

CONVERSATION WITH THE MANAGING DIRECTOR

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Roger LEE Chak Cheong

Managing Director



Q How do you see the business environment in 2016?
How will it affect the operations of the Group?

A 2016 will be a year of opportunities and challenges. At the macro level, the government's continued development of new areas like Hung Shui Kiu and Lantau Island, and the planning or construction of large-scale infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the airport's third runway will bring about growth opportunities for the Group.

As for challenges, the Group continues to be affected by the government's focus on the railway as the backbone of its transport policy. It is expected that the Kwun Tong Line Extension and South Island Line, expected to commence operations in 2016 and 2017 respectively, will adversely affect the Group's bus operations. KMB will work closely with local communities and the Transport Department to reorganise the affected routes, with a view to redeploying bus resources to routes with higher passenger demand so that passengers can be better served.

While the tightening of the labour market also poses a challenge for us in terms of hiring, training and retaining high-calibre staff, the Group will step up its training programmes to enable staff members to realise their full potential. The expected weakness in oil prices in the coming year will have a cushioning effect on the Group's rising operational costs.

In the coming year, the government is also expected to discuss extending the 10-year franchise of the Group's flagship, KMB. I am confident not only that the franchise will be renewed but also that our management team is well equipped to meet the challenges ahead and to grasp new opportunities to grow our businesses.

Q With the government's continued focus on the railway, what is the future for public buses?

A The development of the railway is an indisputable fact. However, compared to the railway, whose users often value efficiency over comfort, the competitive edge of our franchised buses lies in our ability to provide a 24-hour personalised service.

Before they leave home every day, passengers can use their mobile phone apps to choose the route and the bus which best suit them from our wide network. Knowing the time of arrival of their chosen departure in advance enables them to have their breakfast or catch up on the news before starting out. Planning the day's journey is easy and literally at one's finger tips, which is perfect for the new generation of urbanites for whom a comfortable and easy lifestyle is important. So, buses and the railway serve two different markets. We are our own greatest competitor, constantly unleashing the power of the bus to make it the preferred choice of passengers.

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Q How will KMB provide better bus services in the future?

A Every day, over 8,000 frontline bus captains serve our passengers in the name of KMB. The company has improved the facilities at bus depots and bus stops over the past year, as well as our employees' work environment. As a pioneer in the industry, we set up a staff discount barber shop to help our colleagues maintain a neat appearance and a staff discount store where they can buy groceries for their families at knock-down prices. These measures aim to initiate a virtuous cycle, since employees who are treated well will in turn serve their customers well, enabling the latter to enjoy satisfying services.

KMB keeps up with the times by using new media to increase interaction with our passengers and understand their needs. We provide caring bus services through the use of technology, by for example putting up display panels at bus stops that provide estimated bus arrival information. We are also providing seating and clear signs for passengers waiting for buses.

Safety being our number one priority, we will be strengthening various safety measures: from training employees and improving their driving, through introducing better rostering for work and rest days, to upgrading safety facilities on buses and enhancing passenger education.

Q Good corporations always give back to the community. What plans do KMB and LWB have in terms of environmental protection and corporate social responsibility?

A In terms of environmental protection, in 2015 KMB continued to make substantial investments in new buses with the latest safety, environmental and design features. At the end of 2015, there were 1,634 air-conditioned

buses at Euro V standard or above in the KMB and LWB fleets, and a further 621 buses at Euro V standard or above are expected to enter service in 2016.

Furthermore, we will shortly be introducing a batch of supercapacitor buses and battery-electric buses to test the performance of electric buses in regard to safety and service reliability. We will continue to monitor developments in battery-based technology with an eye to reducing emissions.

As for social responsibility, KMB is proud to have served the needs of the local community for more than 80 years. One way in which we are proud to celebrate this long partnership is by preserving classic bus models that have served Hong Kong down the years and making them available for the public to view at close quarters. This year, besides doing that, we will also be organising exhibitions at our bus depots, where the focus will be on our present-day operations as well as our heritage so that our passengers can learn more about our operations.

Q In light of the various infrastructure projects in LWB's operating area, how do you see the company's prospects?

A The HKSAR Government is committed to the development of Lantau, as evidenced by large-scale infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge, the third runway at the airport and the Tuen Mun-Chek Lap Kok Link. Obviously, this will create new demand for transport services that Long Win, which already plays a strategic role in connecting North Lantau, the airport and the New Territories, is in a good position to meet. As a socially responsible corporation looking to play our part in supporting Hong Kong's development, we will continue to cater to the need of visitors and citizens, which will in turn open up growth opportunities for the Group, leading to a win-win situation.

LWB will make improvements to its Airbus services, including expanding the fleet of buses, purchasing new buses and enhancing its routes. Most importantly, it will rebrand itself – from bus livery through bus interiors to bus captains' uniforms – to meet the new challenges. LWB will put 60 premium buses into service on its Airbus "A" routes. The new premium bus network will cover Tsuen Wan, Kwai Tsing, Tuen Mun, Yuen Long, Tai Po, North District and Lok Ma Chau, and will feature Bus-Bus Interchange concession schemes with KMB routes. These initiatives will provide travellers with excellent services as journey times are brought down to less than an hour, as well as providing growth opportunities for the Group.

Q How are the Group's non-franchised bus services progressing?

A The strength of Sun Bus, the flagship of the Group's non-franchised bus operations, lies in its flexibility and adaptability. It can make swift changes in response to market demands.

Sun Bus has reorganised its management team over the past year and improved its management efficiency. It has also completed negotiations on the extension of service contracts. In the coming year, Sun Bus will make better use of its substantial resources to generate synergistic benefits. We will provide the estimated time of arrival service for school buses so that parents and schools can keep track of services and arrival times.

Q Are there any new directions or plans for the Group's property ownership and development business?

A The development principle governing the Group's property holdings and development is to take full advantage of our land resources and realise the value of our assets. The Group holds the property at 9 Po Lun Street and will expand the rental floor area to enhance rental income. As for Tuen Mun Town Lot No. 80 and the site at Kwun Tong Inland Lot No. 240, we will lease the sites out through short-term tenancies before any development plans are confirmed in order to create additional income for the Group.

Q What is the outlook for the Group in 2016?

A From a macro perspective, infrastructure projects in Hong Kong will create opportunities for development. Coupled with the new transport demand patterns generated by shifts in population, this will bring about significant opportunities for the Group in the coming year. We are confident that we will be able to harness these opportunities to further expand our business. Nevertheless, we also need to properly tackle the challenge of losing passengers to an ever-expanding railway system. By improving and challenging ourselves, and by constantly staying ahead of passengers' expectations with innovative services, we aim to benefit all our stakeholders: customers, employees, shareholders, members of the public and the government alike.