

moderators, whilst representatives of the Transport Department of the HKSAR Government acted as observers.

Passenger Opinion Cabin

To facilitate direct communication with passengers, the Passenger Opinion Cabin, a modified single-deck bus, travelled regularly to various districts to collect passengers' opinions. A total of 630 suggestions were collected during 2000. On many occasions, the Chairmen and Vice-Chairmen of District Councils and the Chairmen of their respective Traffic and Transport Committees were invited to share their views with KMB senior management.

FRIENDS of KMB

FRIENDS of KMB, the company's passenger club, continues to promote the "Helping Others" spirit and KMB's image as a socially responsible company. The club mobilises its 1,400 members to participate in various social service, community building, civic, educational and environmental protection activities.

During 2000, FRIENDS of KMB received its second "Gold Award for Volunteer Service" from the Social Welfare Department of the HKSAR Government. The award

recognises the 2,270 hours of volunteer work contributed by more than 800 members.

Community Chest and Other Non-profit Organisations

KMB was awarded the Diamond Award by The Community Chest in recognition of its efforts to raise over HK\$800,000 during various fund-raising programmes for the year 1999/2000. These included the Corporate and Employee Contribution Programme, Dress Casual Day, Chek Lap Kok Year of the Dragon Walk, Sponsor a Tree for the Chest and the Community, and the Christmas Greetings for the Chest Campaign.

KMB also supported many other charitable organisations and community activities through sponsorships in various campaigns organised by the Government and charitable organisations, including the Hong Kong Awards for Industry, the Hong Kong Awards for Services, Hong Kong Arts Festival and the 30 Hours Famine 2000.

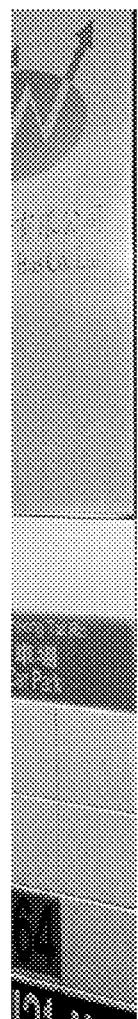
International Day of Disabled Persons

KMB and LWB offered free rides to disabled persons and their escorts on 3 December 2000 in support of the International Day of Disabled Persons.

District Councils and Community Groups

To facilitate communication between KMB senior management and district councils, political groups and environmental groups, 14 visits were arranged to brief their representatives on KMB's maintenance and environmental protection efforts. In addition, KMB representatives attended 54 district council and related meetings to listen to their views and to explain KMB's policies and service.

In a survey conducted by the Oriental Daily News on the performance of government departments and public utility companies in handling readers' comments and suggestions in 1999, KMB was rated among the top, along with China Light & Power Hong Kong Limited and the Environmental Protection Department of the HKSAR Government. This illustrates again our responsiveness towards our customers' expectations.





FRANCHISED PUBLIC BUS OPERATIONS DIVISION

Long Win Bus Company Limited ("LWB")

OPERATION

Following the consolidation and rationalisation of the bus network in 1999, LWB entered the millennium with a network of 15 routes and a peak hour allocation of 119 buses. While operating fewer buses than in the previous year, the catchment of LWB's network was extended to cover North District and Ma On Shan. The sluggish market environment for North Lantau and the Airport began to change for the better since mid-2000 due mainly to the

increased population intake of the Tung Chung New Town.

The total ridership of LWB for the year was 17.3 million passenger trips (a daily average of 47,135).

This represents an increase of 2.1% over the previous year.

Such increase was mainly attributed to improved market conditions. Total mileage operated in 2000 was 23.1 million km, down 1% from 1999.

Operational Performance

LWB's performance in the two

core competencies in bus operations - mechanical reliability and operational capability - was 1,567:1 on mechanical reliability and 100% on operational capability.

Fleet Size and Design

At year-end 2000, LWB had 149 air-conditioned double-deck buses and 10 air-conditioned single-deck buses serving Tung Chung and the Airport. All double-deck buses are super-low floor air-conditioned buses with wheelchair access and many of

the features recommended by the United Kingdom Disabled Persons Public Transport Advisory Committee. Also, LWB actively participated in an exchange forum with groups working to improve public transport facilities for disabled people.

As a result of the increased operation on the Airbus network, LWB upgraded seven of its conventional air-conditioned double-deck buses to Airbus configuration with moquette seating and larger luggage spaces.

Fleet and the Environment

As a socially responsible company, LWB responded to the Government's environmental protection initiative. All air-conditioned double-deck buses are equipped with the environment friendly Euro 2 standard engines to improve emission control. The Euro 2 engine complies with the exhaust emission standards issued by the European Council of Environmental Ministers. Catalytic converters are also retrofitted on the pre-Euro engine single-deck air-conditioned buses to reduce exhaust emissions.

Depot and the Environment

The bus servicing site at Tung

Chung Town Centre and the depot at Siu Ho Wan provide support services including refuelling, coin collection, bus washing, routine maintenance and bus parking. A treatment system at Siu Ho Wan Depot treats waste water before it is discharged into the public drainage system and ensures compliance with regulatory requirements.

Ultra Low Sulphur Diesel ("ULSD")

Same as KMB, the entire fleet of LWB has been using ULSD since January 2001.

CUSTOMER SERVICES

Octopus Smart Card and Electronic Bus Stop Announcement System

The Octopus Smart Card System, a fleet-wide feature, is gaining popularity with passengers as reflected in a 60% usage rate, up from the previous year's 40%. A total of 25 double-deck air-conditioned buses are equipped with the Electronic Bus Announcement System with LED displays for operation on Route Nos. A31 and A41. Together with KMB, LWB participates in the joint-operators bus-bus interchange scheme by accepting passenger interchange

at Tin Shui Wai Town Centre between Route No. E34 and KCR LRT feeder bus Route No. 659 with discounted fare. This further extends the catchment area of LWB to Tin Shui Wai North.

Two-way Communication

LWB is dedicated to providing efficient, safe and customer oriented bus service. To achieve this, a host of two-way communication channels has been established with customers to solicit their views. These include the Customer Service Centre at the Airport, the Passenger Liaison Groups ("PLGs") and a hotline / hotfax.

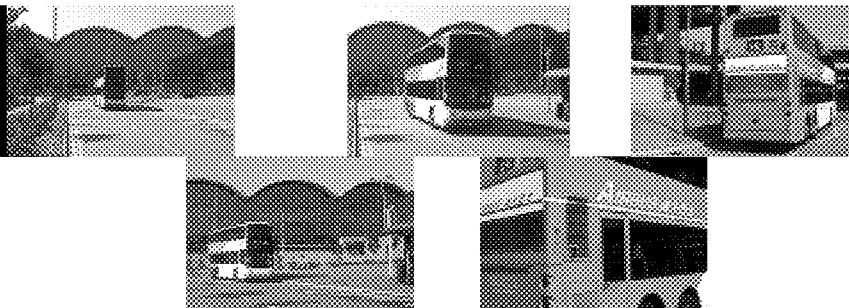
Customer Service Centre

LWB's Customer Service Centre at the Arrivals Hall and the ticketing booth at the Ground Transportation Centre of the Airport's passenger terminal building provide information, coin change and ticket sales services. More than 160,000 passenger enquiries and ticket sales were handled at these two outlets during 2000.

Passenger Liaison Groups ("PLGs")

The PLGs provide an important channel for face-to-face exchanges between management and passengers.

LWB Airbus operations



Six sessions were held during 2000 and the response from the public was satisfactory. Topics discussed included service standards and the bus network for the Airport and North Lantau, performance of bus captains, vehicle design and operational issues.

Customer Helpline

The operator-assisted Helpline, manned by customer services representatives at the Airport's Customer Service Centre, received over 19,000 calls in 2000, representing an average of 1,595 calls per month. There was an increase of 25% over 1999. Apart from answering enquiries, the customer services representatives also receive customer opinions and handle lost and found.

Route Information

Several publications were written and made available to facilitate the use of LWB services. 66,000 copies of the pamphlet "LWBC Bus Services for North Lantau and the Airport" and 10,000 copies of "Leisure Pursuit" were

distributed in 2000. To promote the use of the Airbus services, 10,000 copies of "Airbus Card" with detailed routing and departure information were produced for distribution to provide user-friendly information for the time-conscious Airport-bound passengers.

PEOPLE

LWB's staff totalled 405 at the end of 2000, down from 409 in 1999. Of this total, 356 and 49 are traffic operations and service support staff respectively. Under the Group's human resources policy of "Caring for People", LWB trained, upgraded skills, motivated and rewarded its staff to provide quality service.

Staff Performance

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

Good Service Annual Bonus

A total of 221 bus captains were eligible for this award.

Safe Driving Annual Bonus

A total of 174 bus captains were eligible for this award.

Safe Driving Award

A total of four bus captains were eligible for the 15-year accident free award and three for the 10-year accident free award.

Loyal Service Award

A total of 29 employees received this award for 30 years of service with LWB or KMB.

Bus Captain of the Year Award and Competition

LWB achieved satisfactory results in the annual Bus Captain of the Year Competition, winning the team competition and coming in third in the individual competition in the Double-Deck Bus Section.

NON-FRANCHISED TRANSPORT OPERATIONS DIVISION

For the non-franchised transport business, the year of 2000 was a fast-growing and satisfactory year. Overall monthly turnover reached a record high of about HK\$9 million compared with 1999's average monthly turnover of about HK\$5 million.

Sun Bus Holdings Limited and its subsidiaries ("SBH")

Under the Group's non-franchised Transport Operations Division, SBH comprises four business units, compared with two units in 1999. With Sun Bus

Limited being the flagship, these business units were established or acquired during the past three years to serve various market segments that require different modes of operations and bus types. In spite of their operational differentiation, some major costs such as fuel, spare parts and administration overheads are pooled to benefit from the economies of scale.

SBH's services are categorised into two main streams: prestige premium services for clients

seeking high quality and popular services for the general public where the major concern is value for money.

SBH had a fleet of 177 vehicles at the end of year 2000. It provides various types of non-franchised bus services such as residential, commercial, employee, tour, student and contract hiring. All buses are air-conditioned and single-decked with seating capacity ranging from 24 to 61. More than 95% of them are equipped with



Sun Bus Limited
offers high quality coach service for residential estates
and shopping centres

environment friendly Euro-standard engines.

While the fleet doubled in size during 2000, the number of full time employees grew by about 68%, reflecting productivity gains realised from our focus on manpower efficiency.

In summary, SBH has evolved to become one of the leaders in Hong Kong's non-franchised bus service sector. Although facing greater competition, SBH will optimise its market share and cost efficiency

through further economies of scale and more added value for total customer satisfaction in the years ahead.

New Hong Kong Bus Company Limited ("NHKB")

NHKB jointly operates a cross-boundary shuttle bus service - the "yellow bus" - between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen together with its Shenzhen counterpart. This "yellow bus" service has been well received by both regular cross-boundary

commuters and holiday travellers.

At present, only 10 air-conditioned single-deck buses are allowed to operate this service. In view of its popularity, NHKB and its Shenzhen partner have been in discussion with both the HKSAR and Shenzhen governments to seek to improve the service including adding more buses with greater peak-hour carrying capacity.



Our fleet of 120 new air-conditioned buses

started operations in Tianjin in January 2001

MAINLAND CHINA OPERATIONS DIVISION

Dalian Project

A co-operative joint venture (the "CJV"), established in 1997, between a 60% owned subsidiary of the Company and Dalian City No.1 Bus Company in Liaoning Province, PRC continued to make steady progress during 2000 yielding a satisfactory return on our investment. The CJV operates three bus routes in Dalian City deploying 46 double-deck and 40 single-deck buses. In addition, the CJV also became a minority shareholder in an organisation that issues smart cards in Dalian equivalent to the Octopus Cards in Hong Kong.

Tianjin Project

At the end of 2000, a new CJV contract was entered into between a 50% owned associate of the Company and Tianjin City Public Transport Holding Company Limited in Tianjin, PRC. For the initial phase of the project, this CJV has operated seven bus routes in Tianjin deploying some 120 single-deck buses since January 2001. The Group will continue to explore opportunities to expand the operation in Tianjin.

MEDIA SALES BUSINESS DIVISION

RoadShow Holdings Limited ("RoadShow")

The Group strives to improve its bus services to meet the ever-increasing needs and expectations of our customers and to stay ahead as the most-preferred mode of public transport. As such, the Group set up a new subsidiary, RoadShow Holdings Limited, to launch multi-media services in December 2000.

With an aim of becoming a leading out-of-home media sales company, RoadShow primarily markets advertising space on the interior of transit vehicles through a Multi-media On-board ("MMOB") system. The MMOB system consists of liquid crystal display ("LCD") monitors and video compact disc players, both mounted inside transit vehicles. The MMOB system transmits to passengers tailor-made programmes, which consist of information, entertainment, educational programmes, community service and advertisements.

RoadShow is currently the only provider of large-scale and territory-wide MMOB services on transit vehicles in Hong Kong. It also manages and markets advertising on the exterior of transit vehicles and advertising

displays at transit vehicle shelters, as well as engaging in a merchandising business of selling commemorative items.

As at the end of December 2000, 100 buses were equipped with MMOB. The Group expects to see a total of 2,000 transit vehicles equipped with MMOB by April 2001.

In the longer term, the Group plans to expand the MMOB services to include a transit vehicle tracking system with a global positioning system ("GPS") technology. Such a system will facilitate efficient bus operations and location-specific advertising.

RoadShow plans to expand the delivery platform of advertising at transit vehicle shelters to include cyber bus stops, which are interactive computer terminals located at transit vehicle shelters along major roads and inside major transit vehicle terminals. Users will be able to read transit vehicle route information, browse certain websites and purchase goods and services by using the LCD panel located at the front of each cyber bus stop. Launch of cyber bus stop service is being planned for the end of 2001, with an initial establishment of about 100 cyber bus stops covering the major corridors in Hong Kong.