

Hong Kong Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited are leading franchised public bus operators providing world-class, environment-friendly, value-for-money bus services in Kowloon and the New Territories and on Hong Kong Island. Safety, reliability, comfort and convenience underpin their operations.



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 2.7 million passenger trips each day. A workforce of around 11,700 employees, including some 8,600 bus captains, ensures that customers enjoy high quality service on a fleet of over 3,900 buses operating on 397 routes. On 1 July 2017, we entered a new era of service with the grant of a franchise to operate for ten more years.



KMB connects people day and night

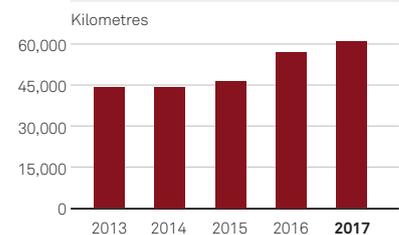
Operational Excellence

KMB has provided reliable franchised bus services in Hong Kong for eighty four years, and is an industry leader in operational and service excellence. Reflecting the company’s commitment to achieving the highest operational and service standards, KMB has been ISO certified for Quality Management System (ISO9001) since 1999 and ISO certified for Environmental Management System (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. With the new 2015 version of ISO9001 becoming effective in 2018, work is currently being undertaken to ensure a smooth transition to the latest certification requirements.

Performance Pledge/Safety and Reliability

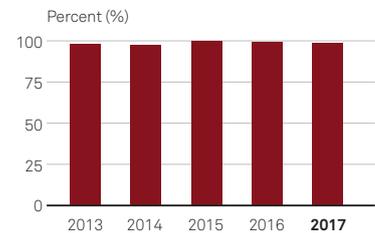
Mechanical reliability and operational capability are the key benchmarks of an efficient public bus services. Mechanical reliability refers to the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. In 2017, the mechanical reliability of KMB’s fleet was 61,033 km: 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 2017, we achieved an operational capability of 98.86%.

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



KMB has introduced brand new red buses with ergonomic design and innovative facilities

Bus Fleet and Fleet Upgrade

KMB continues to modernise its bus fleet with a raft of innovations. All non-super-low floor buses were phased out by July 2017, affording greater accessibility for all our passengers. KMB's technologically advanced and environment-friendly buses showcase a range of innovative features, including the On-board Electronic Bus Stop Announcement System.

In mid-2017, KMB introduced brand new red buses with silver trim and the slogan "Heartbeat of the City" to reflect the energy KMB provides to the whole bus network in Hong Kong. The interior of the buses, designed to create a warmer atmosphere for passengers, is equipped with USB chargers and a free Wi-Fi service.

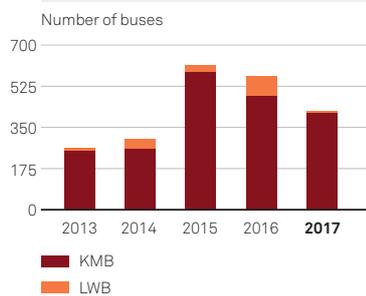
We are committed to contributing to a better environment by investing in environment-friendly buses

that meet the exhaust emission standards laid down by the European Union. In 2009, we became the first public bus company in Asia to introduce Euro V double-deck buses at a time when legislation required only Euro IV emission standards for newly-registered diesel vehicles. In 2017, we introduced Hong Kong's first diesel-powered double-deck bus with Euro VI emission standards. Compared to the Euro V double-decker, the Euro VI bus's emissions of major pollutants are reduced considerably, with emissions of nitrogen oxides, hydrocarbons and particulate matter decreasing by 80%, 72% and 50% respectively. In terms of performance, the bus's more efficient engine reduces fuel consumption and lowers noise levels, while the Electronic Stability Program significantly reduces the risk of roll or skid in all conditions. On the other hand, Euro III and earlier model buses will be completely phased out within the next four years.

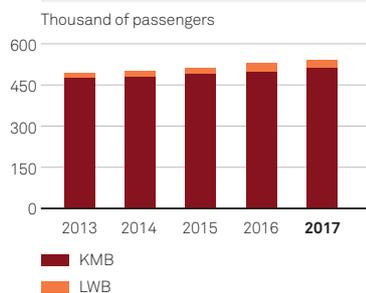
In 2017, KMB continued to make substantial investments in new buses with the latest safety, environmental and design features, acquiring a total of 400 new Euro V and one Euro VI super-low floor double-deck air-conditioned buses. KMB also introduced ten battery electric single-deck buses and one supercapacitor electric single-deck bus into its fleet in 2017. As at 31 December 2017, KMB operated a total of 3,972 licensed air-conditioned buses, comprising 3,827 double-deck buses and 145 single-deck buses. The fleet currently features three hybrid double-deck buses, ten battery electric single-deck buses and four supercapacitor electric single-deck buses. In addition, 464 air-conditioned double-deck Euro V buses were on order for delivery in 2018 and four additional supercapacitor electric single-deck buses will commence operation in 2018.

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2017	3,756	164	3,920
Additions during year	401	11	412
Disposals during year	(330)	(30)	(360)
As at 31 December 2017	3,827	145	3,972

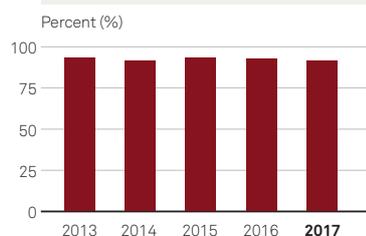
Number of new buses introduced to the fleet



Total fleet capacity at 31 December



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



In 2017, KMB introduced the trial of Hong Kong's first double-decker equipped with an in-house developed solar power system that drives the air ventilation system and the USB chargers.

Bus Service Network

At the end of 2017, KMB operated a total of 397 bus routes. KMB monitors the viability of its bus routes in terms of the changing operating environment, taking into consideration factors such as railway expansion, population intake and redistribution, and the building of new highways. By matching resource allocation to new demand patterns, KMB strives to improve the efficiency, competitiveness and long-term sustainability of its bus network, while seeking opportunities for expansion into new growth markets.

Following the opening of the Kwun Tong Line Extension and the South Island Line (East) in the fourth quarter of 2016, some passengers travelling to and from Hung Hom, Ho Man Tin and Island South have shifted from road-based public transport to rail. In response, KMB has implemented route reorganisation with the concerted efforts of all stakeholders to improve operational effectiveness by redeploying buses to other routes. In this way, a sustainable and financially viable bus network is able to play its part in easing traffic congestion and improving environmental management through reduced roadside emissions.



KMB, in partnership with Hong Kong Tramways Limited, launched an inter-modal interchange fare concession scheme

In 2017, we implemented 76 route reorganisation proposals, enhancing the overall route network while bringing the following benefits to the travelling public:

- ① eliminating wasteful duplication of routes;
- ① allowing resources to be released for redeployment in new growth areas;
- ① straightening routes that are unduly circuitous;
- ① introducing new express routes that utilise the new highway infrastructure; and
- ① offering greater connectivity between routes by using Bus-Bus Interchanges (“BBI”).

Promotions

In July 2017, KMB introduced new inter-company interchange concession schemes with Hong Kong Tramways and with certain Green Minibus routes of AMS Public Transport Holdings Limited. These promotion schemes have been extended until mid-2018 to promote public transport use. Furthermore,

a half-fare concession has been provided to students if they pay for the return trip of the designated KMB routes on the same day using the same Octopus Card.

To promote ridership on public transport, and as part of the Passenger Reward Scheme, two discount schemes were introduced in 2017. A fare discount of 5% was offered to adult and student passengers from 1 May 2017 to 30 June 2017. In December 2017, all passengers enjoyed 20% discount

(except students as they already enjoyed 50% discount) if they paid for the return trip of the designated KMB routes on the same day using the same Octopus Card.

Comprehensive upgrade Smartphone App

KMB launched a new version of the KMB and Long Win mobile app, “App1933”, in September 2016 to allow passengers to check information on bus routes and the estimated time of bus arrivals more conveniently. In 2017, the interface



App1933 continues to upgrade its features

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 2017	Year in which operations commenced	Remarks
KMB depots:					
Kowloon Bay Depot	East Kowloon	768,038	1,086	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	1,124	1988	The depot land was acquired at public auction in 1984
Lai Chi Kok Dept	South and West Kowloon	648,946	882	2002	The depot land has been leased from the Government on a short term tenancy [#]
Tuen Mun Depot	West New Territories	148,961	880	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	245	1998	The depot land has been leased from the Government on a short term tenancy [#]
Total		2,749,287	4,217		

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

was further upgraded. Besides offering the Live Chat function to communicate with customer service representatives, App1933's boarding function estimates arrival time at the destination. A trial of real-time passenger counting on selected routes has also been launched to keep App1933 users informed of the occupancy level of arriving buses. This function will be fully launched in 2018. App1933 ranked Number 1 in App Store of iPhone Applications (free download category) in Hong Kong in 2017.

Application of Information Technology

Information technology links offices, bus depots, bus termini and customer service centres

via a high-speed network. Key computer systems used by the Company include the Estimated Time of Arrival ("ETA") service, which operates via display panels at bus termini and bus stops, as well as on App1933 and the KMB and LWB websites. Other systems include Integrated Bus Service Information Display System (IBSID), Electronic Bus Stop Announcement System (BSAS), Terminus Management System (TER), Traffic Operations Management System (TOM), Bus On-board Monitoring System (BOM) and Operations Communications Management System (OCM).

In 2017, KMB conducted trials of passenger counting on the upper deck, and the system is expected to

be launched in 2018. The number of passengers on the upper deck will be displayed on the lower deck to assist passengers in deciding whether to seek seats on the upper deck.

Depots

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

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, Hong Kong Disneyland, the Ngong Ping 360 cable car and AsiaWorld-Expo.





LWB provides transport services connecting Hong Kong International Airport and North Lantau with the New Territories

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 2017, LWB achieved 59,232km: 1 in mechanical reliability and 99.10% in operational capability.

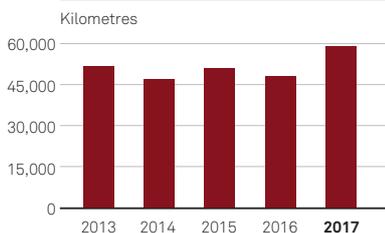
Having obtained ISO9001:2008 quality management systems certification in November 2012, LWB had its certification extended for three years to September 2018 after undergoing a certification renewal audit in 2015.

Bus Fleet and Fleet Upgrade

The bus livery and compartments of the new-generation LWB Airbuses come in orange complemented by warm grey and khaki. The redesigned interior features ergonomically designed seats with increased legroom, while the upper compartment adopts a more spacious design. The buses provide a free Wi-Fi service, USB chargers, seatback magazine bags, spacious luggage racks, a screen displaying the bus arrival time and glass windows with a high degree of opacity, mirroring the experience of flying.

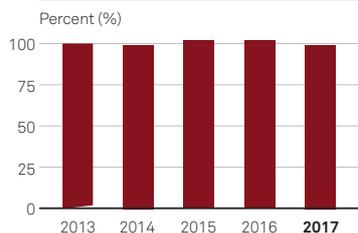
The LWB Airbuses are operated by a selected group of elite bus captains offering professional and friendly services. The design of their uniforms, in orange and grey, is consistent with the style of KMB uniforms, underlining the connection between the two companies.

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

LWB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 January 2017	242	–	242
Additions during year	2	4	6
Disposals during year	(3)	–	(3)
As at 31 December 2017	241	4	245

In 2017, LWB introduced two new Euro V super-low floor air-conditioned double-deck buses and four battery electric single-deck buses. As at 31 December 2017, LWB operated 241 super-low floor air-conditioned double-deck buses, and four battery 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 has 32 Euro V super-low floor air-conditioned double-deck buses

scheduled for licensing in 2018, of which 24 are premium design buses, which are slated to operate on Airbus routes.

Bus Service Network

At the end of 2017, LWB operated 30 routes. To satisfy the needs of the increasing number of air travellers arriving late at night and Airport staff working night or early morning shifts, the overnight Airbus network was extended in phases in 2017. LWB introduced three new routes, NA31, NA32 and NA47, to serve passengers travelling between Tsuen Wan, Kwai Chung, Tsing Yi, Tai Po and the Airport. Additional departures of existing

overnight Airbus routes NA33, NA34, NA40 and NA43 were operated to provide passengers in the western, eastern and northern New Territories with a more direct connection to the airport.

To provide a more convenient Airbus service for Tai Po residents travelling to and from the Airport, in January LWB extended Route A47X to cover Tai Po Central and Fu Heng Estate on a whole-day service basis. In December, residents in Tuen Mun benefited from the rationalisation of Routes A33 and A33X, which enabled those in southern and northern Tuen Mun to travel directly to the airport.



LWB expands its bus network continuously

To better serve the new residential area in Tung Chung North, in January LWB extended Route S64P to Ying Tung Estate, and introduced new peak-hour service Route E32A between Tung Chung North, Tsuen Wan and Kwai Chung.

New Octopus BBI schemes between LWB Airbus routes and LWB Shuttle Routes S64/S64X were introduced, and in July the discount on the BBI scheme between LWB Route A43P and KMB Route B1 was increased to provide a better connection between North Lantau/the Airport and Lok Ma Chau Station. Under these Octopus schemes, the fare of the feeder leg on Route S64/S64X and Route B1 is free.



LWB launched several fare concession schemes

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.

To provide passengers with real-time bus trip information to assist journey planning, App1933 provides estimated time of arrival information on all LWB routes with a regular service. It also automatically displays on its home page each

user's regular bus routes as well as information on buses at bus stops near the user's location. A single tap gives users access to the quickest route to their destination from their current location. Estimated time of arrival information is also provided on LWB's website, along with route information, and on display panels at selected bus stops.

LWB offered the "Same-day Second-trip Discount Concession" from 10 September 2016 to 30 April 2017. Passengers making any two trips on the same day within the same route group of "A" routes or "E" Routes enjoyed a 20% or 10% discount, respectively, on the same-day second trip. Moreover, to provide passengers with a more comfortable and direct return journey, LWB introduced the "Same-day Return Fare Concession Scheme" on "A" Routes for those taking the first leg on "E" Routes from 1 October 2017 to 31 March 2018. Octopus-paying passengers were able to enjoy a 20% fare discount on the same-day return trip on the 13 "A" Routes if the forward leg was made on any of the 11 "E" Routes, so long as the full fare for both journeys was

paid with the same Octopus card. These concessions were offered in accordance with the passenger reward arrangement agreed with the Government.

For the convenience of passengers travelling to and from the Airport in groups in the summer holiday period, LWB introduced a pre-paid group ticket scheme on 13 "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 environment protection and continues to invest in environment-friendly buses that meet the stringent emission standards of the European Council of Environmental Ministers. In 2017, LWB introduced two new Euro V buses and four new battery electric single-deck 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. To further improve air quality, Near Zero Sulphur Diesel ("NZSD") has been used fleet-wide since 2010.

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.