(5)
As at 31 December 2013	172

Note: Including ten new buses and two re-licensed buses.

## BUSINESS REVIEW

At the end of the year, LWB had on order 40 Euro V super-low floor air-conditioned double-deck buses for delivery in 2014.

### BUS SERVICE NETWORK

At the end of 2013, LWB operated 19 routes. To improve service levels, LWB added a total of four buses to Routes A43, E33 and E34 in 2013, while Route A41P was extended to Wu Kai Sha in August 2013 to cater for new population intake. In addition, ten

new Octopus Bus-Bus Interchange Schemes, 11 new section fares and one new same-day return fare concession scheme for airport staff were introduced during the year.

LWB is committed to finding ways to meet the growth in passenger demand arising from the increase in tourism and leisure activities, while maintaining its high standards of network coverage and service for all its passengers. LWB aims to meet the needs and

expectations of its customers by continuing to provide efficient, direct and user-friendly bus services.

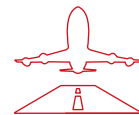
### DEPOT

LWB operates a depot at Siu Ho Wan for daily bus maintenance, refuelling, bus washing and fleet parking. The depot is equipped with a waste water treatment system to ensure that the quality of waste water complies with statutory requirements before being discharged into the public drainage system.



LWB passengers benefit from convenient and fast services to and from the airport





● LWB's bus termini on Lantau Island

LWB aims to meet the needs and expectations of its customers by continuing to provide efficient, direct and user-friendly bus services.

## SAFETY AND CUSTOMER SERVICE

LWB conducts regular and thorough inspections of its buses under a stringent maintenance regime to make sure that they are maintained to the highest standards. Driving instructors monitor bus captains' driving performance and customer service, while safety briefings and safety reminders ensure that bus captains are kept informed of the latest safety messages. Additionally, LWB runs quality campaigns to recognise and reward good performance.

LWB's website [www.lwb.hk](http://www.lwb.hk) provides passengers with convenient access to route information. The route information displays at LWB's en-route bus stops provide the estimated arrival time for buses on some bus routes, and

the upgraded smartphone app allows customers to receive bus information on their smartphones.

## ENVIRONMENTAL PROTECTION

LWB is committed to contributing towards a better environment. In 2013, LWB introduced ten new Euro V buses, bringing the number of Euro V buses in its fleet up to 25%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro II and Euro III buses to reduce the emission of particulate matter.

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