



OPERATIONAL REVIEW CHINA MAINLAND

OVERVIEW AND STRATEGIES

In line with the Group's commitment to diversified business growth, we continue to target the potential of the transport related markets in China Mainland. Leveraging our expertise as a world class public transport operator, TIH seeks to develop its Mainland business portfolio on its well attested record of safety, quality, environmental awareness, productivity and efficiency.

In the light of China's steady economic growth, we are confident that our targeted businesses, including the existing public bus, taxi and car rental operations, will continue to make significant progress.



CHINA MAINLAND TRANSPORT OPERATIONS

The increasing demand for transport services in China Mainland drives the Group's commitment to offer the best in public bus, taxi and car rental services.



CHINA MAINLAND TRANSPORT OPERATIONS

In 2008, the Group operated a diverse portfolio of transport businesses in Shenzhen (深圳), Beijing (北京), Dalian (大連) and Wuxi (無錫). We will continue to identify and evaluate transport related business opportunities in China Mainland in line with our investment strategy.

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.

SBG mainly provides public bus, minibus and taxi services in Shenzhen City (深圳市), including the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) districts. Starting operations on 1 January 2005, SBG now has 4,182 vehicles operating on 173 routes. In 2008, it continued to make steady progress and served



SBG continues to upgrade its fleet to better serve Shenzhen City

SBG's patronage exceeding

2,000,000
passenger trips a day

759.2 million passenger trips, an increase of 1.5% compared to 748.2 million passenger trips in 2007.

In 2008, facing high fuel prices and cost escalation as well as competition from Shenzhen's underground railway, SBG made every effort to control costs and improve efficiency without compromising its service quality. Besides upgrading its vehicles and rationalising its bus route network to increase productivity, SBG implemented stringent budgetary measures to mitigate the adverse impact of rising operating costs. It also introduced a number of new feeder bus routes connecting to Shenzhen underground railway stations. During the year, SBG was able to increase its market share in Shenzhen City through both acquisition and expansion of its bus route network.

Since 2007, SBG has been ISO 9001:2000 certified for the provision of transport services, transit designs and support services in Shenzhen City. To enhance its environmental performance, SBG has upgraded most of the engines in its bus fleet and adopted the use of environment-friendly fuel that meets Euro III emission standards. SBG remains committed to improving its services, sharpening its competitiveness and increasing its market share in Shenzhen and other markets.

SBG's environment-friendly modern fleet is well positioned to increase its market share in Shenzhen and other markets

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 was the first Sino-foreign joint stock company in China Mainland's taxi hire and car rental business sectors. TIH has invested RMB80 million (HK\$76 million) in BBKT, representing an equity interest of 31.38%. BBKT shareholders 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.

Operating a fleet of 4,352 vehicles, BBKT is one of the leading operators in the taxi hire and car rental business sectors in Beijing City. BBKT is committed to providing its customers with high levels of service in a market well known for its strong economic growth and unceasing pursuit of higher living standards. Having achieved ISO 9001:2000 certification for its quality management systems in taxi services in 2006, BBKT was well positioned to grasp the business opportunities afforded by the Beijing Olympic Games in August 2008.



BBKT is a byword for quality in taxi services

Since the second quarter of 2007, the municipal authorities in Beijing City have conducted quarterly customer satisfaction surveys on the quality of the city's taxi services. BBKT has been ranked first among more than 130 taxi operators in most of the surveys – a reflection of BBKT's continuous efforts to build a reputation as one of the Beijing's leading taxi service providers.

BBKT's high service levels match the Chinese capital, with its strong economic growth and unceasing pursuit of higher living standards

DALIAN CO-OPERATIVE JOINT VENTURE (大連合作合營企業) ("DCJV")

DCJV was the Group's first co-operative PRC joint venture, formed in 1997 between a 60% owned subsidiary of the Group and Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as 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). In 2008, the performance of DCJV was adversely affected by rising operating costs and intense market competition. Currently, it has a fleet of 84 single-deck buses operating on three routes serving Dalian City.

WUXI KOWLOON PUBLIC TRANSPORT COMPANY LIMITED (無錫九龍公共交通股份有限公司) ("WKPT")

Established in Wuxi City, Jiangsu Province (江蘇省無錫市), in February 2004, WKPT is a Sino-foreign joint stock company. The Group invested RMB135 million (HK\$127 million), representing a 45% equity interest, in WKPT, alongside three Mainland shareholders.

While WKPT has performed to shareholders' satisfaction both in terms of service quality and operating efficiency, the recent shift in the Wuxi municipal government's focus on the social functionality of public transport fostered the need for structural changes in this sector. To strike a good balance between all stakeholders' interests and in accordance with the joint venture contractual framework, the Group made a divestment to dispose of its entire 45% equity interest in WKPT to the existing Mainland state-owned shareholder of WKPT in December 2008 and realised a reasonable return. The Wuxi municipal government has expressed appreciation of the Group's contribution to Wuxi City via WKPT.