





# Identifying growth factors

TIH is entering the Mainland market with a commitment to a long term presence



## Overview and Strategies

TIH's business strategies for China Mainland are carefully aligned with the country's growing public transport markets. The Group's mainland transport operations have expanded rapidly over the past few years, reflecting our strategy and commitment for continuous business growth. Initiatives to date include the establishment of joint venture companies to operate public bus services as well as taxi and car rental businesses in major cities on the Mainland.

We will continue to leverage on our core competencies and explore business opportunities on the Mainland. It is envisaged that our operations in China Mainland will continue to grow in importance over the next decade.

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- 1 Shenzhen Bus Group Company Limited's public bus
- 2 Beijing Beiqi Kowloon Taxi Company Limited's taxi
- 3 Dalian co-operative joint venture's public bus
- 4 Wuxi Kowloon Public Transport Company Limited's public bus fleet

## Mainland Transport Operations

- Shenzhen Bus Group Company Limited
- Wuxi Kowloon Public Transport Company Limited
- Beijing Beiqi Kowloon Taxi Company Limited
- Dalian Co-operative Joint Venture
- Tianjin Co-operative Joint Venture



The Group has been expanding its transport businesses on the Mainland. In addition to public bus transportation, we have made investments in the taxi and car rental sectors.

## Shenzhen Bus Group Company Limited (“SBG”)

### 深圳巴士集團股份有限公司

SBG is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, with four other Mainland investors.

The Group has invested RMB387 million (HK\$364 million), representing a 35% stake, in SBG. Commencing operation on 1 January 2005, SBG principally provides public bus, minibus and taxi services in Shenzhen City (深圳市) which includes the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) areas. SBG currently has about 3,500 vehicles serving some 120 routes.

Although facing direct competition from the newly commissioned underground railway at Shenzhen, SBG managed to retain its leading market share in Shenzhen throughout 2005 by rationalising the existing bus networks and extending new bus routes to those areas where there is potential for further expansion in bus patronage. To stay competitive in the public transport market, SBG will continue to upgrade its core services and explore new markets.

## Wuxi Kowloon Public Transport Company Limited (“WKPT”)

### 無錫九龍公共交通股份有限公司

WKPT is the Group’s first Sino-foreign joint stock company to operate public bus services on the Mainland. WKPT was established in Wuxi City, Jiangsu Province (江蘇省無錫市) in February 2004. Currently, it operates about 1,800 public buses serving some 110 routes. The Group has invested RMB135 million (HK\$127 million) in WKPT together with three other Mainland shareholders. This represents a 45% equity interest in WKPT.

In 2005, WKPT successfully obtained ISO 9001:2000 and ISO 14001:2004 certificates for their provision of transportation services, transit designs and support services in Wuxi City. It also replaced about 200 buses as part of a bus enhancement programme and increased the proportion of air-conditioned buses from 30% to 37%. In order to capture a larger market share, WKPT extended its non-franchised services to cover the more remote areas of Wuxi City. The city’s strong economy and the rising income of its population are expected to provide steady growth in patronage for WKPT over the coming years.



SBG has over 3,500 vehicles serving Shenzhen City



WKPT serves Wuxi City with more than 1,800 public buses

## Beijing Beiqi Kowloon Taxi Company Limited (“BBKT”)

### 北京北汽九龍出租汽車股份有限公司

Established in Beijing (北京) in 2003, BBKT is the first Sino-foreign joint stock company to enter the Mainland’s taxi hire and car rental business sectors. TIH has invested RMB80 million (HK\$76 million), representing an equity interest of 31.38%, in BBKT. Shareholders of BBKT include KMB (Beijing) Taxi Investment Limited (九巴 (北京) 出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other Mainland investors. BBKT currently operates a fleet of over 4,200 vehicles.

As one of the leading operators in the taxi hire and car rental business sectors in Beijing City, BBKT is well positioned to optimise market opportunities associated with the 2008 Beijing Olympics. Throughout the year, BBKT has undertaken a systematic vehicle replacement programme. A total of 500 new taxis in gold and white livery were introduced in 2005. A more sizable replacement programme involving more than 1,000 taxis is planned for implementation in 2006.

## Dalian Co-operative Joint Venture

### 大連合作合營企業

Established in 1997, the Group’s first co-operative PRC joint venture, formed between a 60% owned subsidiary of the Group and Dalian City No. 1 Bus Company (大連市第一公共汽車公司) in Dalian City, Liaoning Province (遼寧省大連市), has been performing steadily. The Dalian co-operative joint venture has a fleet of about 80 single-deck buses operating on three routes serving Dalian City.

## Tianjin Co-operative Joint Venture

### 天津合作合營企業

In order to concentrate our effort on relatively larger projects, the Group disposed of all its equity interest in the Tianjin co-operative PRC joint venture in September 2005. Established in January 2001 between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company (天津市公交集團有限公司), this joint venture used to operate seven bus routes with 110 single-deck buses in Tianjin City (天津市).



Some 500 new taxis in gold and white livery were launched in Beijing during 2005