



OPERATIONAL REVIEW **HONG KONG**

OVERVIEW AND STRATEGIES

Safety, efficiency and teamwork are the cornerstones of TIH's reputation as one of the world's leading public transport providers. The two key benchmarks of operational performance across our franchised public bus services are mechanical reliability and operational capability, and statistics show that we have met continuously rising standards. The service excellence that is synonymous with our name is built on two other closely related factors: a strong commitment to working together, and a long tradition of innovation. Over the years, we have made substantial investments in new buses with the latest innovative designs and safety features, including the most advanced, environment-friendly technologies and products. These enhancements allow us to provide our passengers with safer, more convenient and healthier bus rides while contributing to environmental protection.

At the same time, we have developed a culture of teamwork: with our customers, with other stakeholders, and within the company. We are always listening and we are always learning ways to improve efficiency. That is why we are constantly rationalising our network and adapting services to meet current demand and changing market conditions, whether in Hong Kong or in our expanding market of China Mainland. As TIH moves forward, teamwork allied to innovation will be the drivers of our future success.



The Group has contributed to the development of our city
through the provision of a world-class bus service

OVER

2,800,000

PASSENGER TRIPS DAILY

CONNECTION

FRANCHISED PUBLIC BUS OPERATIONS

- The Kowloon Motor Bus Company (1933) Limited
- Long Win Bus Company Limited

THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED (“KMB”)

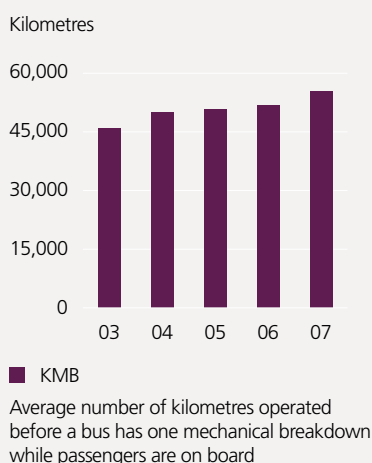
KMB, a wholly-owned subsidiary of TIH, provides extensive bus services covering Kowloon, the New Territories and Hong Kong Island. With a dedicated team of around 12,000 staff and a fleet of more than 4,000 buses, KMB currently operates some 400 routes, serving about 2.76 million passenger trips a day.

OPERATIONAL EXCELLENCE

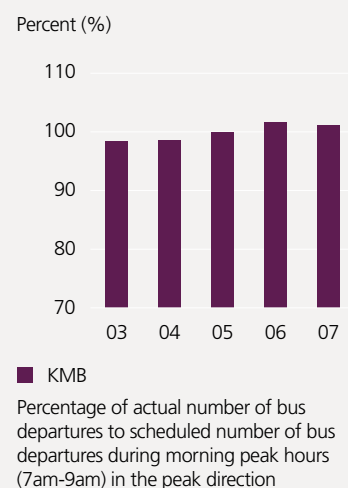
KMB has a reputation as one of the world's best public transport operators. It has over 74 years of experience in operating franchised public bus services in Hong Kong. KMB's service philosophy is founded on safety, reliability, passenger convenience and comfort, backed by a strong commitment to teamwork, innovation, efficiency and continuous enhancement of all aspects of its operations.

KMB was ISO 9001:1994 certified on a company-wide basis in 1999 and was the first public bus company in Hong Kong to achieve such recognition. Upgrade audits for ISO 9001:2000 certificates have since been undertaken by the Hong Kong Quality Assurance Agency, which reconfirmed the excellence in the quality of KMB's management systems across five certification areas: KMB headquarters; Traffic Department and four permanent operating depots; the Overhaul Centre; and the Bus Body Construction Depot and Tuen Mun 80 Unit Overhaul Depot. Since 2003, our Lai Chi Kok and Sha Tin Depots have been awarded ISO 14001:2004 Environmental Management System certification. We believe that KMB is the only public bus company in

Mechanical reliability



Operational capability



Hong Kong accredited with both ISO 9001 and ISO 14001 certification. In addition, in 2007, KMB's main depots, namely, Kowloon Bay Depot, Lai Chi Kok Depot, Sha Tin Depot and Tuen Mun Depot, were certified by the Hong Kong Q-Mark Council of the Federation of Hong Kong Industries as having met the Hong Kong Green Mark Standard prescribed under the Hong Kong Green Mark Certification Scheme. This demonstrated once again KMB's commitment to quality management and the high priority accorded to environmental protection.

DEPOTS

We have continued to improve our depot facilities to ensure that they consistently maintain a high level of productivity and quality service for our buses. Currently, KMB has four permanent depots that provide routine maintenance and repair services for the entire bus fleet, 12 satellite depots that provide bus parking spaces and minor maintenance services, a bus body construction depot for the assembly of new buses, and an overhaul centre for the major overhaul of buses.

OUR DEPOT NETWORK SERVING KMB AND LWB BUSES

Depot	Areas served / main purpose of depot	Gross floor area (square metres)	Number of buses served at 31 December 2007	Year in which operations commenced
KMB depots:				
Kowloon Bay Depot*	East Kowloon	71,379	1,125	1990
Sha Tin Depot*	East New Territories	66,915	730	1988
Lai Chi Kok Depot*	South and West Kowloon	60,311	884	2002
Tuen Mun Depot*	North and West New Territories	13,844	1,308	1979
Tuen Mun Overhaul Centre	Bus overhaul	35,401		1983
Tuen Mun Bus Body Construction Depot	Bus body construction	9,843	(note 1)	1978
LWB depot:				
Siu Ho Wan Depot	Lantau Island	7,660	155	1998
Total		265,353	4,202	

Notes:

1. The Bus Body Construction Depot provides facilities for building new buses.
 2. As at the end of 2007, KMB also operated 12 temporary depots in various locations in Hong Kong for bus parking purposes.
- * KMB's permanent depots for routine bus maintenance and repair services

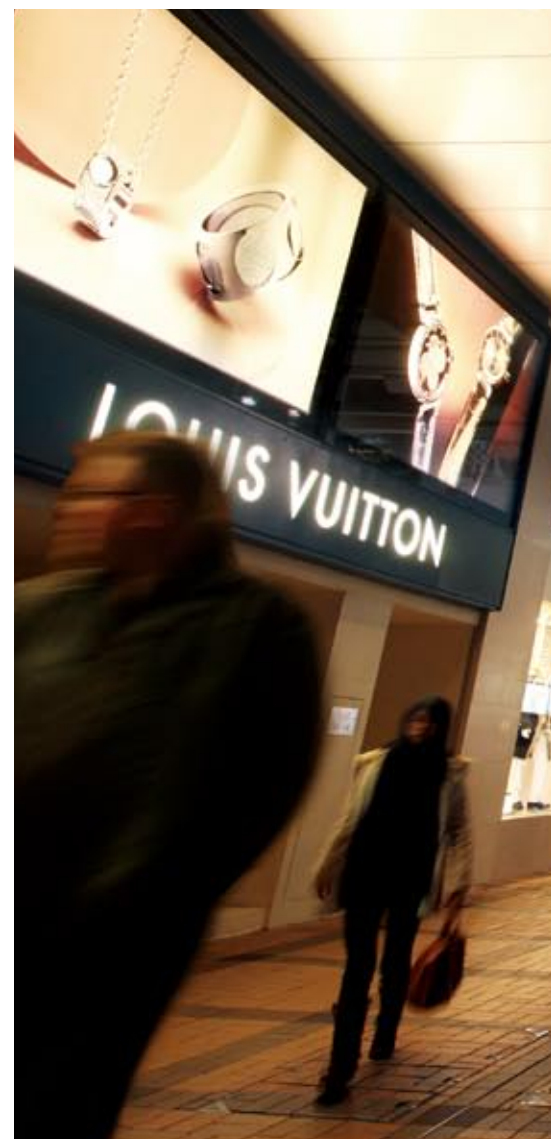
PERFORMANCE ASSURANCE

Mechanical reliability and operational capability are the key benchmarks of operational performance across all public bus services provided by TIH companies. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction during the peak operational

hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. These two key performance statistics show that for the 12 months ended 31 December 2007, KMB's fleet achieved 55,249 km : 1 on mechanical reliability against a target of 45,000 km : 1. For the same period, the operational capability achieved by KMB was 101.1% against a target of 100%.

FLEET UPGRADE

Fleet upgrade is an ongoing process for KMB's operation and a key priority of its service enhancement



programmes. Over the years, we have made substantial investments in new buses with the latest innovative designs and safety features. We adapt and plan our operations according to Hong Kong's market conditions and service requirements. Since 1998 when KMB first introduced the super-low floor easy access buses to its fleet, which provide improved accessibility to all passengers, particularly the



KMB's fleet upgrade is "in sync" with the fast pace of metropolitan Hong Kong

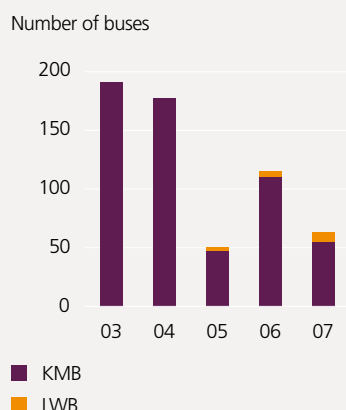
disabled and the elderly, different generations of such buses have been introduced to KMB's fleet. During 2007, we further added 54 new super-low floor air-conditioned double-deck buses comprising 53 Euro III buses and one Scania Caetano Euro IV prototype to the fleet. KMB is the first franchised bus company to have put Euro IV double-deckers into service in Hong Kong.

The latest generation super-low floor air-conditioned double-deck buses have innovative features such as straight staircases for passengers' easier access to the upper deck, wider bodies, facilities for barrier-free transport, and enhanced air-conditioning systems for better control of the temperature and humidity inside the bus compartments. Survey results have indicated that our customers welcome these innovative

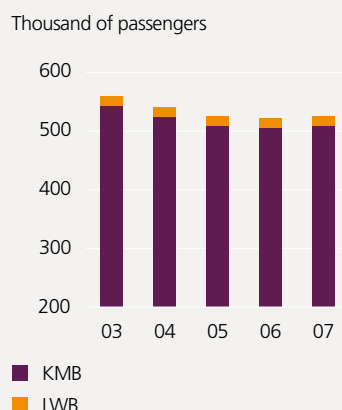
features, which have enhanced the quality, reliability and excellent value for money of KMB's services.

As at 31 December 2007, a total of 4,047 buses (comprising 3,896 double-deck and 151 single-deck buses) was deployed for KMB services, of which 94% was air-conditioned.

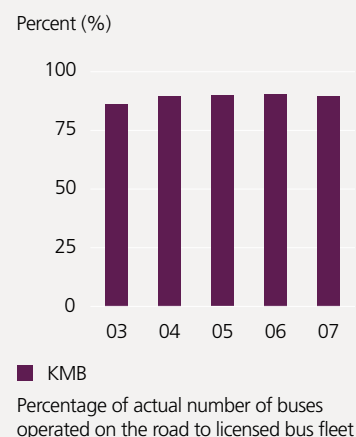
Number of new buses introduced to the fleet
(Franchised Public Bus Operations)



Total fleet capacity at 31 December
(Franchised Public Bus Operations)



Fleet utilisation



KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Non air-conditioned double-deck buses	Total number of buses
At 1 Jan 2007	3,603	155	263	4,021
Addition during year	54	1	–	55
Disposal during year	(2)	(5)	(22)	(29)
At 31 Dec 2007	3,655	151	241	4,047

At the end of 2007, KMB had on order 21 air-conditioned double-deck buses for delivery in 2008.

ELECTRONIC TACHOGRAPH

The electronic tachograph (commonly known as the “black box”), which records the vehicle speed and other associated information during bus operation, is now a standard equipment on all new KMB buses. This device logs the driving

performance of our bus captains for safety monitoring and improvement purposes and is particularly useful for long-haul and highway routes. At the end of 2007, KMB had 3,218 buses equipped with the electronic tachograph.

BUS ROUTES AND SERVICE NETWORKS

Bus Routes

KMB operated a total of 402 bus routes at the end of 2007. The expanding railway networks within

KMB's service areas have brought heavy competitive pressure on our operations. As part of our response, we have continued to seek out opportunities for new market niches. During the year, KMB launched two new routes: a regular route running between MTR Yuen Long Station and MTR Lok Ma Chau Station, and a special route connecting MTR Siu Hong Station North Public Transport Interchange and Deep Bay Link to cater for the “Hong Kong – Shenzhen Western Corridor Walk for Millions” on 15 April 2007.

Bus Network Rationalisation

In order to cope with changing market conditions, KMB continues to implement its network rationalisation plans. These involve the cancellation of certain bus routes that are no longer required as a result of the introduction of new railways and

a reduction of frequencies on routes with diminished passenger demand. Such service adjustments enhance operational efficiency, and save resources that can either be redeployed to other areas with increasing demand or be eliminated through natural attrition. The rationalisation or frequency reduction

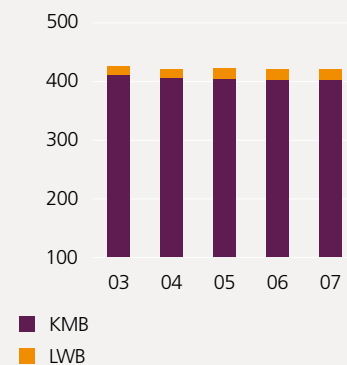
also relieves traffic congestion along busy transport corridors.

In 2007, KMB was able to further improve its resources utilisation by reducing the number of under-utilised buses. A summary of the bus route reorganisation implemented during the year is tabulated below:

	Number of bus routes involved	Number of buses saved
Cancellation / rationalisation	2	8
Frequency reduction	32	34
Total	34	42

Number of bus routes operated at 31 December

Number of bus routes



KMB operates comfortable, point-to-point bus services for new towns such as Tin Shui Wai



Frontline operating conditions are monitored by KMB's Radio Control Centre round-the-clock

INFORMATION TECHNOLOGY

KMB extensively integrates advanced information technology into its daily operations for monitoring and optimising its operating performance, internal and external communications, and productivity enhancement. KMB's data network covers the headquarters, four major bus depots, 11 satellite depots and 131 bus termini that spread out all over Kowloon and the New Territories. At the end of 2007, there were a total of 1,583 personal computers installed within all KMB facilities. These computers are connected via high-speed communication lines to 132 computer servers located at KMB headquarters. Some 40 software applications, including

in-house developed program and proprietary software, are used for daily operational and financial management. We constantly upgrade our information technology systems to enable us to do a better job in cost control, human resources management, fleet and depot operations, and customer service.

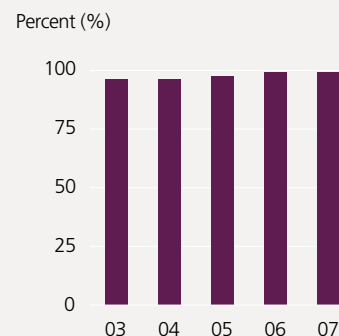
Electronic Bus-stop Announcement System

KMB's entire bus fleet has been installed with on-board electronic bus stop announcement systems. This system, which delivers voice announcements in Cantonese, Putonghua and English and shows the name of the upcoming bus stop on light emitting diode ("LED") displays, provides our on-board passengers with a highly convenient means of identifying their destination.

Traffic Operations Management System

KMB's Information Technology Department, with the collaboration of the different user departments, has developed and implemented a Traffic Operations Management System ("TOM") that helps to enhance the efficiency of our bus captain duty assignment and despatch process. Depot staff can use a Radio Frequency Identification handheld reader to identify the parking locations of our buses and upload the information to the system. Every day, this information, together with the route number, vehicle registration number, duty schedule, bus parking location and any ad hoc operational arrangements, can be conveniently retrieved by our bus captains when they place their personalised Octopus cards to the system readers. TOM has made the daily assignment and despatch process more efficient and allowed management to obtain the

Achievement of schedule



■ KMB
Percentage of actual number of buses operated on the road to scheduled bus allocation

latest information on duty allocation and despatch as well as operational arrangements at different depots in a timely manner. The system also utilises a fleet database to help prioritise the deployment of buses with better emission standards to serve on routes running along busy corridors.

Bus Service Information

KMB uses its Integrated Bus Service Information Display Systems ("IBSID Systems") installed at its termini to disseminate bus service information to the customers. Information such as bus route destinations, departure times and fares of individual bus routes, as well as emergency messages like major traffic disruptions, is provided on large LED display panels positioned at the termini. During the year, two new IBSID Systems were installed at Tin Yan and Yuen Long West bus termini, bringing the total number of termini equipped with these systems to 27. The local traffic and operating conditions of the areas surrounding the termini can also be monitored from both the termini and KMB headquarters via the closed circuit television systems of the IBSID Systems.

KMB has been deploying an Electronic Terminus Management System ("ETMS"), another in-house development by our Information Technology Department, to facilitate the monitoring of daily bus operations. Terminus supervisors use personal data assistants ("PDAs") to record bus arrival and departure times which are then instantly transmitted to control centres at bus depots and relevant departments for

timely service adjustments and other decisions on bus operations. By the end of 2007, 131 termini were installed with ETMS.

Bus Maintenance Information System

Our in-house developed computerised Bus Maintenance Information System records and provides the management with useful operational information, such as bus status, history, repair and maintenance records, as well as maintenance workers' status and attendance data, etc., to facilitate job assignments and the monitoring of maintenance costs. In order to enhance the monitoring of the durability and re-treadability of tyres for safety and environmental protection, the system has also been upgraded to keep track of the performance of retread materials.

Advanced Finance and Administration System

KMB employs SAP e-Business Software for financial and human resources management. These advanced proprietary systems enable management to process a voluminous amount of information efficiently and develop appropriate strategies in a timely manner. Paperless communication is largely deployed throughout our organisation. The use of SAP e-Business Software together with an electronic document management system, e-tendering, e-payslips and email on a company-wide basis has substantially reduced paper consumption and enhanced the efficiency of internal and external communication, document distribution, filing and retrieval.

KMB
APPRENTICE
NG KAI CHUNG

KMB
BUS CAPTAIN
CHAN KWOK SAN



LONG WIN BUS COMPANY LIMITED (“LWB”)

Established in 1996, LWB operates bus services linking the New Territories to Hong Kong International Airport and North Lantau. Today, LWB’s service area has expanded to include Hong Kong Disneyland, AsiaWorld-Expo and Ngong Ping 360 at Tung Chung.

LWB’s bus network connects Hong Kong International Airport (the “Airport”), Tung Chung New Town and tourism developments on North Lantau Island with the New Territories. It serves a steadily growing market

due to the rising population intake at Tung Chung New Town, the growth in travel demand to and from the Airport (including the newly opened SkyPlaza at Terminal 2), AsiaWorld-Expo and the Ngong Ping 360 cable car.

PERFORMANCE ASSURANCE

LWB constantly reviews its bus service to ensure that safety and reliability are maintained to the highest



LWB’s trips are scheduled to take care of travellers and airport staff day and night

standards across the whole bus fleet. Statistics for mechanical and operational capability demonstrates LWB's strong commitment to excellence in operational performance. For the 12 months ended 31 December 2007, LWB's buses achieved 70,649 km : 1 on mechanical reliability and 99.1% on operational capability.

FLEET UPGRADE

During the year, LWB added eight new air-conditioned double-deck buses to its fleet to strengthen services on two external routes and one Airbus route and to replace single-deck buses on the shuttle routes. In addition, conversion work on the enlargement of luggage rack spaces was completed on eight buses to serve the increased number of passengers carrying luggage.

As at 31 December 2007, LWB operated a total of 152 air-conditioned double-deck buses and three air-conditioned single-deck buses. All LWB's super-low floor double-deck buses are equipped with wheelchair access, electronic bus-stop announcement systems, Euro II or newer engines, as well as electronic tachographs that record the speed of a bus and other operational information.



● LWB's bus termini on Lantau Island

LWB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
At 1 Jan 2007	144	9	153
Addition during year	8	–	8
Disposal during year	–	(6)	(6)
At 31 Dec 2007	152	3	155

To meet the growing travel demand and enhance the quality of service, LWB has ordered seven Euro IV-engined super-low floor air-conditioned double-deck buses for delivery in 2008.

DEPOTS

LWB operates a depot at Siu Ho Wan for daily bus maintenance, refuelling, washing and parking. The depot has a waste water treatment system, which ensures that the quality of waste water fully complies with the statutory requirements before being discharged into the public drainage system.

BUS ROUTES AND SERVICE NETWORKS

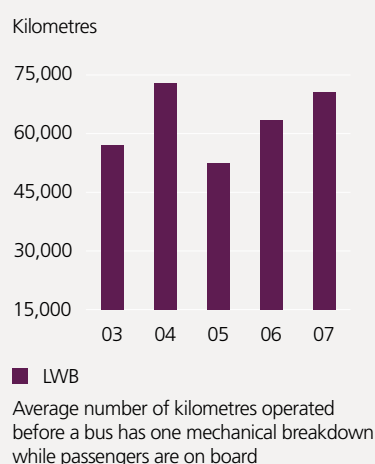
As at the end of 2007, there were a total of 18 routes in LWB's network, the same number as a year ago. LWB will continue to enhance its service levels to provide a more efficient and direct mode of transport to commuters travelling to and from the North Lantau area.

Since the opening of Phase 1 of the SkyCity development (which includes a new passenger terminal building, two office towers and various retailing and entertainment facilities) in early 2007, a growing number of people have begun to visit the Airport to enjoy the new facilities. LWB has been engaged

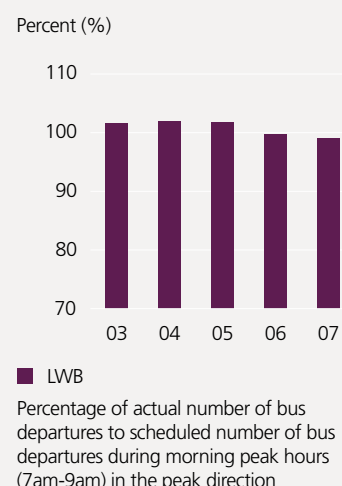
in continuous liaison with the relevant authorities to explore further opportunities for network improvement in order to benefit from the increase in passenger flow. This included the 2-phase diversion of the five airbus routes going through the new Passenger Terminal 2 as from December 2007.

LWB always seeks innovative ideas that can attract new customers. We have reviewed ways to capture the business potential arising from the growth of the local tourist market, particularly Mainland visitors under the "Individual Visit Scheme", and to provide additional services to local commuters.

Mechanical reliability



Operational capability





LWB's bus livery signifies our dedication to providing high standard services to and from the Airport



COMBINATION

NON-FRANCHISED TRANSPORT OPERATIONS

- Sun Bus Holdings Limited and its subsidiaries
- Park Island Transport Company Limited
- New Hong Kong Bus Company Limited

SUN BUS HOLDINGS LIMITED AND ITS SUBSIDIARIES (THE “SBH GROUP”)

The SBH Group is a leading non-franchised bus operator in Hong Kong, providing tailor-made high quality transport services to a variety of customers, including those who require prestige premium services as well as those who want value for money services.

With Sun Bus Limited being the flagship, the SBH Group currently comprises 13 business units, providing a range of bus services tailored to specific niche markets, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services.

During the year, the SBH Group continued to expand to meet market demand for non-franchised services. Its fleet size grew to 360 buses by the end of 2007, an increase of 30 buses compared with 330 at the end of 2006. The increase in the fleet size reflects our endeavour to strengthen services and achieve greater economies of scale. In 2008, the SBH Group will take delivery of not less than 30 new buses for fleet upgrade.



Popular shuttle bus service operated by Sun Bus Limited for a shopping centre at Kowloon Bay

PARK ISLAND TRANSPORT COMPANY LIMITED (“PITC”)

PITC operates both the ferry and shuttle bus services to serve the transport demand of the residents and visitors of Park Island, a prestigious residential development on Ma Wan Island.

Since December 2002, PITC has been providing ferry and shuttle bus services for Park Island. PITC currently operates two ferry service routes from Ma Wan to Central and Tsuen Wan respectively, with a fleet of seven high-speed catamaran ferries.

The Central ferry service operates 24 hours daily. In order to match the increasing service demand in 2007, PITC enhanced the frequency of its bus service and introduced six new buses, comprising three super-low floor single-deck buses, two coaches

and one minibus, to its fleet. As at 31 December 2007, PITC had a fleet of 24 buses, comprising 17 super-low floor single-deck buses, three diesel-electric single-deck buses, two coaches and two 28-seat minibuses.



PITC deploys a fleet of modern catamarans to serve the prestigious Park Island



One of PITC's super-low floor single-deck buses

To enhance the bus service coverage, PITC introduced a new bus route between Ma Wan and the Airport in June 2007 and began to operate the bus route between Ma Wan and Tsuen Wan MTR Station in September 2007. At 31 December 2007, PITC operated four shuttle bus routes from Ma Wan to Tsing Yi Airport Railway Station, Kwai Fong Metroplaza, Hong Kong International Airport and Tsuen Wan MTR Station respectively.

The additional population intake of Park Island and the increase in the number of visitors due to the opening of Phase 1 of Ma Wan Park in July 2007 generated extra demand for our service in 2007. It is anticipated that there will be further population intake in Park Island in 2008. PITC will continue to monitor the change in bus and ferry patronage and adjust its deployment of resources as appropriate.

NEW HONG KONG BUS COMPANY LIMITED (“NHKB”)

NHKB jointly operates the cross-boundary shuttle bus service, commonly known as the “Huang Bus” service, with its Shenzhen counterpart, serving regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.

NHKB currently operates the 24-hour cross-boundary shuttle bus service between Lok Ma Chau and Huanggang with a fleet of 15 air-conditioned super-low floor single-deck buses. Its terminus facilities include four air-conditioned waiting lounges and an information display system inside the terminal building at San Tin Public Transport Interchange. These waiting lounges and services provide passengers with comfort and convenience.

Since the opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007, NHKB has been

facing intense competition for passengers from the new railway and public minibus services. Nonetheless, the loss of patronage resulting from competition should be partially compensated by the growth in the demand for cross-boundary transportation arising from an increase in economic activities between Hong Kong and the Mainland, as well as the extension of the Individual Visit Scheme to more Mainland cities. NHKB will maintain a high service standard to ensure its shuttle bus service remains the mode of cross-boundary transport preferred by most travellers.



● NHKB's bus termini



NHKB's 24-hour cross-boundary shuttle bus service is well received by regular commuters and holiday travellers

CONTRIBUTION

PROPERTY HOLDINGS AND DEVELOPMENT

- Lai Chi Kok Properties Investment Limited
- LCK Commercial Properties Limited
- LCK Real Estate Limited

LAI CHI KOK PROPERTIES INVESTMENT LIMITED (“LCKPI”)

LCKPI is a wholly-owned subsidiary of TIH and the developer of Manhattan Hill, an up-scale luxurious complex of residential towers located at 1 Po Lun Street, Lai Chi Kok, Kowloon.

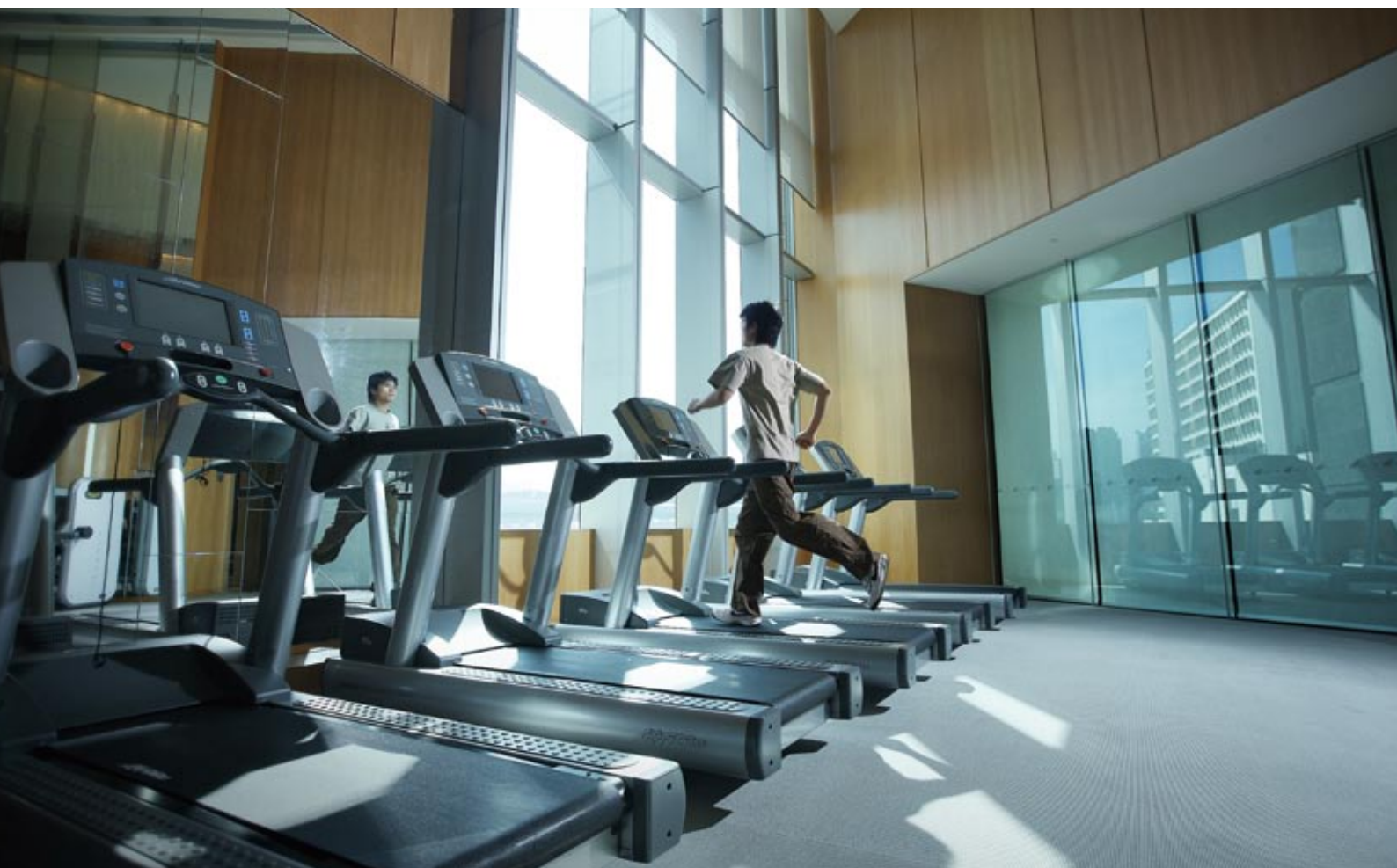


The sumptuous indoor swimming pool reflects the exclusive quality lifestyle Manhattan Hill residents enjoy

Manhattan Hill consists of five high-rise residential towers with a height ranging from 41 to 43 storeys above podium level. It has 1,115 luxury residential units with a total gross floor area of approximately one million square feet. To meet the specific needs of different customers, Manhattan Hill provides a wide range of flat sizes from 668 square feet

to 5,008 square feet. In addition, the five-storey podium contains a luxurious residential clubhouse of about 50,000 square feet, landscaped podium gardens of about 40,000 square feet, and public open spaces totalling about 45,000 square feet. Four levels of car park provide some 390 car parking spaces for the residents, tenants and visitors.

The construction management, marketing and sales programme of Manhattan Hill have been supervised by Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of the renowned property developer, Sun Hung Kai Properties Limited (“SHKP”). A team of leading architects and interior designers has also been engaged to ensure that quality



A wide variety of state-of-the-art physical training facilities in the gym of the Manhattan Hill clubhouse

levels attain the highest standards throughout the whole development. Royal Elite Service Company Limited ("RESC"), a subsidiary of SHKP, provides prestigious management services and security services for Manhattan Hill. Some of the staff of RESC have undergone management services training at the Four Seasons Hotel in Hong Kong.

The sales campaign of the residential units of Manhattan Hill was first launched in November 2006. The response was overwhelming and 245 residential units with a total saleable gross floor area ("saleable GFA") of about 299,000 square feet, representing approximately 25% of total saleable GFA, were rapidly sold before the end of 2006. In

2007, a further 835 residential units with a total saleable GFA of about 820,000 square feet, representing approximately 69% of the total saleable GFA, were sold. The occupation permit of Manhattan Hill was issued in December 2006 and the handover of the residential units to the new owners commenced in July 2007.

MANHATTAN LIVING

Rising in the hub of West Kowloon and overlooking Victoria Harbour and Stonecutters Island with panoramic views extending to the Central and Wan Chai waterfronts on Hong Kong Island, Manhattan Hill is highly accessible to the nearby MTR network links, Airport Express, West Rail Line, Route 3 and Route 8 as well as the KMB terminus at Mei Foo.

The concept of metropolitan “Manhattan Living” and a commitment to environmental protection are found in every design aspect of Manhattan Hill. The gleaming stone entrance lobbies, landscaped podium and contemporary interior details that use the finest and most natural materials provide Manhattan Hill residents with an exclusive quality lifestyle. Each apartment has a high ceiling and wide window openings that provide generous flows of natural light. Energy efficient glazing and natural cross ventilation reduce the need for constant mechanical ventilation and cooling. Also, each residential tower has a double-height sky garden located at the mid-point of the tower, which provides the residents with a place to relax amidst plants and foliage and enjoy the stunning views of Victoria Harbour. These landscaped podium gardens also provide a “green lung” for the rest of the neighbourhood.

LCK COMMERCIAL PROPERTIES LIMITED (“LCKCP”)

LCKCP is a wholly-owned subsidiary of TIH and the owner of the commercial accommodation of Manhattan Hill.

LCKCP owns the two-level retail podium of Manhattan Hill which will provide its residents and the surrounding neighbourhood with high quality retail facilities. This commercial retail area will be positioned as a high-end shopping mall to complement the image of Manhattan Hill and to provide a new shopping experience in the district. The shopping mall, with an area of about 50,000 square feet, is scheduled to open in the second half of 2008.

LCK REAL ESTATE LIMITED (“LCKRE”)

LCKRE is a wholly-owned subsidiary of TIH and the owner of the Group’s headquarters building in Lai Chi Kok.

LCKRE owns a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong with a total gross floor area of about 156,700 square feet. The building is situated next to Manhattan Hill and is currently used by the Group for headquarters office and administrative purposes.



Premium property management services at Manhattan Hill



COORDINATION

MEDIA SALES BUSINESS

- RoadShow Holdings Limited and its subsidiaries

ROADSHOW HOLDINGS LIMITED AND ITS SUBSIDIARIES (THE "ROADSHOW GROUP")

Since 28 June 2001, RoadShow Holdings Limited ("RoadShow"), established by the Group as its media sales arm, has been separately listed on the Main Board of The Stock Exchange of Hong Kong Limited. Currently, the Group has a 73.0% interest in RoadShow.

The RoadShow Group is a leading media sales company in the Greater China region. The RoadShow Group capitalises on a vibrant advertising market that consists of passengers who use public transit vehicles and pedestrians traversing transit vehicle routes, selling and marketing business advertising on its proprietary Multi-media On-board ("MMOB") system in Hong Kong and offering value added media sales, products and services at competitive prices. The RoadShow Group also runs a television programme syndication and media sales network in China Mainland covering more than 200 cities.

HONG KONG

The MMOB business of the RoadShow Group involves the installation, operation and maintenance of equipment and Liquid Crystal Display ("LCD") units in transit vehicles for the broadcast of programmes and advertisements targeted at a commuter audience. The MMOB system has about 20,000 LCD monitors in transit vehicles and broadcasts a vast variety of informative and entertaining programmes. Currently, about 4,800 transit vehicles including franchised buses and public light buses are equipped with MMOB system, reaching a commuter audience of close to four million every day.

Due to its ability to reach such a sizeable daily audience, the MMOB

system naturally attracts a broad range of advertisers. The RoadShow Group's customers cover all major advertisers in Hong Kong, including advertising agencies and companies in different industries. In addition to offering bespoke sales packages to meet the needs of advertisers with varied campaign objectives and budgets, the RoadShow Group adopts a number of techniques to encourage customers to commit to advertising bookings, including discounts, bonus spots and special advertising packages for long-term commitments.

The contents of MMOB programmes are specifically chosen and designed to hold the attention of the commuter audience. Contents include movie trailers, drama series, music videos, travelogues, animation, interactive games as well as a selection of infotainment programmes. Our MMOB programmes have been well received by the public due to their creativity and innovation, as well as the information and entertainment they provide. In 2003, in line with the growing popularity of the Short Message Service (SMS) provided by telecommunications companies, the RoadShow Group launched iClub, which offers an interactive platform for both passengers and advertisers. At the end of 2007, iClub had approximately 315,000 members who could participate in daily interactive games and enjoy special offers.



Quality infotainment provided via MMOB

CHINA MAINLAND

The RoadShow Group believes that major business opportunities continue to be offered by the incremental growth of advertising expenditures on the Mainland. Targeting dynamic markets with rising consumer spending and highly concentrated populations, the RoadShow Group will use its experience and success in Hong Kong as a platform to explore future growth opportunities in the Mainland. Overall, the company's philosophy that all new investment should provide a reasonable return will continue to guide the RoadShow Group's expansion into the Mainland.



OPERATIONAL REVIEW CHINA MAINLAND

OVERVIEW AND STRATEGIES

In line with the Group's commitment to diversified business growth, we continue to target the potential of the public transport markets on the China Mainland. Despite growing competition, rising fuel prices and cost inflation, TIH is committed to building its Mainland business portfolio based on strong productivity and a reputation for high quality, safety, environmental awareness and efficiency.

Leveraging on our experience as a world-leading public transport operator, as well as China's robust economic growth and the 2008 Olympics, we are confident that our public bus, taxi and car rental operations in the major cities of the China Mainland will make significant progress over the next decade.



The Group will seek to explore further business opportunities on the China Mainland

OVER

10,000

VEHICLES

OPERATIONAL REVIEW CHINA MAINLAND



COVERAGE

MAINLAND TRANSPORT OPERATIONS

- Shenzhen Bus Group Company Limited
- Wuxi Kowloon Public Transport Company Limited
- Beijing Beiqi Kowloon Taxi Company Limited
- Dalian Co-operative Joint Venture

MAINLAND TRANSPORT OPERATIONS

The Group currently operates a range of transport businesses in Beijing (北京), Shenzhen (深圳), Wuxi (無錫) and Dalian (大連). Diversification of our business into the China Mainland is part of the Group's business strategy. We will continue to build on our experience as a world-leading public transport operator to explore investment opportunities on the Mainland.

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 formed 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.

SBG mainly provides public bus, minibus and taxi services in Shenzhen City (深圳市), which includes the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) areas. Commencing operation on 1 January 2005, SBG currently has about 4,248 vehicles serving some 175 routes. In 2007, it recorded a ridership of 748.2 million passenger trips, representing an increase of 8% compared with 691.5 million passenger trips for 2006.

In 2007, SBG faced intense competition from the underground railway at Shenzhen as well as a heavier cost burden resulting from the continuous upsurge in fuel prices. In response to these challenges, SBG introduced a number of new feeder bus routes connecting to the Shenzhen underground railway stations, while constantly upgrading its vehicles and rationalising its bus route network to increase productivity. It also implemented



SBG has launched a number of feeder routes in Shenzhen City

stringent budgetary measures to mitigate the adverse impact of cost escalation. In order to promote environmental protection, SBG upgraded most of the engines in its bus fleet and adopted the use of environment-friendly fuel that meets the Euro III emission standards. SBG will continue to enhance its services, sharpen its competitiveness and enlarge its market share in the public transport sector of Shenzhen and other markets.

WUXI KOWLOON PUBLIC TRANSPORT COMPANY LIMITED (無錫九龍公共交通 股份有限公司) (“WKPT”)

WKPT is a Sino-foreign joint stock company established in Wuxi City, Jiangsu Province (江蘇省無錫市) in February 2004. The Group

has invested RMB135 million (HK\$127 million), representing a 45% equity interest, in WKPT along with three other Mainland shareholders.

WKPT is the only franchised bus operator in Wuxi City. Currently, WKPT operates about 1,859 public buses serving some 128 routes. In 2007, it continued to make steady progress and recorded a ridership of 277.8 million passenger trips, representing an increase of 2% compared with 273.6 million passenger trips for 2006. Due to the rapid growth of the city's economy, it is expected that WKPT's bus patronage will continue to rise steadily over the coming years, especially in the countryside and newly developing areas. As a major strategic move to secure the potential markets of the surrounding districts of Wuxi City, WKPT successfully

participated in the setting up of two new public bus companies in 2007 to serve the two major suburban districts, namely Xishan (錫山) and Huishan (惠山).

Nevertheless, the challenges for WKPT remain significant. Facing the surging fuel prices and interest rates as well as relatively high inflation on the Mainland, WKPT has made every effort to control costs and improve efficiency without sacrificing service quality. There has been keen competition for patronage from different modes of transportation, such as non-franchised coach services. In response, WKPT continues to extend and rationalise its public bus network, to tailor its services to the specific travel demands of commuters, and to constantly improve the quality of its bus services. Since 2005, WKPT has been certified for ISO 9001:2000 and ISO 14001:2004 for the provision of transportation services, transit designs and support services in Wuxi City. During 2007, WKPT replaced 180 buses as part of a bus enhancement programme and increased the proportion of air-conditioned buses from 43% to 47%.



WKPT has deployed more air-conditioned buses

BEIJING BEIQI KOWLOON TAXI COMPANY LIMITED (北京北汽九龍出租汽車 股份有限公司) (“BBKT”)

BBKT, established in Beijing in 2003, was the first Sino-foreign joint stock company in the taxi hire and car



BBKT is well prepared to serve the upcoming 2008 Beijing Olympics

rental business sectors of China Mainland. TIH has invested RMB80 million (HK\$76 million) in BBKT, representing an equity interest of 31.38%. Shareholders of BBKT include 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.

Currently, BBKT operates a fleet of about 4,307 vehicles, and is one of the leading operators in the taxi hire and car rental business sectors in Beijing City. Operating in a market characterised by robust economic growth and the continuous pursuit of rising living standards, BBKT is committed to providing its customers with a high standard of service. This

is demonstrated by its success in achieving ISO 9001:2000 certification for its quality management system in taxi service since 2006. With the 2008 Beijing Olympic Games due to be held in Beijing this August, BBKT is well positioned to benefit from the business opportunities that will arise from the influx of visitors to the capital city. In order to support the long term development of its business, BBKT implemented a systematic vehicle replacement programme in 2007 pursuant to which about 963 new taxis in gold and white livery and rental cars have already been purchased and more than 215 new taxis and rental cars are planned to be introduced in 2008.

Beginning in the second quarter of 2007, the municipal authorities in Beijing City have conducted a

quarterly customer satisfaction survey on the quality of taxi services in the city. In each of the surveys commissioned during the year, BBKT was ranked first among more than 130 Beijing taxi operators. This was the direct result of BBKT's ongoing efforts to create a reputation and brand name as Beijing's leading taxi service provider.

The 2008 Beijing Olympic Games will be a golden opportunity for BBKT to demonstrate its high quality of services to visitors from all over the world, which will further support BBKT's industry-leading position in Beijing City. Despite ongoing cost challenges, BBKT's excellent reputation will enable it to explore more business opportunities during and after the 2008 Beijing Olympic Games.

DALIAN CO-OPERATIVE JOINT VENTURE (大連合作合營企業) ("DCJV")

DCJV is the Group's first co-operative PRC joint venture, and was formed between a 60% owned subsidiary of the Group and Dalian City No. 1 Bus Company (大連市第一公共汽車公司) in Dalian City, Liaoning Province (遼寧省大連市) in 1997. It currently has a fleet of about 84 single-deck buses operating on three routes serving Dalian City. In 2007, it recorded a ridership of 19.5 million passenger trips and made steady progress.