

The research reflected that KMB's performance had improved overall as well as in specific areas of service. KMB is increasingly perceived as a progressive company that cares for the needs of its passengers, actively communicates with them and cares about the society and charity. Its core strengths were seen to be its extensive coverage and ever-improving services and value for money.

These studies also indicated the growing preference for more informative and entertaining bus journeys, which have been delivered through technological advancements.

Advertising Awards> The advertising initiatives of KMB gained accolades in various award programmes.

KMB's television advertisement "Popularity" was voted one of "The 10 Most Popular TV Commercials" in the 7th Annual Most Popular TV Commercial Awards, organised by Asia Television Limited. It also received the "SPIKE Award - Corporate / Institutional / Utilities" in the Asian Advertising Awards 2000, organised by MEDIA magazine.

KMB's television advertisement, "I Love Nature", received the Gold Award, and "Everywhere", "Staff Commitment" and "Popularity", the Silver Award, in the Public Service Category of the 8th Times International Chinese Advertising Awards. "Staff Commitment" was also a finalist in the Cannes Lions Award 2001 held in France.

KMB's television advertisement "I Love Nature", print advertisement "Astronaut" and bus-stop decorations "Wedding", "Rice Dumplings" and "Windmill" received a total of six awards in the 2001 4As Creative Awards.

MEDIA EVENTS

In 2001, KMB organised 31 press events to publicise a variety of developments and activities to showcase its commitment to serve the public and address social issues.

At the local level, the "KMB Tuen Mun Fun Day" strengthened the Company's communications with our customers in the North-West New Territories. At the community level, KMB was active in support of charitable causes, such as the "Care and Share, Everywhere" campaign and the "Back-Friendly School Bag Donation Programme", both of which generated funds for those in need.



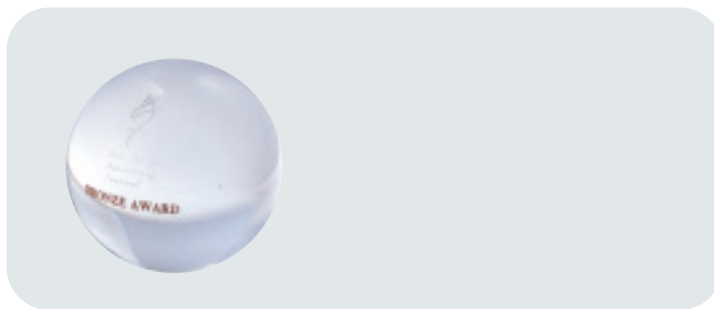
From left to right
 > One of Hong Kong's Ten Healthy Websites from The Television And Entertainment Licensing Authority in 2001
 > 2001 Top Corporate Hi-Tech Website from Commercial Radio, Ming Pao Daily And The Webmasters (Hong Kong) Association

As part of its commitment to a cleaner environment, KMB celebrated the introduction of its new buses powered by Euro III engines by organising the "Euro III E-Friendly Bus Painting Competition" in tandem with the Environmental Campaign Committee which was set up by the Government. The launch of the competition coincided with a three-day Environmental Initiatives Exhibition that was held at the New Town Plaza in Sha Tin.

CUSTOMER SERVICE HOTLINE "2745 4466"

KMB's Customer Service Hotline received 4.1 million calls in 2001, representing an average of 341,000 calls per month or over 11,000 per day. The 24-hour hotline system operating in Cantonese, Putonghua and English offers assistance in bus information enquiries and provides fax-on-demand services and voice mail recording.

The Hotline won the "2001 Customer Service Excellence Function Award - Hotline Service", which was organised by the Hong Kong Association for Customer Service Excellence (HKACE). Also, our Customer Service Hotline Representative, Ms Joyce Lau, was chosen as the Champion of the "2001 Customer Service Excellence Staff Award - Hotline Service". Twelve companies entered the competition and the service standards were assessed by the Hong Kong Productivity Council by means of mystery shopper appraisals, interviews and site inspections.



- From left to right, upper to lower
- > 2000 8th Times International Chinese Advertising Awards Gold Awards (TVC - I Love Nature)
 - > 2000 8th Times International Chinese Advertising Awards Silver Awards (TVC - Everywhere / Staff Commitment / I Love Bus)
 - > Asia Pacific Advertising Festival Bronze Award
 - > 2000 Asian Advertising Awards for Best Television Advertisement
 - > 2001 Hong Kong 4As Creative Awards (Best Single TV / Cinema Commercial Silver Award - I Love Nature)

In line with our goal of continuous service enhancement, the operator service hours of the Hotline were extended in January 2001 to cover a 16-hour period from 7:00 a.m. to 11:00 p.m. daily throughout the year. Our customers have been very pleased with the extended operator service hours as indicated by the increased number of commendations on the Hotline services.

KMB plans to launch a new Hotline Passenger Enquiry System utilising advanced geographic information technology in mid-2002. The new technology will enable Hotline operators to handle customers' enquiries more efficiently.

KMB WEBSITE "<http://www.kmb.com.hk>"

The KMB website won the Hi-Tech Web Awards 2001 (Corporate Websites category) in a contest co-organised by Commercial Radio, Ming Pao Daily and the Webmasters (Hong Kong) Association. The site was also selected as one of the "Ten Healthy Websites" in a competition organised by the Television and Entertainment Licensing Authority.

The website was redesigned at the end of 2001 to provide users with easier access to more information. New sections in the website include "Company", which introduces the history, policies and future development of KMB, and "Real Time Finance" that provides quotes for KMB and RoadShow shares, as well as the current Hang Seng Index. The "Leisure" section provides passengers with recommendations on a variety of interesting destinations served by the KMB network.

The most popular function on the KMB website remains to be the "Point to Point Route Search". This powerful search engine enables users to obtain detailed information about their journey by entering their starting point and desired destination. Where no direct route is available, the search function provides bus-bus interchange information. As a further aid to passengers for familiarising with boarding and alighting points, photographs of KMB's bus-stops are being uploaded in stages to the website. The uploading of the photographs of all 4,000 KMB bus-stops on some 400 routes is expected to be completed by mid-2002. At 31 December 2001, the popularity of the revamped website was reflected in an average daily hit rate of 700,637 and in the registration of 14,522 Net Fans.

PEOPLE

KMB AMONG BEST TEN EMPLOYERS IN HONG KONG

"Caring for People" is our policy as we promote teamwork across the whole organisation, create a sense of belonging to KMB and instill a culture of quality service.

KMB was chosen as one of the "Best Ten Employers in Hong Kong" in the Best Employers in Asia Study 2001, jointly sponsored by the Asian Wall Street Journal, the Far Eastern Economic Review and Hewitt Associates. KMB was measured against large local companies as well as multinationals.

The Labour Department of the HKSAR Government presented KMB with the "Good People Management Award 2001", citing the company's excellence in human resources management and harmonious labour relations. This award recognised our efforts to maintain a pleasant working environment and foster excellent relationships between all staff members and the management.

KMB pays full attention to any grievances voiced by its employees and adheres to the principle of equal opportunities. Our principal focus is on safety and health concerns, staff welfare, continual improvement of skills, rewarding exemplary performance and maintaining effective communications channels.

OUTSTANDING EMPLOYER AWARD

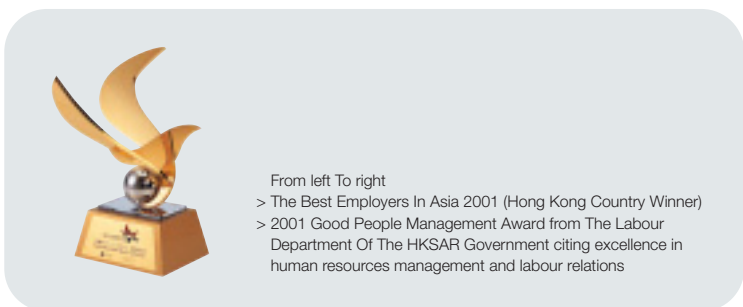
In December 2001, KMB was presented an "Outstanding Employer Award" by the Vocational Training Council in recognition of the special efforts KMB made in employing trainees with disabilities.

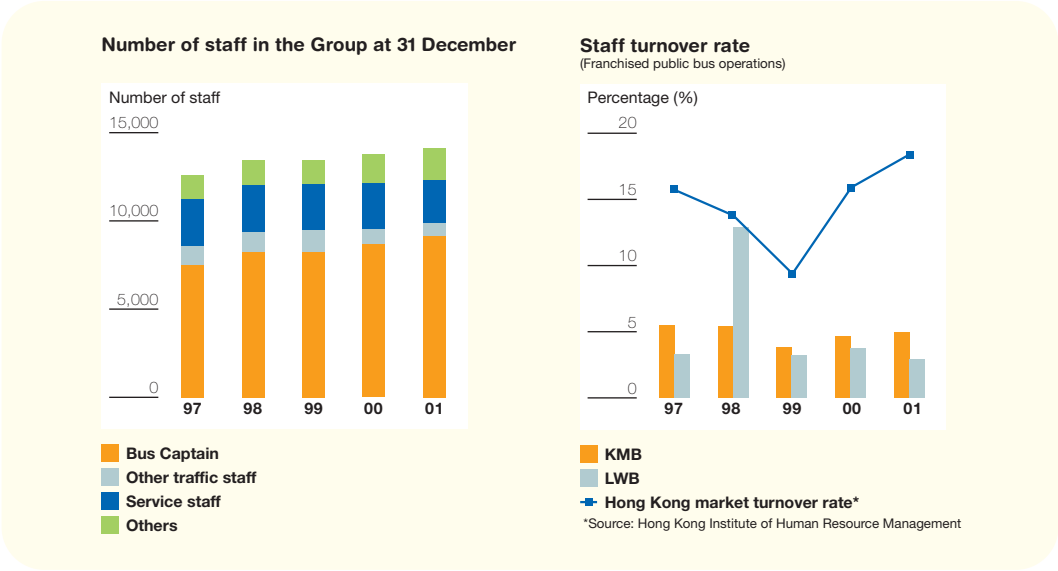
STAFF COMMUNICATIONS

Joint Consultative Committees> The Joint Consultative Committees provide a formal channel for management and employee representatives to discuss matters affecting the daily operation of the depots and workers. Monthly committee meetings are held to discuss such matters as improvements in 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 staff. It provides up-to-date information and announcements from the companies, details of upcoming and past events involving staff participation, a corner to recognise outstanding staff, and a list of shops offering special discounts to our staff.

Staff Communication VCD and Magazine> As for the previous year, a video compact disc (VCD) entitled "Staff Canteen 900" was produced and distributed by KMB to all staff during the year to keep them abreast of the latest developments of the company. This was a supplement to the monthly staff magazine, "KMB Today".





STAFF RETIREMENT SCHEMES

The Group operates two non-contributory defined benefit retirement schemes , the KMB Monthly Rated Employees Provident Fund Scheme and the KMB Daily Rated Employees Retirement Fund Schemes, both registered under the Occupational Retirement Schemes Ordinance. The Group is also a participant in the SHKP MPF Employer Sponsored Scheme, a defined contribution retirement scheme co-sponsored by Sun Hung Kai Properties Limited and Standard Chartered Bank and registered under the Mandatory Provident Fund Scheme Ordinance.

BUS CAPTAIN OF THE YEAR COMPETITION

The Bus Captain of the Year Competition is an annual festive event which gives KMB bus captains the opportunity to demonstrate their driving skills and provides recreational activities for our employees and the public including bus displays and game booths.

Out of more than 8,500 bus captains, 39 were selected as the finalists in the contest of the year 2001 according to their work performance, driving skills and knowledge of passenger safety and traffic regulations. The "Bus Captain of the Year" prize was presented to the overall winner.



Comprehensive training is the key to enhancing safety

STAFF PERFORMANCE

During 2001, KMB presented the following staff with awards in appreciation of their dedication and contribution to the company:

Good Service Annual Bonus> 6,422 bus captains were eligible for this award.

Safe Driving Annual Bonus> 4,009 bus captains were eligible for this award.

Safe Driving Award> 85 bus captains were eligible for the 15-year accident free award, 164 for the 10-year accident free award and 417 for the five-year accident free award.

Good Service Award> 488 regulators / assistant regulators were entitled to this award.

Attendance Award> 221 regulators / assistant regulators were entitled to this award.

Loyal Service Award> 234 employees received this award for 30 years of service with KMB.

Care for our environment is fundamental
to everything we do



TRAINING

Technical Training> The KMB Technical Training School, which was established in 1973, has provided comprehensive training to our maintenance staff for the latest bus transportation technology. The current curricula include the diagnosis of ZF five and six-speed transmissions and the Voith four-speed transmission, the on-board computer diagnosis system for bus bodies and the chassis of Super Volvo buses. During 2001, a total of 29 in-house training sessions was held for 465 skilled workers and another 39 sessions were organised for engineers, supervisors and foremen in conjunction with our vehicle manufacturers.

Apprentice Training> The KMB Technical Training School runs a four-year apprentice-training scheme for young school leavers. The scheme has been designed to provide job opportunities and training to youngsters whilst ensuring an adequate supply of skilled maintenance staff for KMB. A total of 86 apprentices graduated from the School in 2001, bringing the total number of graduates since 1973 to 1,998. At 2001 year-end, there were 86 apprentices in training.

As for the past years, the high standards of KMB's apprentice training were again recognised during the year. Our apprentices won all prizes in both the automobile mechanical trade and electrical trade categories of the 2001 Best Apprentice Competition organised by the Vocational Training Council. The six winners were invited to visit the Toyota Plant in Japan.

STAFF WELFARE AND RECREATIONAL ACTIVITIES

Employee welfare is a high priority at KMB. A variety of internal and external staff recreational activities was organised to promote teamwork. These included long distance running, badminton, soccer, dragon boat racing and basketball. Also, tours were sponsored to Po Toi Island and Ocean Park.

Externally, our employees participated in the Standard Chartered Hong Kong Marathon 2001, the Community Chest Corporate Challenge 10Km Run, various dragon boat races, and the Corporate Games 2001 organised by the Leisure and Cultural Services Department of the Government.

CONCERN FOR THE ENVIRONMENT

KMB has maintained a longstanding commitment to conduct its business in a manner that is compatible with the environment. In this regard, the company has implemented many procedures in its depot and fleet operations in the interest of environmental protection. In addition, our staff are encouraged to take part in various environmental activities such as tree planting.

In recognition of our efforts, KMB received the 2001 Environmental Performance Award organised by the Business Environment Council, which assists business and industry in achieving environmental excellence and raises the environmental awareness of the community as a whole.

ENVIRONMENT FRIENDLY BUS FLEET

Ultra Low Sulphur Diesel ("ULSD")> KMB's entire fleet has been using ULSD since 1 January 2001 following the successful testing of this fuel in five Volvo Olympian buses since 1 August 2000. ULSD improves emission levels significantly as it has a sulphur content of only 0.005%, one-tenth that of ordinary low sulphur diesel. This results in the significant reduction of exhaust emission levels of sulphur oxides and nitrous oxides as well as particulates.

Euro Engines> A total of 303 buses equipped with engines of Euro II standard was introduced in 2001. At 2001 year-end, KMB had 1,621 buses equipped with Euro II engines.

In May 2001, the company took delivery of Hong Kong's first Euro III E-Friendly Bus. The Euro III engine reduces emissions of nitrogen oxides and particulates further by 28% and 33% respectively, compared to the Euro II engine. A total of eight of these buses comprising four Volvo Super Olympian, two Neoplan Centroliner, and two Dennis Trident, all equipped with engines of Euro III standard, were purchased during 2001 and henceforth all newly acquired buses will be equipped with Euro III bus engines.

Catalytic Converter> All of our 1,706 pre-Euro I engined vehicles were equipped with exhaust catalytic converters in 2001. In addition, a total of 671 Euro I engined vehicles was so equipped. The remaining 297 Euro I engined vehicles will have the catalytic converters installed by early 2002. With the installation of the catalytic converters, the exhaust emission of the pre-Euro I and Euro I engined vehicles will meet the standards of the Euro I and Euro II engines respectively in terms of particulate matter.

Continuous Regeneration Trap ("CRT")> Taking advantage of ULSD, a CRT has been tested on one Volvo Olympian equipped with a Euro II engine since August 2000. The test showed that particulate matter was reduced by 80-90% and smoke level lowered to zero. The exhaust emission quality was comparable to that of a natural gas fuelled vehicle. Given the promising performance of the CRT after one year in service, two new Dennis Trident were equipped with CRT in September 2001 for further evaluation.

Engelhard DPX Soot Filter> Two Engelhard DPX soot filters were evaluated during 2001 on a Volvo Olympian and a Dennis Trident. Both of these buses were equipped with Euro II engines and the test results were similar to those of the CRT trials.



Mileage-based Engine Oil Change> A successful trial was conducted in 2000 of a mileage-based engine oil change scheme which was evaluated by computer aided programming. A 10% reduction in engine oil consumption was achieved in the test.

Synthetic Transmission Oil> KMB conducted a number of tests on using synthetic oil in bus gearboxes following its introduction in March 2000. The oil drain interval was extended from 30,000 km to 120,000 km, resulting in a 75% reduction in waste oil.

WASTE TREATMENT

Waste Water> Waste water produced from our operations is treated to regulatory standards before discharging to the public sewer. In 2001, KMB maintained 11 automatic waste water treatment systems for its fleet and depots with a total daily treatment quantity of 1,000 cubic metres. Compared to the previous year, there was a 3% reduction in the quantity of waste water produced per bus.

Waste Oil> In 2001, about 1.1 million litres of used oil were delivered to a registered waste oil recycling agent for treatment. This was an 11% reduction from the previous year in the quantity of waste oil produced.

Chemical Waste> Solid chemical waste is stored according to type in a specially designated area of each bus depot and disposed of by a registered chemical waste collector.

COMMUNITY OUTREACH

PASSENGER LIAISON

KMB organised six Passenger Liaison Group meetings in 2001 to collect the opinions of customers regarding bus services. These sessions were very effective in generating ideas for improving service quality. Meeting participants were recruited from throughout Hong Kong while university lecturers were invited to serve as moderators and representatives from the Transport Department of the Government acted as observers.

PASSENGER OPINION CABIN

During 2001, our Passenger Opinion Cabin, a modified single-deck bus, made 24 visits to different areas to collect passengers' opinions on KMB's bus services. Around 352 comments and suggestions were received. The Chairmen of the Traffic and Transport Committees of the relevant District Councils were also invited to share their views with KMB senior management during such visits.