

Business Review

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited are major franchised public bus operators in Hong Kong providing safe, reliable, high quality, environment-friendly, value-for-money bus services in Kowloon, the New Territories, Hong Kong Island and Lantau Island.



The Kowloon Motor Bus Company (1933) Limited (“KMB”)

KMB, a wholly-owned subsidiary of Transport International Holdings Limited, is the largest franchised bus operator in Hong Kong, serving more than 2.8 million passenger-trips each day. A workforce of around 11,500 employees, including some 8,500 bus captains, ensures that customers enjoy high quality services on a fleet of over 4,100 buses operating on 409 routes.

Operational Excellence

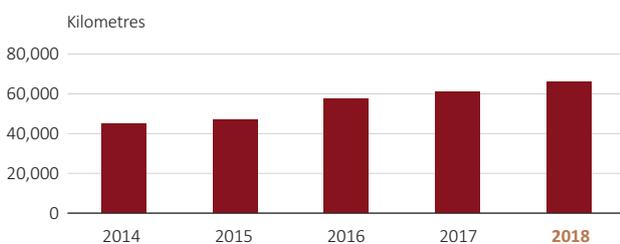
KMB has provided reliable franchised bus services in Hong Kong for eighty-five years, and is an industry leader in operational and service excellence. Reflecting the company’s aim to achieve the highest operational and service standards, KMB has been ISO certified for Quality Management System (ISO9001) since 1999 and ISO certified for Environmental Management Systems (ISO14001) at its two largest depots since 2003. KMB has also been accredited with Occupational Health and Safety Assurance Series (OHSAS) 18001:2007 certification for all of its depots since 2012. KMB has adopted the latest version of ISO9001 since August 2018.



KMB introduced new buses with a number of new features, including advanced technological devices for driving safety

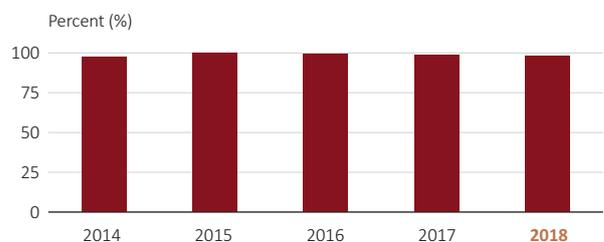
“Mechanical Reliability” and “Operational Capability” are the key benchmarks of efficient public bus services. Mechanical Reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2018, the mechanical reliability of KMB’s fleet was 65,928km:1. Operational Capability refers to the ratio of actual to scheduled departures in the peak direction during the peak hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2018, we achieved an operational capability of 97.96%.

Mechanical reliability – KMB



Average number of kilometres operated before one mechanical breakdown while passengers are on board

Operational capability – KMB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am – 9am) in the peak direction

Bus Fleet and Fleet Upgrade

KMB is determined to innovate by introducing a bus fleet with technological advances and environment-friendly features for a more desirable passenger experience.

After introducing brand new red buses with the slogan “Heartbeat of the City” in 2017, KMB upgraded the red buses in 2018 with a number of new features. Four “Red Bus 2.0” double-deckers have been delivered to Hong Kong for providing service in 2019.

Business Review

Hong Kong Franchised Public Bus Operations

Innovation and support for the environment are two of the cornerstones of KMB's service. After developing the first double-deck bus installed with solar panel in 2017, KMB developed the second-generation solar panel on double-deck bus in 2018. It can reduce the temperature of the bus compartment by eight to ten degrees compared to a bus with no solar panel. The cooling time is 50% faster compared to the first generation of the solar panel bus, and fuel consumption can be reduced by about 3%. All new KMB buses will be equipped with solar panels from the second half of 2019.

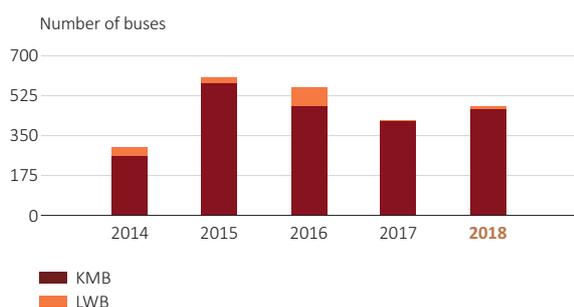
KMB continues to invest in the latest environment-friendly buses. In 2009, it became the first public bus company in Asia to introduce Euro V double-deck buses. In 2017, it again led the industry by introducing the first

diesel-powered double-deck bus with Euro VI emission standards in Hong Kong. With the last Euro V bus to be licensed in 2019, KMB steps into a new era of Euro VI buses, while Euro III and earlier model buses will be completely phased out within the next five years.

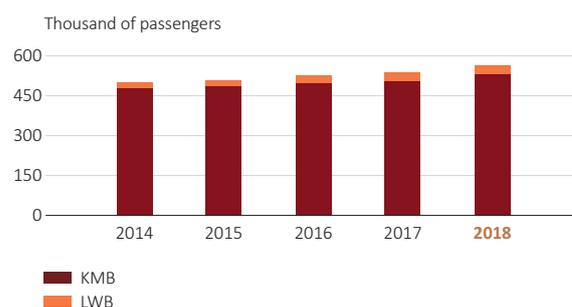
In 2018, KMB acquired a total of 465 new Euro V and two Euro VI super-low floor double-deck air-conditioned buses. As at 31 December 2018, KMB operated a total of 4,112 licensed air-conditioned buses, comprising 3,964 double-deck buses and 148 single-deck buses. The fleet currently features three hybrid double-deck buses, ten electric single-deck buses and seven supercapacitor single-deck buses. In addition, 340 air-conditioned double-deck Euro VI buses were on order for delivery in 2019.

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2018	3,827	145	3,972
Additions during year	467	3	470
Disposals during year	(330)	–	(330)
As at 31 December 2018	3,964	148	4,112

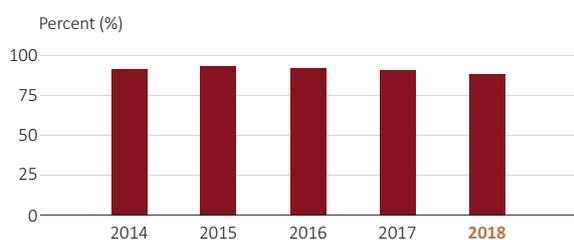
Number of new buses introduced to the fleet



Total fleet capacity at 31 December



Percentage of actual number of buses operated on the road to licensed bus fleet



Bus Service Network

At the end of 2018, KMB operated a total of 409 bus routes. In a changing operating environment marked by railway expansion, demographic changes and new highways, KMB reviews and arranges its resources to cater for the changing demand. KMB strives to operate an efficient, competitive and sustainable bus network, while seeking opportunities for new market growth.

In 2018, we implemented 76 routes reorganisation proposals that enhance the whole network with the following benefits to the public:

- Eliminating wasteful duplication of routes;
- Allowing resources to be released for redeployment in high demand areas;
- Straightening routes that are unduly circuitous;
- Introducing new express routes that utilise the new highway infrastructure; and
- Offering greater connectivity between routes by using Bus-Bus Interchanges (“BBI”).

To better serve passengers visiting hospitals, two new “Hospital Routes”, namely 14H and 32H, were introduced in March and April 2018 respectively. They operate daily and serve passengers who are going to United Christian Hospital, Kwai Chung Hospital, Princess Margaret Hospital and Yan Chai Hospital.

To tie in with the launch of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 23 September 2018, KMB introduced two new routes, W2 and W3, for passengers travelling between East Kowloon and East New Territories and Hong Kong West Kowloon Station. In addition, ten

routes relocated their terminus to West Kowloon Station Bus Terminus.

KMB Monthly Pass

KMB continues to enhance its service by providing affordable and convenient journeys to passengers. As such, KMB launched the Monthly Pass Scheme in March 2018, whereby passengers can take ten rides per day on KMB buses for HK\$780 (and two additional trips on Route B1). The monthly pass covers over 400 KMB routes, including regular routes, racecourse bus routes and overnight routes. Jointly operated cross-harbour bus routes operated by KMB are also included in the Scheme.

The KMB Monthly Pass Scheme has been well-received since its launch. KMB enhanced the Scheme by changing the validity period from a calendar month to 30 consecutive days to give passengers greater flexibility when using the monthly pass.

Expanding Services at Hong Kong Coliseum

Since 2004, KMB has operated four special routes from Hong Kong Coliseum serving passengers returning home after attending major events or concerts. In 2018, KMB expanded the service network for Hong Kong Coliseum by introducing new routes, so that 11 routes now serves passengers travelling from Hong Kong Coliseum to different parts of Kowloon and the New Territories.



KMB has been expanding its services for Hong Kong Coliseum

Business Review

Hong Kong Franchised Public Bus Operations

Multimodal Interchange

KMB introduced interchange concession schemes with Hong Kong Tramways and AMS Public Transport Holdings Limited in mid-2017 and these have proved popular. KMB therefore extended the schemes for one more year from 1 July 2018 to 30 June 2019. Octopus Card users commuting from the designated cross-harbour routes solely operated by KMB to tram lines, and vice versa, may save a single journey fare on the tram. Octopus Card users can enjoy a HK\$1 discount when interchanging from the designated cross-harbour routes solely operated by KMB to designated Hong Kong Island Green Minibus routes operated by AMS, and vice versa.

Depots

Routine maintenance and repair services are provided in KMB's four major bus depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun. Ten smaller depots supply minor maintenance services and parking. The KMB Overhaul Centre in Tuen Mun supports major overhaul services. Depot facilities are continually upgraded to ensure consistent service quality and a high level of productivity.

Major Depots Serving KMB and LWB Buses

Depot	Areas served/ main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2018	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,124	1990	The depot land was acquired at market price from the Government in 1986 under a Private Treaty Grant
Sha Tin Depot	North and East New Territories	720,005	1,167	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Depot	South and West Kowloon	648,946	892	2002	The depot land has been leased from the Government on a short term tenancy [#]
Tuen Mun Depot	West New Territories	148,961	929	1979	The depot land was acquired at public auction in 1974
KMB Overhaul Centre	Bus overhaul	380,915	N/A	1983	The depot land was acquired at market price from the Government in 1979 under a Private Treaty Grant
LWB depot:					
Siu Ho Wan Depot	Lantau Island	82,422	262	1998	The depot land has been leased from the Government on a short term tenancy [#]
Total		2,749,287	4,374		

[#] Under the short term tenancy agreements, rentals at market rates are payable to the HKSAR Government.

Comprehensively Upgraded Smartphone App

KMB launched a new version of the KMB and Long Win mobile app, “App1933”, in September 2016. Passengers may check information about bus routes and estimated time of arrivals in a convenient fashion.

In 2018, the mobile app was further upgraded so that users can be informed of the occupancy level of arriving buses. To facilitate this, KMB is testing a real-time occupancy monitoring system on selected buses.

KMB has served Hong Kong for more than 80 years. There are many historical stories behind bus stops and streets worth digging into. In App1933, icons along selected bus stops named “Bus Stops in the Past” will take passengers back to historic Hong Kong with old photos.

Application of Information Technology

The use of information technology can benefit passengers by providing bus arrival information via Estimated Time of Arrival (“ETA”) display panels at bus termini and bus stops, on App1933 and the KMB and LWB websites. In addition, information technology helps KMB manage and monitor its intricate operations with ease. Applications includes the Integrated Bus Service Information Display System (IBSID), the Electronic Bus Stop Announcement System (BSAS), the Terminus Management System (TER), the Traffic Operations Management System (TOM), the Bus On-board Monitoring System (BOM) and the Operations Communications Management System (OCM).



Passengers can enjoy a free Wi-Fi service on buses



We provide upgraded passenger facilities, including USB charging points



Hong Kong Franchised Public Bus Operations



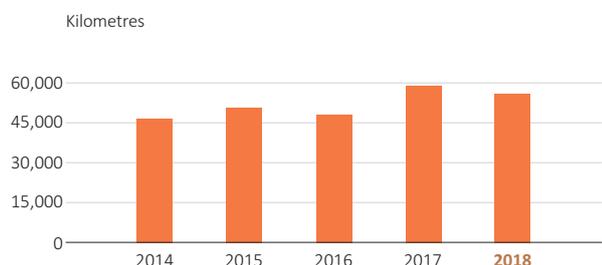
Long Win Bus Company Limited (“LWB”)

LWB has been operating franchised public bus services to and from the New Territories, Hong Kong International Airport and North Lantau since 1 June 1997. LWB’s network currently covers the Airport, Tung Chung, the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.

Performance Assurance

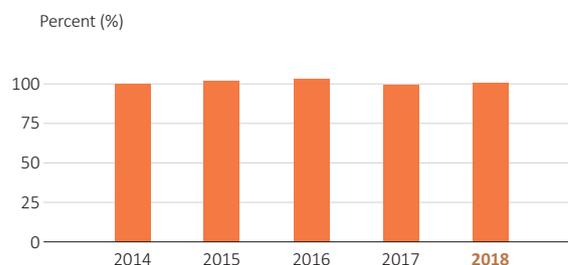
LWB constantly reviews its bus services and maintenance regime to ensure that safety and efficiency are maintained at the highest level across its bus fleet. LWB measures its operational performance by reference to two key performance indicators: mechanical reliability and operational capability. Mechanical reliability is the average number of kilometres a bus operates before it experiences a mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction in the peak hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2018, LWB achieved 56,164km: 1 in mechanical reliability and 100% in operational capability. LWB obtained ISO 9001:2008 Quality Management Systems certification in November 2012. LWB has adopted the latest version of ISO9001 since August 2018.

Mechanical reliability – LWB



Average number of kilometres operated before one mechanical breakdown while passengers are on board

Operational capability – LWB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am – 9am) in the peak direction

Bus Fleet and Fleet Upgrade

In 2018, LWB introduced 15 new Euro V super-low floor air-conditioned double-deck buses. As at 31 December 2018, LWB operated 258 super-low floor air-conditioned double-deck buses, and four air-conditioned electric

single-deck buses, all wheelchair accessible and equipped with the On-board Electronic Bus Stop Announcement System. To meet growing passenger demand, 44 buses are 12.8 metres in length, offering a higher carrying capacity.

LWB's bus fleet	Air-conditioned double-deck buses	Air-conditioned electric single-deck buses	Total number of buses
As at 1 January 2018	241	4	245
Additions during year	17*	–	17
Disposals during year	–	–	–
As at 31 December 2018	258	4	262

* including two buses under repair as at 31 December 2017, and subsequently re-introduced into the bus fleet in 2018



LWB provides special services for mega events at Asia World-Expo



LWB provides transport services that connect the Hong Kong Port with the New Territories

LWB has ten Euro VI super-low floor air-conditioned double-deck buses of premium design scheduled to enter service in 2019 on Airbus routes.

Bus Service Network

At the end of 2018, LWB operated 33 routes. LWB arranged for some "A" Routes (A31, A33X/A33P, A36, A41) and "NA" Routes to travel direct to the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge upon the commissioning of the Hong Kong-Zhuhai-Macao Bridge. Octopus Interchange Discount Schemes with the direct "A" routes are provided for passengers travelling to and from the Port on other "A" routes, with interchange points at Airport Terminal 2 (Port-bound) and the Lantau Link Toll Plaza (New Territories-bound).

Depots

The depot at Siu Ho Wan provides daily bus maintenance, refuelling, bus washing and parking for the LWB fleet. The depot is equipped with a waste water treatment system to ensure that waste water quality complies with the statutory requirements before discharge into the public drainage system.

Safety and Customer Service

Regular and thorough inspections of LWB's buses are undertaken to make sure that they are maintained at the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, while safety briefings are held from time to time and safety reminders circulated to bus captains. LWB runs various quality campaigns to recognise and reward good performance.



The professional team of LWB upholds a high standard of service

For the convenience of passengers travelling to and from the Airport in groups, LWB introduced a pre-paid group ticket scheme on “A” Routes with a fare discount of 15%-25%. As the scheme was welcomed by the community, the second round of the scheme was launched on 8 November 2017, to run until 15 May 2018, or until stocks last.

Environmental Protection

LWB is fully aware of the importance of environmental protection and continues to invest in environment-friendly buses that meet the stringent emission standards of the

European Council of Environmental Ministers. In 2018, LWB introduced 15 new Euro V buses to its fleet, bringing the proportion of Euro V or electric buses up to 80%. In addition, it has retrofitted Diesel Particulate Filters on all its Euro III buses to reduce the emission of particulates.

The electrostatic air filtration function in the air-conditioning system of LWB buses significantly improves the air quality in the bus compartment, while the Eco-driveline system reduces both fuel consumption and exhaust emissions.



LWB launched concession schemes that are welcomed by the public



LWB provides comprehensive training for bus captains