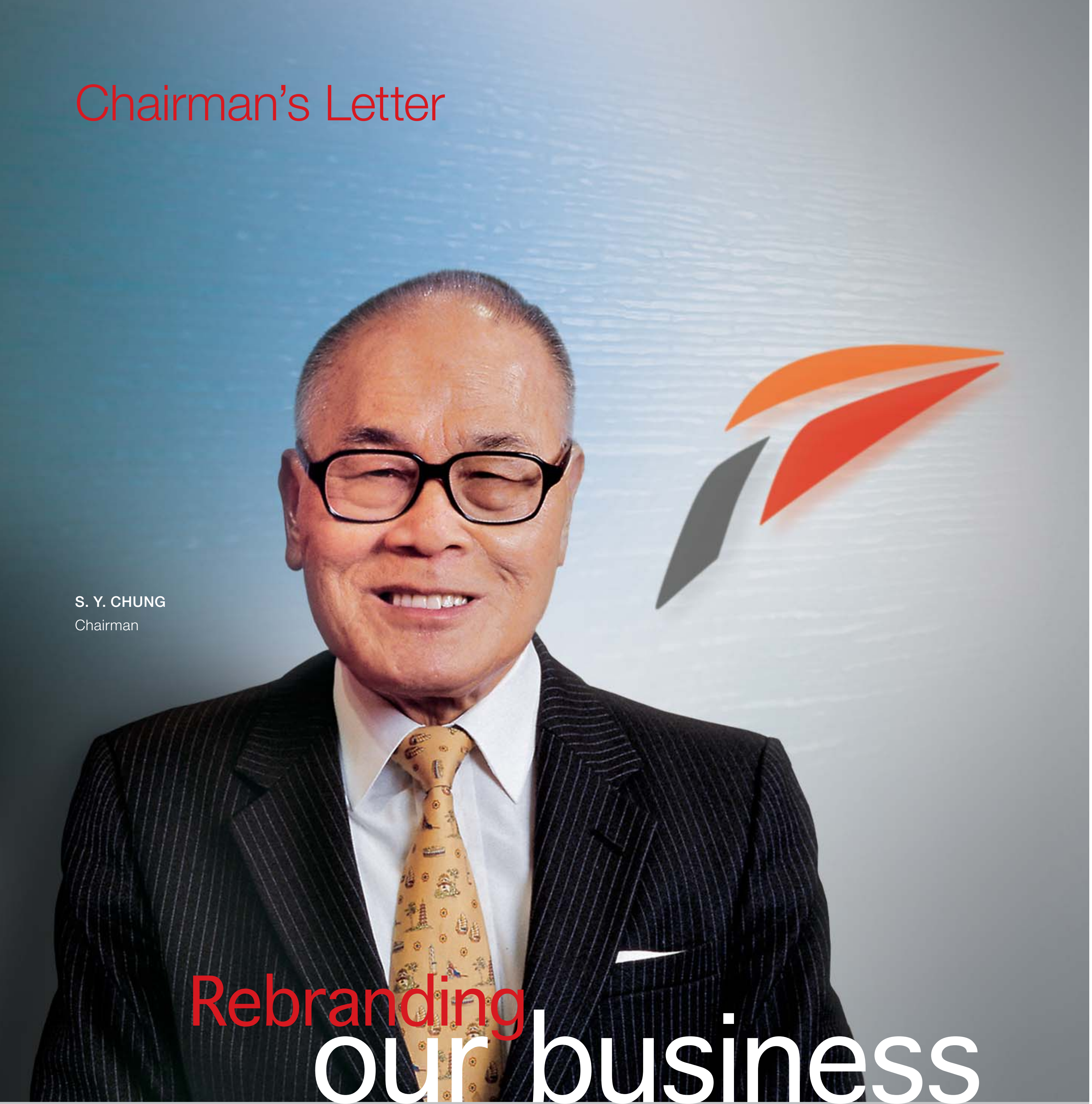
Chairman's Letter



S. Y. CHUNG
Chairman

Rebranding our business

Over the past year, we have refined our business models to ready ourselves for a new phase in the Group's development

Transport International Holdings Limited is a new name signifying our status as an international entity, crossing boundaries of geography and nationality

Dear Shareholders and Partners,

On behalf of the Board, I am pleased to report that with effect from 28 November 2005, the Company has taken a new identity under its new name — Transport International Holdings Limited. This new identity encapsulates our vision to be an innovative driving force of public transport that is growing across the Greater China Region. We will operate as an international entity to seek opportunities within Hong Kong and on the Mainland of China. While the operation of franchised public bus services remains the core business of the Group, we will continue to leverage on our experience and take the Group into other related areas.

Our Financial Performance

2005 was a challenging year for the Group. The Group's profit attributable to equity shareholders amounted to HK$584.2 million, a decrease of 20.1% compared with HK$731.2 million for 2004. Earnings per share decreased correspondingly from HK$1.81 for 2004 to HK$1.45 for 2005. The profit for 2005 included a one-off capital gain of HK$90.5 million arising from the disposal of the Group's property at Kwai Chung which was previously owned by our subsidiary, The Kowloon Motor Bus Company (1933) Limited ("KMB") and used as a bus depot. Excluding this capital gain item, the Group's earnings for 2005 decreased by 32.5% over the previous year. Against the background of historically high global oil prices and substantially increased competition from the new railways in Hong Kong, the decrease in our earnings for 2005 was not unexpected. On a positive note, revenue and earnings of our non-franchised transport operations in Hong Kong showed healthy growth, and the results of our joint ventures on the Mainland were encouraging.

Despite the challenging operating conditions, the Directors have proposed a final dividend for 2005 of HK$1.58 per share (2004: HK$1.58 per share). Together with the interim dividend of HK$0.45 per share paid on 13 October 2005, total dividends for the year will amount to HK$2.03 per share (2004: HK$2.03 per share). The total dividend payout for the year will amount to HK$819.4 million, same as the 2004 figure.

Meeting the Challenges

During 2005, KMB, the Group's flagship company providing franchised public bus services in Hong Kong, continued to face strong competition from the rail networks. The new railways launched by the Kowloon Canton Railway Corporation (West Rail, Ma On Shan Rail and Tsim Sha Tsui Extension) and the MTR Corporation Limited (Tseung Kwan O Line) over the past three years have caused a significant decrease in our patronage. We have rationalised our franchised public bus services in a timely manner and re-deployed the resources as necessary to cope with this change. As no large scale new railway is scheduled to commence operation in our operating areas in the following year, we expect our patronage will stabilise and may increase slightly with the improving economy.

Escalating operating costs, particularly oil, wages, tunnel toll charges and interest expenses, have exerted tremendous pressure on our franchised public bus business in Hong Kong. All these cost elements are wholly or largely beyond our control. At the same time, we have continued to face public pressure for fare reductions. As a responsible corporate citizen, we have responded positively to these requests and introduced three new fare concession schemes for both KMB and Long Win Bus Company Limited ("LWB") earlier this year which focus on long and medium distance travellers and the elderly. As mitigation measures to counterbalance our rising costs, we have strived for rationalisation of bus routes, better deployment of resources and greater service efficiencies. However, none of these measures has compromised our service standards.

On the positive side, we see revenue rising at our subsidiary, LWB, as a result of the continuous population intake at Tung Chung New Town, growth in the numbers of passengers travelling to and from the Hong Kong International Airport and new transport demand associated with the newly opened Hong Kong Disneyland. We will monitor our existing services and patronage trends closely and adjust our resources as appropriate to meet the increasing service demand.

Our non-franchised transport operations in Hong Kong continued to grow in 2005. The extension of the Individual Visit Scheme to additional Mainland cities helped increase patronage on our cross-boundary shuttle bus service. The commitment of the HKSAR Government to promote tourism in Hong Kong also benefits our non-franchised bus business operated under the Sun Bus Group. Media advertising business of the RoadShow Group finished the year with improved net profit and revenues as a result of business growth in Hong Kong, Macau and key Mainland cities. Our Mainland transport operations, in particular our new joint venture in Shenzhen, contributed positive returns in 2005.

Franchise Renewal

We have successfully renewed KMB's franchise until 1 July 2017

We are pleased to have successfully renewed KMB's franchise for operating franchised public bus services in Hong Kong until 1 July 2017. This has added certainty for our investment planning as our operating assets have relatively long useful lives. The new fare adjustment mechanism introduced by the HKSAR Government has, to a certain extent, improved the objectivity and transparency of the fare adjustment process. We are optimistic that under the new mechanism, KMB and LWB will be able to adjust their bus fares upward when the need to do so is clearly proven. This is of great importance for the healthy development of the franchised public bus industry in Hong Kong.

Repositioning for Growth

The Group has recognisably improved service standards across all networks and catchments. We continue to receive international quality management recognition. Our mechanical and operational standards remain high. Investment in new generation buses that offer greater journey comfort continues. All these enhance the competitiveness and reinforce our leading position in the Hong Kong public transport sector.

When compared with the growing public transport industry on the Mainland, the Hong Kong market is relatively mature. It has therefore been imperative that we continue to apply proven joint venture models in public bus operations and in taxi and car hire businesses on China Mainland for sustainable business growth. We are also positioning ourselves to tap the transport opportunities associated with the 2008 Beijing Olympics.

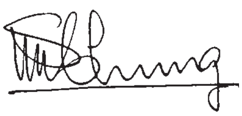
As we drive forward with our plans, I am confident that we will emerge from these challenging times as a stronger and more diverse conglomerate

We expect to launch the sale campaign in the middle of 2006 for the residential flats of Manhattan Hill. This project is scheduled for completion by the end of 2006 and is expected to generate considerable income and cash flow for the Group in the near future.

The Group is moving forward in a clear direction with strategies at various stages of implementation. Based on our strengths and expertise, we create and deliver value to all our stakeholders. As we drive forward with our plans, I am confident that we will emerge from these challenging times as a stronger and more diverse conglomerate.

Acknowledgement

Our achievements have only been made possible through team efforts, largely attributable to the dedication and hard work of my fellow Board members and our management team, as well as our staff at all levels and within all companies of the Group. Our staff have continued to work to our Group's mission of remaining a leader in world class public transport. On behalf of the Board, I thank all our staff for their enormous contributions.



S. Y. CHUNG
Chairman
16 March 2006