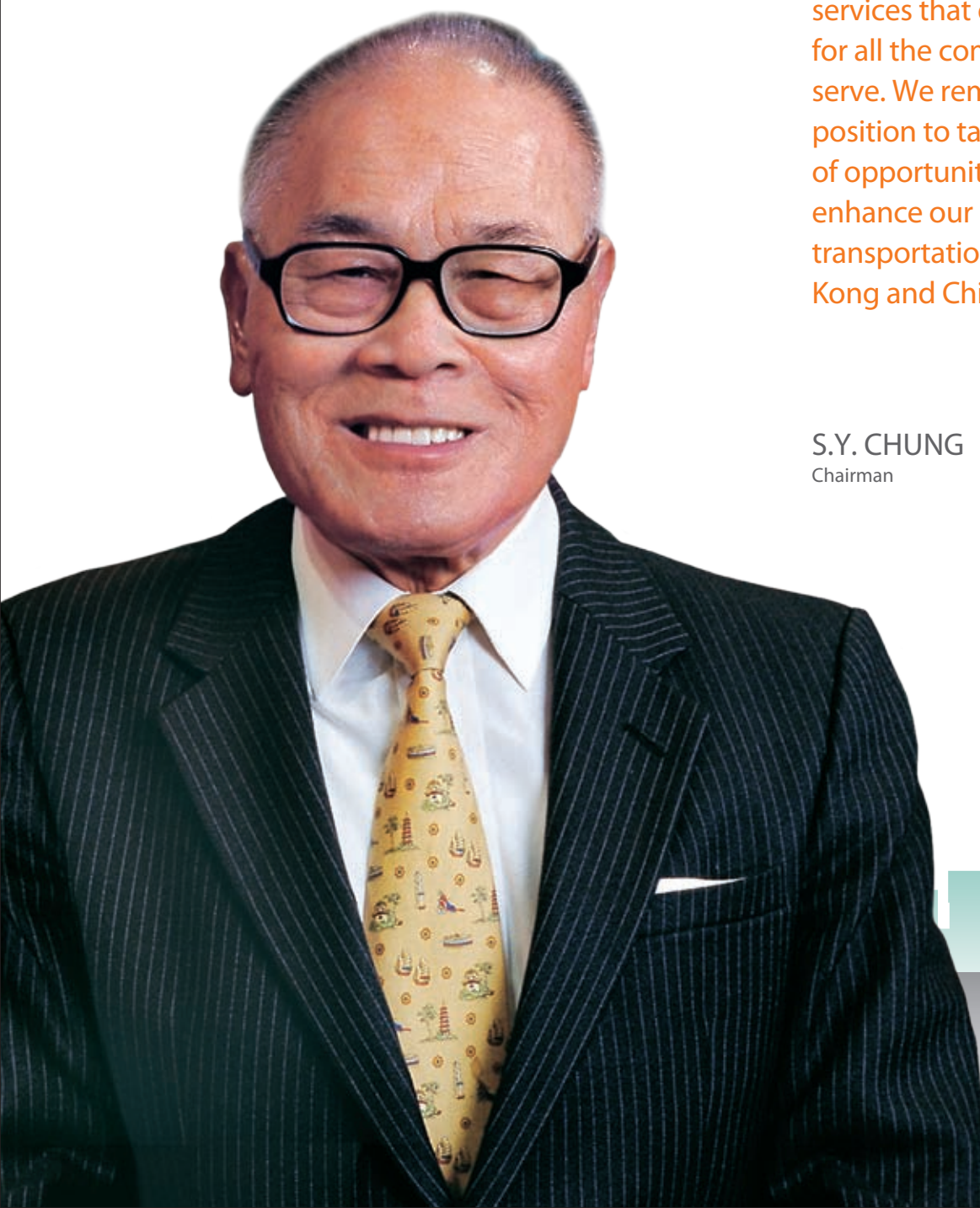


Chairman's Letter



“Our continuous efforts in enhancing productivity and maintaining a sustainable business model enabled us to partially offset the adverse effects of high fuel prices and general upward inflationary pressure to deliver high quality services that drive value for all the communities we serve. We remain in a good position to take advantage of opportunities to further enhance our role as a leader in transportation in both Hong Kong and China Mainland.”

S.Y. CHUNG
Chairman





DEAR SHAREHOLDERS AND PARTNERS,

On behalf of the Board, I am pleased to report that, in spite of many challenges, Transport International Holdings Limited ("TIH") was able to deliver satisfactory results for 2010. Our continuous efforts in enhancing productivity and maintaining a sustainable business model enabled us to partially offset the adverse effects of high fuel prices and general upward inflationary pressure to deliver high quality services that drive value for all the communities we serve. We remain in a good position to take advantage of opportunities to further enhance our role as a leader in transportation in both Hong Kong and China Mainland.

OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for the year ended 31 December 2010 was HK\$866.9 million, representing an increase of 28.7% as compared to HK\$673.5 million for 2009. Earnings per share rose correspondingly to HK\$2.15 for 2010 from HK\$1.67 for 2009. The increase in profit was mainly attributed to the recognition of the one-off, non-recurrent capital gain of HK\$489.1 million arising from the disposal of 50% of the Group's interest in an industrial site at Kwun Tong in January 2010, but was partly offset by the reduction in the number of Manhattan Hill residential units sold during the year. If these non-recurrent profits from property disposal and sale were excluded, the profit attributable to equity shareholders for 2010 would have been HK\$394.9 million, representing a decrease of 19.0% compared to that for 2009.

The operating environment for the Group's franchised public bus business operated by KMB and LWB in 2010 was challenging. Due mainly to the expansion of the railway network, particularly the Kowloon Southern Link which commenced operations in August 2009, the total ridership of KMB in 2010 fell by 1.9% over 2009, resulting in a decrease in total fare revenue of HK\$97.6 million or 1.7% as compared with 2009. Total operating expenses for the year, however, increased by HK\$182.6 million or 3.3% as compared with 2009, mainly owing to the year-on-year increase in fuel costs of HK\$184.5 million or 21.9% as a result of the significant upsurge of international fuel oil prices. These adverse factors resulted in KMB reporting a decrease in profit in 2010. As for LWB, its total ridership in 2010 increased by 4.4%, which was attributed to the continual growth of population in Tung Chung, the rise in travel demand to and from Hong Kong International Airport, and the "Animated version of Riverside Scene at Qingming Festival" exhibition at AsiaWorld-Expo in November 2010. These positive factors, however, could not counterbalance the increase in fuel costs, toll charges and other operating expenses. Therefore, LWB saw a decrease in profit in 2010. In order to maintain the financial viability and the existing service levels of our franchised bus operations against the largely uncontrollable trend of rising costs, KMB and LWB submitted applications to the Transport Department of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") on 30 July 2010 for a fare increase of 8.6% and 7.4% respectively. These applications are still being considered by the HKSAR Government.



Chairman's Letter

“We have been actively exploring the development and use of environment-friendly buses, including zero-emission electric vehicles. We continue to work with both the HKSAR Government and our manufacturers and suppliers to develop solutions that are as environmentally sound as rail transport but require far less capital investment.”

The Group's non-franchised transport businesses reported a steady growth in 2010. Sun Bus Holdings Limited and its subsidiaries continued to strengthen their market position in the residential service segments, obtaining more residential bus service contracts during the year. The transport businesses of our joint ventures in Beijing and Shenzhen continued to show stable performance. The Group's businesses operated by the RoadShow Group reported a loss of HK\$61.6 million in 2010 mainly as a result of an impairment loss provision of HK\$110.0 million made on an unlisted investment.

DIVIDENDS

The Board has declared an ordinary final dividend of HK\$1.05 per share (2009: an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share). Together with the ordinary interim dividend of HK\$0.30 per share (2009: an ordinary interim dividend of HK\$0.30 per share) paid on 18 October 2010, total dividends for the year will amount to HK\$1.35 per share (2009: HK\$2.35 per share). The total dividend payout for the year will amount to HK\$544.9 million (2009: HK\$948.6 million).

COMMITTED TO DRIVING VALUE FOR THE COMMUNITY

Striving to serve increasingly more sophisticated and demanding customers, the Group understands the importance of delivering value in all the services that we provide. With vastly increased transportation options compared to just a few years ago and a community with greater environmental awareness, we have been actively exploring the development and use of environment-friendly buses, including zero-emission electric vehicles. We continue to work with both the HKSAR Government

and our manufacturers and suppliers to develop solutions that are as environmentally sound as rail transport but require far less capital investment.

In 2010, KMB's commitment to environmental protection and years of studying the feasibility of applying various green technologies to buses bore fruit in the successful launch of the zero-emission supercapacitor bus (or "gBus") in Hong Kong. Trial results of the gBus have been encouraging, and we are convinced that the adoption of zero-emission green buses takes us in the right direction in line with our commitment to sustainable business development. We will continue to explore additional zero-emission technologies as appropriate in the years ahead.

We will continue to drive value for the community and achieve an equitable balance between the needs of those who use our services and our drive for efficiency by addressing the oversupply of transport services in some areas resulting from duplication of services.

SETTING HIGH GOVERNANCE STANDARDS

As a key element in enhancing investor confidence, furthering competitiveness, and ultimately improving shareholder value, continuous improvement of our corporate governance is something the Group takes very seriously. We are therefore very pleased that TIH's 2009 Annual Report won the "Platinum Award" in the Non-Hang Seng Index (Large Market Capitalisation) Category of the 2010 Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants. With reference to the Gold Awards won by TIH in 2007 and 2008, the Platinum Award reflects the great



strides that the Group has continuously made to advance its corporate governance standards.

As a world-class public bus operator according top priority to safety in our daily operations to meet or exceed customers' expectations, we promote the adoption of a "Plan-Do-Check-Act" framework for safety and health management as we evolve our practices towards OHSAS 18001 standards. We also strive for continuous improvement in safety performance in all aspects of the Group's operations.

LOOKING AHEAD

We expect KMB and LWB's operating environment to be increasingly challenging in 2011 due largely to escalating cost pressure, mainly driven by the continued upsurge in fuel oil prices and rising inflation. In addition, the expanding railway network will continue to adversely affect our bus patronage. We will respond to these challenges by our continuing efforts to improve cost efficiency by proposing additional rationalisation plans for routes with low demand while increasing the service for routes with growing demand.

The residential units of the Manhattan Hill development have nearly all been sold in an improving residential market, providing the Group with a net cash position. Looking ahead, the Group's Property Holdings and Development Division will be looking to generate extra recurrent rental income from two of our property sites, one in Kwun Tong and another in Tuen Mun. The redevelopment of our industrial site at 98 How Ming Street, Kwun Tong, is ongoing with Sun Hung Kai Real Estate Agency Limited leading the efforts as the project manager. The Group's industrial building at 1 Kin Fung Circuit, Tuen Mun, has been leased out to generate additional rental income for the Group starting March 2011. The Manhattan Mid-town shopping mall with a total area of approximately 50,000 square feet was completely leased out in 2010 and will continue to provide the Group with a steady income stream.

The Group will continue to look for growth and investment opportunities both in Hong Kong and China Mainland. In Hong Kong, we are continuing our efforts to grow our non-franchised bus business by seeking to serve more clients who require quality coach services. As for the China Mainland market, the Group is continuously evaluating available opportunities for investment while improving the productivity and efficiency of our existing transport operations. Whatever the challenges that face us in the future, they will be met with the same drive to bring value in all our services that underpins our success as a leading transport operator. We are confident that via our continuous improvement efforts and the strengthening of our core competencies, we will continue to deliver significant value in the businesses that we operate.

ACKNOWLEDGEMENTS

The continued success and ongoing development of our portfolio of businesses owe much to the commitment and industriousness of our staff members who work to deliver the highest quality services both on the frontline and behind the scenes. The successful results that I am pleased to report for 2010 are a testimony to the great efforts of our Board members, our dedicated management team and staff at every level. To each of these people I would like to express my gratitude for their continued contributions to the success of the Group.

S.Y. CHUNG

Chairman

17 March 2011