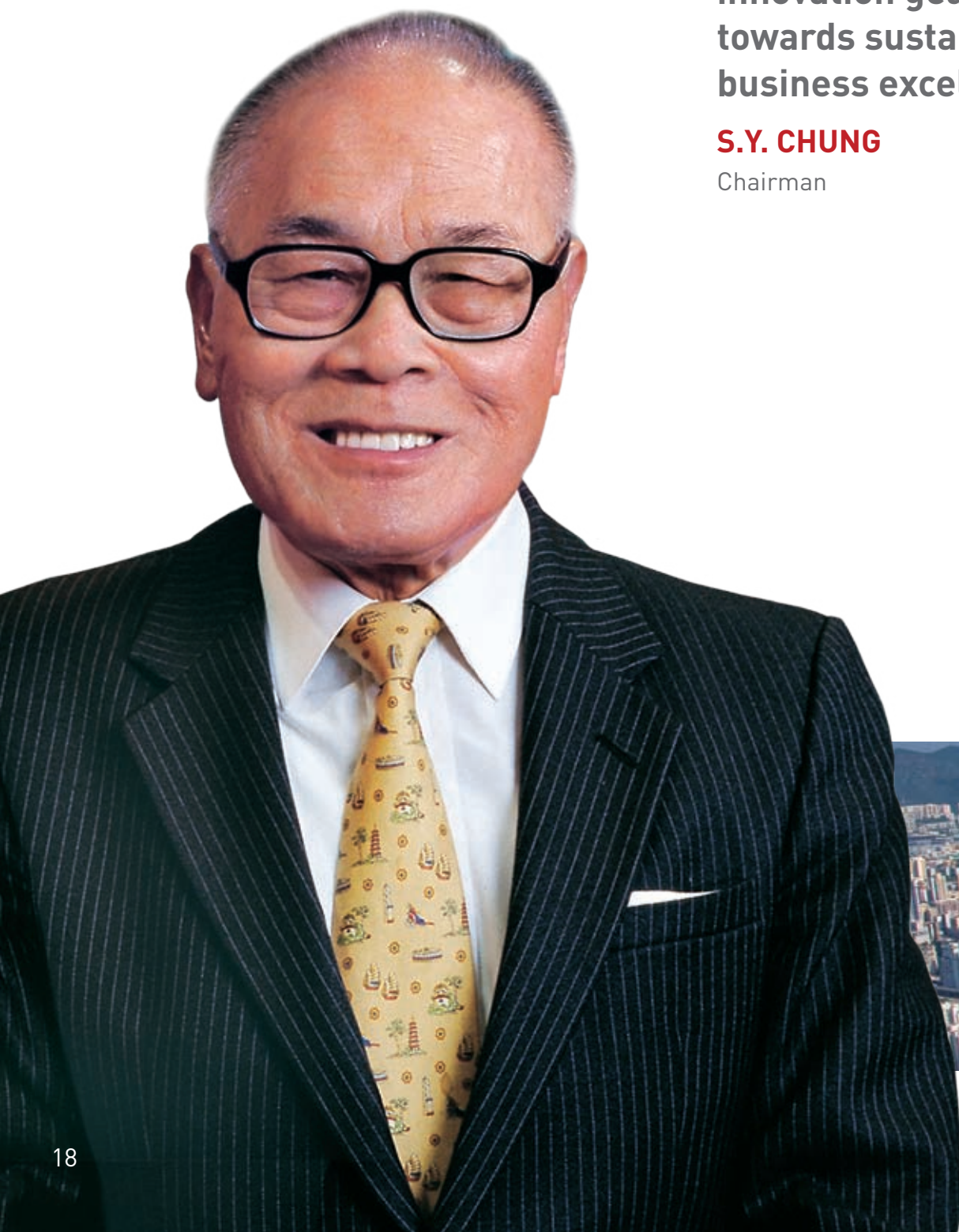


**“TIH took further steps
towards combining
improved productivity
and efficiency with
innovation geared
towards sustainable
business excellence”**

S.Y. CHUNG

Chairman



Dear Shareholders and Partners,

On behalf of the Board, I am pleased to report that although the financial performance of our public transport business reflected the impact of record high fuel prices and escalating costs due to inflation in 2008, Transport International Holdings Limited ("TIH") took further steps towards combining improved productivity and efficiency with innovation geared towards sustainable business excellence without compromising its hallmark service excellence. Thanks to further sales of Manhattan Hill residential units in 2008, the Group is currently in a net cash position which gives us the financial strength to seek diversification into related businesses in Hong Kong and China Mainland based on our expertise.

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OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for the year ended 31 December 2008 was HK\$658.7 million. This represents a decrease of 82.9% compared to HK\$3,847.7 million for 2007. Earnings per share decreased correspondingly to HK\$1.63 for 2008 from HK\$9.53 for 2007. The profit for 2008 included the non-recurrent after-tax profit of HK\$366.2 million (2007: HK\$3,507.7 million) arising from the further sales of 27 residential units (2007: 835 residential units) of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary in the Group's Property Holdings and Development Division. If this non-recurrent profit from property sales was excluded, the profit attributable to equity shareholders of the Company for 2008 would have been HK\$292.5 million, representing a decrease of 14.0% compared to HK\$340.0 million for 2007.

During the year, the financial performance of the Group's franchised public bus business operated by The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") was adversely affected by historical



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high fuel oil prices, particularly in the first nine months of 2008. Although the price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the price of ultra-low sulphur diesel used by our franchised public bus fleets is based, eased off in the fourth quarter of 2008, the total fuel cost of KMB and LWB for the whole year of 2008 was 36.1% or HK\$406.7 million higher than that for 2007. Together with the increase in wages and in other operating expenses, the total operating cost of KMB and LWB for 2008 rose to HK\$6,408.6 million, representing an increase of 7.4% compared to HK\$5,965.5 million for 2007. In response to KMB and LWB's submission of applications to the Government of the Hong Kong Special Administrative Region (the "Government") on 7 September 2007 for a fare increase of 9.0% and 5.9% respectively, the Government granted a fare increase of 4.5% to both companies, which took effect from 8 June 2008. Notwithstanding the implementation of the fare increase and various cost control measures, the profit of KMB and LWB for 2008 decreased by 64.6% and 34.3% respectively compared to 2007.

Like the other transport sectors, our Non-franchised Transport Operations Division was adversely affected by high oil prices and escalating costs in 2008. During the year, Sun Bus Holdings Limited and its subsidiaries (the "SBH Group")

Like the other transport sectors, our Non-franchised Transport Operations Division was adversely affected by high oil prices and escalating costs in 2008

continued to enhance economies of scale and acquired 19 coaches to service new contracts. In 2008, the financial performance of our joint venture transport companies in the Mainland cities of Beijing, Shenzhen, Dalian and Wuxi was also suppressed by rising fuel costs and other operating expenses. Following the recent shift in the Wuxi municipal government's focus on the social functionality of public transport, the Group divested its entire 45% equity interest in the Wuxi associate company to the existing Mainland

state-owned shareholder in December 2008 and realised a reasonable return. As for the RoadShow Group, its profit attributable to shareholders for 2008 decreased by 14.1 % compared to that for 2007.

DIVIDENDS

The Board has declared an ordinary final dividend of HK\$1.05 per share (2007: an ordinary final dividend of HK\$1.58 per share and a special final dividend of HK\$2.00 per share). Together with the ordinary interim dividend of HK\$0.30 per share (2007: an ordinary interim dividend of HK\$0.45 per share and a special interim dividend of HK\$1.50 per share) paid on 16 October 2008, total dividends for the year will amount to HK\$1.35 per share (2007: HK\$5.53 per share). The total dividend payout for the year will amount to HK\$544.9 million (2007: HK\$2,232.1 million).

STRIVING FOR SUSTAINABLE BUSINESS EXCELLENCE

Our constant quest for sustainable business excellence in our core business as a leading public transport operator is founded on two principles: innovation and teamwork. Innovation has proven to be a vital part of our change management, while teamwork is one of the core strengths on which our delivery of world class services is based. Teamwork can be strengthened by ongoing training and skills development. This year we complemented the “software” of comprehensive training courses for new and existing bus captains by introducing state-of-the-art “hardware” in the form of the Driving Simulator Studio. When the Studio came into operation in January 2008, we became the first bus company in Hong Kong to offer this effective tool for improving our bus captains’ performance and their ability to respond to different situations by simulating real world driving environments. We will continue to devote resources to introducing more innovations to enhance staff training.

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The Group takes its social responsibility very seriously, as befits a corporate citizen with a long term outlook and a sustainable business model. The adoption of sound policies and procedures ensures that our corporate governance is founded on accountability, transparency and integrity across all our business operations. TIH’s 2007 annual report won the Gold Award in the Non-Hang Seng Index Category of the Best Corporate Governance Disclosure Awards, organised by the Hong Kong Institute of Certified Public Accountants. This is the second consecutive year that TIH has been recognised for its corporate governance standards and specifically for the quality of disclosure in its 2007 annual report.

In terms of environmental management, we are fully committed to conducting our business in ways that minimise any adverse impacts on the environment wherever we operate. In 2008, KMB and LWB introduced more Euro IV environment-friendly buses. We will continue to upgrade our fleet with the newest generation of vehicles featuring technologically advanced features to reduce fuel consumption and exhaust emissions.

To enhance the quality of our customer service, we have launched initiatives such as the Digital Map Passenger Enquiry System, and we continue to improve communications with our customers through our websites and various publications, as well as through our award-winning civic education campaign. Our ethos “Caring for People” extends not only to our passengers but also to all our staff. We continue to focus on intensive training and motivation, as well as on creating an environment that values performance, teamwork and a sense of social responsibility.

CHAIRMAN'S LETTER

LEVERAGING OUR CORE STRENGTHS

The implementation of our strategy of developing a diverse business portfolio both in Hong Kong and in China Mainland is based on our core strengths: innovation, efficiency, service excellence and teamwork. To ensure that we derive the fullest value from these core strengths, we have for many years fostered a culture in which members of staff at all levels are encouraged to share creative and innovative ideas.

A key part of our mission is our dedication to total quality management. For over 75 years we have been growing with the community, gaining enormous experience in running large scale public transport operations. Our capacity for handling major events was very much in evidence in August and September during the Olympic and Paralympic Equestrian Events when KMB operated three new shuttle bus routes to take spectators to and from the venues. It was an honour for us to contribute to these historic events, which saw Hong Kong involved in the staging of this international spectacle for the first time.

Our commitment to service excellence and dedication to continuous improvement have been recognised by ISO accreditation across the whole organisation of KMB since 1999, an achievement unmatched by any other public bus company in Hong Kong. In November 2008, Sun Bus Limited, the flagship company of the Group's Non-franchised Transport Operations Division, obtained ISO 9001: 2000 certification for the provision of non-franchised bus services. We believe that Sun Bus Limited is the first commercial non-franchised bus company in Hong Kong to achieve such accreditation.

LOOKING AHEAD

The financial shockwaves that have been felt around the world serve to remind us that a business which is built on a firm foundation can survive the vicissitudes of

the market place. As a Group, we have always striven to achieve sustainable business excellence based on our core strengths. I am confident that so long as we continue to focus on the values that have served us so well for the past three quarters of a century, our future will be bright. We will continue to improve the productivity and quality of our public transport services, and at the same time explore every opportunity to increase revenue and control costs. Facing the likelihood of an economic

downturn in 2009, we will work to attract more customers to use our bus services, which represent good value for money as well as excellent quality.

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From the launch of the first sales campaign in November 2006 to the end of 2008, a total of 1,107 residential units of the Manhattan Hill development were sold. With only eight residential units remaining available for sale, we expect the renovation work on the Manhattan Hill retail podium, which has a total area of approximately 50,000 square feet, to be completed for rental to different tenants in the second quarter of 2009. This will provide a new income stream for the Group in the years ahead.

ACKNOWLEDGEMENTS

Mr John Chan Cho Chak retired from his executive position as the Managing Director of TIH and Senior Executive Director of KMB and LWB with effect from 8 April 2008. Since then, he has remained as a Non-executive Director of TIH, KMB and LWB, as well as Chairman and Non-executive Director of RoadShow Holdings Limited. On behalf of the Board, I would like to thank Mr Chan for his immense contribution to the Group since he first joined KMB in 1993.

The successful operation and development of our various businesses have been made possible by the commitment and dedication of all our people who have worked so hard, both on the front lines and behind the scenes. Our achievements in 2008 continued to owe much to the concerted efforts of the Board members, our dedicated management team and staff at all levels. I heartily thank every one of them for their valuable contribution to the Group.

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S.Y. CHUNG
Chairman
19 March 2009