

Operational Review

CHINA MAINLAND

Overview and Strategy

The Group continues to target the potential of the transport related markets in China Mainland as part of its strategy to achieve business growth. Building on its reputation as a world class public transport operator, the Group seeks to develop its Mainland business portfolio on its solid record of safety, quality, environmental awareness, productivity and efficiency.

In view of the Mainland's steady economic growth, we are confident that our targeted businesses, including the existing public bus, taxi and car rental operations, will continue to take significant strides forward.



Beijing





China Mainland Transport Operations

The Group remains well positioned in China Mainland to meet the demand from its increasingly sophisticated customer base for quality transport services in its public bus, taxi and car rental services.



The Shenzhen Bus Group provides quality bus services for local residents as well as tourists

CHINA MAINLAND TRANSPORT OPERATIONS

In 2009, the Group operated a portfolio of transport businesses in Shenzhen (深圳), Beijing (北京) and Dalian (大連). We will continue to explore transport related business opportunities in China Mainland in line with our investment strategy aiming for reasonable returns.

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 founded 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 operations on 1 January 2005, 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. At the end of 2009, SBG had 4,951 vehicles operating on 222 routes. In 2009, it continued to make strong progress, serving 862.8 million passenger trips, an increase of 13.6% compared to 759.2 million passenger trips in 2008.

In 2009, in view of the effect of the competition from Shenzhen's underground railway, SBG strengthened its cost control measures and improved its operational efficiency without

compromising its service quality. To stay competitive in the public transport market, various measures were taken by SBG to increase productivity, including the upgrading of its fleet and the rationalisation of its bus route network. SBG also implemented stringent budgetary control measures to mitigate the adverse impact of rising operating costs. During the year, SBG introduced a number of new feeder bus routes linking with Shenzhen underground railway stations, and expanded its bus route network to nearby districts, thus enlarging its customer base.

Since 2007, SBG has been ISO 9001:2000 certified for the provision of transport services, transit designs and support services in Shenzhen City. For improved environmental performance, SBG has adopted the use of environment-friendly fuel and engines in its bus fleet meeting Euro III emission standards. In 2009, SBG introduced a number of buses using new clean energy sources such as liquefied natural gas (LNG) and electricity on a trial basis. SBG will continue to upgrade its services, enhance its competitiveness and enlarge its market share in Shenzhen and other markets.

“ BBKT is consistently ranked one of Beijing’s leading taxi operators in customer satisfaction surveys. ”

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 to enter 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 comprise 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.

With a fleet of 4,346 vehicles, BBKT is one of the leading operators in the taxi hire and car rental business sectors in Beijing. BBKT is dedicated to providing its customers with high levels of service in a market that is marked by robust growth and constant pursuit of quality living standards. Having successfully achieved ISO 9001:2000 certification for its quality management systems in taxi services in 2006, BBKT is well placed to capture additional business opportunities afforded by national and international events, conferences and exhibitions that are held regularly in Beijing.

In 2009, BBKT opened a new representative office in the Binhai New District of Tianjin (天津市濱海新區), which is set to be a new market with good potential for BBKT’s taxi and car leasing businesses.

The municipal authorities in Beijing have carried out quarterly customer satisfaction surveys on the quality of the city’s taxi services since the second quarter of 2007. BBKT has been consistently ranked in the top three among more than 130 taxi operators in these surveys – a reflection of BBKT’s continuous efforts to establish itself as one of Beijing’s leading taxi service providers.

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 Dalian City, Liaoning Province (遼寧省大連市), 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 2009, DCJV operated a fleet of 84 single-deck buses on three routes serving Dalian City.

In view of changes in Dalian municipal government public transport policy and the fact that DCJV’s operation was relatively small with limited growth prospects, the Group disposed of its entire interest in DCJV in 2009.



BBKT's taxi livery is an eye-catching icon in the capital