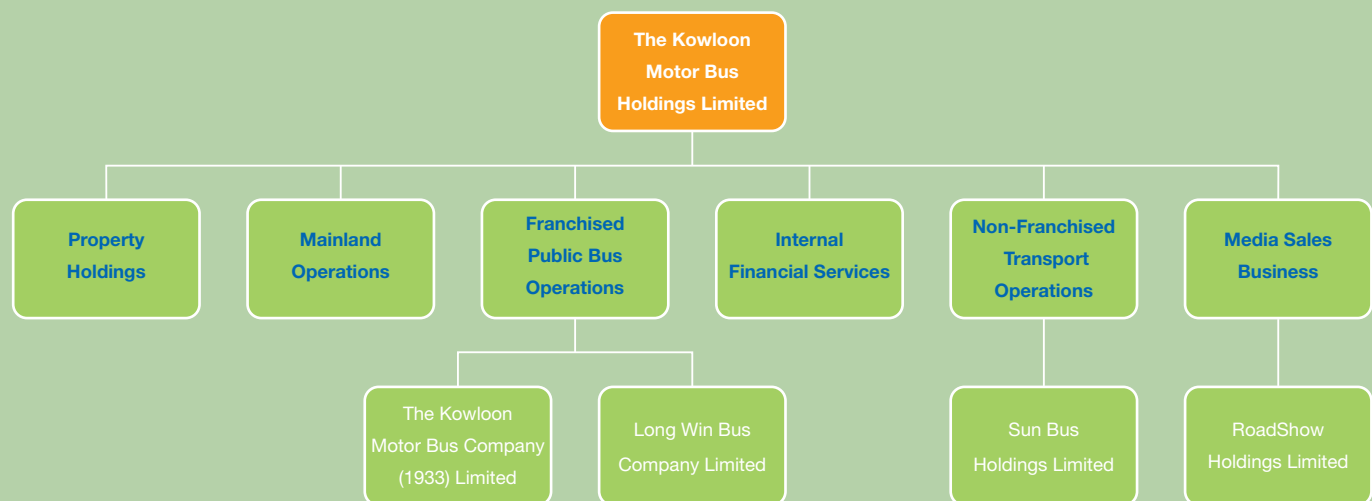


# MANAGING DIRECTOR'S REPORT



**Management team sets high industry standards and responds to changing customer expectations**

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

In 2001, the daily ridership of KMB increased by 2.0% compared with 2000. A total of 1,111.2 million passenger trips was made on KMB buses in 2001 compared with 1,089.2 million passenger trips in 2000. This represents an average daily ridership of 3.04 million for 2001 compared with 2.98 million for 2000. Such passenger volume growth was primarily attributable to several factors: our strategy to attract and retain customers by providing quality service, the population growth of new towns in the New Territories and new customers seeking value for money public transport service during a period of economic slowdown.

The actual distance operated by the Company's buses totalled 349.1 million kilometres (2000: 329.6 million kilometres). The increase in distance travelled was primarily due to the introduction of additional routes as well as improved frequencies on certain routes.



from left to right: **Mr Peter MAK**, Commercial Director; **Miss Winnie J NG**, Executive Director; **Mr LUI Pochiu**, Operations Director; **Mr Edmond HO**, Deputy Managing Director and Finance and Administration Director; **Mr John CHAN Cho Chak**, Managing Director

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

Demand for LWB's services increased with the growth in tourist numbers and the continued development of Tung Chung New Town and North Lantau. The total ridership of LWB for 2001 was 19.0 million passenger trips (a daily average of 52,052). This represents an increase of 10.1% over that of 2000. Total mileage operated in 2001 was 22.8 million kilometres, up 0.9% from 2000.

With the population growing in Tung Chung Area 30/31, our ridership is expected to continue to increase. LWB's bus network will remain the preferred means of public transport between the New Territories and North Lantau because of its competitive pricing and direct routing. Due to its continued commitment to providing safe, efficient, comfortable and high quality service, LWB is well placed to cater to the increasing travel demand.

### **NON-FRANCHISED BUS SERVICE**

The overall average monthly turnover of the non-franchised bus business reached a record high of HK\$11.9 million in 2001 compared with HK\$8.6 million in the previous year.

Our non-franchised business under Sun Bus Holdings Limited and its subsidiaries, launched in early 1998 to provide bus services to large residential estates in the New Territories, has quickly become one of the leading operators in this market sector. The customer base has expanded to cover urban and suburban areas where our bus services cater for large residential estates, shopping malls, major employers and schools. We expect that our non-franchised business will grow as it meets the increased demand for residential, commercial, employee and school bus services in areas with no public transport service. New Hong Kong Bus Company Limited ("NHKB"), the Group's wholly owned subsidiary, jointly operates with its Shenzhen counterpart the cross-boundary shuttle bus service between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen. This service has been well received by customers.

In May 2001, Park Island Transport Company Limited, a 65% owned subsidiary of the Group, entered into an agreement with Sun Hung Kai (Ma Wan) Transport Company Limited, a subsidiary of Sun Hung Kai Properties Limited and a substantial shareholder of the Company, for the provision of bus and ferry services to and from Ma Wan Island. These services are expected to begin in the last quarter of 2002.

### **MAINLAND OPERATIONS**

The Group's two co-operative joint ventures on the Mainland performed satisfactorily in 2001. Our joint venture in Dalian entered into its fifth year of operation and its public bus service has been well received by local commuters. Commencing operation in January 2001, the joint venture in Tianjin has been building up its customer base and will step up its marketing efforts to increase patronage.

### **AWARD WINNING COMPANY**

KMB adheres to the highest quality standards and commitment to public bus service. We persist in our avid pursuit of new ideas for continuous improvement in our operations. Thus, we are delighted to have our commitment to world class standards of excellence recognised by various sectors of the Hong Kong community during the year.

KMB was one of the three overall winners of the HKMA Quality Award 2001 organised by the Hong Kong Management Association ("HKMA"). According to HKMA: "This award aims not only to bring public recognition to those who have achieved outstanding standards of quality and made a lasting commitment to the process of quality management, but also to help improve quality and productivity." KMB was honoured to have received this prestigious stamp of approval for quality management that is based on the same criteria as the Malcolm Baldrige National Quality Award in the U.S.

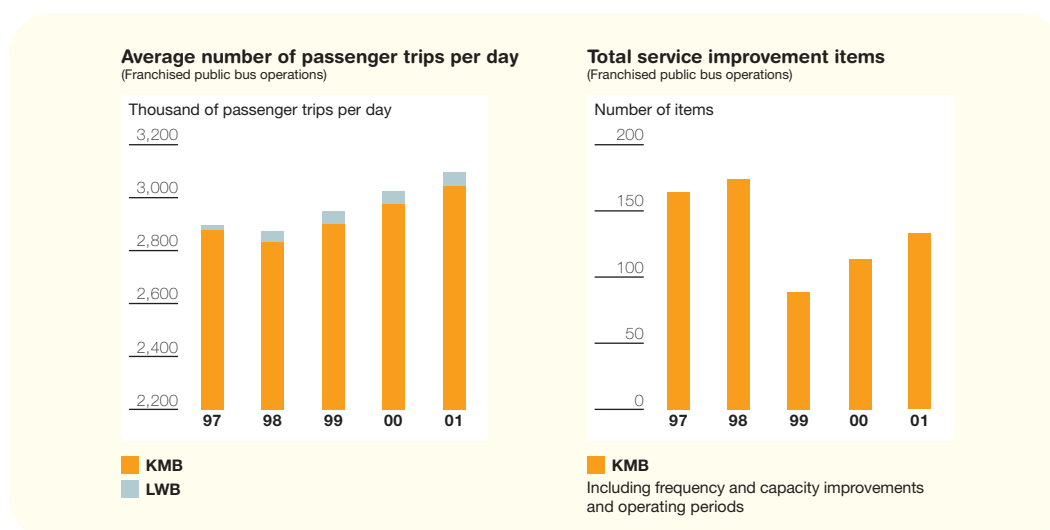
The Hong Kong Productivity Council ("HKPC") presented KMB with the 2001 Hong Kong Award for Services: Productivity (Grand Award). The HKPC citation stated: "This award is the highest official recognition for excellent performance in productivity improvement on a company basis".

KMB also received the 2001 Environmental Performance Award organised by the Business Environment Council ("BEC"). The BEC is a non-profit-making organisation that assists business and industry in achieving environmental excellence and to raise the environmental awareness of the community as a whole. In addition, KMB's Sha Tin Depot was certified for ISO 14001 in November 2001.

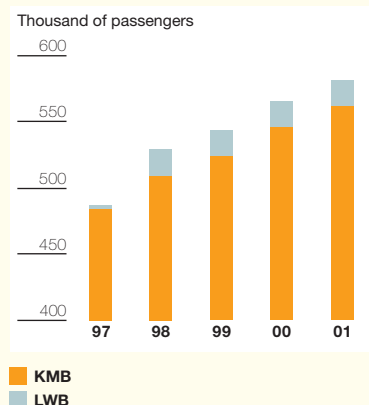
These Awards provide KMB with the opportunity to compare its practices and standards with those of other quality performance-oriented companies and to benefit from the recommendations and comments provided by the relevant assessment teams.

To win any one of these prestigious awards is a great honour. To be presented with three in the same year is particularly gratifying. Our management team and staff should be especially proud of their performance in making KMB an award-winning pacesetter for our industry.

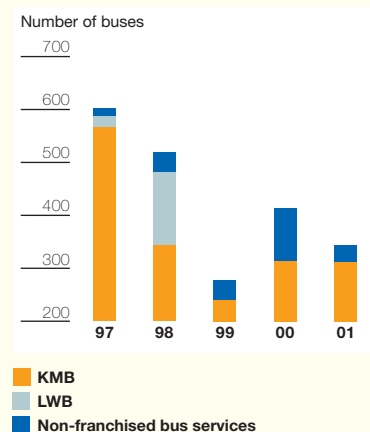
Other awards presented to KMB during 2001 are discussed in other sections of this report.



**Total fleet capacity at 31 December**  
(Franchised public bus operations)



**Number of new buses introduced to the fleet**



### HONG KONG'S FIRST EURO III BUS

KMB launched Hong Kong's first Euro III environment friendly bus into service in May 2001, making it the flagship of our environment friendly bus fleet. The Euro III engine reduces emissions of nitrogen oxides and particulates further by 28% and 33% respectively when compared to the Euro II engine. A total of eight Euro III buses were acquired in 2001. This new bus type gives excellent fuel economy and a smoother and quieter ride. It also provides computerised driving records which facilitate the maintenance process. Its air-conditioning system is equipped with an ambient sensor for adjusting the temperature in the bus compartment relative to outside conditions, together with an electrostatic filter for maintaining clean airflow. The new air-conditioning system and the Euro III engine are standard specifications for all new buses to be purchased by KMB.

### ENVIRONMENT FRIENDLY BUS DEPOT

As a further commitment to provide passengers with quality bus service, KMB has invested about HK\$400 million to construct a new bus depot in West Kowloon to replace the existing depot at Lai Chi Kok. The new depot will provide maintenance for some 1,000 buses which serve about 120 routes in the West Kowloon and South-West New Territories regions as well as a large number of our cross-harbour tunnel routes. With a total gross floor area of 44,374 square metres, this new depot will comprise a three-storey building for repair, maintenance and parking of buses and a six-storey administration building for providing logistic and support services. A full range of facilities and systems for environmental protection will be installed in the new depot to enhance our efforts to maintain the efficiency and reliability of the bus fleet. This new facility is scheduled to be operational in April 2002.

### **OCTOPUS BUS-BUS INTERCHANGE**

In December 2001, we implemented four new Octopus bus-bus interchange ("BBI") packages and enhanced three existing BBI packages covering a total of 55 KMB bus routes throughout Kowloon and the New Territories as the first phase of launching seven new and six enhanced BBI packages. The scheme improves the efficiency of the bus network and offers discounts of up to 50% for the total bus fares. The second phase, comprising three new and three enhanced BBI packages, has been introduced since January 2002. With the launching of these new and enhanced packages, KMB has a total of 22 BBI packages in operation by January 2002. Since the inception of the first package, the BBI concept has been well received by our customers.

### **"INFOTAINMENT" FOR BUS PASSENGERS**

Hong Kong's first Multi-media on-board ("MMOB") bus infotainment system, introduced in December 2000, has been well received by our customers, according to our quarterly customer satisfaction surveys. At 2001 year-end, the number of buses and minibuses equipped with MMOB systems totalled 2,600. We believe that we are possibly the first public bus company in the world to provide this service on such a large scale.

The MMOB buses, equipped with liquid crystal display ("LCD") monitors, offer bus service information and entertainment. We plan to offer real time news and traffic information when we eventually install the global positioning system ("GPS") on our MMOB buses and cyber bus-stops. With a maximum of 12 minutes every hour of advertising, the majority of the MMOB programming consists of public service announcements, educational material, English and Putonghua language lessons, travelogues, public health advisories and investment commentary.

RoadShow Holdings Limited ("RoadShow"), which was established by the Group to manage the media sales services, media sales management and administrative services and the merchandising businesses, was separately listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2001. The initial public offering in Hong Kong and the international placing in June 2001, together with the over-allotment option exercised by the underwriters in July 2001, raised about HK\$588.8 million, before issuing expenses, for RoadShow. The Group maintains an interest of about 73.3% in RoadShow. The Board believes that the separate listing will provide RoadShow with a more diversified funding source to finance the existing operations and future expansion.

### **MULTI-MEDIA BUS TERMINUS**

In early 2001, KMB unveiled Hong Kong's first innovative multi-media bus terminus that provides digital information and multi-media customer services at the Sha Tin Central Bus Terminus. In addition to a closed circuit television system that monitors traffic flow, the terminus is equipped with large digital projection screens and a multi-media customer service centre. The terminus serves a total of 39 bus routes and is the bus transport hub of Sha Tin.

The multi-media Customer Service Centre is equipped with kiosks where passengers can access bus route information via the point-to-point route search function of the KMB website. Moreover, a 40-inch plasma screen displays up-to-date KMB news broadcasts.

NEW BUS ROUTES

In April 2001, KMB launched all of the new bus routes obtained through its successful tender in November 1999 for Tin Shui Wai (North). This extended the scope of our services in the northern part of the New Territories. These new routes provide links and reduce travel time between the northern New Territories and urban Kowloon and they mark the full operation of KMB's bus services in Tin Shui Wai (North).

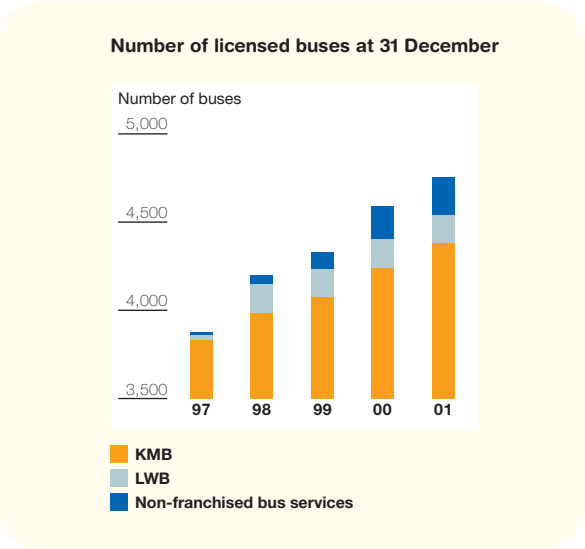
For promoting tourism in Hong Kong, KMB launched a sightseeing circular route no. T1 serving 15 famous tourist spots in Kowloon. With a valid day pass, a passenger can enjoy the convenience of unlimited rides on this route throughout a specific day.

SAFETY AND COMFORT FIRST

The Group has always emphasised operational and passenger safety. We strive to enhance safety through staff training, adhering to the highest maintenance standards, and continuous upgrading of our bus fleet and facilities. With a fleet of over 4,300 buses transporting more than three million passengers a day, KMB has managed to keep its accident rates to a low level.

In this regard, the driving skills of our bus captains are a critical factor. In addition to providing comprehensive training to new bus captains, we conduct remedial and refresher training for serving bus captains on a regular basis. To reward bus captains who have excellent driving records, and to encourage a 'safety first' culture, KMB has implemented safety bonus and award schemes.

Also contributing to accident prevention is the high mechanical reliability of KMB buses. This reached a record high during the year with an average of 2,618 trips operated before a bus had one mechanical breakdown on the road with passengers on board. To enhance safety inside the buses, interiors have been modified with the installation of handrails and the placing of safety belts on seats that do not have a frontal barrier.



### LISTENING TO CUSTOMERS

In order to provide the best service possible, we always listen to our customers. We want to know their needs and expectations so we can retain their continued patronage of our service and attract new riders. A number of methods has been used to meet those needs including our redesigned and award winning website and enquiry hotline service, our multi-media bus terminus, and cyber bus-stops that provide bus information. We also continue to host community meetings and organise passenger liaison groups to discuss public transport issues.

Providing information to customers, as well as the general community, is part of our total commitment to openness and transparency.

### APPRECIATION

Our dedicated professional workforce and management team make us a strong, progressive, award winning corporation committed to constant improvement in our operations. Our people who eagerly participate in training and development programmes contribute their value added performance. The recognition bestowed upon the Group in numerous areas during 2001 is a true affirmation of our employees' dedication to top quality service.

Our winning team looks forward to the Group's continued success. We will continue to adhere to the highest quality standards and commitment to public service and seek new ideas that will continuously improve our performance. I wish to thank all our people for their contribution to the Group's success in 2001.



**John CHAN Cho Chak**  
**Managing Director**

11 March 2002