

When the late Mr. Wong Kwoon Chung launched a car cleaning service in 1948, he would not have envisaged that Kwoon Chung Bus Holdings Limited and its subsidiaries (the "Group") would become one of the largest (if not the largest) non-franchised bus operators in Hong Kong. The expansion in Mainland China can also be described as dramatic. Today, the Group has operations in ten major cities in Mainland China, with projects under negotiation in some others.

The growth of the Group reflects the typical industrious and diligent nature of the type of free market entrepreneurship that helped to make Hong Kong one of the most competitive regions in the world. After over half a century of development, the Group has made its name in the transport history of Hong Kong as a comprehensive transport service provider.

The Group has made its strong presence in student service and is regarded as the leading school bus service operator. It is also well positioned in resident and employee services; every morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work. The network has extended to the new airport in Chek Lap Kok since July 1998. The acquisitions of Tai Fung Coach Company Limited and Holiday Rental, operated by Trade Travel (Hong Kong) Limited, in April 1997 have enabled the Group in becoming the largest provider, in terms of bus fleet size, of tour buses and coaches to hotels and tour operators in Hong Kong.

The New Lantau Bus Company (1973) Limited, a subsidiary of the Group, is the franchised bus operator in Lantau Island which is now connected with Kowloon by the Tsing Ma Bridge. Another subsidiary, Lantau Tours Limited, is the major tour service provider in Lantau Island which offers extensive travel packages which cover the new and the old scenery – from visiting the Tsing-Ma Bridge viewing platform and Tung Chung New Town, to crossing over to South Lantau Island to visit the Tian Tan Buddha, Po Lin Monastery and Tai O fishing village.

Since 1992, the Group has been trying to realise its vision of bus service market in Mainland China. Shanghai Pudong Kwoon Chung Public Transport Co., Ltd. ("Shanghai Pudong Kwoon Chung") was the first co-operative joint venture ("CJV") of the Group established in Mainland China and is now a 61% owned equity joint venture ("EJV") or subsidiary of the Group operating a fleet of over 700 buses and 25 taxis mainly in Pudong, Shanghai. The Group has CJVs in other major cities, namely Guangzhou, Shantou, Dalian, Harbin and Anshan, and cross-border bus services in Shenzhen. There are altogether over 600 buses being operated under these CJVs. In June 1998, the Group completed its joint venture investment in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. which became a 50.09% (now 50.66%) owned subsidiary of the Group. This subsidiary owns a fleet of over 1,000 buses and 81 taxis and operates designated bus routes mainly in Puxi, Shanghai. Together with Shanghai Pudong Kwoon Chung, the Group operates more than 1,700 buses and 106 taxis in Shanghai city as a whole and is the second largest designated bus routes operator in Shanghai, and



the largest sino-foreign joint venture operating designated bus routes in Shanghai and even in Mainland China at large. Further, the Group has advanced to the stage of investing in bus operations in Mainland China with the intention of operating or participating in all bus routes in an entire city. Since 1997, the Group had been negotiating with the Public Utilities Bureau (now reorganised and renamed as Chongqing Communications Committee) in Chongqing city as the first target for this strategic plan. In December 1998, the Group made the first step to establish a 55% owned EJV company in Chongqing, Chongqing Kwoon Chung Public Transport Development Co. Ltd., renamed as Chongqing Kwoon Chung (No.3) Public Transport Co., Ltd., which commenced operation in January 1999 and currently operates a fleet of over 600 buses. In January 2000, the Group further acquired and established a EJV in Chongqing, namely Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd., owned as to about 76.64% equity interest. As at 31 March 2002, the Group, as a majority shareholder, owned two public city bus companies (out of major six in total administered by the Chongqing Communications Committee) in Chongqing which is a fast growing city in the western part of Mainland China under the "Go West" strategy directed by the central government of The People's Republic of China ("PRC"). With the committed support from the relevant authorities in Chongqing, the Group has confidence in achieving this vision.

In September 1999, First Action Developments Limited (a 100% owned subsidiary of New World Services Limited) acquired about 20% (now about 29.98%) of the issued share capital in the Company and became the Group's strategic partner. The Group has been benefited by sharing with the new partner's valuable experiences in bus fleet management and human resources utilisation.

To diversify into long distance inter-city bus operations, in late 1999 the Group acquired 51% equity interest in King Chau Keung Tat Transportation Co., Ltd. operating long distance inter-city buses in Hubei province with Jinzhou as the headquarter city. This subsidiary now operates a fleet of 25 buses and will expand the fleet to a better economy of scale in the coming year.

To diversify into other bus-related businesses, in June 2000 the Group acquired 60% equity interest in Chongqing Tourism (Group) Co., Ltd. which holds investments in a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The Group envisages that domestic, inbound and outbound travel business in Mainland China will grow at a speed. The entering into this market will be beneficial to the Group's existing tour bus business both in Mainland China and Hong Kong. The Group may also utilise its bus operations network in Mainland China to speed up the development of travel business which is expected to become one of the major businesses of the Group in the near future. The travel agency company, Chongqing Everbright International Travel Service Co., Ltd., originally holds domestic and inbound travel business licence in Mainland China. In July 2002, two years after our acquisition, due to its good record in expansion of existing business and achieving of various standards set by the relevant authorities, at the recommendation of the local Tourism



Administration Bureau, it has been granted an outbound travel business licence by the National Tourism Administration Bureau of China. There are only 13 out of over 200 travel agency companies in Chongqing have been granted this competitive licence. This success further enhances the Group's diversification into travel business in Mainland China and internationally.

Given the enormous market of bus operations and being the first foreign investor with proven record of quality bus services in Mainland China, the Group is confident about its future growth in the bus and bus related businesses in Mainland China.

