



# carefully targeted initiatives

TIH is committed to continuous business growth in the Mainland market

## Overview and Strategies

The strategy for TIH's business on the China Mainland is carefully based on the nature of the country's growing public transport markets. Over the past years, in line with our commitment to continuous and diversified business growth, the Group's mainland transport operations have seen rapid expansion. Major initiatives include joint venture companies to operate public bus services as well as taxi and car rental businesses in major cities of the Mainland.

We will continue to build on our experience as a world-leading public transport operator to develop business opportunities on the Mainland. We are confident that our operations in China Mainland will continue to grow in significance and diversity over the next decade.



## 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

### Mainland Transport Operations

Through its four joint ventures on China Mainland, the Group currently operates a range of transport businesses in Beijing (北京), Shenzhen (深圳), Wuxi (無錫) and Dalian (大連). In light of the fast economic growth of the Mainland, we will continue to explore investment opportunities in the years ahead.

#### Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) (“SBG”)

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 4,100 vehicles serving some 158 routes. It recorded a ridership of 691.5 million passenger trips for the year ended 31 December 2006, an increase of 17.5% compared with 588.3 million passenger trips for 2005.

In 2006, SBG faced direct competition from the underground railway at Shenzhen as well as an upsurge in fuel prices. In order to meet these challenges, SBG introduced new bus routes connecting to the Shenzhen railway stations, continuously upgraded bus services and rationalised its bus route network. From the middle of 2006, mini-buses were prohibited to enter the Shenzhen Special Economic Zone. SBG therefore purchased a



SBG's fleet comprises public buses and taxis

number of high quality air-conditioned buses to fill this market niche. SBG implemented stringent budgetary controls and recorded satisfactory results in 2006. SBG will continue to upgrade its services, enhance its competitiveness and enlarge its market share in the public transport sector of Shenzhen and other markets.

#### Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) (“WKPT”)

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. The Group has invested RMB135 million (HK\$127 million), representing a 45% equity interest, in WKPT together with three other Mainland shareholders.

Currently, WKPT operates about 1,800 public buses serving some 120 routes. In 2006, it continued to make steady progress and recorded a ridership of 273.6 million passenger trips, representing an increase of 2.7% compared with 266.3 million passenger trips for 2005. With the robust growth of the city's economy, steady growth in bus patronage is expected over the coming years, especially in the countryside and newly developing areas. WKPT will extend not only its bus routes coverage but also non-franchised coach services, aiming to optimise



WKPT has introduced the latest generation 13.7-metre long single-deck bus with large carrying capacity

the opportunities from the growing demand for passenger transportation in such areas. Simultaneously, WKPT will continue to pursue improvements in the quality of its services. WKPT has been certified for ISO 9001:2000 and ISO 14001:2004 for the provision of transportation services, transit designs and support services in Wuxi City since 2005. During 2006, it also replaced about 100 buses as part of a bus enhancement programme and increased the proportion of air-conditioned buses from 37% to 43%.

### Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT")

Established in Beijing 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公司) and three other Mainland investors.

BBKT currently operates a fleet of about 4,300 vehicles. As one of the leading operators in the taxi hire and car rental business sectors in Beijing City, BBKT demonstrated its commitment to high standards of service quality through having successfully obtained ISO 9001:2000 certification for its quality management system in taxi service in

2006. Operating in the markets with robust growth and continuous pursuit of quality living standards, BBKT has continued to position itself to optimise business opportunities, particularly those associated with the 2008 Beijing Olympic Games. BBKT has implemented a systematic vehicle replacement programme under which about 2,200 new taxis in gold and white livery have already been purchased and more than 1,000 new taxis and rental cars are planned to be introduced in 2007.

### 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 performed steadily. The Dalian co-operative joint venture has a fleet of about 80 single-deck buses operating on three routes serving Dalian City. It recorded a ridership of 25.3 million passenger trips for 2006, a decrease of 6.6% compared with 27.1 million passenger trips for 2005. Such decrease was due mainly to the intense competition from other public transport modes in the city.



BBKT's new taxi fleet stands ready for the 2008 Beijing Olympic Games



SBG moves on with Shenzhen's metropolitan pace