



Roger LEE Chak Cheong
Managing Director

Q As Hong Kong citizens are becoming more demanding about public transport services and are no longer satisfied merely with being taken to their destination, how is the Group meeting this new situation?

A We firmly believe that the application of technology is the focus of future bus service developments. With the bus being one of the most popular modes of transport in Hong Kong, KMB and LWB are committed to change and innovation, especially in the use of information technology to enhance customers' travel experience.

In 2016, the new App 1933 was launched as an upgrade of their old application. Not only does the new app allow passengers to check the estimated time of arrival of the next bus, it can also accurately locate the user through the Global Positioning System (GPS) and show bus service information within a 250-metre radius of the user. The app is further personalised by functions that make it more accessible for the visually-impaired, while the "Live Chat" function enables passengers to contact our customer service officers. App 1933 also shows on-board ridership status, a function that will be progressively extended to the 400-odd routes operated by KMB and LWB. More than five million people, or over 60% of the population, have now downloaded the app on Android or Apple iOS. In addition, KMB and LWB have started installing a free Wi-Fi wireless internet service and USB charging sockets on some buses. LWB's new generation of airport buses became operational in 2016 to serve passengers travelling between the airport and the New Territories.

These applications of technology have proven positive with passengers, reflecting the Group's focus on building closer ties with passengers by putting customers first and keeping up with the times. The Group will devote more effort to understanding and satisfying the needs of its passengers.

Q With KMB's new franchise set to commence in mid-2017, what is the Group doing to celebrate this new page in its history?

A The Group keenly anticipates the Government's award of a new ten-year franchise allowing KMB to continue to serve the local community. Looking ahead, KMB remains committed to various service enhancement programmes and a number of innovative interchange concessions for greater customer satisfaction over the next ten years. An expected investment of approximately HK\$3.8 billion will be made over a five-year period towards renewing our bus fleets, retrofitting our existing super-low floor buses for the pilot run of the dedicated community hospital route, providing an unprecedented interchange concession jointly with Hong Kong Tramways Limited, and launching a fare concession scheme for long-distance routes for full-time students.

Looking further ahead, a pilot scheme will be rolled out on the installation of display panels on the lower deck showing vacancies on the upper deck, so that more passengers can be directed to seats upstairs to make better use of compartment space, leading to higher passenger volume. KMB will continue with work to optimise existing bus shelter space, including the provision of additional seats and the installation of display panels showing the estimated time of arrival.

Q What challenges and opportunities are in store for Hong Kong's public transport market in 2017?

A Let me begin with the challenges before proceeding to the opportunities. First, the HKSAR Government is committed to a transport policy with railway as its backbone. With more and more new rail lines coming into service, road-based public transport faces greater challenges. Secondly, the impact of an aging population with reduced mobility on the public transport industry cannot be ignored. Thirdly, the stability of bus services has also been affected in recent years by Hong Kong's growing car ownership and worsening traffic congestion.

However, the Group remains undeterred by these challenges as it continues to pursue new opportunities. First, while rail is the backbone of local transport policy, buses still play an important role offering the advantages of "point-to-point" services, overnight rides and a pleasant travel experience. More importantly, our bus fleets can provide a service flexible enough to adapt to the changing patterns of population distribution. The increasing population in the northwest New Territories, together with the expected completion and occupation of a host of new housing developments, will fuel the growth of KMB and LWB. One example is the launch of KMB's new routes for the Development at Anderson Road in 2016. We also recognise the significant growth potential for our bus services as the capacity of the West Rail Line approaches, while the East Rail Line will be reduced to a nine-car operation after the opening of the Shatin to Central Link.

Facing the problems of road traffic congestion, the Group will be seeking opportunities to launch more interchange concessions and reorganise bus routes to optimise operational efficiency. The Group will also design better routes to attract passengers. A case in point is the interchange concession for KMB and tram services expected to be rolled out in mid-2017. Meanwhile, the Group is working with the Government to open new bus routes along major corridors to provide more efficient public transport, further demonstrating the competitive edge of bus services.

Q What is the Group's strategy for future development?

A The Group's strategy for future development is all about "creating demand". New media and smart mobile applications have helped us better understand the potential and actual needs of passengers. As a result, we can more effectively address their concerns and satisfy their needs by providing services attuned to their lifestyles. The key to success here lies in creating a larger market by drawing more people out of their homes. In addition, we will enhance the brand image of KMB and LWB, making them the transport option of choice for passengers. To this end, we have launched various initiatives over the past year, including the \$6 Bus-bus Interchange Scheme between KMB routes and LWB "A" routes, as well as the KMB and LWB Lucky Draw, in the hope of encouraging more citizens to use our bus services. Also worth mentioning are the "Pokémon Bus" and "Pokémon GO Bus Routes", which KMB introduced when the mobile game craze swept across the city. These services were appreciated by local people, providing a further example of our success in encouraging people to take the bus.

I have noticed that many citizens, especially women, prefer to take the bus as they feel that the seats are more comfortable and they can enjoy more private space than the rail affords them. Based on this observation, I would consider the development of "point-to-point" express routes and greater use of interchange hubs the way ahead for bus services.

Q As one of the largest employers and industry leaders in Hong Kong, what is the Group's employee policy?

A KMB and LWB have a total of about 12,600 employees, including about 11,500 bus captains, frontline staff and maintenance workers, whose service quality is vital to the competitiveness of the Company. Guided by the simple philosophy that employees who are treated well will in turn serve their customers well, we care deeply about the welfare of our staff. In 2016, in addition to presenting Long Service Awards, we introduced the "Star Bus Captain" Award to recognise passionate and high-performing bus captains. The Company also strives to improve the working environment for staff at the hard and soft levels. Examples are renovation work on staff pantries at bus terminals and enhancement of existing facilities, with the provision of new rest areas at bus depots and terminals. We want our staff to know that every one of them is a valuable asset to the Company and hope that they can be proud of being part of the Group.

Over the past year, the Company has distributed for the first time festive food and gifts, such as rice dumplings, mooncakes, Chinese New Year rice cakes, Chinese sausages and red packets, to staff to celebrate different festivals. These goodwill gestures convey the Company's gratitude and appreciation for its staff members, and help to increase their sense of belonging to the Company.

During the current football season, TIH is the title sponsor of "KMB Yuen Long". The sponsorship is aimed at promoting local sports development, while encouraging staff to participate in physical recreation activities. We also hope to bring colleagues together by distributing tickets to them, so they can attend matches, get to know each other better, cheer for their team and enjoy the team spirit.

The Company does not only care about its current staff. The "TIH Retiree Association" was established in 2016 and both retired and current colleagues of KMB, LWB and Sun Bus were invited to two dinners, which were attended by around 1,000 guests. This shows that all staff members, whether serving or retired, are highly valued by the Group, which adheres to a people-oriented philosophy.

2016 saw the first full-year operation of the KMB/LWB scholarship programme, an initiative designed to ease the financial burden of employees by helping their academically successful children to pursue a university course. The Group is looking to implement more initiatives in different areas to forge closer and more harmonious ties with its employees and their families.

Q What has the Group done in terms of staff training and development?

A As a leader in the local transport industry, the Group takes pride in its proven track record of people training and development. The KMB Bus Captain Training School, for instance, provides training for approximately 7,000 participants every year. It runs quality driving training programmes, supported by 67 instructors and a fleet of 45 training buses. The KMB Technical Training School provides professional training in bus repair and maintenance for young people, ensuring a continued supply of new talent to support our large bus fleets.

Q As the largest bus operator in Hong Kong, what is the TIH Group's commitment to environmental care?

A In support of environmental protection, KMB and LWB continued to invest heavily in new bus models with the latest safety, environmental and design features in 2016. By the end of 2016, KMB and LWB's fleets boasted a total of 2,201 air-conditioned buses at Euro V standard or above. An additional 317 buses at Euro V standard or above are expected to be put into service by KMB and LWB in 2017.

During the year, KMB purchased a batch of new supercapacitor buses and battery-electric buses to test the performance of electric buses in regard to safety and service stability. The tests on supercapacitor buses are drawing to an end and the buses will soon become operational. The battery-electric buses, now undergoing various tests and trial runs, are also expected to be ready for service soon. We will continue to monitor new developments in battery-based technology and look for ways to reduce emissions.

Q How has the Group fared in property development? What new plans do you have?

A The principle governing the Group's property development is to make the best use of our land resources, maintain high occupancy rates and enhance the return on assets. Over the past year, the Group has continued to lease out part of its property at 9 Po Lun Street, Lai Chi Kok, generating a stream of rental income for the Group. At the time of writing, all lettable space under the Group has been leased.

The Government has signalled its intention to transform East Kowloon into Hong Kong's second core business district. The land premium for rezoning from industrial use to non-residential use for the project at 98 How Ming Street, Kwun Tong, Kowloon, in which the Group owns a 50% interest, has been settled. The site is expected to be developed into an office and retail complex, with 1,150,000 square feet of commercial space. Of this space, offices will account for 800,000 square feet, compared with 350,000 square feet for retail facilities. Through this project, we hope to generate satisfactory returns for our shareholders.

Q What initiatives has the Group taken to fulfil its social responsibilities?

A Last year, seeking to demonstrate that its bus services are inextricably linked with the local community, the Group held a number of carnivals, exhibitions, bus tours and drawing competitions. KMB even developed a notebook based on winning drawing competition entries, proceeds from the sale of which were donated to local charities, while some notebooks were given to children in need. In 2016, the Group also held a number of community-level activities for the first time, helping to build a culture of care and mutual support by distributing rice dumplings, mooncakes and Chinese New Year gifts to the elderly in different districts in Hong Kong. All this is part of our aim of building closer community relations through the participation and cooperation of current and retired employees, our volunteer club FRIENDS OF KMB ("FRN"), schools, community groups and local citizens. The wide recognition gained by all the activities run is attributable in large part to the concerted efforts of Group staff and FRN, which now boasts a 5,000-strong membership. Every year since 1998, FRN has been awarded the "Gold Certificate for Volunteer Service" by the Social Welfare Department in recognition of its success in meeting the required standard in volunteer service hours. In 2016, the Group awarded medals to 129 FRN members for their active participation in volunteerism.