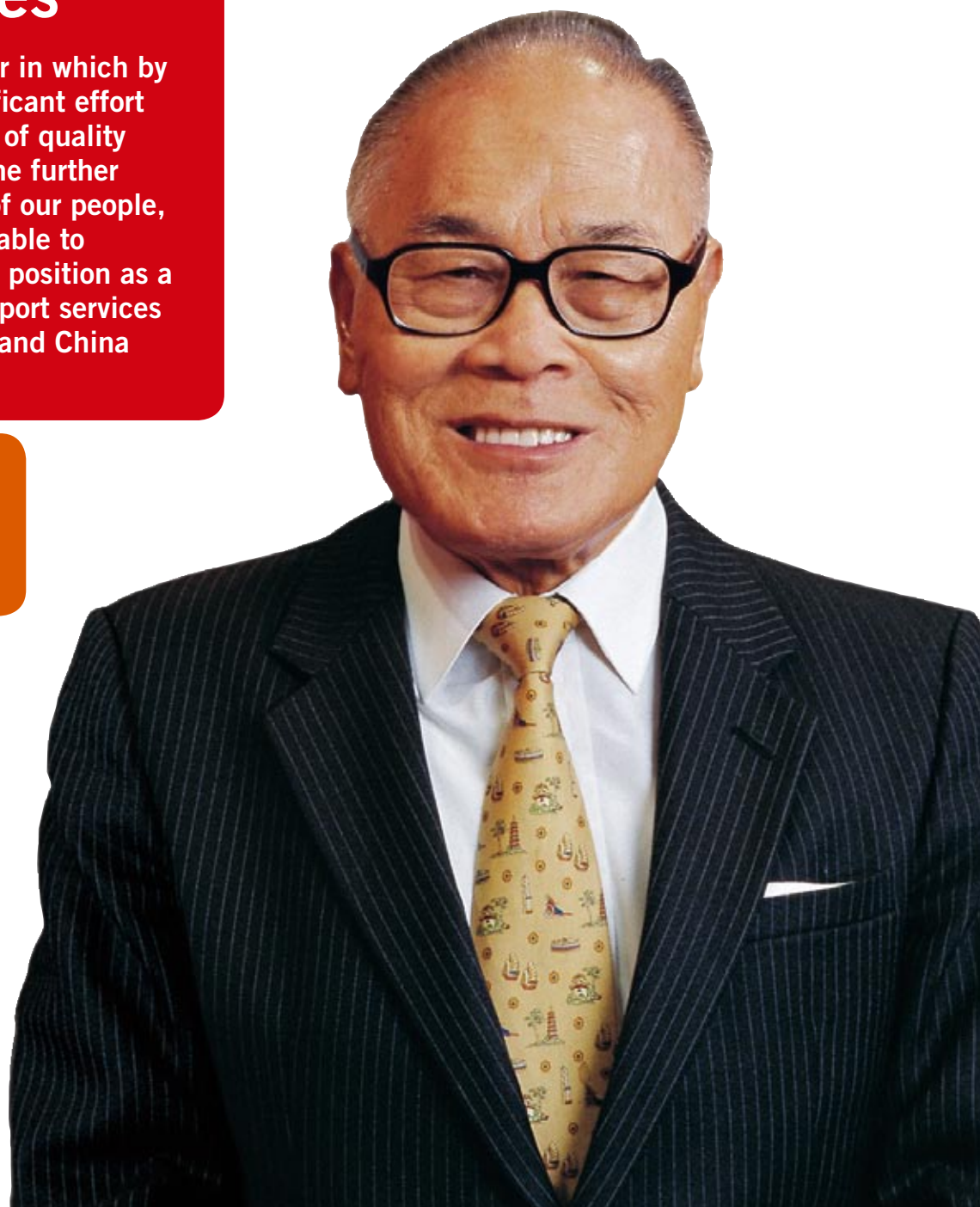


Quality Services

This was a year in which by devoting significant effort to the delivery of quality services and the further development of our people, we have been able to strengthen our position as a leader in transport services in Hong Kong and China Mainland.

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 operations in Hong Kong was somewhat affected by rising fuel prices and expansion of the rail network in the second half of 2009, Transport International Holdings Limited ("TIH") continued to reap the rewards of sustainable development based on a model of high productivity and efficiency. During 2009, we devoted significant effort to developing our people and delivering higher quality services, and I believe we have been able to further strengthen our position as a leader in transport services in Hong Kong and China Mainland.

OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for the year ended 31 December 2009 was HK\$673.5 million, an increase of 2.3% compared to HK\$658.7 million for 2008. Earnings per share increased correspondingly from HK\$1.63 for 2008 to HK\$1.67 for 2009. The profit for 2009 included the non-recurrent after-tax profit of HK\$186.1 million (2008: HK\$366.2 million) arising from the further sales of five residential units (2008: 27 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 2009 would have been HK\$487.4 million, representing an increase of 66.6% compared to HK\$292.5 million for 2008.

In 2009, total fare revenue 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") increased slightly by 0.1% as compared with 2008. The increase in fare revenue was mainly attributed to the fare increase of 4.5% which took effect from 8 June 2008, but it was largely offset by a decrease in total ridership of 2.2% compared with 2008 due mainly to intensified competition from the railways and decreased travel demand resulting from the economic downturn and higher unemployment rate. Thanks largely to the decrease in average fuel oil prices in 2009 compared to 2008, the total operating expenses of our franchised bus operations decreased, resulting in positive earnings growth for both KMB and LWB in 2009.

Sun Bus Holdings Limited and its subsidiaries (the "SBH Group"), our non-franchised transport businesses, maintained steady growth in 2009 despite being affected by the negative impact of the economic downturn and the outbreak of human swine influenza during the year. The SBH Group has put a great deal of effort into continuing to strengthen its quality management system and enhancing service quality by acquiring more coaches to service new business contracts.

In 2009, we further adjusted our business portfolio in China Mainland by divesting our entire interest in our co-operative joint venture in Dalian. This has resulted in a positive return for our shareholders. The financial performance of our joint venture transport companies in Beijing and Shenzhen continued to perform satisfactorily. As for the RoadShow Group, its profit attributable to equity shareholders for 2009 decreased by 67.1% compared to that for 2008.

DIVIDENDS

The Board has declared an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share (2008: an ordinary final dividend of HK\$1.05 per share). Together with the ordinary interim dividend of HK\$0.30 per share (2008: an ordinary interim dividend of HK\$0.30 per share) paid on 15 October 2009, total dividends for the year will amount to HK\$2.35 per share (2008: HK\$1.35 per share). The total dividend payout for the year will amount to HK\$948.6 million (2008: HK\$544.9 million).

It should be noted that the aforesaid special dividend of HK\$1.00 per share for 2009, the payment of which is subject to the approval of shareholders at the upcoming Annual General Meeting of the Company in May 2010, is to be paid out of the profit derived from the sale of the Manhattan Hill residential units.

COMMITTED TO DELIVERING QUALITY SERVICES

As a public service provider in an ever more demanding environment, the Group understands that its ability to confidently steer through the challenges it faces depends more than ever on the delivery of even higher quality services. In the face of the expansion of the railway

Chairman's Letter



Our commitment to providing the greenest buses was demonstrated with the introduction of Hong Kong's first Euro V 2-axle air-conditioned double-deck bus in December 2009.

network, the rebound in fuel prices since the second half of 2009 and increasingly demanding customer expectations, the Group has chosen to refocus on its core strengths. Our commitment to providing the greenest buses was demonstrated with the introduction of Hong Kong's first Euro V 2-axle air-conditioned double-deck bus in December 2009. This revolutionary vehicle, currently being trialled in Hong Kong's unique operating environment, not only brings enhanced comfort for passengers, fuel savings and reduced emissions, it also incorporates the latest safety features. We remain dedicated to upgrading our fleet with the newest generation of environment-friendly vehicles with 240 double-deckers and 78 single-deckers on order at the end of 2009.

2009 also saw the launch of the revamped KMB website at www.kmb.hk. The new look website comes equipped with an online map-based bus route search function – the first in the local public bus industry – which gives information on more than 5,000 bus stops on around 400 bus routes. Besides enabling passengers to make faster and more accurate searches, the multidimensional KMB website provides another means for strengthening communications with stakeholders and the community we serve – a value of paramount importance to us. Indeed, many of the new elements in the revamped website are based on our passengers' suggestions.

Our commitment to service excellence has been recognised by ISO accreditation across the whole organisation of KMB since 1999, an unparalleled achievement for a public bus company in Hong Kong. In 2009, KMB successfully obtained new ISO 9001:2008 certificates issued by the Hong Kong Quality Assurance Agency ("HKQAA") on completion of the upgrading audits.

As a responsible corporate citizen, the Group has a long tradition of service to the wider community. Besides sponsoring industry-improvement campaigns, sporting and cultural events, we have engaged the community by participating in a variety of charitable activities, such as Dress Special Day and Walk for Millions. In 2009, all revenue generated by the sale of the new KMB Bus Guide was donated to The Community Chest of Hong Kong. During the year, the 3,100 members of KMB's volunteer club, FRIENDS OF KMB, contributed more than 13,000 hours of their time to community outreach by organising and taking part in a range of social service, environmental protection and civic education activities.

DEVELOPING OUR PEOPLE

Our ethos "Caring for People" extends not only to the community we serve but also to all our staff. The Group has developed a culture that values and rewards performance and teamwork. We recognise that in an increasingly demanding and sophisticated society where service standards are continually being raised, we need to consistently meet the demands and expectations of our customers. To this end, we have substantially increased our investment in developing our people.

In 2009, in collaboration with a renowned consultancy firm, KMB and LWB launched the large scale "Service from the Heart" training programme which was tailor-made for our frontline operations staff with emphasis on fostering a positive customer service mindset. By the end of 2009, more than 10,000 of our staff members had taken part in a total of 52 seminars in the first phase of this programme. The second phase of the programme was launched in January 2010, when more than 300 workshops will be organised to provide immersive training for about 30 frontline staff in each session to further equip them with the special skills required to better serve our customers.

The Group continues to reward those employees who have demonstrated their ability to deliver excellent service, with a range of awards recognising the outstanding contributions of frontline staff in both our franchised and non-franchised bus operations. In 2009, KMB extended its Outstanding Service Award programme to include teams in order to cultivate teamwork and give recognition to groups of staff who have gone the extra mile and attained performance levels beyond the already high standards expected of them.

LOOKING AHEAD

With an expanding railway network, surging fuel oil prices and rising expectations for higher service levels, we expect that the operating environment of KMB and LWB will become increasingly challenging in 2010 and in the years ahead. We will respond to this challenge by making improvements to the efficiency of our bus network by reorganising routes with low demand and increasing the service on routes with growing demand. We will also have to explore ways to turn higher expectations of the travelling public into business opportunities by providing service of better quality.

The sale of the residential units of the Manhattan Hill development has almost been completed, providing the Group with a net cash position. The Manhattan Hill retail podium, commonly known as the "Manhattan Mid-town" shopping mall, with a total area of approximately 50,000 square feet, opened in March 2009, adding a new element to the West Kowloon shopping and dining scene. This will continue to provide a steady income stream for the Group in the future.

We are pleased to report that at the Special General Meeting held on 21 January 2010, the shareholders of the Company approved the disposal of 50% of the Group's interest in an industrial site at Kwun Tong and the entering of a development agreement with Sun Hung Kai Properties Limited and its subsidiary to redevelop the industrial site into commercial use for long-term investment purposes. The gain arising from this disposal of approximately HK\$489 million will be recognised in 2010, and will be used by the Group to fund the redevelopment. The redevelopment of the site for the purpose of generating rental income is in line with the

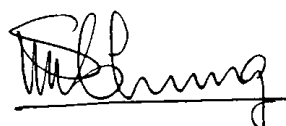
We recognise that in an increasingly demanding and sophisticated society where service standards are continually being raised, we need to consistently meet the demands and expectations of our customers.

Group's business strategy of seeking diversification to establish recurrent income sources.

The Group will continue to look for further investment opportunities in China Mainland while enhancing our efficiency through reorganising and rationalising our bus network in Hong Kong. Whatever the challenges that may meet us in the coming years, they will be met with the same ethos of quality service married to sustainable business growth that has seen us become a leading transport operator in the region.

ACKNOWLEDGEMENTS

All our achievements in 2009 have been made possible only by the dedication and hard work of our team who are all driven by the Group's vision. I would like to sincerely thank my fellow Board members, our dedicated management team and staff at every level for their contributions to the Group and look forward with them to continued success in the future.



S.Y. CHUNG
Chairman
18 March 2010