

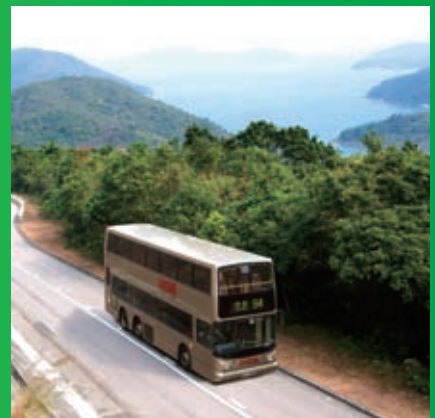


CORPORATE SOCIAL RESPONSIBILITY

OVERVIEW AND STRATEGIES

One consequence of living in today's perpetually evolving and competitive global community is an increased awareness of the social and economic aspects of doing business. TIH continues to lead the industry not just with the highest service standards but also by its dedication to sustainable business development. To this end, all of us in the TIH team work together with the communities we serve to improve our joint quality of life. Most valuable of all is the feedback we receive from our customers, which provides a blueprint for future planning.

A key to the sustainable business excellence of our operations in Hong Kong and China Mainland is our commitment to conducting our businesses with due consideration of the economic, social and environmental aspects.



CUSTOMER SERVICE CULTURE

The drive for business excellence shapes our approach to customer service. By understanding the needs of our customers and the communities we serve, we strive to provide service of the highest order.

THE OCTOPUS SMART CARD

Since its introduction in 1997, the electronic Octopus Smart Card System has proved extremely popular with public transport users in Hong Kong. It is now the world's leading contactless smart card system, with the highest penetration, the highest transaction volume and the widest range of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in

terms of the value and number of transactions. In 2008, around 88% of our franchised bus fare revenue was collected via Octopus cards, which continue to find favour with our passengers for their convenience and with the Group for cost savings in cash collection and administration.

OCTOPUS BUS-BUS INTERCHANGE SCHEMES ("OCTOPUS BBI SCHEMES")

At the end of 2008, KMB operated 74 Octopus BBI Schemes covering 262 routes, while LWB had six BBI Schemes covering 12 routes, including those serving Hong Kong Disneyland and AsiaWorld-Expo.

The BBI Schemes are welcomed by our passengers, who benefit from extensive fare discounts on the second leg of journeys and improved network coverage. The Schemes bring other benefits, in the form of resource savings and reduced congestion along busy corridors. We will continue to explore the possibility of expanding our BBI coverage, both across the KMB and LWB networks and through inter-modal schemes jointly operated with other public transport operators.

We are supporters of the HKSAR Government's Action Blue Sky Campaign which aims to improve air quality. We seek to rationalise or cancel bus routes with low



occupancy rates to help reduce the number of buses on the roads, while minimising the inconvenience to passengers by introducing various Octopus BBI Schemes. Such arrangements are win-win solutions in terms of environmental protection and meeting customers' needs.

BUS FARE DISCOUNT SCHEMES

As a socially responsible public transport operator, we aspire to provide safe, reliable and value-for-money services.

KMB and LWB operate a number of fare discounts and concessions to passengers who pay by Octopus cards. The following fare concession schemes, which were initially introduced by KMB and LWB in 2006, are still in operation as at the date of this Annual Report.

	Discount rates	Exceptions	Effective period
(1) Passengers aged 65 and over⁽ⁱ⁾	A flat fare of HK\$2.00 or half fare (whichever is the lower) on Sundays and public holidays	Airport "A" and racecourse routes	28 January 2006 to 31 January 2010 (both dates inclusive)
(2) Jointly-operated cross-harbour routes with fares at or above HK\$15⁽ⁱⁱ⁾	20% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)
(3) Jointly-operated cross-harbour routes with fares between HK\$10 and HK\$14.9⁽ⁱⁱⁱ⁾	10% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)

(i) Applicable to KMB and LWB

(ii) Applicable to KMB

BUS SHELTERS

Our bus shelter improvement programme aims to make the waiting environment more pleasant for our passengers. During 2008, KMB added 20 new bus shelters to give a total of 2,388, while LWB maintained its number at 30. Equipped with 2,720 advertising panels, the bus shelters not only benefit our customers but also generate advertising revenue for our franchised bus operations.

CYBER BUS STOPS

At the end of 2008, KMB had eight cyber bus stops installed in popular tourist and shopping spots at the Star Ferry concourse and along Canton Road and Nathan Road. The cyber bus stops have light emitting diode (LED) and liquid crystal display (LCD) panels that display route information, local and international news, and weather information. They are equipped with public address systems that give

route information in Cantonese, English and Putonghua, and also provide access to the KMB website for passengers seeking route search and service information.

CUSTOMER SERVICE CENTRES

KMB's eight customer service centres, located at the public transport interchange hubs of Tsim Sha Tsui, Hung Hom, Lam Tin, Mei Foo, Tsuen Wan, Sha Tin, Tuen Mun

24 - hour
hotline

CORPORATE SOCIAL RESPONSIBILITY

and Tin Shui Wai, provide a convenient one-stop service to our customers. Our friendly customer service ambassadors provide route and timetable information, collect feedback on KMB's services and assist customers wishing to buy KMB souvenirs and obtain Octopus card services. The Digital Map Passenger Enquiry System in the centres' multimedia kiosks enables customers to make route searches and view landmarks along their chosen routes on a three-dimensional map. Customers can also use the multimedia kiosks to browse the KMB website.

LWB's customer service and ticketing office at Hong Kong International Airport provides a one-stop centre for customer enquiries, ticketing and lost and found services.

CUSTOMER SERVICE HOTLINES

Over the years, KMB's award-winning customer service hotline (2745 4466) has proven to be a popular and effective communication channel. In 2008, the hotline handled around 3.9 million calls, representing an average of about 325,000 calls a month. Our hotline operator service is available daily from 7:00 a.m. to 11:00 p.m., while the 24-hour hotline system, which operates in Cantonese, English and Putonghua, provides the public with on-demand bus route information, service updates, traffic news and a voicemail service, as well as bus route information via SMS. LWB's customer service helpline (2261 2791) handled 15,966 calls in 2008 – an average of about 1,330 calls a month. The helpline also gathers and processes

customer feedback and handles lost and found enquiries.

KMB's customer service hotline has been recognised internationally as an industry leader. In 2008, the hotline's Digital Map Passenger Enquiry System won the Special Achievement in Geographic Information System (GIS) Award 2008. The award recognises organisations that use GIS technology to set new standards globally. In the Hong Kong Association for Customer Service Excellence Award 2007, the KMB hotline won the Gold Award in the Contact Centre Service category, while one of our hotline operators won a Silver Award in the Contact Centre Service Individual category.

CORPORATE WEBSITES

The TIH website www.tih.hk gives key information about the Group and its various businesses. The KMB website www.kmb.hk has an excellent point-to-point route search facility and offers barrier-free access to visually impaired and novice internet users alike.

The KMB website won two awards in 2008: a Gold Award in the Web Care Awards organised by the Hong Kong-based Internet Professional Association to promote the concept of e-Inclusion, and a Meritorious Website Award from the Television and Entertainment Licensing Authority.

CUSTOMER COMMUNICATIONS

Two-way communication is very important for KMB and LWB, which serve a total of around 2.8 million passenger trips every day. We

understand that to provide even higher levels of service, we need to listen to our customers with an aim to identifying and meeting their needs and expectations. In 2008, KMB held six Passenger Liaison Group meetings ("PLGs") in the presence of Transport Department observers to gather the views of our passengers and gauge their expectations. Appropriate improvements and adjustments were made in response to the various suggestions received, and a report of the proceedings, the 2008 KMB PLG Report, was published and made available on the KMB website. LWB likewise held six PLGs in 2008 and proceeded to adopt a number of suggestions made by its customers.

KMB's dedication to customer communications was once again recognised in 2008. The KMB Civic Education advertising campaign won Best of the Best in the Info-service category of TVB's Most Popular TV Commercial Awards 2008 and the Award of Distinction in the Communicator Awards organised by the International Academy of The Visual Arts. The 2007 KMB PLG Report and the Ride KMB for Fun booklet won Awards of Excellence in the Apex Awards for Publication Excellence organised by Communication Concepts. KMB also received the Gold Award in the PRC Consumers' Most Favorable Hong Kong Brands organised by China Enterprise Reputation and Credibility Association (Overseas) Limited and Just Events Limited.

The high standard of KMB's customer service won international recognition when the company was named winner of the 2008



KMB's Customer Service Centre at the Star Ferry in Tsim Sha Tsui

International Stevie Business Awards: Best in Customer Service at the Stevie Awards Presentation Gala held in Dublin, Ireland, to honour outstanding performances in business. In January 2008, KMB won the trophy for Champion of the CILT Award 2007: Passenger Transport Excellence from the Chartered Institute of Logistics and Transport in Hong Kong, for the company's outstanding efforts in providing quality bus services.

INFORMATION PUBLICATIONS

In 2008, we published the booklet KMB's Efforts in Environmental Protection, which focuses on KMB's environment-friendly practices on buses, in depots and at the corporate level, as well as highlighting our contributions to the economic and social development of Hong Kong.

To further strengthen the company-customer relationship, we

published the KMB Corporate Social Responsibility Charter booklet, with sections devoted to corporate governance, our service charter, customer care, employee engagement, effective communications and environmental performance. In Beijing Olympics year, we also published a Sports and the City travel guide to encourage passengers to use KMB's extensive network to enjoy leisure activities in Hong Kong.

During the year, LWB distributed over 13,980 copies of various information leaflets, including Airbus Cards, which provide route and departure information for LWB's Airport routes, and the "LWBC Bus Services for North Lantau and the Airport" leaflet.

MARKETING AND PUBLIC AWARENESS

KMB's award-winning Civic Education campaign, centred on a series of six 10-second civic

education television programmes (three with an environmental protection theme and three focusing on passenger safety), was broadcast in January and February 2008. The importance of safety and courtesy while travelling on buses was reinforced by a series of ten related posters, which were displayed on more than 50 buses and at around 1,000 bus shelters.

KMB's role as a responsible corporate citizen was recognised at community level when it won the Tai Po District Civic Education Outstanding Enterprise Award for 2007-2008.

Public awareness of our work in environmental protection was further raised through monthly press sessions and briefings promoting various new green initiatives. The sessions covered the installation of ambient sensors on the entire air-conditioned bus fleet, the introduction of the first rescue service truck equipped with a Euro IV engine, the adoption of Euro V diesel, the use of electronic destination signs and a rundown of our green procurement procedures.

Press sessions were also held by KMB to highlight teamwork and the company-wide commitment to providing quality services. Staff featured in such sessions included our award-winning apprentices, Safe Driving Award recipients, the inventors of innovative devices to facilitate bus maintenance work and KMB's first lady bus captain upon her retirement.

TRAINING AND RECOGNITION

Our ethos “Caring for People” extends not only to our customers but also to our 13,000 employees. The Group’s workforce relies on excellent teamwork and industry-leading innovation to deliver quality service. Through our focus on intensive training and recognition, we have fostered a working environment that values performance, teamwork and a sense of social responsibility – the bedrock of service excellence.

The Group continues to invest heavily in improving the safety of its bus and ferry operations. This is done in a number of ways: by providing intensive training to our bus captains and ferry crews, by strengthening performance monitoring procedures, by

improving bus designs, and by maintaining our buses and ferries to the highest standards. A culture of training and recognition not only keeps the focus on safety, it also motivates our staff to maintain high levels of service.



The following table gives a breakdown of the workforce of the Group by division at the end of 2008 and 2007:

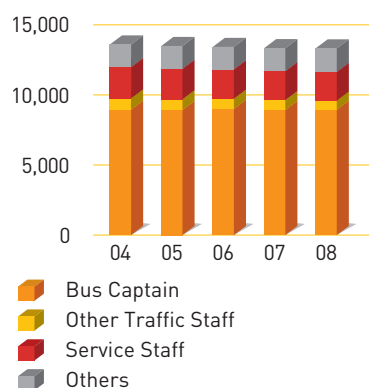
Division	2008	2007
Franchised Public Bus Operations		
• KMB	11,947	12,000
• LWB	451	443
Non-franchised Transport Operations	838	817
Media Sales Business [#]	78	71
Mainland Transport Operations [*]	7	7
Total	13,321	13,338

[#] including the employees of the Group's subsidiary companies on the Mainland

^{*} excluding the employees of the Group's joint venture companies on the Mainland

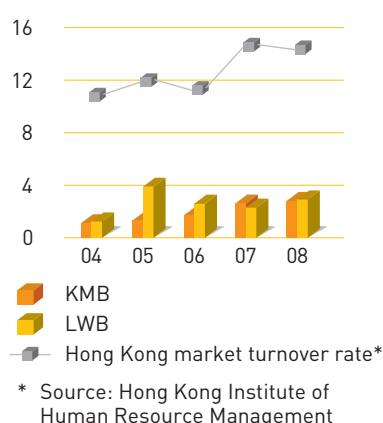
Number of staff in the Group at 31 December

Number of Staff



Staff turnover rate (voluntary resignation only)

Percent (%)



STAFF COMMUNICATIONS

The Group operates six Joint Consultative Committees for KMB and LWB, providing a two-way channel for management and employee representatives to discuss matters that affect daily operations. Meeting monthly at KMB and bi-monthly at LWB, representatives cover issues such as safety and operating procedures, the work environment and staff welfare.

Via our staff website, colleagues at KMB and LWB can access staff-related information, such as management announcements, annual leave balances, weather reports, reports on staff events and details of upcoming activities.

The monthly corporate magazine KMB Today and in-house VCDs are effective communication means to keep all our 13,000 staff on the front line and behind the scenes informed of company developments. We also have a library at KMB's headquarters which provides staff with a wide selection of books for self-learning and leisure reading.

About

8,900
well-trained Bus Captains

CORPORATE SOCIAL RESPONSIBILITY

Our Human Resources Department operates an Employee Caring Programme, which offers a variety of health and recreational courses, as well as professional counselling services. In October 2008, a Fun Day was organised at KMB's Sha Tin Depot, giving our employees an opportunity to show the workplace to their families.

We recognise that excellent communication among our people is of paramount importance to close teamwork. In 2008, KMB introduced a two-week Appreciation Programme, through which staff at all levels were encouraged to take time out to post messages thanking their colleagues for assistance and attentiveness beyond the call of duty.

GENERAL STAFF TRAINING

The Group sees staff training as a significant investment in its present and future human capital. In 2008, we focused on training sessions for improving supervisory and crisis management skills. To enhance our Inspectors' supervisory skills, external professional consultants were engaged to provide a series of training workshops covering coaching and mentoring, interpersonal communication and customer service. During the year, 343 members of staff attended courses organised by the Occupational Safety and Health Council and the Labour Department. KMB also formed a

Special Assistance Team under the Crisis Management Committee to enhance traffic accident handling ability. Training in counselling skills was provided to team members.

During the year, we continued to organise Myers-Briggs Type Indicator team building workshops for management staff in KMB and LWB to foster team spirit and enhance departmental performance. In addition, for the third year in succession, we invited a renowned Harvard Business School professor who specialises in business strategies to conduct a seminar to bring our management staff up to speed with the latest developments in the commercial world.



KMB's Driving Simulator Studio is the first training facility of its kind in Hong Kong



Our state-of-the-art driving simulator recreates real-world environments for bus captain training

REWARDING SERVICE EXCELLENCE

As part of its drive for service excellence, KMB continued its Outstanding Service Award programme in 2008, with 72 employees rewarded for outstanding performance. The following awards were also presented to KMB and LWB staff in recognition of their dedicated contribution:

service and safe driving award programmes in 2008 to recognise the outstanding performance of their drivers.

To recognise exceptional loyalty, Long Service Awards were presented to staff with 20, 30 and 40 years of service. By the end of 2008, 3,236 staff members out of a total workforce of 12,398 at KMB

2008 Good Service and Safe Driving Annual Award for Bus Captains

Number of Bus Captains	KMB	LWB	Total
Good Service Annual Award	6,126	273	6,399
Safe Driving Annual Award	3,828	179	4,007

2008 Good Service and Attendance Award for Terminus Supervisors/ Assistant Terminus Supervisors/Customer Service Assistants

Number of Employees	KMB	LWB	Total
Good Service Annual Award	374	17	391
Attendance Annual Award	195	7	202

The operating companies of the Group's Non-franchised Transport Operations Division also ran good

and LWB had received a Long Service Award. In addition to the experience of its workforce, the

Group can count among its core strengths a low staff turnover rate that helps sustain service excellence. KMB's voluntary turnover rate for 2008 was 2.8%, significantly lower than the market average.

BUS CAPTAIN TRAINING

As part of our dedication to providing a safe, comfortable and reliable service for our passengers, we operate our in-house KMB Bus Captain Training School at Sha Tin Depot to provide new and existing bus captains with comprehensive training and improvement courses respectively. In 2008, more than 30 Driving Instructors and some 30 training buses operated out of our Training School.

New recruits undergo a course of training, which includes theory lessons emphasising safety and customer service, as well as practical on-road training. Besides taking Government driving examinations, all our bus captains need to pass stringent internal assessments to ensure they are capable of handling the responsibilities of their position. Experienced bus captains undergo training aimed at reinforcing their safety awareness and sensitivity to passenger comfort. All bus captains receive training in "eco-driving", which promotes good practices such as switching off idling engines.

The Training School's state-of-the-art Driving Simulator Studio recreates real-world driving environments and vehicle behaviours to improve driving performance and response to different situations. It also

CORPORATE SOCIAL RESPONSIBILITY

generates a report, covering passenger comfort, as well as speed and trip duration. Each of the four driving stimulator stations is equipped with three 42-inch plasma displays broadcasting high-resolution three-dimensional images, based around an authentic driving cabin with driving seat, steering wheel, accelerator, brake and instrument panel. Trainees are able to feel the interaction between the vehicle and the road surface and hear the sounds generated inside and outside the cabin. Instructors are on hand to give instructions and to share feedback with participants after each training session.

BUS CAPTAIN PERFORMANCE

Constant monitoring by means of a systematic performance assessment mechanism ensures that the performance of our bus captains is maintained at a high level. In the event of a bus captain falling below these high standards, we provide remedial training, with a Performance Management Team helping bus captains identify their strengths and weaknesses. Disciplinary action is taken when bus captains are found to have under-performed, while outstanding performance is rewarded by various awards and bonuses. The performance of the Group's non-franchised bus

captains and ferry operators is monitored in a similar way.

The Safe Driving Award has been promoting road safety since its introduction in 1990. In 2008, awards were presented to the following KMB and LWB bus captains in recognition of their outstanding safety records:

2008 Safe Driving Award for Bus Captains

Number of Bus Captains	KMB	LWB	Total
35-year accident free	1	–	1
30-year accident free	3	–	3
25-year accident free	8	–	8
20-year accident free	46	1	47
15-year accident free	75	1	76
10-year accident free	180	4	184
5-year accident free	471	11	482
Total	784	17	801

BUS DESIGN AND MAINTENANCE

Safety and passenger comfort drive the design and maintenance of our bus fleets. KMB engineers work with major bus manufacturers to design new bus types that thrive in Hong Kong's unique operating environment. New KMB buses are equipped with the three-in-one integrated monitoring system with periscope. This system enables bus captains to monitor the upper deck, keep an eye on any objects behind the bus when reversing and observe passengers as they alight from the bus. Speed limiting devices and electronic tachographs that record bus performance in detail are also employed to enhance safety.

All KMB and LWB buses are subject to our ISO-certified maintenance regime, comprising daily, monthly and annual professional inspections at our depots. Our franchised buses are also subject to periodic random checks by engineers from the Transport Department.

FERRY CREW TRAINING

Safety is paramount in the operations of Park Island Transport Company Limited ("PITC"). All PITC crew members have appropriate maritime qualifications and seagoing experience, and they participate in ongoing training and professional development programmes.

Initial operational training is provided to newly recruited crew members on aspects related to the handling and navigation of the catamaran fleet. Further sessions are devoted to on-board safety and customer service. In addition, professional development programmes enhance the skills of crew members in areas such as effective radar and Very High Frequency (VHF) radio operations. Crew members are also

Safety and passenger comfort drive the design and maintenance of our bus fleets



All our buses are subject to stringent, ISO-certified maintenance regimes

encouraged to participate in training courses run by the Vocational Training Council on passenger safety, first aid, fire-fighting and survival techniques.

Emergency training is given to ensure that crews respond promptly and effectively to unforeseen incidents. Drills on handling collisions, fires and equipment failure are organised on a regular basis. The Group constantly seeks ways to improve performance standards and thus maintain PITC's outstanding reputation for safety and customer service.

TECHNICAL AND APPRENTICE TRAINING

KMB's Technical Training School has been training maintenance staff in the most up-to-date bus transport technologies since 1973. In 2008, 172 in-house training sessions were organised for 1,217 skilled workers and seven sessions were held for 87 engineers, supervisors and foremen in association with our bus manufacturers.

The Technical Training School also runs a four-year apprenticeship training scheme for school leavers to ensure an adequate supply of skilled maintenance workers.

In 2008, 18 apprentices graduated from the School, bringing the total since its establishment to 2,131. At the end of 2008, 192 apprentices were enrolled at the School.

As in previous years, the quality of KMB's apprentice training programme was recognised in 2008. One of our apprentices won the Outstanding Apprentice Award in the Automobile Trade, organised by the Vocational Training Council, and was invited to join a study trip to Singapore. Another apprentice won the 2007-2008 Sir Edward Youde Memorial Outstanding Apprentice Award, organised by the Sir Edward Youde Memorial Fund Council.

COMMUNITY OUTREACH

The Group has a proud tradition of community service in support of the young, the elderly, the handicapped and others in need, sponsoring events organised by the Government and charities, as well as encouraging staff to participate in a variety of voluntary activities. Once again, in 2008, the Group was recognised as a Caring Company by the Hong Kong Council of Social Service, while KMB was presented with an Award of Distinction by The Community Chest of Hong Kong.

FRIENDS OF KMB

Established in 1995, KMB's volunteer club, FRIENDS OF KMB, is active in social service, environmental protection and civic education. In 2008, its 3,000 members voluntarily contributed more than 13,000 hours of their

time to community outreach. Club members visited children's homes, centres for the elderly and a sheltered workshop, and participated in charity walks, raffle ticket sales, carnivals and environmental protection initiatives. In the 13 years since its inception,

FRIENDS OF KMB has recorded over 75,000 hours of voluntary service, and received further recognition when it was named first runner-up in the Highest Service Hour Award 2007 (Private Organisation – Best Customer Participation) by the Social Welfare Department.



COMMUNITY SPONSORSHIP

The Group is an enthusiastic participant in community sponsorship programmes such as the Corporate Challenge Half Marathon, Dress Special Day and New Territories Walk for Millions, organised by The Community Chest of Hong Kong, and other events and activities organised by the Government, charities and professional groups.

The Group sponsored sporting and cultural events again in 2008, in addition to industry-improvement campaigns and social awareness initiatives. Beneficiaries included the Hong Kong Sports Stars Awards, the Hong Kong Management Association Quality Award, the Hong Kong Brands Week, the Outward Bound Hong Kong Corporate Challenge and the Volunteer Movement of the Social Welfare Department.

The Group's subsidiary, RoadShow Holdings Limited ("RoadShow"), received the "5 Years Plus Logo" in the Caring Company Award, organised by the Hong Kong

Council of Social Service, in recognition of its ongoing commitment to outstanding corporate citizenship. RoadShow continues to support a host of charitable organisations by broadcasting community service messages and charity appeals on its Multi-media On-board (MMOB) system.

HELPING SPECIAL NEEDS PASSENGERS

The Group once again provided free bus rides on its franchised bus routes to special groups of passengers in 2008. On Senior Citizens' Day, 16 November 2008, free rides were offered on both KMB and LWB to passengers aged 65 and over. On International Day of Disabled Persons, 23 November 2008, disabled people and their escorts were able to enjoy the same offer. Both companies continue to exchange ideas with disabled groups on ways to further facilitate the use of bus services by those with special needs.

The Group's community outreach programmes support young people, the elderly, the handicapped and others in need through sponsorship of Government and charity-backed activities

With

3,000

"FRIENDS OF KMB" members

CARING FOR THE ENVIRONMENT

As a member of the international business community, the Group recognises its responsibility towards the environment where it operates. We are constantly looking to improve procedures and introduce innovative solutions locally, while working with our manufacturers and suppliers to develop products that minimise the impact of our operations on the environment. KMB's certification by the Hong Kong Q-Mark Council demonstrates our commitment to a sustainable future.

Q-MARK COUNCIL RECOGNITION FOR KMB'S ENVIRONMENTAL MANAGEMENT

KMB has received Green Mark Certification from the Q-Mark Council of the Federation of Hong Kong Industries, the first public transport organisation to be recognised in this way. The certification recognises that the delivery of franchised bus services and the maintenance and repair of

buses at KMB's four main depots, at Kowloon Bay, Lai Chi Kok, Sha Tin and Tuen Mun, meet the prescribed Hong Kong Green Mark Standard under the Hong Kong Green Mark Certification Scheme. The Scheme is designed to help businesses identify, control and monitor the environmental aspects of their operations. To ensure that stringent environmental management standards are maintained throughout the certification period, from 4 May 2007 to 30 April 2010, KMB remains subject to quarterly surveillance audits.

ENVIRONMENT- FRIENDLY BUSES

The KMB and LWB bus fleets are continuously upgraded to ensure they comply with, or exceed, the applicable environmental standards. We are pleased to fulfil our role as industry leader by introducing innovations that improve our environmental performance.

Euro IV Engines

KMB is acknowledged as a pioneer of the latest green engines. Between 2006 and 2008, the company introduced two types of Euro IV engines currently on the market, in order to evaluate and compare their environmental effectiveness and engine performance. Compared to the Euro III engine, the Euro IV engine can reduce emissions of nitrogen oxides and particulates by 30% and



80% respectively. These two types of Euro IV buses feature respectively the Selective Catalytic Reduction and Exhaust Gas Recirculation technologies, which are set to become the basic specification for KMB's newly purchased buses.

Green Fleet

KMB is progressively installing Diesel Particulate Filters (DPFs) on 1,675 Euro II and Euro III buses to upgrade their exhaust emissions to Euro IV/V standards in terms of particulate matter. The entire project is scheduled to be completed in 2010. At that point, the average particulate emission levels of the entire KMB bus fleet will be reduced by 91% compared to 1992.

At the end of 2008, KMB had a total of 3,933 buses, all of them meeting

the stringent exhaust emission standards of the European Council of Environmental Ministers. A total of 756 Euro II, Euro III and Euro IV buses had been fitted with Continuously Regenerating Traps and Exhaust Gas Recirculation devices to achieve near Euro IV-standard emissions. The number of buses achieving Euro III standard emissions was 445. In addition, catalytic converters had been installed on 939 buses with Euro I engines and 401 buses with pre-Euro engines, bringing their exhaust emissions up to the standards of Euro II and Euro I engines respectively in terms of particulate matter.

As at 31 December 2008, the number of KMB and LWB buses that met the respective emission standards was as follows:

Emission Level (in terms of particulate matter)	Number of buses meeting such level		
	KMB	LWB	Total
Euro I	401	3	404
Euro II	2,331	124	2,455
Euro III	445	8	453
Euro IV	756	22	778
Total	3,933	157	4,090

The bus fleets of the Group's Non-franchised Transport Operations Division are also equipped with environment-friendly engines.

Ultra-Low Sulphur Diesel

Since 2001, all buses in the KMB and LWB fleets have been using ultra-low sulphur diesel, which contains only 0.005% sulphur and significantly reduces the exhaust emission levels of sulphur oxides, nitrous oxides and particulates. In 2008, the KMB bus fleet started to adopt Euro V Diesel, which contains only 0.001% sulphur.

Environment-friendly Non-franchised Buses

Environment-friendly engines are installed in all buses of the SBH Group and New Hong Kong Bus Company Limited fleets. More than 64% of the buses are equipped with Euro III or Euro IV engines.

Revolutionary Diesel-Electric Hybrid Buses

PITC has three diesel-electric hybrid air-conditioned super-low floor single-deck buses powered by batteries that are recharged when the bus brakes or goes downhill. The diesel-powered micro-turbine generators operate only when the batteries run down to a pre-set level, resulting in a dramatic reduction in exhaust emissions.

Over

4,000

**Environment-friendly
Buses**

CORPORATE SOCIAL RESPONSIBILITY

Synthetic Gearbox Oil

Synthetic gearbox oil was introduced in 2001 and the use of synthetic oil was extended to all KMB and LWB double-deck buses in 2005. The oil drain interval has been increased from 30,000 kilometres to 150,000 kilometres, resulting in an 80% reduction in waste oil.

Eco-Driveline System

The Eco-Driveline system developed by KMB engineers offers passengers a smoother and more comfortable ride, while reducing fuel consumption and cutting exhaust emissions by 6-10%. The Eco-Driveline system achieves this by integrating an engine with a high torque, six-speed double overdrive gearbox with an optimised final drive ratio axle and a sophisticated electronically controlled gear-shift program.

Air Foam Filters

KMB and LWB are progressively adopting highly effective foam-element air filters to replace traditional paper-element air filters. Resulting benefits are a six-fold increase in the interval between services and a significant reduction in the amount of solid waste disposal, with no compromise in engine performance.

Variable Stroke Air-conditioning Compressor

The variable stroke compressor, developed for KMB by its air-conditioning system supplier, has undergone extensive road testing since 2005. The system provides

better adaptive control and suits the dynamic urban operational environment in all seasons. The variable stroke compressor has been found to improve fuel consumption, especially in cooler weather. Buses ordered in 2008 will come equipped with this type of energy-saving compressor.

WASTE TREATMENT

WasteWise Scheme

Committed to bringing about a better environment through its contributions to environmental conservation, the Group continues to develop and implement green initiatives to reduce the impacts that arise from its operations. In recognition of its efforts in environmental preservation, KMB was once again granted the "Class of Excellence" Wastewi\$e Label by the Environmental Campaign Committee in 2008.

To reduce the amount of solid waste disposed of in landfills, KMB has adopted a company-wide waste reduction programme. Waste paper and the plastic cartridges used in fax machines and printers, as well as rechargeable batteries and fluorescent tubes, are collected for recycling. Further resource saving is achieved by using long-life fluorescent lighting tubes.

Tyre Retreading and Recycling

In order to reduce industrial waste, the life of a bus tyre can be extended by retreading. Since its retreading workshop began operating in 1972, KMB has

retreaded more than 630,000 tyres. In 2008, about 27,800 tyres were retreaded. In addition, more than 18,000 scrapped tyres, which would formerly have been dumped at Government landfills, and over 170 tons of tyre chips are collected annually by a recycling agent and used to manufacture playground flooring and other rubber products.

Recycling of Fluorescent Tubes

In 2006, KMB became the first enterprise in Hong Kong to participate in the fluorescent tube recycling campaign, further reducing the impact of its solid waste on the environment. In 2008, approximately 89,000 fluorescent tubes were sent to the Government chemical waste treatment centre for recycling, bringing the total to around 200,000 used tubes.

Waste Oil and Chemical Waste

During 2008, around 847,700 litres of waste oil from our bus maintenance sites was collected by a registered waste oil recycling agent, which handled the subsequent recycling or disposal processes in accordance with the statutory standards. Around 351,600 kilograms of solid chemical waste was disposed of by a registered chemical waste collector at authorised landfills after treatment at a Chemical Waste Treatment Centre.

Waste Water

KMB depots are equipped with a total of 11 automatic waste water



Our refrigerant recycling machine facilitates the maintenance of bus air-conditioning systems in an environment-friendly manner

treatment systems with a daily treatment capacity of 631 cubic metres. Waste water produced during the daily operations of the depots is treated by these systems to ensure compliance with statutory standards before it is discharged into the public sewer.

Self-developed Filter Compressing Machine

Developed in-house and introduced by KMB in 2005, the Filter Compressing Machine continues to be used to process disposed fuel and oil filters. It can reduce the volume of solid chemical waste by 60%, thereby helping to save landfill space. Further

environmental benefits are derived as the waste oil squeezed from the filters during the compressing process is subsequently recycled. The machine won the Certificate of Merit in Green Innovative Practice in the 2006 Hong Kong Eco-Business Awards.

GREEN PREMISES

The design, construction and operation of our bus depots are geared towards energy conservation and environmental protection. Dedicated facilities, including waste water treatment systems, water recycling facilities and environment-friendly fire service systems, are installed in all KMB and LWB depots.

Energy saving features are also incorporated in our lighting, air-conditioning and ventilation systems. Regular air sampling ensures a healthy work environment.

Both the design and the renovation of the Group's headquarters are based on the Green Office concept. Pre-set timers are installed to turn lights off when they are not needed or when natural light is sufficient. Thermostats in our air-conditioned premises are set to 25.5°C to conserve energy and reduce air pollution in support of the Government's Action Blue Sky Campaign.