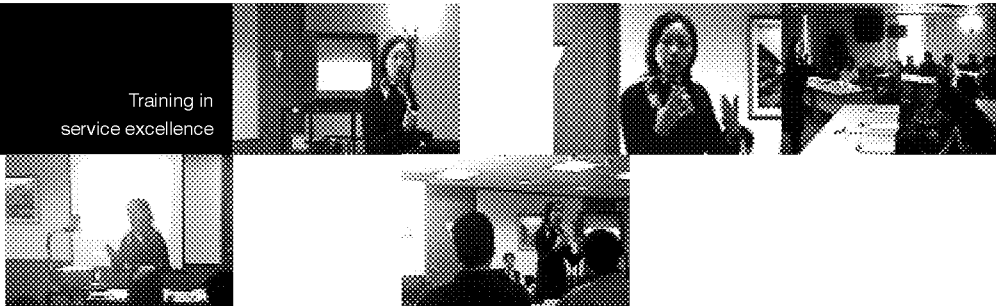


Training in
service excellence



performance in reducing accidents compared to other local bus companies in the third quarter compared with the same period last year. This resulted from the teamwork of various depots and departments that have the common goal of accident reduction. In April 2000, to heighten awareness of the importance of road safety, a Quarterly Lucky Draw for Accident-free Bus Captains and an Inter-depot Accident Reduction Competition were introduced.

Company Safety Committee

A Company Safety Committee was established with responsibility for the safety and health of all employees. The committee consists of representatives from various departments and is designed to promote co-operation between management and employees in developing and implementing measures to ensure job safety and health.

Safety Management System

A safety management system was also developed consisting of 14 elements including safety policy, safety organisation and safety arrangements. Similar to the ISO 9000 quality management system, these elements are designed to integrate occupational safety and health management processes within our existing management framework, improve our business performance and enhance our reputation as a responsible organisation.

Safe Community

KMB participated in the Kwai Tsing Safe Community for betterment of the community. The concept of a safe community was developed in 1989, at the first World Conference on Accident and Injury Prevention held in Stockholm, Sweden. Experience and information on accident and injury prevention were

exchanged amongst the participating members, including government bodies, schools and other public utilities, to enhance safety awareness within the community. KMB benefits from improvement in productivity, as a result of less injury at works.

Staff Performance

During 2000, KMB presented the following staff with awards in appreciation of their dedication and contribution to KMB:

Good Service Annual Bonus

A total of 6,162 bus captains were eligible for this award.

Safe Driving Annual Bonus

A total of 4,072 bus captains were eligible for this award.

Safe Driving Award

A total of 73 bus captains were eligible for the 15-year accident free award, 177 for the 10-year accident free award and 411 for the five-year accident free award.

Loyal Service Award

A total of 213 employees received this award for 30 years of service with KMB.

Training

The Service Enhancement Project

A Service Enhancement Project involving more than 9,000 frontline and support staff, which was designed by outside consultants to cultivate a customer service culture throughout the organisation, was completed successfully in 2000. Support staff was trained to provide quality "internal service" to our frontline staff who interacts with the public - bus captains, inspectors and regulators - so that they can deliver better quality bus service. All those involved participated in a seminar and a workshop to learn service concepts and ways to deal with customers in various situations. In-house trainers are now responsible for conducting training sessions for new staff. Our team of inspectors was also given training to coach frontline staff on an on-going basis to ensure the integration and consistent application of quality service concepts in real job situations.

As a result of the completion of

the project, there was an increase of 30% in the number of commendations received from the public on the service attitude of frontline staff.

Technical Training

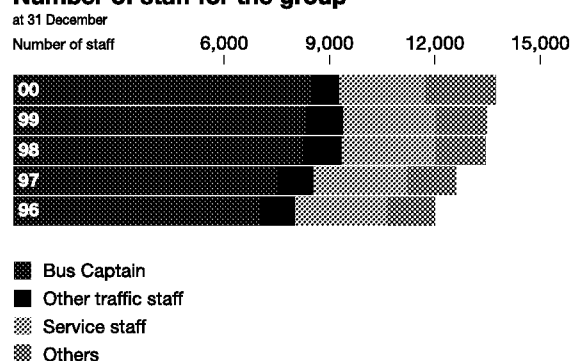
The KMB Technical Training School which began in 1973, has kept our maintenance staff abreast of the latest bus transportation technology. The current curricula include the latest On Board Computer Diagnosis System for bus bodies and chassis of new Neoplan and MAN buses. During 2000, a total of 102 in-house training sessions were held for 427 skilled workers and 17 sessions were organised for engineers, supervisors and foremen in conjunction with our vehicle manufacturers.

Apprentice Training

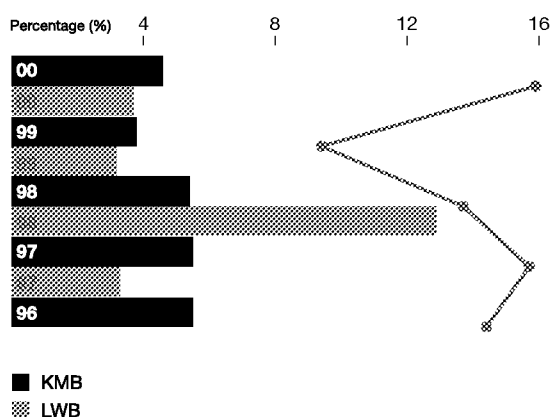
A four-year apprentice-training scheme at the KMB Technical Training School for young school leavers is designed to ensure an adequate supply of skilled maintenance workers. 57 apprentices graduated from the School in 2000, and the total number of graduates since 1973 was 1,910. At year-end 2000, there were 172 apprentices in training.

The high standard of KMB's

Number of staff for the group



Staff turnover rate



*Source: Hong Kong Institute of Human Resource Management

apprentice training was again recognised when KMB apprentices won all the prizes, including the champion award, in the automobile electrician trade category of the Best Apprentice Competition 2000 organised by the Vocational Training Council. The four winners were invited to visit the Honda Plant in Japan.

New Uniforms

All 9,000 KMB bus captains and outdoor staff changed their uniforms at the end of 2000 to disseminate a new youthful and energetic image. The new

uniforms, designed with three colours of light yellow, red and grey, reflect the staff's reliability and eagerness to serve. The design and choice of materials have paid particular attention to operational requirements, and are well received by the staff and the general public.

Staff Communication

The Joint Consultative Committee

The Joint Consultative Committee provides a channel for management and employee

representatives to discuss matters affecting the daily operation of the depots and workers. The Committee meets on a monthly basis to discuss such matters as improvement of the working environment, safety, working procedures and staff welfare.

Staff web-site

<http://www.kmb.org.hk>

KMB launched a homepage exclusively for KMB and LWB's staff. It provides up-to-date information of and announcements from KMB and



KMB's Apprentice Training Programmes
train up school leavers to become skilled maintenance staff

LWB, details of upcoming and past events involving staff participation, a corner to recognise outstanding staff, lists of shops giving special discounts to our staff etc, in a more energetic and illustrative approach. The hit rate of the homepage has exceeded 11,000 since its inception.

**Production of Staff
Communication VCD and
Magazine**

A video compact disc (VCD) entitled "Staff Canteen 900" was produced and distributed to all staff in the year 2000 to keep them abreast of the latest development of KMB, as a supplement to the monthly staff magazine, "KMB Today".

Staff Retirement Schemes

The Group operates two non-contributory defined benefit retirement schemes ("DB Schemes"), namely the KMB Monthly Rated Employees Provident Fund Scheme and the KMB Daily Rated Employees Retirement Fund Scheme, both registered under the Occupational Retirement Scheme Ordinance ("ORSO").

The Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance") became effective from 1 December 2000 requiring

employers to provide MPF benefits for their employees. To this end, the Group chose to participate in the SHKP MPF Employer Sponsored Scheme (the "ES Scheme"), co-sponsored by Sun Hung Kai Properties Limited and Standard Chartered Bank.

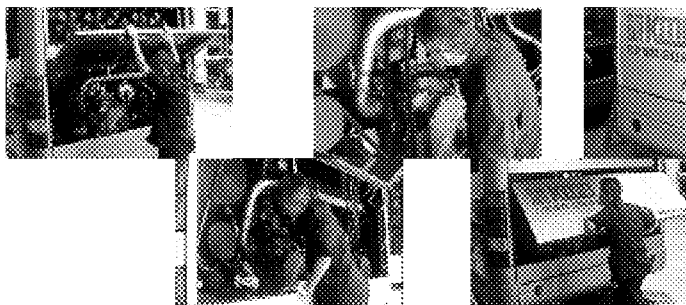
Under the MPF Ordinance, all existing ORSO schemes not exempted by the MPF Authority would have to cease operation after 1 December 2000. The Group successfully applied for exemption for its DB Schemes. The MPF Ordinance requires all members of the MPF exempted ORSO schemes to choose whether to stay in their existing schemes or to opt for MPF scheme. Further, for staff not covered by any exempted ORSO schemes, they need to be enrolled in a MPF scheme. To provide the existing members of our DB Schemes with similar retirement benefits if they opt for the ES Scheme, the employer contribution rates of the ES Scheme were designed so that the MPF benefits are in line with those of the DB Schemes. Accordingly, our employer contribution rates for the ES Scheme ranged from 5% to 12%.



Our environmental protection
measures focus on

clean air for breathing

All of us at KMB are
highly conscious of our
environmental
responsibilities and we
work diligently to
develop measures to
ensure environmentally
sound operations



All new buses are fitted with Euro 2 green engines

CONCERN FOR THE ENVIRONMENT

Environmental Protection

KMB has maintained a long standing commitment to conduct its business in a manner that is compatible with the environment.

Waste water produced from our depots' daily operation is treated before discharge into the government sewer. In 2000, KMB maintained 11 automatic waste water treatment systems for its fleet and depots with a total daily treatment capacity of 1,000 cubic metres.

Consumed lubricating oil collected during the bus maintenance process is delivered to a waste oil recycle agent. In 2000, about 1,200,000 litres of used oil were treated.

Chemical wastes are also treated and stored according to type in a specially designated area of the

bus depot and disposed of by a registered chemical waste collector to a designated landfill.

Environmental protection issues and energy conservation are always important factors when KMB designs and builds new bus depots.

Environment Friendly Bus Fleet

A total of 313 buses equipped with engines of Euro 2 standard were introduced in 2000 bringing the number of these buses to 1,318.

Exhaust Treatment Device

To further improve exhaust emission quality, we committed ourselves to installing exhaust catalytic converters on all 1,800 pre-Euro 1 engine vehicles by the first quarter of 2001 and all 968 Euro 1 engine vehicles by the first quarter of 2002 to meet Euro 1 and Euro 2 standards in terms of particulate matter respectively.

Ultra Low Sulphur Diesel ("ULSD")

ULSD with 0.005% sulphur content was successfully tested and five Volvo Olympians equipped with Euro 2 engines on Route No. 914 have been using ULSD since 1 August 2000. KMB's entire fleet of more than 4,200 buses have been using ULSD since January 2001. This shows once again our commitment towards environmental protection.

ULSD improves emission levels significantly because it contains only 0.005% sulphur, ten times less than that of ordinary low sulphur diesel. According to UK test reports, the use of ULSD in double-deck buses decreases the emission of particulate matter by up to 30% when compared with low sulphur diesel. The emission levels of sulphur oxides and nitrous oxides are also reduced significantly.

Continuous Regenerating Trap ("CRT")

A bus fitted with a CRT, a sophisticated exhaust treatment device, has shown an 80% to 90% reduction in particulate matter emission and zero smoke level. The exhaust emission quality was comparable to a natural gas fuelled vehicle. This test, which began in August 2000, will continue for a year to evaluate the equipment's reliability and durability.

Euro 3 Engine

Two Volvo Super Olympians, two

Neoplan Centroliners and two Dennis Tridents, all equipped with engines of Euro 3 standard, were ordered for delivery in the first half of 2001. A further reduction of 30% and 50% of nitrogen oxides and particulate matter, respectively, will be achieved when compared to the Euro 2 engine.

COMMUNITY OUTREACH

Passenger Liaison Groups ("PLGs")

The PLGs provide an important channel for face-to-face opinion exchange between management

and passengers. Six sessions were held during 2000 and the response from the public was enthusiastic. While the stated focus of the meetings was "the performance of the frontline staff", a range of other issues were also discussed, including the bus network, vehicle design and operational issues.

These sessions proved effective in generating ideas to improve service quality. Participants were recruited from various districts in the territory. University lecturers were invited to take part as

KMB introduced Hong Kong's first
Solar Powered bus shelter in Tsim Sha Tsui

