





## innovation and expansion

Our philosophy of sourcing the latest and cleanest technologies leads to service excellence and supports our expansion

## Overview and Strategies

TIH continues to build on its reputation as one of the world's leading public transport providers. Safety and efficiency remain our paramount concern, and statistics for our operational and mechanical capability show that we remain at the very forefront of the industry in terms of operating standards. Efficiency based on our long-standing commitment to innovation leads to service excellence. In order to meet the challenges of an ever changing operating environment and the progressive needs of our customers and society, TIH continues to source and introduce the most advanced, environment-friendly technologies and products from across the globe. As a result, our customers are experiencing more comfortable, healthier and safer bus rides. We are constantly upgrading our bus fleet in terms of engine performance, design, accessibility and on-board technology. These enhancements allow us to achieve higher standards of environmental protection while improving the passenger experience.

TIH's operational and business philosophy is based on offering quality of service and value for money to our customers. That is why we constantly review our service levels to ensure that our operating resources can adequately meet the change in travel demand. If necessary, we strengthen or rationalise our transport networks, while we also ensure that we develop the right levels of service in our expanding markets, such as those in China Mainland. Innovation allied to expansion is the route to the future of TIH. This route continues to be built on constant internal vigilance over cost effectiveness and operational performance.



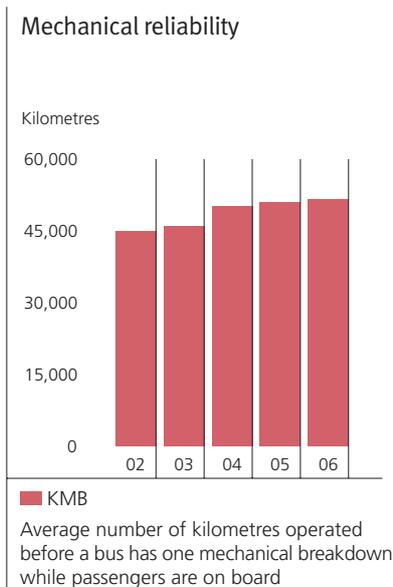
# world-class

## Franchised Public Bus Operations

- ▶ The Kowloon Motor Bus Company (1933) Limited
- ▶ Long Win Bus Company Limited

**The Kowloon Motor Bus Company (1933) Limited (“KMB”)**

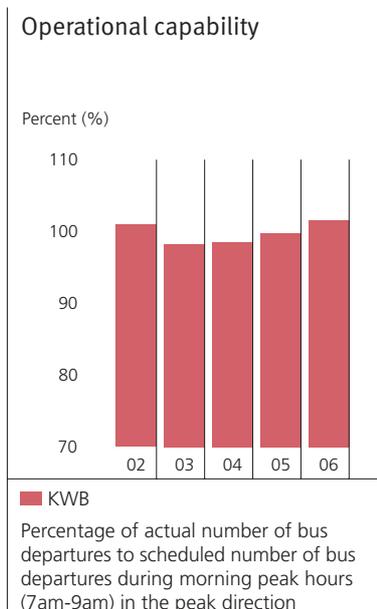
KMB operates extensive bus services covering Kowloon, the New Territories and Hong Kong Island. It currently employs some 12,000 staff and owns a fleet of more than 4,000 buses serving about 2.8 million passengers a day on around 400 routes.



**Innovating for Improvement**

With over 73 years of operating experience in Hong Kong, KMB has in-depth understanding of the local public transport market. As the leading subsidiary of TIH, it has a reputation as one of the world’s best public transport operators. KMB’s service philosophy is based on safety, comfort and passenger convenience, backed by a strong commitment to innovation and ongoing improvement of all aspects of the company’s operations.

KMB’s management systems not only at headquarters level, but also within our Traffic Department and four permanent depots, and at the overhaul centre and bus body construction depot. Our focus on quality management is similarly reflected in the ISO 14001:1996 Environmental Management System certification awarded to the depots at Lai Chi Kok and Sha Tin, which once again demonstrate KMB’s commitment to high standards of environmental protection. As far as we are aware, KMB is the only public bus company in Hong Kong accredited with both ISO 9001 and ISO 14001 certifications.



The company adapts and designs its operations to accord with Hong Kong’s market conditions and service requirements. Most of its buses are air-conditioned double-deckers, with the latest generation buses featuring straight staircases for easier access to the upper deck and enhanced air-conditioning system for better control of the temperature and humidity inside buses. As surveys undertaken over the years show, our customers appreciate these innovations, which have enhanced the quality, reliability and excellent value for money of KMB’s services.

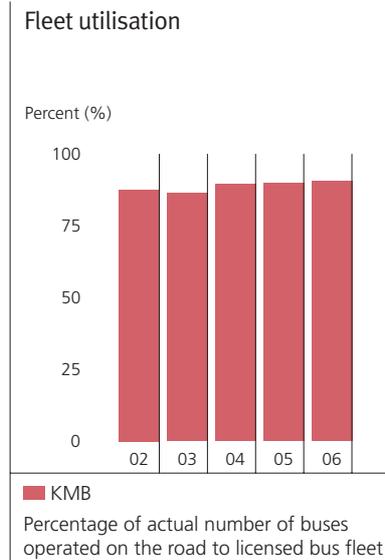
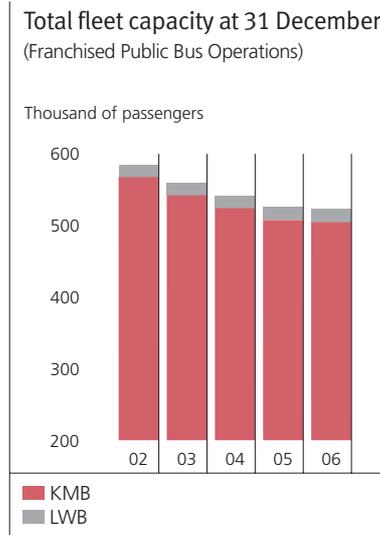
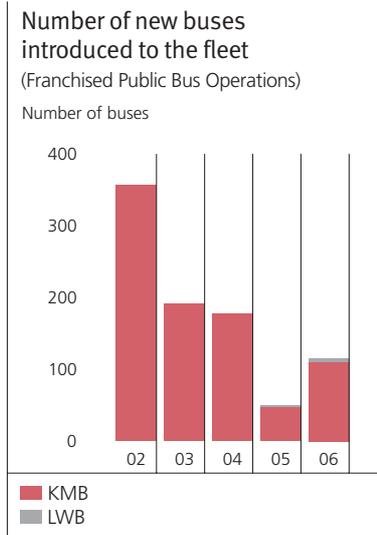
One of the innovative programmes KMB carried out in 2006 made use of the company’s bus stop poles as another form of advertising media for earning additional advertising income. This programme was well received by advertisers in Hong Kong. As at 31 December 2006, there were 610 such bus stop poles posted with advertisements.

**Performance Assurance**

In 1999, KMB became the first public bus company in Hong Kong that achieved ISO 9001:1994 certification on an organisation-wide basis. The upgrade audits for ISO 9001:2000 certificates over the last few years continued to confirm the quality of

The key benchmarks of operational standards across all TIH companies are performance statistics. KMB’s statistics show that for the 12 months ended 31 December 2006, the fleet achieved 51,645 km : 1 on mechanical reliability against a target of 45,000 km : 1. For the same period, the operational capability

# OPERATIONAL REVIEW HONG KONG



achieved by KMB was 101.6% against a target of 100%. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction during the peak operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network.

## Fleet Upgrades

Safety, service excellence and innovation are our watchwords. Fleet upgrades are an ongoing operational priority for service improvement. KMB has introduced super-low floor easy access buses to its fleet since 1998. These buses improve accessibility to all passengers, particularly the disabled and the elderly. During 2006, we added 110 new super-low floor air-conditioned double-deck buses comprising 108 Euro III buses, one Volvo B9TL Volgren Euro IV prototype and one Trident Enviro 500 Euro IV prototype to the fleet. These new generation

super-low floor buses have straight staircases and wider bodies. KMB is the first to have put Euro IV double-deckers into service in Hong Kong. In addition, KMB has ordered 75 air-conditioned double-deck buses for delivery in 2007 including two Scania Caetano Euro IV prototypes.

As at 31 December 2006, there were a total of 4,021 buses (comprising 3,866 double-deck and 155 single-deck buses) deploying for KMB services, of which 93.5% was air-conditioned.

## Electronic Tachograph

The electronic tachograph, which records the speed of a bus as well as other operational information, is now standard equipment on all new KMB buses. Particularly useful for long-haul and highway routes, this device logs the driving performance of our bus captains for safety monitoring and improvement purposes. By the end of 2006, KMB had 3,146 buses equipped with the electronic tachograph.



KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Non air-conditioned double-deck buses	Total number of buses
At 1 Jan 2006	3,494	156	379	<b>4,029</b>
Addition during year	110	–	–	<b>110</b>
Disposal during year	(1)	(1)	(116)	<b>(118)</b>
At 31 Dec 2006	3,603	155	263	<b>4,021</b>

## Depots

We have continued to improve productivity at our depots. Currently, KMB's four permanent depots offer routine maintenance and repair services for the entire fleet. In addition, there are 12 satellite depots that provide bus parking spaces and minor maintenance services, a bus body construction depot for the assembly of new buses, and a centre for the major overhaul of buses.



KMB's all-embracing network provides convenient, point-to-point services for the travelling public


**Our Depot Network Serving KMB and LWB Buses:**

Depot	Areas served/main purpose of depot	Gross floor area (square metres)	Number of buses served at 31 December 2006	Year in which operations commenced
KMB depots:				
Kowloon Bay Depot*	East Kowloon	71,379	1,129	1990
Sha Tin Depot*	East New Territories	66,915	729	1988
New Lai Chi Kok Depot*	South and West Kowloon	60,311	879	2002
Tuen Mun Depot*	North and West New Territories	13,844	1,284	1979
Tuen Mun Overhaul Centre	Bus overhaul	35,401		1983
Tuen Mun Bus Body Construction Depot	Bus Body Construction	9,843	(note 1)	1978
LWB depot:				
Siu Ho Wan Depot	Lantau Island	7,660	153	1998
<b>Total</b>		<b>265,353</b>	<b>4,174</b>	

Notes: 1. The Bus Body Construction Depot provides facilities for building new buses.

2. KMB also operates 12 temporary depots in various locations in Hong Kong for bus parking purposes at the end of 2006.

\* KMB's permanent depots for routine bus maintenance and repair services



KMB's world-class transportation services support Hong Kong's dynamic economy and vibrant lifestyle

## Bus Routes and Service Networks

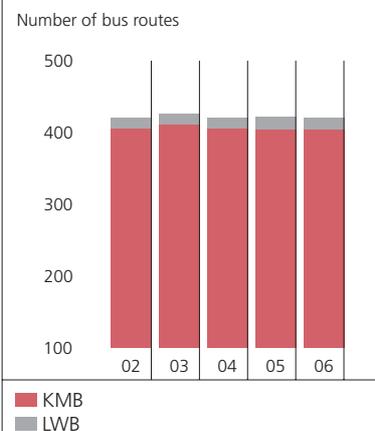
### Bus Routes

At the end of 2006, KMB operated 403 bus routes. Despite of the intensifying competition from the expanding railway networks within its service areas, KMB continues to develop new market niches. During the year, KMB launched three new routes. One of these routes was a feeder service between Sheung Shui Kowloon-Canton Railway Station and Ching Ho Estate in North District. The other two routes were special services from Wan Chai to Mei Foo and Kwun Tong respectively to cater

for the "Hong Kong Book Fair" in July 2006.

During the year under review, KMB continued to implement innovative ideas for generating additional passengers. To capture the growing tourist market, particularly those visitors under the "Individual Visit Scheme" from the China Mainland, KMB took the lead among all the franchised public bus companies in Hong Kong in developing a one-day bus pass covering a total of about 600 bus routes, of which KMB operates about 400. This new programme is expected to be launched in mid 2007.

Number of bus routes operated at 31 December



## OPERATIONAL REVIEW **HONG KONG**

### **Bus Network Rationalisation**

KMB's network rationalisation is an on-going exercise such that resources saved were either deployed to areas with increasing demand or were eliminated through natural attrition.

A summary of the bus routes reorganisation is tabulated below:

	Number of bus routes involved	Number of buses saved
Cancellation/rationalisation	2	5
Frequency adjustments	50	51
<b>Total</b>	<b>52</b>	<b>56</b>

### **Information Technology**

KMB has been able to closely monitor and optimise operating performance through the widespread adoption of advance information technology. By the end of 2006, there were a total of 1,687 personal computers installed within all KMB facilities. These computers are inter-linked to 132 computer servers located at KMB

headquarters via high-speed communication lines. Some 40 software applications including in-house developed program and proprietary software are used for day-to-day operational and financial management. The constant upgrading of our information technology systems in the finest spirit of innovation means that we can improve cost controls and customer service as well as fleet and depot operations.

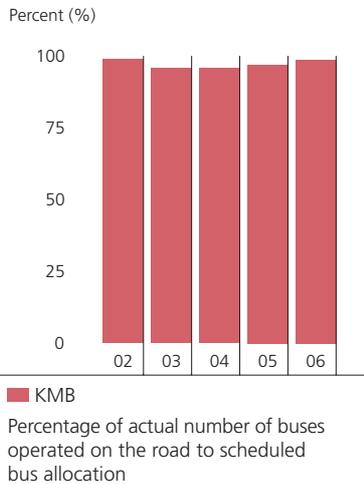
### **Advanced Finance and Administration System**

Financial and human resources management has been greatly improved by the use of SAP



The advanced spray painting facilities at KMB's permanent depots give our buses a smart appearance

### Achievement of schedule



e-Business Software. Our electronic document management system implemented on a company-wide basis has substantially reduced paper usage and the amount of time required for document distribution, filing and retrieval.

### Electronic Bus-stop Announcement System

In 2006, KMB completed the installation of the on-board electronic bus stop announcement systems to our entire bus fleet. For the convenience of on-board passengers, this system delivers voice announcements in Cantonese, Putunghua and English and shows the name of the upcoming bus stop on light emitting diode (“LED”) displays.

### Traffic Operations Management System

KMB’s in-house developed Traffic Operations Management System (“TOM”) has enhanced the efficiency of our bus captain duty assignment and despatch process. With TOM, our bus captains simply have to apply

their personalised Octopus cards to a system reader to retrieve daily assignment information such as the route number, vehicle registration number, duty schedule, bus parking location and any ad hoc arrangements from the system when reporting for duty at our depots.

TOM also utilises a fleet database to help prioritise the deployment of our buses with better emission standards to serve on routes running along busy corridors.

### Bus Service Information

The Integrated Bus Service Information Display Systems (“IBSID Systems”) installed at KMB’s termini are major facilities for disseminating bus service information to our customers. Three newly installed IBSID Systems were commissioned in 2006 at the Sui Wo Court, Ping Tin and Hin Keng bus termini, bringing the total number of termini equipped with these systems to 25. Information on destinations, departure times and fares of individual bus routes is shown on large LED display panels at the termini. Emergency messages such as major traffic disruptions can also be shown. As part of the IBSID Systems, the closed circuit television systems enable monitoring of local traffic and operating conditions from both the termini and KMB headquarters.

Striving for innovations, KMB has upgraded the earlier generation of the IBSID Systems by incorporating an Electronic Terminus Management System (“ETMS”) which has been developed in-house by our Information Technology Department. The ETMS enables terminus supervisors to use personal data

assistants (“PDAs”) to record bus arrival and departure times and send information from termini to bus depots and relevant departments for faster operational decision-making. By the end of 2006, 84 termini were installed with this system.

### Bus Maintenance Information System

The computerised Bus Maintenance Information System in use logs and provides information on bus status, history, repair and maintenance records, etc. The system also shows the attendance and the status of the maintenance workers, thus enabling the management to make more efficient job assignments and to monitor maintenance costs. A subsystem that monitors the bus tyres has been upgraded to keep track of the performance of the retread materials. This enhances the monitoring of the durability and re-treadability of tyres for safety and environmental protection.

### Bus Tracking Capability

The company’s development of a bus tracking system for providing real-time bus location information continued throughout the period under review. Such a system involves complex technologies, including global positioning satellite systems. In 2006, testing and evaluation progressed with a view to identifying an integrated tracking and communication system that will enable us to accurately and cost effectively locate buses on our network at any time.

## OPERATIONAL REVIEW **HONG KONG**

### **Long Win Bus Company Limited (“LWB”)**

LWB was established in 1996 to operate bus services connecting the New Territories to Hong Kong International Airport and North Lantau. Today, LWB’s service area has expanded to include the new developments at Hong Kong Disneyland, AsiaWorld-Expo and the newly opened recreational development – Ngong Ping 360 at Tung Chung.

LWB links Hong Kong International Airport (the “Airport”), Tung Chung New Town and tourism developments on North Lantau Island with the New Territories. During 2006, LWB served a steadily growing market with the continuous population intake at Tung Chung New Town, the growth in travel demand to and from the Airport and the opening of developments such as AsiaWorld-Expo and Ngong Ping 360.

To handle the increased demand, five new air-conditioned double-deck buses, all with Euro III emission standard engines, super-low floor design and wheelchair spaces, were licensed to strengthen services on four external routes and one Airbus route. In addition to the introduction of new buses, conversion work on the enlargement of luggage rack spaces was completed on four buses during the year to serve the increased number of passengers carrying luggage. With a comprehensive network consolidated at the end of 2005, LWB did not introduce any new bus route in 2006. However, LWB continued to strengthen its service levels to provide a more efficient and direct mode of transport to and from the North Lantau area.

Future network development opportunities are likely to arise due to the gradual commencement of operations of Phase 1 of the SkyCity development (which includes a new passenger terminal building, two office towers and various retailing and entertainment facilities) starting from early 2007. It is expected that a growing number of people will visit these developments and LWB stands ready to benefit from the increase in passenger flow.

As at 31 December 2006, LWB employed 433 staff and operated 144 air-conditioned double-deck buses and nine air-conditioned single-deck buses across 18 routes. All LWB’s super-low floor double-deck buses are equipped with wheelchair access, electronic bus-stop announcement systems and Euro II or newer engines. By the end of 2006, 94% of LWB’s buses were installed with electronic tachographs that record the speed of a bus as well as other operational information. To meet the growth in travel demand, LWB will take delivery of 10 super-low floor air-conditioned double-deck buses in 2007.





LWB's services have become part of many air travellers' itineraries

## OPERATIONAL REVIEW HONG KONG



LWB's bus fleet uses the world-renowned Tsing Ma Bridge to link the New Territories with North Lantau



● LWB's bus termini on Lantau Island

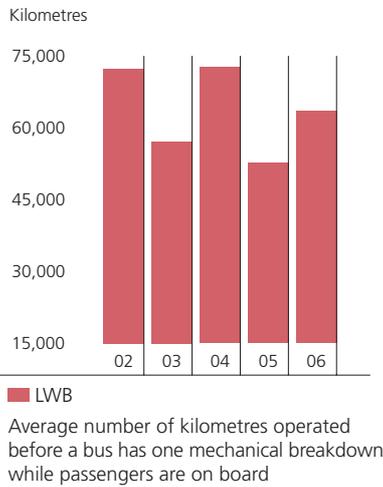
LWB has strived for innovative ideas in generating additional passengers. To capture the growing tourist market particularly those visitors under the "Individual Visit Scheme" from the Mainland and to provide additional services to the local

commuters, LWB participated in the development of a one-day bus pass to be offered by the franchised bus companies in Hong Kong that covers a total of about 600 bus routes. It is expected that this new programme will be launched in mid 2007.

LWB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
At 1 January 2006	139	9	<b>148</b>
Addition during year	5	–	<b>5</b>
At 31 December 2006	144	9	<b>153</b>

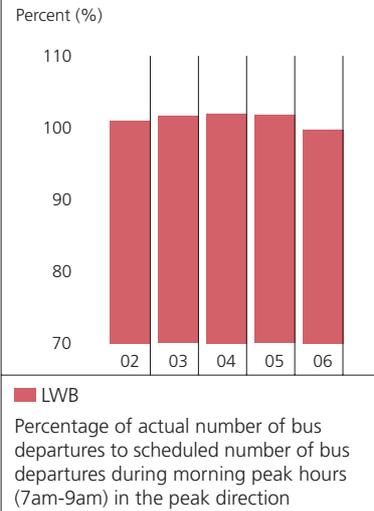


### Mechanical reliability



For the year ended 31 December 2006, LWB's buses achieved 63,542 km : 1 on mechanical reliability and 99.77% on operational capability. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to

### Operational capability



scheduled departures in the peak direction during the peak operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. Our goal is to ensure the highest standards of safety and reliability are applied across our fleet.

LWB operates a depot at Siu Ho Wan for daily bus maintenance, refuelling, washing and parking. A waste water treatment system is installed at the depot to ensure waste water quality fully complies with the statutory requirements before the water is discharged into the public drainage system.



Tourists appreciate the convenience of LWB's super-low floor buses for easy boarding and alighting



# reliable

## Non-franchised Transport Operations

- ▶ Sun Bus Holdings Limited and its subsidiaries
- ▶ Park Island Transport Company Limited
- ▶ New Hong Kong Bus Company Limited

## OPERATIONAL REVIEW HONG KONG

### Sun Bus Holdings Limited and its subsidiaries (the “SBH Group”)

In Hong Kong, the SBH Group strives to provide tailor-made high quality transportation to various types of customers, ranging from those who require prestige premium services to those who want value for money services.

The SBH Group is one of the leading operators in Hong Kong’s non-franchised bus industry. Currently, it comprises 12 business units, with Sun Bus Limited being the flagship, and provides a range of bus services tailored to specific niche markets. Its fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services.

At the end of 2006, the SBH Group had a fleet of 330 buses, an increase of 81 buses compared to the previous year end. During the year, the SBH Group acquired a major local non-franchised bus operator with a fleet size of 60 buses. The increase in our fleet size reflects our strategy to expand into business segments such

as the tourism and the cross-boundary bus services sectors. To cater for the potential growth in the number of tourists and cross-boundary passengers as well as the

forthcoming opening of the Shenzhen Western Corridor, the SBH Group will take delivery of about 60 new buses in 2007 for fleet upgrade and serving new demand.



The SBH Group constantly upgrades its bus fleet for service enhancement

### Park Island Transport Company Limited (“PITC”)

PITC operates both the shuttle bus and ferry services for the prestigious residential development, Park Island, on Ma Wan Island.

PITC has been providing shuttle bus and ferry services for Park Island since December 2002. An additional 1,400 units of the development were occupied in 2006. During the year, PITC strengthened its bus fleet with three additional super-low floor single-deck buses and provided more frequent bus services to match increasing passenger demand.

PITC currently operates two shuttle bus routes from Ma Wan to Tsing Yi Airport Railway Station and Kwai Fong Metrol plaza respectively on a round-the-clock basis. PITC’s bus fleet comprises 14 super-low floor single-deck buses, three diesel-electric single-deck buses and one 28-seat mini-bus. PITC also operates two ferry service routes from Ma Wan to



Environment conscious: one of PITC’s unique diesel-electric hybrid air-conditioned buses

## OPERATIONAL REVIEW **HONG KONG**

Central and Tsuen Wan respectively with a fleet of seven high-speed catamaran ferries. The Central ferry service operates round-the-clock. The total patronage of both buses and ferries for the year was 6.9 million passenger trips, an increase of 17% compared to 5.9 million passenger trips for 2005. This increase was due mainly to the additional population intake of Park Island.

To serve the residents and visitors of Park Island better, PITC has ordered four new single-deck air-conditioned buses and will introduce a new bus route between Ma Wan and the Airport by mid 2007. It is anticipated that there will be further population intake in 2007. PITC will continue to monitor any change in bus and ferry patronage and make appropriate adjustments to deployment of resources.



PITC deploys modern catamarans on the route plying between Ma Wan and Central

## New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates the cross-boundary shuttle bus service, known as the Huang Bus service, with its Shenzhen counterpart, serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.



Huang Bus service is one of the preferred modes of cross-boundary transportation

Currently NHKB operates a fleet of 15 air-conditioned super-low floor single-deck buses between Lok Ma Chau and Huanggang for its 24-hour cross-boundary shuttle bus service. During 2006, NHKB’s patronage continued to grow. This was due mainly to the increase in economic activities between Hong Kong and the Mainland, which in turn was a result of the Closer Economic Partnership Agreement (“CEPA”) and the increase in the number of visitors from the Mainland following the extension of the Individual Visit Scheme to more Mainland cities. However, NHKB is likely to face fierce competition from the railway and other cross-boundary shuttle bus services when the Lok Ma Chau Spur

Line and the Shenzhen Western Corridor are opened. Nevertheless, the recent rapid growth of demand for cross-boundary transportation will be likely to compensate, partly if not fully, any loss of passengers from this competition. NHKB will closely monitor its patronage level and adjust the service levels to meet the changing demand as required.

NHKB also provides four comfortable air-conditioned waiting lounges and an information display system to passengers inside the terminal building at San Tin Public Transport Interchange. This improves the waiting environment and services for all customers.



• NHKB’s bus termini



# elegant

## Property Holdings and Development

- ▶ Lai Chi Kok Properties Investment Limited
- ▶ LCK Real Estate Limited

## OPERATIONAL REVIEW HONG KONG

### Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI is a wholly-owned subsidiary of TIH and the developer of Manhattan Hill, an up-scale luxurious residential and commercial complex located in Lai Chi Kok, Kowloon.



Facade of the on-site sales office

To accommodate market trends, the first phase sales launch was held at One International Finance Centre in November 2006. As at the end of 2006, 245 residential units with total gross floor area of approximately 299,000 square feet or 25% of the total residential floor area has been sold. For subsequent phases of the sales campaign, they will be held in a prestigious sales and marketing venue comprising show flats as well as a sales office located within the retail podium of the Manhattan Hill complex. This sales and marketing venue will be transformed into an up-market shopping arcade once the sales campaign is finished.

Manhattan Hill consists of five high-rise residential towers with height between 41 storeys and 43 storeys above podium level. It has 1,115 luxury residential units with a total gross floor area of more than one million square feet in residential space for sale, and a two-level retail podium of about 50,000 square feet which provides residents and the surrounding neighbourhood with high quality retail facilities. A wide range of flat sizes ranging from 720 square feet to 4,750 square feet are offered to suit different customers' needs. In addition, the five-storey podium contains a luxurious residential clubhouse of about 50,000 square feet, landscaped podium gardens of about 40,000

square feet, and public open spaces of about 45,000 square feet. Four levels of car park provide some 390 car parking spaces for the residents, tenants and visitors of Manhattan Hill.

The occupation permit for the development was issued in December 2006. By the end of 2006, the building structure, the external glazing and exterior finishing were completed; and the interior fitting-out was in progress. The hand-over date to individual owners is scheduled for mid 2007.



Manhattan Hill's residential towers reach new heights of metropolitan elegance

## OPERATIONAL REVIEW HONG KONG

### Manhattan Hill – “Manhattan Living”

The concept of metropolitan “Manhattan Living” is integral to all aspects of the development’s design. The gleaming stone entrance lobbies, landscaped podium and contemporary interior details with the use of the finest and most luxurious materials offer Manhattan Hill residents an exclusive quality lifestyle.

Rising in the hub of West Kowloon, Hong Kong and overlooking Victoria Harbour and Stonecutters Island with panoramic views extending to the

Central and Wan Chai waterfronts on Hong Kong Island, Manhattan Hill is highly accessible to the nearby MTRC and KCRC network links, Airport Express, West Rail, Route 3 and Route 8 as well as KMB terminus at Mei Foo. Residents also enjoy the convenience of a specially commissioned footbridge which connects the residential towers to the MTR station, KMB terminus and main traffic routes.

The Group is environment-conscious in the design and development of Manhattan Hill. Each apartment has a high ceiling and large window openings that provide generous flows

of natural light. Energy efficient glazing and natural, cross ventilation reduces the need for constant mechanical ventilation and cooling. Also, each residential tower has a double-height sky garden located at the mid-point of the tower, which provides the residents with a place to relax amidst the flowers and enjoy the stunning views of Victoria Harbour. Landscaped podium gardens also provide a “green lung” for the rest of the neighbourhood.

The construction management, marketing and sales programme, as well as the property management of Manhattan Hill are supervised by



Magnificent exterior underlines Manhattan Hill’s supreme quality



A prestigious sales venue showcases the luxurious Manhattan Hill development

Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of the world-renowned property developer, Sun Hung Kai Properties Limited (“SHKP”). A team of leading architects and interior designers is also engaged to ensure the quality levels attain the highest standards throughout the whole development.

Royal Elite Service Company Limited (“RESC”), a subsidiary of SHKP, will provide prestigious management services and security services for Manhattan Hill. Some of the staff of RESC have undergone management services training at the Four Seasons Hotel in Hong Kong.

### **LCK Real Estate Limited (“LCKRE”)**

LCKRE is a wholly-owned subsidiary of TIH and the owner of the headquarters building of the Group.

LCKRE owns a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong with a total gross floor area of about 156,700 square feet. The building is currently used by the Group for office and administrative purposes.



# creative

## Media Sales Business

- ▶ RoadShow Holdings Limited and its subsidiaries

## OPERATIONAL REVIEW HONG KONG

### RoadShow Holdings Limited and its subsidiaries (the “RoadShow Group”)

RoadShow Holdings Limited (“RoadShow”), established by the Group as its media sales arm, has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 June 2001. Currently, the Group has a 73.0% interest in RoadShow.

The RoadShow Group is a leading media sales company in Hong Kong and the Mainland. It is principally engaged in marketing advertising aimed at passengers riding public transit vehicles in Hong Kong through a Multi-media On-board (“MMOB”) system. The RoadShow Group also runs a television programme syndication and media sales network on the Mainland.

#### Hong Kong

The MMOB business of the RoadShow Group involves installing, operating and maintaining equipment and Liquid Crystal Display (“LCD”) units in transit vehicles for the broadcast of tailor-made programmes and advertisements to commuter audience. The MMOB system has close to 20,000 LCD monitors in transit vehicles and telecasts a vast variety of entertaining and informative programmes. Currently, about 4,700 transit vehicles including franchised buses and public light buses are equipped with MMOB, reaching a commuter audience of close to four million every day.

With the ability to reach a sizable audience daily, the MMOB system is an attractive medium for advertisers. The RoadShow Group’s customers cover all major advertisers in Hong Kong including advertising agencies and companies in different industries. Apart from offering tailor-made sales packages to suit advertisers with diverse campaign objectives and budgets, the RoadShow Group employs various techniques to

encourage customers to commit to advertising bookings, including discounts, bonus spots and special advertising packages for long-term commitments.

MMOB programme contents are specifically tailored to hold the interest of the commuter audience. Contents include music videos, movie trailers, drama series, animation, travelogues, interactive games as well as a variety of infotainment programmes. Our MMOB programmes have attracted much attention due to the creative, unique, informative and entertaining contents. With the growth in popularity of the Short Message Service (SMS) provided by telecommunications companies, the RoadShow Group launched iClub in 2003, which provides an interactive platform for both advertisers and passengers. At the end of 2006, iClub had over 300,000 members who could participate in

daily interactive games and enjoy special offers.

#### China Mainland

During 2006, the RoadShow Group disposed of its joint venture in Guangzhou (廣州) and established a wholly-owned advertising company in China Mainland.

The RoadShow Group considers that the continuing growth in advertising expenditures on the Mainland offers immense business opportunities. The RoadShow Group will leverage its experience and success in Hong Kong to explore future growth opportunities in the Mainland, focusing on high potential markets with high consumer spending and dense populations. In addition, the RoadShow Group’s expansion into the Mainland will continue to be based on the company’s philosophy that all new investment provides a reasonable return to the RoadShow Group.



RoadShow’s dedication to excellent programming brings informative and enjoyable infotainment for passengers

# OPERATIONAL REVIEW CHINA MAINLAND



## 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.



# expanding

## 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



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

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.



SBG moves on with Shenzhen's metropolitan pace