

TRANSPORT INTERNATIONAL HOLDINGS LIMITED
2007 ANNUAL REPORT



TEAMWORK

THE KEY TO MANAGING CHALLENGES
AND STRIVING FOR SUCCESS



A TEAM OF MORE THAN

13,

PARK ISLAND
TRANSPORT
COXSWAIN
NG WAH FOOK

SHENZHEN
BUS
GROUP
BUS CAPTAIN
DONG YANHONG

NEW
HONG KONG BUS
BUS CAPTAIN
CHOI CHIN LUN

KMB
DRIVING
INSTRUCTOR
LO HON CHUNG

KMB
TREASURY
DEPARTMENT STAFF
CORA YIM

KMB
INSPECTOR
CHUNG TSZ WOO



000

PROFESSIONALS

ROADSHOW
VIDEO EDITOR
LEUNG YIU FAI

ROADSHOW
PROGRAMME HOST
ANGELA YUE

KMB
SECURITY
GUARD
BENNY CHUNG

KMB
APPRENTICE
NG KAI CHUNG

KMB
CUSTOMER
SERVICE
HOTLINE STAFF
FANNY CHEUNG

LONG WIN
BUS CAPTAIN
CHAU KAM HA

KMB
CUSTOMER SERVICE
CENTRE STAFF
CAROL LUI



**KMB
BUS CAPTAIN**
CHAN KWOK SAN

**PARK ISLAND
TRANSPORT
BUS CAPTAIN**
TSO YU TIN

**KMB
FOREMAN**
LEUNG CHI WAH

**KMB
SKILLED WORKER**
CHAN TSZ KIT

**KMB
HEAD OF
INFORMATION
TECHNOLOGY
DEPARTMENT**
TOMMY LEUNG

**SUN BUS
BUS CAPTAIN**
LAU KWOK CHUNG



TEAMWORK

THE KEY TO MANAGING CHALLENGES AND STRIVING FOR SUCCESS

With a workforce of more than 13,000, Transport International Holdings Limited (“TIH”) is among the top employers in Hong Kong. Teamwork is of utmost importance to us. It enhances the standards of safety, efficiency, innovation and service that have always been the Group’s hallmarks. The actions of each individual staff member and unit within the Group are coordinated effectively and efficiently by sound management systems that meet ISO standards and a sustained programme of intensive frontline and management training, such as team-building sessions, innovation workshops and sharing meetings. By understanding the significance of their roles and responsibilities in the team, each and every one of our employees contributes to the spirit of togetherness, allowing TIH to maintain service excellence and meet the challenges of the future.

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GROUP PROFILE

TRANSPORT INTERNATIONAL

Transport International Holdings Limited (“TIH”, SEHK: 062) is a leading public transport operator in Hong Kong and in certain major cities on the China Mainland. It is the holding company of The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, RoadShow Holdings Limited, and other reputable service providers in the non-franchised transportation sectors. It also has business interests in property holdings and development in the Hong Kong market.

TIH’s vision is to become a world-class public transport innovator in the Greater China region. Committed to its mission of driving customer and shareholder value as well as the social and economic development of Greater China by providing commuters with world-class, innovative, safe and reliable public transport and related services, TIH is a pioneer of new services, design and technology and a leader that sets industry standards throughout the region.

As a driving force in Greater China’s public transport sector, TIH remains focused on delivering value to its customers, shareholders and the community by expanding its services in China Mainland while maintaining the highest operating standards in Hong Kong.



BEHIND THE BRAND

MISSION

Our mission is to drive shareholder value as well as the social and economic development of Greater China. We achieve this by providing:

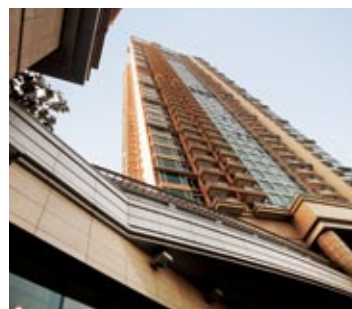
- D** istinctive customer service
- R** eliable performance
- I** nnovation
- V** alue for money
- E** nvironmental responsibility

At TIH, we review and implement our business strategy from time to time to sharpen our competitiveness in response to our customers' needs and expectations and continuously improve our performance standards to better serve the communities in which we operate.

VISION

Our vision is to be a world-class leader in public transportation.

To this end, it is important for us to understand our customers' needs, conduct global sourcing for the most innovative but tested technologies and environment-friendly designs and raise our performance levels for safety, efficiency and excellence of service.



CORPORATE VALUES

Our corporate values are based on a commitment to teamwork in delivering service standards that satisfy customer needs, operating with a consistent record of profitability for shareholders, and supporting the overall development of the communities where we conduct our business.



BUSINESS AT A GLANCE

TRANSPORT INTERNATIONAL HOLDINGS LIMITED

HONG KONG

Franchised Public Bus Operations



The Kowloon Motor Bus Company (1933) Limited

operates franchised public bus services on a network of about 400 routes covering Kowloon, the New Territories and Hong Kong Island.



Long Win Bus Company Limited

operates franchised public bus services on 18 routes linking the New Territories to Hong Kong International Airport and North Lantau.

Non-franchised Transport Operations



Sun Bus Holdings Limited and its subsidiaries

provide a range of local bus services on a chartered hire basis to the residential and commercial sectors with Sun Bus Limited as the flagship company of our non-franchised transport operations division.



New Hong Kong Bus Company Limited

jointly operates with its Shenzhen counterpart the 24-hour cross-boundary shuttle bus service (commonly known as the "Huang Bus" service) between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen.



Park Island Transport Company Limited

provides shuttle bus and ferry services for Park Island, a prestigious residential development on Ma Wan Island.

Property Holdings and Development



Lai Chi Kok Properties Investment Limited

develops "Manhattan Hill", a prestigious multi-storey residential complex situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.



LCK Real Estate Limited

owns a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

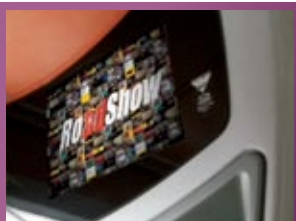


LCK Commercial Properties Limited

owns the retail podium of Manhattan Hill with an area of about 50,000 square feet situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

CHINA MAINLAND

Media Sales Business



RoadShow Holdings Limited and its subsidiaries

market advertising in Hong Kong through a proprietary multi-media on-board system and run a television programme syndication and media sales network on the Mainland.

Financial Services



KMB Financial Services Limited

manages and administers the Group's financial resources and treasury functions.

Mainland Transport Operations



Shenzhen Bus Group Company Limited

is a Sino-foreign joint stock company that operates public bus and taxi hire services in Shenzhen.



Wuxi Kowloon Public Transport Company Limited

is a Sino-foreign joint stock company that operates public bus services in and around Wuxi City.



TIH Financial Services Limited

manages and administers the financing functions for the Manhattan Hill project.



Beijing Beiqi Kowloon Taxi Company Limited

is a Sino-foreign joint stock company that operates taxi hire and car rental services in Beijing.



Dalian HK Macau Motor Bus Services Limited

is a Sino-foreign co-operative joint venture that operates public bus services in Dalian City.

THE GROUP'S STRATEGIC LOCATIONS



Beijing

Joint venture operating taxi hire and car rental businesses

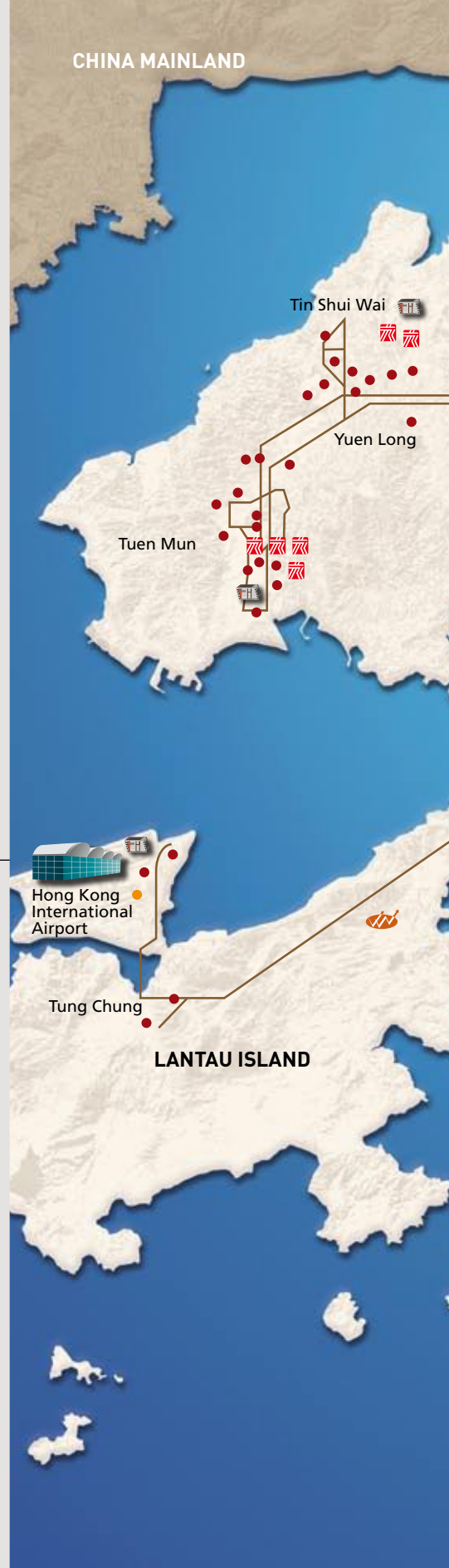
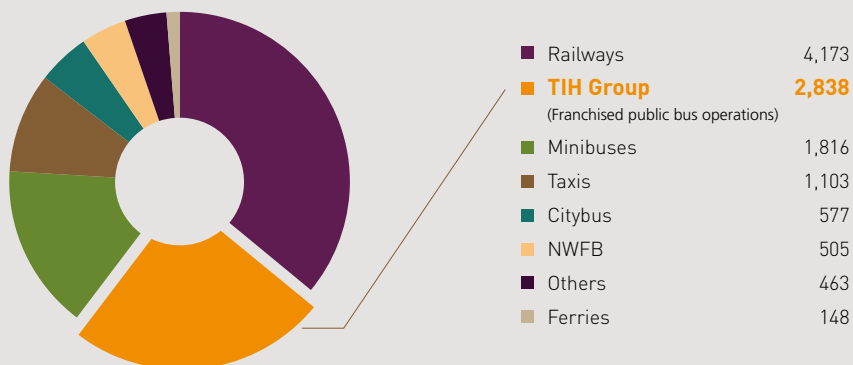
Dalian and Wuxi

Joint ventures operating public bus business

Shenzhen











Joint venture operating public bus and taxi hire businesses

AVERAGE NUMBER OF PASSENGER TRIPS PER DAY BY MODE OF PUBLIC TRANSPORT IN HONG KONG IN 2007 (IN THOUSAND)





THE GROUP'S BUS TERMINI, DEPOTS, FERRY PIERS AND CUSTOMER SERVICE CENTRES IN HONG KONG

- | | | | |
|---|--|---|--|
|  | The Group's headquarters |  | Bus termini of "Huang Bus" |
|  | Depots of The Kowloon Motor Bus Company (1933) Limited ("KMB") |  | Ferry piers of Park Island Transport Company Limited |
|  | Depot of Long Win Bus Company Limited ("LWB") |  | Bus termini of Park Island Transport Company Limited |
|  | Bus termini of KMB and LWB |  | High land area |
|  | Customer service centres of KMB and LWB |  | Railways |

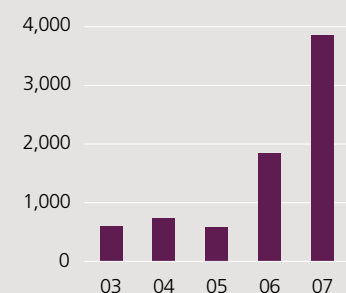
FINANCIAL AND OPERATIONAL HIGHLIGHTS

for the year ended 31 December 2007

	Unit	2007	2006	Increase/ [Decrease] %
Financial Highlights				
Turnover:	HK\$ million	12,013.5	8,704.5	38%
– Fare revenue	HK\$ million	6,450.5	6,351.4	2%
– Property sales	HK\$ million	5,382.9	2,133.2	152%
– Media sales revenue	HK\$ million	180.1	219.9	(18%)
Profit before taxation	HK\$ million	4,073.9	2,002.7	103%
Profit attributable to equity shareholders of the Company	HK\$ million	3,847.7	1,838.0	109%
Earnings per share	HK\$	9.53	4.55	109%
Ordinary dividends per share	HK\$	2.03	2.03	–
Special dividends per share	HK\$	3.50	–	N/A
Total equity attributable to equity shareholders of the Company	HK\$ million	7,548.9	5,074.2	49%
Total assets	HK\$ million	11,933.8	12,100.3	(1%)
Net cash/(borrowings)	HK\$ million	1,541.8	(2,564.7)	N/A
Net finance income/(charges)	HK\$ million	84.9	(65.6)	N/A
Cash generated from operations	HK\$ million	6,127.2	1,014.8	504%
Financial Ratios				
Profit margin		32.0%	21.1%	52%
Profit margin (excluding property sales)		5.1%	5.1%	–
Return on equity attributable to equity shareholders of the Company		51.0%	36.2%	41%
Gearing ratio (ratio of net borrowings to total equity attributable to equity shareholders of the Company)	Times	Net Cash	0.51	N/A
Interest cover (ratio of profit before finance costs and taxation to net finance charges)	Times	N/A	32.1	N/A
Dividend cover (ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)	Times	1.72	2.24	(23%)
Share price per share at year-end	HK\$	36.8	42.4	(13%)
Market capitalisation at year-end	HK\$ million	14,853.9	17,114.3	(13%)
Operational Highlights				
Hong Kong				
Franchised Public Bus Operations:				
Average number of passenger trips per day	Million trips	2.84	2.83	–
Number of licensed buses at year-end		4,202	4,174	–
Number of staff at year-end		12,443	12,565	(1%)
Average number of staff per licensed bus at year-end		2.96	3.01	(2%)
Non-franchised Transport Operations:				
Number of licensed buses at year-end		399	361	11%
Number of catamarans at year-end		7	7	–
Number of staff at year-end		817	784	4%
China Mainland				
Mainland Transport Operations:				
Number of licensed buses at year-end		5,741	5,570	3%
Number of taxis and vehicles for rental at year-end		4,757	4,735	–

Profit attributable to equity shareholders of the Company

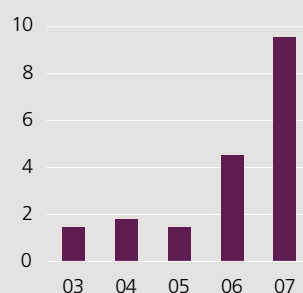
HK\$ million



Profit attributable to equity shareholders of the Company for 2007 was HK\$3,847.7 million

Earnings per share

HK\$

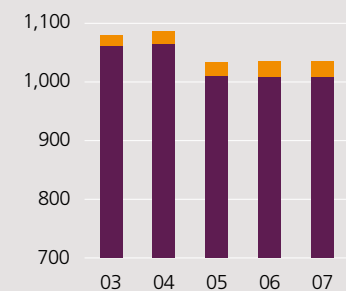


Earnings per share for 2007 was HK\$9.53

Number of passenger trips

(Franchised Public Bus Operations)

Million trips



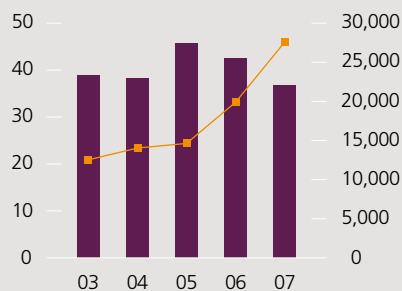
■ KMB
■ LWB

Number of passenger trips in 2007 was 1.04 billion, up from 1.03 billion in 2006

Share price of the Company and Hang Seng Index at year-end

HK\$

Hang Seng Index



■ Share price of the Company
— Hang Seng Index

The closing share price of the Company at 2007 year-end was HK\$36.8 per share, down 13% compared with that of 2006 year-end

CORPORATE MILESTONES 2007

JAN

APPOINTMENT OF NEW MANAGING DIRECTOR OF KMB AND LWB

To pave the way for Mr John Chan Cho Chak's retirement in April 2008, the Board promoted Mr Edmond Ho Tat Man as the Managing Director of KMB and LWB with effect from 1 January 2007.

FEB

KMB WON CUSTOMER SERVICE EXCELLENCE AWARD

KMB won the Bronze Award in the Individual Category of the Customer Service Excellence Award 2006 organised by the Hong Kong Association for Customer Service Excellence. The award recognised KMB's advanced technology, with which up-to-date and instant bus service information can be provided to customers at its customer service counters.



MAY

KMB RECOGNISED FOR EXCELLENCE IN ENVIRONMENTAL MANAGEMENT

KMB's 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 meeting the prescribed Hong Kong Green Mark Standard in respect of the provision of franchised bus services, as well as maintenance and repair of buses. The certification is in recognition of KMB's excellence in environmental management.

JUN

BBKT RANKED FIRST IN BEIJING GOVERNMENT SURVEY

Beijing Beiqi Kowloon Taxi Company Limited ("BBKT"), one of the Group's joint ventures on China Mainland, was ranked first among 132 Beijing taxi operators in a government survey on taxi service performance, reflecting its dedication to providing quality taxi services in Beijing.



KMB WON "PRC CONSUMERS' MOST FAVOURABLE HONG KONG BRANDS 2007" GOLD AWARD

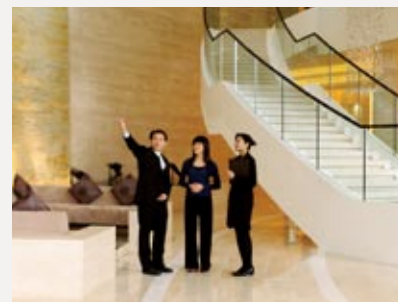
KMB won the "PRC Consumers' Most Favourable Hong Kong Brands 2007" Gold Award in the Transportation and Travel category, showing KMB's popularity among Mainland consumers. The competition was jointly organised by the China Enterprise Reputation and Credibility Association (Overseas) Limited and JUST Events Limited.



JUL

HANDOVER OF MANHATTAN HILL'S RESIDENTIAL UNITS

The handover of Manhattan Hill's residential units to the new owners commenced in July 2007. The responses of the new owners to the meticulous planning, deluxe finishing and design and world-class twin club house of the development were extremely positive. This development has set a new standard of elegant quality living in Kowloon.



AUG

KMB LAUNCHED FIRST BOUNDARY SERVICE

The first boundary service of KMB route no. B1, running between Yuen Long West Rail Station and Lok Ma Chau Spur Line Bus Terminus, was launched on 15 August 2007. This new route has enabled KMB to expand its bus service to meet the growing transport demand between Hong Kong and Shenzhen.



KMB WON THE 2007 CONTACT CENTER WORLD AWARD

In recognition of KMB's hotline as one of the best contact centres in the contact centre industry and its creativity in using advanced technology to enhance customer service, the customer service hotline of KMB won two World Gold Awards in the "Best Contact Center (Under 50 Agents)" and "Best Technology Innovation" categories of the Asia Pacific Region of the Contact Center World Awards 2007. A total of 61 countries competed for these awards.



KMB'S PUBLICATIONS RECEIVED APEX AWARDS

Two of KMB's publications, namely "KMB's Efforts in Environmental Protection" and "KMB 2006 Passenger Liaison Group Report", received the Grand Award and the Award of Excellence respectively in the Apex 2007 Awards for Publication Excellence. These awards testify to KMB's efforts in environmental protection and customer communication.



SEP

SUBMISSION OF APPLICATIONS FOR FARE INCREASE BY KMB AND LWB

On 7 September 2007, KMB and LWB submitted their applications to the Transport Department of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") for a fare increase of 9.0% and 5.9% respectively. It is the first application for fare increase by KMB since December 1997 and the first time by LWB since its commencement of operations on 1 June 1997.

OCT

ANNUAL REPORT WON LOCAL AND INTERNATIONAL AWARDS

TIH's 2006 Annual Report won the Silver Award in the 2007 HKMA Best Annual Reports Awards Competition and two awards in the 2007 ARC International Awards – Silver Award for Written Text and Honors Award for Cover Photo/Design. These awards recognised the Group's commitment to good corporate governance and effective communication, as well as our efforts towards ensuring an excellent level of disclosure across all aspects of our businesses.



INTRODUCTION OF MULTI-SIDED AND ROTATING ROUTE INFORMATION BUS STOP PANELS



To facilitate passengers' search for route information at bus stops and to cope with the increasing number of bus routes crossing at a single bus stop, KMB introduced multi-sided and rotating route information bus stop panels to provide more space for route information display than the original panels.

NOV

TIH WON BEST CORPORATE GOVERNANCE DISCLOSURE AWARD

TIH was awarded the Gold Award of the 2007 Best Corporate Governance Disclosure Awards (Non-Hang Seng Index Category) organised by the Hong Kong Institute of Certified Public Accountants. This award was in recognition of TIH's dedication to maintaining high standards in corporate governance practices and disclosure as well as our commitment to excellence.



DEC

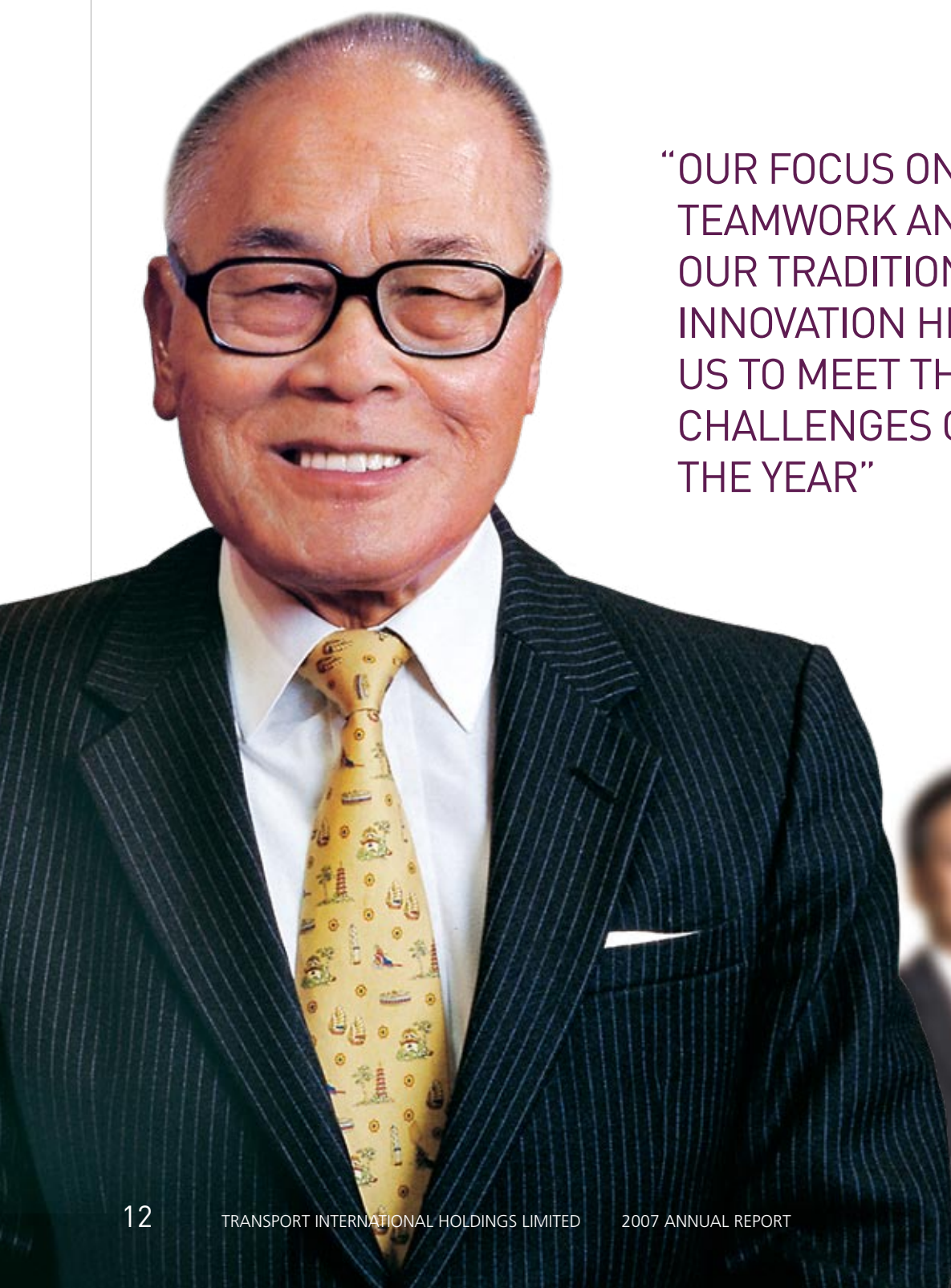
KMB OBTAINED GOLD WASTEWISE LOGO

Over the years, KMB has implemented waste reduction plans and measures to avoid and minimise waste, as well as to collect and recycle recyclable materials. In 2007, KMB was once again awarded the "Gold WasteWise Logo" by the Environmental Protection Department of the HKSAR Government. Being the first public bus company in Hong Kong to receive such recognition, KMB is also one of the model members of the WasteWise Scheme.

CHAIRMAN'S LETTER

S. Y. CHUNG

Chairman



“OUR FOCUS ON
TEAMWORK AND ON
OUR TRADITION OF
INNOVATION HELPED
US TO MEET THE
CHALLENGES OF
THE YEAR”

TIH as a whole achieved a record high profit in 2007 due mainly to the sales of Manhattan Hill residential units

Dear Shareholders and Partners,

On behalf of the Board, I am pleased to report that, although our franchised public bus business has faced intensifying competition from the railways and soaring fuel prices, Transport International Holdings Limited ("TIH") as a whole achieved a record high profit in 2007 due mainly to the sales of Manhattan Hill residential units. Our focus on teamwork and on our tradition of innovation helped us to meet the challenges of the year while driving increased service excellence, greater efficiency and more measures to enhance environment protection. While franchised bus operations have remained our core business, we continued to build on our experience to diversify our portfolio into related business areas, including those outside Hong Kong. We are pleased that these other businesses saw various levels of progress during the year.

OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for 2007 amounted to HK\$3,847.7 million, an increase of 109.3% compared with HK\$1,838.0 million for 2006. Earnings per share rose correspondingly from HK\$4.55 for 2006 to HK\$9.53 for 2007. The increase in earnings was mainly attributable to the non-recurrent profit of HK\$3,507.7 million arising from the further sales of 835 residential units of Manhattan Hill during the year by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary within the Group's Property Holdings and Development Division.

ONE TEAM



In marked contrast to the outstanding results achieved from property sales, the operating environment for our franchised public bus operations was extremely challenging

In marked contrast to the outstanding results achieved from property sales, the operating environment for our franchised public bus operations was extremely challenging. Following the rising trend in 2006, international fuel oil prices continued to surge in 2007 and resulted in a further drastic increase in the total fuel costs of our franchised public bus operations by 9.3% to the historically high level of HK\$1,111.8 million, representing approximately 18.8% of the total operating expenses of the Group's Franchised Public Bus Operations Division. It should be remembered that when The Kowloon Motor Bus Company (1933) Limited ("KMB") had its last fare increase in 1997, the average price of Singapore 0.5% Sulphur Gas Oil ("Gasoil"), on which the prices of ultra-low-sulphur diesel used by our franchised public buses are based, was only US\$24.2 per barrel. For 2007, the average price of Gasoil was US\$85.1 per barrel, representing an increase of 251.7% compared to 1997. This upsurge, coupled with increased staff salaries, tunnel tolls and insurance costs, as well as intensifying competition from the railways, caused KMB, the Group's major wholly-owned subsidiary, to register its third consecutive year of decline in profit. In addition, Long Win Bus Company Limited ("LWB"), despite benefiting from rising population intake at Tung Chung New Town and the growth in travel demand to and from Hong Kong International Airport (including the newly opened Sky Plaza at Terminal 2) and AsiaWorld-Expo, also reported a decrease in profit for 2007 due mainly to the rise in fuel prices. 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 7 September 2007 for a fare increase of 9.0% and 5.9% respectively.

On the back of a strong economy and property market, our non-franchised transport businesses in Hong Kong operated under the Sun Bus Holdings ("SBH") Group, continued to show healthy growth in revenue and earnings. Through organic growth and acquisition, the fleet size of the SBH Group grew to 360 buses at the end of 2007. In 2008, the SBH Group will take delivery of not less than 30 new buses for fleet upgrade, reflecting our ongoing commitment to strengthening our services. The financial performance of our joint venture transportation operations in the Mainland cities of Beijing, Shenzhen, Wuxi and Dalian was also impacted by the high oil prices and increase in staff costs, resulting in a decrease in profit for 2007. As for the RoadShow Holdings Group, its net profit attributable to shareholders for 2007 increased by 61% compared to that for the previous year.

We continued to make vigorous efforts to enhance productivity and to maintain the competitive edge of our bus operations

DIVIDENDS

The Directors have proposed a final dividend for 2007 of HK\$1.58 per share (2006: HK\$1.58 per share). The Directors have further proposed a special final dividend of HK\$2.00 per share to be paid out of the profits from the sales of the Manhattan Hill residential units. Together with the interim dividend of HK\$0.45 per share and the special interim dividend of HK\$1.50 per share paid on 17 October 2007, total dividends for the year will amount to HK\$5.53 per share (2006: HK\$2.03 per share). The total dividend payout for the year will amount to HK\$2,232.1 million (2006: HK\$819.4 million).

RESPONDING THROUGH TEAMWORK

The Group faced some significant challenges during the year. The railways launched in recent years 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) stimulated intense competition for patronage with KMB. This competition is set to grow further following the formal merger of the two rail networks together with the offer of rail fare discounts starting from December 2007 and the new rail infrastructural projects to be implemented in the years ahead. Our response to this challenge has been to continue the timely rationalisation of our franchised public bus services network and to find innovative ways to stimulate growth, efficiency and performance quality. However, it is likely that we will continue to be faced with the pressure of high oil prices and inflation in the foreseeable future.

During the year, we continued to make vigorous efforts to enhance productivity and to maintain the competitive edge of our bus operations. For instance, we established a state-of-the-art bus simulator centre at our Sha Tin Depot for bus captain training. Stringent cost control measures were implemented to reduce controllable operating costs wherever feasible without compromising the quality of our services. Fleet utilisation was improved and benchmarking was conducted to search for industry best practise in work procedures. As a result, the total operating costs of our franchised bus operations for 2007 were contained at about the same level as that for the previous year even though fuel costs alone had risen by HK\$94.7 million during the year.

With a workforce of more than 13,000, TIH is among the top employers in Hong Kong. Teamwork is therefore of the utmost importance to us. It enhances the standards of safety, efficiency and service that have always been the Group's hallmarks. From scheduling to maintenance and carriage, everything we do is part of a chain and each member of our staff is delivering quality service to our customers. The actions of each work unit and individual staff member within the Group are coordinated effectively and efficiently by sound management systems that meet the relevant ISO 9001 and ISO 14001 standards. In addition, in order

We continued to implement numerous environmental measures to the benefit of our passengers and of society

to enhance cooperation and mutual understanding within the Group, we have established a sustained programme of intensive front line and management training, such as team-building workshops, sharing meetings and workshops on innovation, which is a distinguishing feature of our concerted effort over the years.

ENVIRONMENTAL AWARENESS

Teamwork and innovation have allowed us to benefit the community in ways that are not always visible, but that are nevertheless highly effective. During the year, we continued to implement numerous environmental measures to the benefit of our passengers and of society. We continued with the introduction of a new generation of Euro IV environment-friendly and technologically advanced buses to provide greater customer comfort, as well as the re-treading of scrapped tyres, the recycling of fluorescent tubes and the use of Eco-Driveline to reduce fuel consumption and exhaust emission. In addition, since December 2007, KMB and LWB have been adopting a newly introduced "Euro V Diesel" which only contains 0.001% sulphur content. This new type of near-zero sulphur diesel can make a further contribution to improving the environment through cleaner emissions.

LOOKING TO THE FUTURE

Our entry into the China Mainland market has not gone unnoticed. In June 2007, the Beijing Beiqi Kowloon Taxi Company Limited, one of the Group's joint ventures on the China Mainland, was ranked first among 132 Beijing taxi operators in a government survey of taxi service performance. In the same month, KMB won the "PRC Consumers' Most Favourable Hong Kong Brands 2007" Gold Award in the Transportation and Travel category, an award jointly organised by the China Enterprise Reputation and Credibility Association (Overseas) Limited and JUST Events Limited.

Although sales of the luxury residential flats at Manhattan Hill are nearly coming to a close, this does not mean the end of our involvement in the development. We will retain the two-level retail podium of Manhattan Hill with a total area of around 50,000 square feet for rental income.

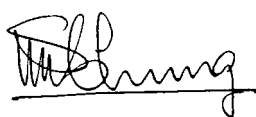
We believe that teamwork and innovation will continue to lead us to greater efficiency, cost effectiveness, service excellence and preservation of the environment

Despite a background of intensifying competition and rising operating costs, we are maintaining our vision of being an innovative and international Group seeking opportunities across the Greater China region. We believe that teamwork and innovation will continue to lead us to greater efficiency, cost effectiveness, service excellence and preservation of the environment, which in turn will allow TIH to remain a world-class provider of public transport and related services.

ACKNOWLEDGEMENT

On reaching the retirement age of 65 in April 2008, Mr John Chan Cho Chak will retire from his current executive position as the Managing Director of TIH and Senior Executive Director of KMB and LWB. Mr Chan will remain 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 place on record our sincere appreciation of the outstanding service and invaluable contribution that Mr Chan has made to the Group since he first joined KMB in 1993. I would also like to announce that the current Deputy Managing Director of TIH, Mr Edmond Ho Tat Man, will succeed Mr Chan as the Managing Director of TIH in April 2008.

The successes we have achieved, and those of the future, rely on the commitment and concerted teamwork of everyone in the Group, at whatever point in the chain of responsibility: Board members and management team, as well as our highly committed staff. To each and every one of them, I would like to express my heartfelt thanks for their inspiring contribution. As the Group moves forward with strategies at various levels of implementation, I am confident that we will continue to deliver value for shareholders, becoming a stronger and more diversified organisation with each passing year.



S.Y. CHUNG

Chairman

20 March 2008

A CONVERSATION WITH THE MANAGING DIRECTOR

JOHN CHAN CHO CHAK

Managing Director



“OUR TRADITIONS OF
TEAMWORK AND
INNOVATION WILL
ENABLE US TO REMAIN
AT THE FOREFRONT OF
THE PUBLIC TRANSPORT
INDUSTRY WORLDWIDE”



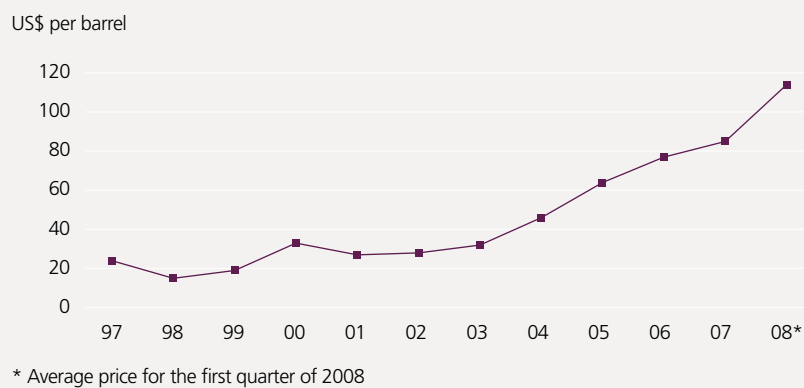
Q

In a challenging year, particularly for core operations, what were the key factors influencing the 2007 performance?

A

At the Group level, there were sharply contrasting factors. The main item was the performance of Manhattan Hill, where the sale of a further 835 units of the luxury flats in 2007 yielded a post-tax profit of about HK\$3.5 billion. This non-recurrent item marked an all-time high profit for the Group. On the other hand, our core franchised public bus operations suffered from the oil price escalation. The prices of Singapore 0.5% Sulphur Gasoil ("Gasoil"), on which the prices of ultra low sulphur diesel used by our franchised buses are based, have increased significantly in recent years. Gasoil is more costly than the light sweet crude oil quoted on the New York Mercantile Exchange (NYMEX). As an approximate indication, every US\$1 increase in the price of Gasoil per barrel would increase the fuel costs of KMB by approximately HK\$1 million per month. In 1997, the year in which KMB had its last fare increase, the total fuel costs of our franchised bus operations were HK\$256.5 million, representing 5.9% of our total operating costs for that year. In 2007, they rose to about HK\$1.1 billion, representing approximately 18.8% of the total operating costs of our franchised bus operations. In a normal commercial situation, this change in costs would have to be reflected in the fares that KMB charged. But we have not done so, mainly because of strict government control on fares. One of the most important events in 2007 was our application for a fare increase of 9.0% for KMB and 5.9% for LWB, the first fare increase application by KMB since 1 December 1997 and by LWB since its commencement of operations on 1 June 1997. This application is still under government consideration.

Average price of Singapore 0.5% Sulphur Gasoil



Q

What were the positive factors of 2007 in regard to results and future operations?

A

Factors largely beyond our control were responsible for the downward trend in profits of our franchised public bus business: increases in oil prices, staff costs and toll charges, as well as increasing competition from the vastly expanded railway network. But in areas that we could control, we performed well: expansion of our non-franchised bus operations and fleet, new passenger streams to North Lantau, property development, continued efficiency and innovation, continued investment in environmental performance, as well as a further improvement in the quality of our operations on the Mainland.

Q

What part does teamwork play in the KMB culture for building success?

A

Team building has been very important in KMB. Nearly two-thirds of our staff are bus captains who are almost always working alone at the front line, directly interfacing on their own with customers. In order to serve the public well, they must feel that they are part of a team and therefore building teamwork and togetherness is vital. Running a network of about 400 routes and 4,000 buses requires the cohesion of everyone in KMB. For example, a maintenance worker at our Tuen Mun Depot must understand why it is vital that he finishes the repair of a motor part for use in a bus on Hong Kong Island by early morning tomorrow. In addition to ISO benchmarks, our employees fully understand the significance of their jobs in the process chain for achieving service excellence and maintaining the culture of innovation that is part of the KMB tradition. The same cooperative working culture has also been applied across all businesses of the TIH Group.

Q

When you say that innovation is part of the KMB tradition, what do you mean?

A

For many years, we have led the industry in terms of seeking out the most environmentally friendly and technologically advanced products worldwide to meet our customers' needs and the demands of the Hong Kong operating environment. We were the first bus company in the world to introduce super-low floor wheelchair accessible double-deck buses, and we continue to launch innovations to our fleet such as the introduction of Euro IV buses and the use of new "Euro V Diesel" with 0.001% sulphur content.

Q

How will the completion of the sales of Manhattan Hill impact the profitability of the Group?

A

The Manhattan Hill development is a one-off project that is entirely separate from our bus operations. Nevertheless, we are expecting an ongoing income stream from commercial premises because we shall retain the 50,000 square feet of commercial space at Manhattan Hill for rental purposes. However, profits derived from property development projects cannot be used to subsidise franchised bus operations, just as profits from franchised bus operations cannot be used to finance property development.

Q

What part do competition and the merger of the rail companies play in TIH's positioning for the future?

A

The merger of the Mass Transit Railway and Kowloon-Canton Railway systems on 2 December 2007 is impactful in the sense that more synergies will enable the rail companies to reduce fares, but the full effect of this on our ridership has yet to be ascertained. Since KMB's fares are controlled, the rail merger is likely to mean additional competition although we believe that the majority of our customers will continue to choose us for our point-to-point convenience, high quality and efficiency, and competitive pricing. In his October 2007 Policy Address, the Chief Executive of the Hong Kong SAR declared the Government's support for four new rail projects in the coming years. Going forward, TIH will take a long strategic look at our positioning vis-à-vis the expanded railways, and our part in the integrated transport system of Hong Kong. Our network has been built up over 75 years, with changes and adjustments, but many routes are decades old. It is often politically difficult to remove older routes when local populations move. As a Group, we have to consider feeder routes and our interchange role, but still give the public a convenient service despite a smaller population in some areas. The society is dynamic. There is no need to keep older services/empty buses simply for tradition's sake. As Hong Kong moves forward, we must think of providing more convenience and services to the overall community.

Q

How do you see this strategic positioning in terms of fare increases and/or decreases and the Government's fare adjustment arrangement?

A

Of course, the greater efficiency we are seeking will especially relieve the pressure for fare increases. The more efficient we are in using resources, the less need to increase fares.

Q

What is the vision and strategy of the Group for the future?

A

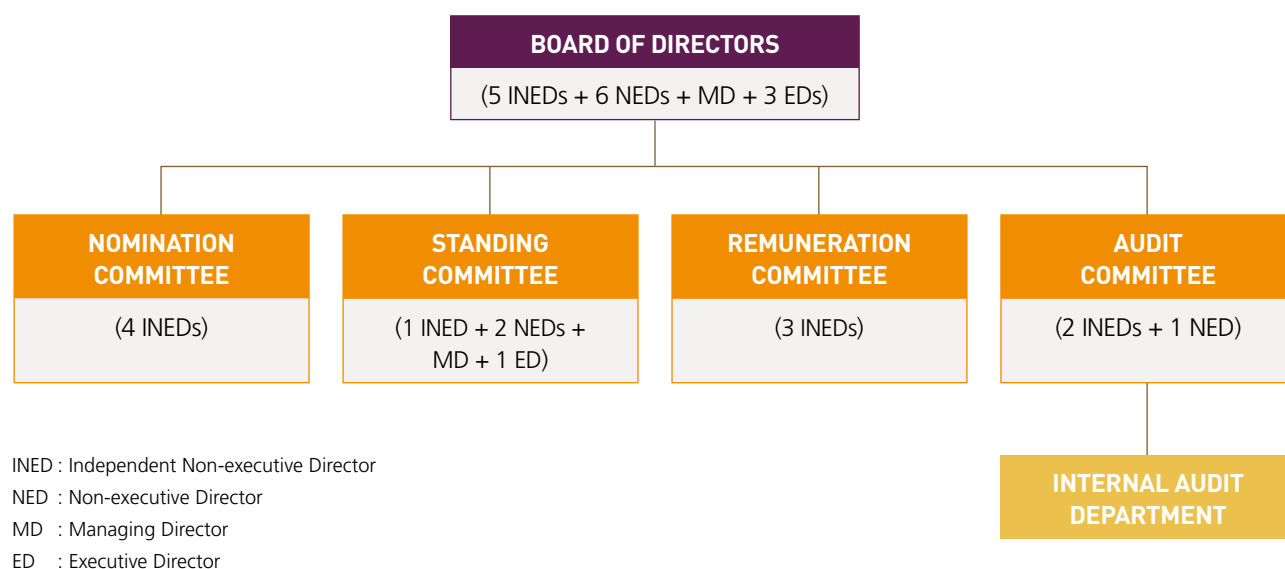
The public transport market in Hong Kong is mature, which means that we must aim at sustainable, albeit perhaps only moderate, growth of our core bus operations in Hong Kong, while seeking further expansion of our non-franchised and other businesses. The rapid economic development of the Mainland will continue to offer us opportunities for diversifying our business portfolio and leveraging on our hard-earned expertise to develop the markets of Mainland cities. The 2008 Olympic Games in Beijing, and other major international events in Mainland China that are in the pipeline, will bring good opportunities for further business expansion, while our traditions of teamwork and innovation will enable us to remain at the forefront of the public transport industry worldwide.

ONE GOAL

CORPORATE GOVERNANCE REPORT

Accountability, transparency, honesty and integrity are the key elements of good corporate governance. The Group prides itself in conducting business with a strong awareness of the highest standards of corporate governance practices. A range of sound policies, procedures and rules have been adopted and are followed by all Board members and staff in order to meet the relevant statutory and regulatory requirements.

We achieve our corporate governance objectives by ensuring that the processes of corporate decision-making, internal audit and controls, disclosure of information and communication with stakeholders are conducted in accordance with sound management practices and in full compliance with regulatory recommendations. The Company's governance structure currently in place is outlined below:



COMMITTED TO
TRANSPARENCY

The Group complied
with the Code
Provisions throughout
the year ended
31 December 2007

In 2005, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued the Code on Corporate Governance Practices (the “CG Code”) which provides a comprehensive guide for listed issuers in Hong Kong to evaluate and improve their corporate governance practices. The CG Code provides two levels of recommendations: the “Code Provisions”, with which issuers are expected to comply but may choose to deviate from, provided they give considered reasons for non-compliance; and the “Recommended Best Practices”, with which issuers are encouraged to comply but which are provided for guidance only, in the following areas:

- Board of Directors
- Delegation by the Board of Directors
- Remuneration of Directors and Senior Management
- Accountability and Audit
- Communication with Stakeholders

The Group complied with the Code Provisions as set forth in the CG Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

(1) Composition of the Board of Directors

The Group’s business is governed by the Board of Directors of the Company. The primary areas of responsibility of the Board are as follows:

- Formulation of the Group’s objectives, strategies, policies, business plans and corporate values
- Monitoring the performance of Management
- Major financing arrangements
- Material acquisitions and disposals
- Connected transactions
- Dividend policy
- Ensuring the integrity of the Group’s accounting and financial reporting system and public announcements
- Internal control and risk management
- Overseeing the management of relationships with stakeholders including shareholders, customers, the HKSAR Government, suppliers, employees and the community

The Board has delegated the day-to-day management of the Group’s businesses to designated Board Committees, the Executive Directorate, and Senior Management.

The Directors are responsible to all shareholders and each Director has a duty to act in good faith in the best interests of the Company. As at the date of this report, the Board comprises 15 members, consisting of five Independent Non-executive Directors, six Non-executive Directors and four Executive Directors. The Company fully complied with Rules 3.10(1) and (2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding the number of Independent Non-executive Directors and the requirement that at least one of these directors must hold appropriate professional qualifications. The Company has received confirmation from each Independent Non-executive Director about his independence under the Listing Rules, and continues to consider each of them to be independent. The Independent Non-executive Directors are explicitly identified in all corporate communications.

Directors of the Company at 20 March 2008 are set out below:

Independent Non-executive Directors	<p>The Hon Sir Sze-yuen CHUNG, GBM, GBE, JP (Chairman)</p> <p>Dr Norman LEUNG Nai Pang, GBS, JP (Deputy Chairman)</p> <p>Dr KUNG Ziang Mien, James, GBS, OBE (with Mr KUNG Lin Cheng, Leo as alternate)</p> <p>Dr Eric Li Ka Cheung, GBS, OBE, JP</p> <p>Mr SIU Kwing-chue, Gordon, GBS, CBE, JP</p>
Non-executive Directors	<p>Mr KWOK Ping-luen, Raymond, JP (with Mr YUNG Wing Chung as alternate)</p> <p>Mr KWOK Ping-sheung, Walter, JP (with Ms WONG On Ning, Orlena as alternate)</p> <p>Mr NG Siu Chan (with Ms Winnie NG as alternate)</p> <p>Mr William LOUEY Lai Kuen</p> <p>Mr George CHIEN Yuan Hwei</p> <p>Mr John Anthony MILLER, OBE, JP</p>
Executive Directors	<p>Mr John CHAN Cho Chak, GBS, JP (Managing Director)</p> <p>Mr Charles LUI Chung Yuen, M.H.</p> <p>Ms Winnie NG</p> <p>Mr Edmond HO Tat Man (Deputy Managing Director)</p>

Detailed biographies of the Directors are set out on pages 102 to 107 of this Annual Report. The relationships (including financial, business, family and other material or relevant relationships) among members of the Board are also disclosed. All Directors have a service term of not longer than three years. The Non-executive Directors and the Independent Non-executive Directors bring a diversity of business and professional experience to the Board. The Independent Non-executive Directors further ensure that the interests of the shareholders as a whole are taken into account by the Board and that connected transactions and other issues are subjected to objective and thorough consideration by the Board.

Senior management and corporate executives provide proper, adequate and detailed operational and financial information to the Board of Directors in a timely manner

(2) Responsibilities of Directors

Senior management and corporate executives provide proper, adequate and detailed operational and financial information to the Board of Directors in a timely manner to keep them abreast of the latest developments of the Group and enable them to make informed decisions and discharge their responsibilities appropriately. Through the Company Secretary, the Company provides induction programmes, briefings and other training courses to develop and refresh Directors' knowledge and skills to enhance their awareness of good corporate governance practices. The Company also encourages Directors to participate in continuous professional development programmes organised by qualified institutions to ensure that they continually update their skills and knowledge on the latest development of, or changes in, the rules and regulations that are relevant to their responsibilities.

A written Code of Conduct for Directors and employees has been drawn up and is updated from time to time to take into account changes in legislation and the business environment. The Code of Conduct provides guidance on the personal conduct of Directors and employees, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers, employment practices and responsibilities to the community as well as procedures for monitoring of compliance and means of enforcement. Both the Directors and employees are required to adhere to the Code of Conduct.

All Directors are obliged to observe the requirements stipulated in the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 to the Listing Rules. Each Director, upon specific enquiry by the Company, confirmed that he/she has complied with the required standard of dealings set out in the Model Code regarding their securities transactions throughout 2007.

Details of the shareholding interests held by the Directors in the Company and its indirect non-wholly owned subsidiary, RoadShow Holdings Limited, as at 31 December 2007 being recorded in the register of Directors' and chief executives' interests and short positions required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, are set out on pages 113 and 114 of this Annual Report.

(3) Board Committees

The Board has established four committees — the Nomination Committee, the Standing Committee, the Remuneration Committee and the Audit Committee to monitor specific key areas of the issues of the Group. Members of the above committees are appointed by the Board. Each committee has its specific terms of reference. Details of the functions and responsibilities of each of the above committees are set out in the relevant sections below.

(4) Appointment, Re-election and Removal of Directors

The Nomination Committee of the Company is responsible for identifying and nominating appropriate directorate candidates with suitable skills and experience

to the full Board for consideration. This committee currently comprises four Independent Non-executive Directors, namely Dr Norman Leung Nai Pang (chairman of the committee), Dr Kung Ziang Mien, James, Dr Eric Li Ka Cheung and Mr Siu Kwing-chue, Gordon. The principal terms of reference of the Nomination Committee include:

- formulating nomination policy for consideration of the Board and implementing the nomination policy laid down by the Board;
- reviewing and monitoring the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board regarding any proposed changes;
- identifying and nominating for the approval of the Board suitably qualified candidates for appointment as directors;
- making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Managing Director; and
- assessing the independence of Independent Non-executive Directors.

In 2007, one meeting was held by the Nomination Committee and the attendance of each member is as follows:

Attendance of individual members at Nomination Committee Meeting in 2007		
Dr Norman LEUNG Nai Pang (Chairman)	1/1	100%
Dr KUNG Ziang Mien, James	0/1	0%
Dr Eric LI Ka Cheung	1/1	100%
Mr SIU Kwing-chue, Gordon	1/1	100%

Pursuant to the Listing Rules and the Company's Bye-laws, each Director, including each Non-executive and Independent Non-executive Director of the Company, is appointed for a specific term and is subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years. In addition, all Directors appointed to fill casual vacancies are subject to election by shareholders at the first general meeting after their appointment.

At the annual general meeting of the Company held on 17 May 2007 ("2007 Annual General Meeting"), five of the Company's Directors, namely Dr Norman Leung Nai Pang, Mr Kwok Ping-sheung, Walter, Mr William Louey Lai Kuen, Mr George Chien Yuan Hwei and Mr Lui Pochiu, retired by rotation and these retiring Directors, except Mr Lui Pochiu who did not stand for re-election for personal reasons, were re-elected as Directors of the Company.

On the recommendation of the Nomination Committee, the Board passed a resolution on 21 February 2008 to appoint Mr John Anthony Miller as a Director of the Company with effect from 1 March 2008.

The roles and duties of the Chairman and the Managing Director of the Company are segregated and performed by different persons

The Hon Sir Sze-yuen Chung, Mr Ng Siu Chan, Mr John Chan Cho Chak, Dr Kung Ziang Mien, James, Mr Siu Kwing-chue, Gordon and Mr John Anthony Miller will retire as Directors upon conclusion of the annual general meeting to be held on 29 May 2008 ("2008 Annual General Meeting"). All of the above retiring Directors have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2008 Annual General Meeting. Detailed biographies of the Directors standing for re-election and the procedures for nominating candidates to stand for election at the 2008 Annual General Meeting are set out in the circular to shareholders despatched with this Annual Report.

(5) Distinctive roles of the Chairman and the Managing Director

The roles and duties of the Chairman and the Managing Director of the Company, which are segregated and performed by different persons, have been clearly defined in writing to ensure that there is a clear division of responsibilities between them.

The Chairman of the Board, The Hon Sir Sze-yuen Chung, is an Independent Non-executive Director of the Company, who is responsible for chairing the Board and shareholders' meetings and ensuring that the operations of the Board are managed effectively, and that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and that good corporate governance practices are followed.

The Managing Director of the Company, Mr John Chan Cho Chak, is delegated with the authority and responsibility for running the Group's day-to-day businesses and implementing the Group's policies and strategies as set out by the Board.

The Chairman also meets with the Non-executive Directors once a year without the presence of the Managing Director and Executive Directors to discuss the business affairs of the Group. Such a meeting for the year was held on 20 December 2007.

(6) Board Meetings

Board meetings are normally held once a month under the leadership of the Chairman of the Company to discuss and decide on major corporate, strategic and operational issues as well as evaluate major investment opportunities. The Directors may request inclusion of items in the agenda of the Board meetings. The notice of a Board meeting is normally served to the Directors one month in advance with the agenda and board discussion papers for the Board meeting circulated at least seven days prior to such meeting to enable the Directors to have a thorough understanding of the relevant matters to be discussed so that they can make an informed decision in the best interests of the Company. The procedures of the meetings follow all the recommended best practices of the CG Code.

Directors are required to declare their interests, if material, in any proposed transactions or issues to be discussed at the Board meetings. Directors who have declared to have a conflict of interest or material interests in the proposed transactions would abstain from voting on the relevant resolutions and would not be counted in the quorum of the meeting according to the Bye-laws of the Company. Consents of the Board are normally given by vote at the Board meeting.

Draft minutes of all Board meetings, which record the matters considered by the Board and decisions reached as well as any concerns raised or dissenting views expressed by the Directors, are taken by the Company Secretary of the Company and circulated to all Directors for their comment within a reasonable time after the meeting, and the final version of the draft minutes are submitted to the Board at the subsequent meeting for formal adoption. The adopted minutes are then kept by the Company Secretary and are open for inspection by all Directors.

12 Board meetings were held in 2007 and the average attendance rate of Directors at the Board meetings was 90% (2006: 91%). The attendance records of the Directors of the Company in 2007 are set out below:

Attendance of individual Directors at Board Meetings in 2007		
The Hon Sir Sze-yuen CHUNG (Chairman)	12/12	100%
Dr Norman LEUNG Nai Pang (Deputy Chairman)	11/12	92%
Mr KWOK Ping-luen, Raymond (with Mr YUNG Wing Chung as alternate)	12/12	100%
Mr KWOK Ping-sheung, Walter (with Mr YUNG Wing Chung, and Ms WONG On Ning, Orlena as alternate (note 1))	11/12	92%
Mr NG Siu Chan (with Ms Winnie NG as alternate (note 2))	7/12	58%
Mr William LOUEY Lai Kuen	10/12	83%
Mr John CHAN Cho Chak (Managing Director)	11/12	92%
Mr Charles LUI Chung Yuen	9/12	75%
Ms Winnie NG	11/12	92%
Dr KUNG Ziang Mien, James (with Mr KUNG Lin Cheng, Leo as alternate)	11/12	92%
Mr George CHIEN Yuan Hwei	11/12	92%
Dr Eric LI Ka Cheung	11/12	92%
Mr LUI Pochiu (note 3)	4/4	100%
Mr Edmond HO Tat Man (Deputy Managing Director)	12/12	100%
Mr SIU Kwing-chue, Gordon	12/12	100%

Notes:

1. Ms Wong On Ning, Orlena was appointed, in place of Mr Yung Wing Chung, as an Alternate Director to Mr Kwok Ping-sheung, Walter with effect from 1 May 2007.
2. Ms Winnie Ng was appointed as an Alternate Director of Mr Ng Siu Chan with effect from 1 July 2007.
3. Mr Lui Pochiu retired as a Director of the Company on 18 May 2007.

In general, the Board makes decisions on overall strategy and sets goals for key operational, financial and investment affairs

DELEGATION BY THE BOARD OF DIRECTORS

(1) Delegation of responsibilities to Senior Management

In general, the Board makes decisions on overall strategy and sets goals for key operational, financial and investment affairs. It also monitors the overall operating and financial performance of the Group. The day-to-day management of the Group's business is delegated to Senior Management and corporate executives under the guidance and supervision of the relevant Board Committees. This facilitates prompt response to a rapidly changing market environment. Brief particulars of the Senior Management and corporate executives of the Group are set out on pages 108 and 109 of this Annual Report.

(2) Standing Committee

The Standing Committee comprises five Directors, namely Dr Norman Leung Nai Pang (chairman of the committee), Mr Kwok Ping-uen, Raymond, Mr Ng Siu Chan, Mr John Chan Cho Chak and Mr Charles Lui Chung Yuen. It has been established with clearly written terms of reference to advise and assist the Board in formulating policies and monitor the performance of Management in implementing the policies laid down by the Board. The Standing Committee meets with Senior Management on a monthly basis to review and discuss financial, operational and strategic issues in relation to current businesses and potential investment opportunities and reports its findings and recommendations to the Board of Directors directly. The attendance records of the members of the Standing Committee for 2007 are summarised below:

Attendance of individual members at Standing Committee Meetings in 2007		
Dr Norman LEUNG Nai Pang (Chairman)	11/11	100%
Mr KWOK Ping-uen, Raymond	10/11	91%
Mr NG Siu Chan	0/11	0%
Mr John CHAN Cho Chak	11/11	100%
Mr Charles LUI Chung Yuen	10/11	91%

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Group's Remuneration Committee comprises three Independent Non-executive Directors, namely Dr Norman Leung Nai Pang (chairman of the committee), Dr Kung Ziang Mien, James and Dr Eric Li Ka Cheung. The role of the Remuneration Committee is to formulate policies on remuneration, including establishing guidelines to determine terms and conditions of employment, remuneration and retirement benefits of Directors and employees of the Group. It also sets appropriate criteria for performance-based bonuses, and reviews and makes recommendations on human resources-related policies to the Board of Directors by reference to the goals and objectives of

the Group. No Director or member of the Senior Management can determine his or her own remuneration. The Remuneration Committee has terms of reference clearly laid down, which comply with the Code Provisions.

The following is a summary of the work performed by the Remuneration Committee during 2007:

- reviewed the remuneration policy for 2007 and 2008;
- reviewed the remuneration of Executive and Non-executive Directors;
- reviewed the annual performance-related bonuses for the employees of the Group, having regard to their achievements, against the assessment criteria and by reference to the market norms; and
- examined employees' wage and salary increments in 2007.

Full details of the remuneration of each of the Directors, on a named basis, for the year ended 31 December 2007 together with the 2006 comparatives are set out in note 7 to the consolidated financial statements on pages 143 and 144 of this Annual Report.

In 2007, the Remuneration Committee held two meetings. The attendance records of the members of the Remuneration Committee for 2007 are shown below:

Attendance of individual members at Remuneration Committee Meetings in 2007		
Dr Norman LEUNG Nai Pang (Chairman)	2/2	100%
Dr KUNG Ziang Mien, James	1/2	50%
Dr Eric LI Ka Cheung	2/2	100%

The Directors are responsible for the preparation and the true and fair presentation of the financial statements of the Company and the Group

ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

The Directors are responsible for the preparation and the true and fair presentation of the financial statements of the Company and the Group. This responsibility extends to annual and interim reports, "price-sensitive" announcements and other financial disclosures required under the Listing Rules as well as reports to regulators and information required to be disclosed pursuant to the statutory requirements. The financial statements of the Company and the Group for the year ended 31 December 2007 on pages 121 to 177 of this Annual Report are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and the Group, and of the results and cash flow for the year. These financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Suitable accounting policies are selected and consistently applied, and accounting estimates are made on a prudent and

reasonable basis. The responsibility of the external auditor, KPMG, is set out in the auditor's report on page 120 of this Annual Report.

The annual and interim results of the Group are published on a timely basis within three months from the end of the respective accounting periods.

The Board receives management accounts, explanations and relevant information both on a monthly and as-needed basis that enable the Board to make an informed assessment of the financial, operational and other information of the Group put forth to the Board for approval.

(2) Audit Committee

The Group's Audit Committee comprises three Non-executive Directors, namely Dr Eric Li Ka Cheung (chairman of the committee), Dr Kung Ziang Mien, James and Mr George Chien Yuan Hwei, of whom the first two are Independent Non-executive Directors. Dr Eric Li Ka Cheung is a certified public accountant with professional qualifications as required under the Listing Rules. The chairman and all the other members of the Audit Committee have a broad range of experience in various business and professional sectors as described in the Directors' biographical details on pages 102 to 107 of this Annual Report. None of the Audit Committee members is a former or existing partner of the external auditor of the Company. The Audit Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the HKICPA. During 2007, the Audit Committee discharged its responsibilities in its review of the interim and annual results and systems of internal control of the Group. The tasks performed by the Audit Committee during the year included, but were not limited to, the following:

- reviewed with Senior Management the accounting principles and practices adopted by the Group, the accuracy and fairness of the financial statements, and the scope of both internal and external audit works;
- reviewed and discussed with Management the effectiveness of internal control systems and practices of the Group;
- reviewed the Group's internal audit plan for 2007 with areas of emphasis identified;
- ensured the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewed and approved the remuneration and terms of engagement of the external auditor;
- met with the external auditor and reviewed their work and findings relating to interim and annual published financial statements; and
- recommended to the Board the re-appointment of the existing external auditor for 2008.

In 2007, the Audit Committee together with the Company's Senior Management held two meetings with the external auditor. Following the Audit Committee meetings, the external auditors were invited to discuss privately with members of the Audit Committee issues arising from the audit and any other matters that they would like to discuss without the presence of the Company's Senior Management. After each meeting, the Chairman of the Audit Committee submitted a report to the Board of Directors and gave a briefing on all significant issues that arose. The attendance records of the members of the Audit Committee for 2007 are shown below:

Attendance of individual members at Audit Committee Meetings in 2007

Dr Eric LI Ka Cheung (Chairman)	2/2	100%
Dr KUNG Ziang Mien, James	1/2	50%
Mr George CHIEN Yuan Hwei	2/2	100%

The Board acknowledges its responsibility to ensure that a sound and effective system of internal controls is maintained to safeguard the assets of the Group

(3) Internal Controls

The Board acknowledges its responsibility to ensure that a sound and effective system of internal controls is maintained to safeguard the assets of the Group, minimise risks of failure in operational systems and provide reasonable assurance against material misstatement of information (both financial and non-financial). The following are some of the major procedures that the Board has established to provide effective internal controls and risk management:

- Effective and Efficient Quality Management System
 - The Group's flagship subsidiary company, KMB, has implemented an effective and efficient Quality Management System in accordance with the requirements of the International Organisation for Standardisation (ISO) 9001:2000 system for quality management on a company-wide basis and ISO 14001:2004 system for environmental management at two bus depots. Under the ISO requirements, all major financial and operational procedures and instructions with illustrative flow charts are clearly documented. Responsible persons and their respective functions and responsibilities are also well defined. Compliance with the procedures and instructions is closely monitored on an ongoing basis by internal quality auditors under the supervision of the Head of Internal Audit Department. Each year, an external ISO certification organisation, the Hong Kong Quality Assurance Agency (HKQAA), carries out an independent audit of the Quality Management System to ensure the effectiveness and efficiency of the ISO systems. Recommendations are made for follow-up actions when areas for improvement are identified during the course of the ISO audit. All KMB staff are highly aware of the need for quality and integrity and they are required to work towards achieving or even exceeding the ISO standards;

- Clearly defined Organisational Structure, Authority and Responsibility Framework
 - A clear and distinct organisational structure with defined and delineated lines of authority and control responsibilities has been established. Senior Management and corporate executives are responsible for the preparation of operational plans and financial budgets on an annual basis. Both the annual operational plans and financial budgets lay down the resources to be allocated in accordance with the identified and prioritised business opportunities;
 - Formal systems and procedures are implemented at all levels to identify, measure, manage and control risks that may have an impact on the business;
 - A comprehensive management accounting system that utilises advanced proprietary information systems, such as SAP e-Business Software and numerous in-house developed computer program, is in place for individual business units to process and analyse large amounts of information efficiently and effectively. This facilitates the Board and Senior Management in monitoring the financial and operational performance of the Group against budgets and business targets on a timely basis. Variations against budgets and performance targets are closely tracked, analysed and explained, and reported to the Board by Senior Management and corporate executives so that appropriate and timely actions are taken, if necessary, to rectify deficiencies noted;
- Establishment of a Comprehensive Internal Audit Function
 - The Internal Audit Department is responsible for the independent review of the risks and controls of the Group and for providing reasonable assurance to Management and the Audit Committee that any such risks and internal control weaknesses have been adequately addressed. The Head of Internal Audit Department supervises the implementation of comprehensive audits and reviews the financial and operational procedures and practices of the Group on both a regular and an ad hoc basis. To ensure the independence of the internal audit function of the Group, the Head of Internal Audit Department reports directly to the Managing Director and the Audit Committee;
 - Management is primarily responsible for the design, implementation and maintenance of internal controls, while the Board and the Audit Committee oversee the implementation and monitor the effectiveness of the controls that have been put in place. In 2006, the Board, through the Audit Committee and with the assistance of KPMG and the Internal Audit Department, conducted a comprehensive review of the overall effectiveness of the internal control system of KMB, the Company's major subsidiary, whose scale of operations is sufficiently representative of the Group, based on the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO Analysis"). The COSO Analysis identified KMB's control environment, risk assessment, control activities, information and communications as well as its monitoring functions. No material suspected frauds or irregularities,

The Board is satisfied that the Group has fully complied with the Code Provision on internal controls in 2007

internal control deficiencies or suspected infringement of laws, rules and regulations were noted during the review and the subsequent testing of internal controls carried out by the Internal Audit Department. A three-year risk-based internal audit rolling plan was formulated to monitor the effectiveness of the Group's internal control system;

- In 2007, as part of the ongoing internal control monitoring process, the Internal Audit Department performed systematic audits on various aspects of the Group's operations according to the above audit rolling plan, and the results of the findings were reported to the Audit Committee;
 - Based on the report of the Internal Audit Department, the Audit Committee concluded that, in general, the Group has established a sound control environment and effective control system to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provision on internal controls in 2007; and
- Internal Controls for Handling and Dissemination of Price-sensitive Information
- The Group has established proper procedures and internal controls for the handling and dissemination of price-sensitive information. The Board and other nominated managers who have access to price-sensitive and/or specific information are bound by the Model Code for Securities Transactions under the Listing Rules. Every employee is required to follow the Code of Conduct and the Staff Handbook for keeping unpublished price-sensitive information strictly confidential.

(4) External Audit

The Company engaged KPMG as external auditor to audit the financial statements of the Company for the year ended 31 December 2007. The Audit Committee is mandated to monitor the audit and non-audit services rendered to the Group by its external auditor. A formal policy is set to ensure that the engagement of the external auditor in other non-audit services will not impair their audit independence or objectivity. The external auditor is also required to review their relationship with the Group and furnish confirmation to the Audit Committee confirming their independent status. In this regard, KPMG has formally written to the Audit Committee confirming that for the year ended 31 December 2007 and up to the date of this Annual Report, it is independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services provided by KPMG to the Group for the year ended 31 December 2007 are set out below:

	HK\$ million
Audit related services	5.9
Non-audit related services	0.2
Total	6.1

The key to enhancing good corporate governance is to provide our shareholders with information necessary for them to form their own judgement and provide feedback to us

Pursuant to the recommendation of the Audit Committee, the Board has proposed to re-appoint KPMG as the external auditor of the Company in respect of the financial statements for the year ending 31 December 2008. Such proposal will be presented for approval by the shareholders of the Company at the 2008 Annual General Meeting.

COMMUNICATION WITH STAKEHOLDERS

(1) Communication with Shareholders

The key to enhancing good corporate governance is to provide our shareholders with information necessary for them to form their own judgement and provide feedback to us. This is achieved through various communication channels, including the publication of press releases, interim and final results announcements in newspapers and websites, and circulation of the Group's interim and annual reports to shareholders within the respective deadlines stipulated by the Listing Rules.

The Company's 2006 Annual Report won the Silver Award in the 2007 HKMA Best Annual Reports Awards Competition and two awards in the 2007 ARC International Awards – Silver Award for Written Text and Honors Award for Cover Photo/Design. These awards are recognition of the Group's efforts in maintaining good clarity of written text and effectiveness of design, commitment to transparency and good corporate governance as well as ensuring an excellent level of disclosure across all aspects of our businesses. The press releases, announcements and annual reports, together with a wide range of other information that is of interest to shareholders, are conveniently placed and regularly updated on the Group's corporate website "www.tih.hk".

The financial reports released to shareholders as set out in the Company's 2007 interim and final results announcements and 2007 Interim and Annual Reports have been reviewed by the Audit Committee and KPMG, the external auditor of the Company, and are in full compliance with the relevant statutory requirements.

The annual general meetings or other general meetings are normally attended by all Directors. Shareholders are invited to raise questions to the Directors during the meetings. In addition, shareholders and investors may email their enquiries to the Board of Directors through the Group's email address "director@tih.hk". The Company Secretary handles these enquiries in the first instance.

All shareholders have the right to vote at general meetings. Since 2007, the Company has conducted voting by poll at general meetings so that each share is entitled to one vote. At the general meetings, separate resolutions are proposed on each distinctive issue, including the election of each individual Director. Circulars containing the relevant details such as proposed resolutions, particulars of the biography of each of the Directors standing for election at the annual general meeting, and poll voting procedures and rights of shareholders to demand a poll, are despatched to the shareholders together with the annual reports at least 21 days prior to such annual general meetings.

The 2007 Annual General Meeting was held with the Company's shareholders on 17 May 2007 and the matters resolved are summarised below:

Matters resolved at the 2007 Annual General Meeting

- Approval of the audited financial statements and report of the Directors and Auditors for the year ended 31 December 2006
- Approval of a final dividend of HK\$1.58 per share for the year ended 31 December 2006
- Re-election of Dr Norman Leung Nai Pang, Mr Kwok Ping-sheung, Walter, Mr William Louey Lai Kuen and Mr George Chien Yuan Hwei as Directors of the Company
- Re-appointment of KPMG as auditors of the Company and authorising the Directors to fix their remuneration
- Approval of the Directors' fees for 2006 and thereafter
- Granting of a general mandate to the Directors to issue shares not exceeding 20% of the issued share capital
- Granting of a general mandate to the Directors to exercise powers of the Company to purchase its own shares not exceeding 10% of the issued share capital
- Granting of a general mandate to the Directors to extend the share issue mandate granted to the Directors not exceeding 10% of the issued share capital

The details and poll voting results of the above meeting were published in newspapers and on the Stock Exchange's website on 18 May 2007.

The 2008 Financial Calendar of the Company is set out as follows:

Announcement of 2007 final results	20 March 2008
2007 Annual Report despatch to shareholders	29 April 2008
Last day to register for 2007 ordinary final dividend and special final dividend	20 May 2008
Book closure period	21 May 2008 to 29 May 2008
2008 Annual General Meeting	29 May 2008
Payment of 2007 ordinary final dividend and special final dividend	30 May 2008
Announcement of 2008 interim results	mid-September 2008
Payment of 2008 interim dividend	mid-October 2008
Financial year end date	31 December 2008

The Group's efforts in building and maintaining transparent corporate governance disclosure to stakeholders were recognised by the HKICPA when it granted a Gold Award (Non-Hang Seng Index Category) to the Company at the Best Corporate Governance Disclosure Awards in 2007.

KMB and LWB publish and distribute reports and brochures to keep their customers and the community informed of their bus services and operations

(2) Communication with the General Public

The Group's website at www.tih.hk provides a broad spectrum of information about the individual businesses of the Company and its major subsidiaries. In addition, from time to time, the Group publishes reports and brochures that focus on specific aspects of operations for the information of the general public. In particular, KMB and LWB, two of the Company's major subsidiaries, publish and distribute the following reports and brochures to keep their customers and the community informed of their bus services and operations:

- More about KMB
- More about Long Win
- KMB Service Charter
- KMB Performance Pledge
- KMB Corporate Social Responsibility Report
- Long Win Corporate Social Responsibility Report
- KMB/Long Win Passenger Liaison Group Report
- KMB – The Green Transporter
- KMB's Efforts in Environmental Protection
- KMB Today (a monthly magazine)
- Introduction to KMB's four bus depots
- 70th Anniversary Booklet
- KMB Corporate Profile

Two of KMB's publications, namely "KMB's Efforts in Environmental Protection" and "KMB 2006 Passenger Liaison Group Report", received the Grand Award and Award of Excellence respectively in the Apex 2007 Awards for Publication Excellence. These awards testify to KMB's efforts in environmental protection and customer communication. The brochures and publications are available on the corporate website of KMB, www.kmb.hk, for public information. Other corporate, financial and press information of the Group is also updated regularly and made available on the above websites.

(3) Communication with Employees

Effective communication between management and staff is vital to the Group's success. Various communication channels, including the six joint consultative committees of KMB and LWB, have been set up to enhance mutual understanding and promote cooperation between management and staff at different levels. The Group also maintains a staff website to disseminate relevant management announcements and information on staff affairs including payroll information on a timely basis. On-line orientation training courses, e-learning programmes and a forum for our staff are made available on the website. In addition, periodic video compact discs and a monthly in-house magazine are published regularly to keep our employees, particularly frontline staff, informed of news and events relating to both the Group and the industry. Sharing meetings were also held on a regular basis in 2007 to promote mutual understanding among colleagues of different business units in the Group.

MANAGEMENT DISCUSSION AND ANALYSIS



John CHAN Cho Chak
Managing Director



Winnie NG
Executive Director



Edmond HO Tat Man
Deputy Managing Director

OPERATIONAL REVIEW

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William HO Sai Kei
Finance and Administration Director



James C LOUEY
Commercial Director



Tim IP
Operations Director



Winnie HO
Corporate Affairs Director

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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”)

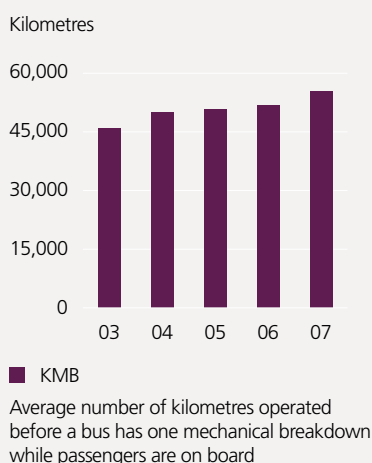
KMB, a wholly-owned subsidiary of TIH, provides extensive bus services covering Kowloon, the New Territories and Hong Kong Island. With a dedicated team of around 12,000 staff and a fleet of more than 4,000 buses, KMB currently operates some 400 routes, serving about 2.76 million passenger trips a day.

OPERATIONAL EXCELLENCE

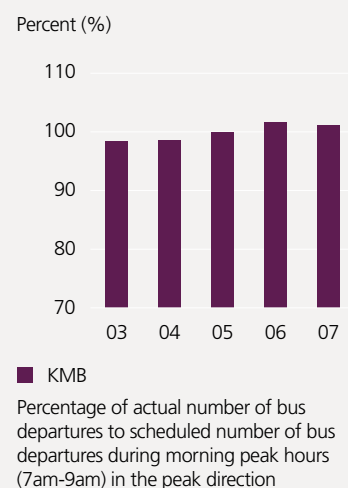
KMB has a reputation as one of the world's best public transport operators. It has over 74 years of experience in operating franchised public bus services in Hong Kong. KMB's service philosophy is founded on safety, reliability, passenger convenience and comfort, backed by a strong commitment to teamwork,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

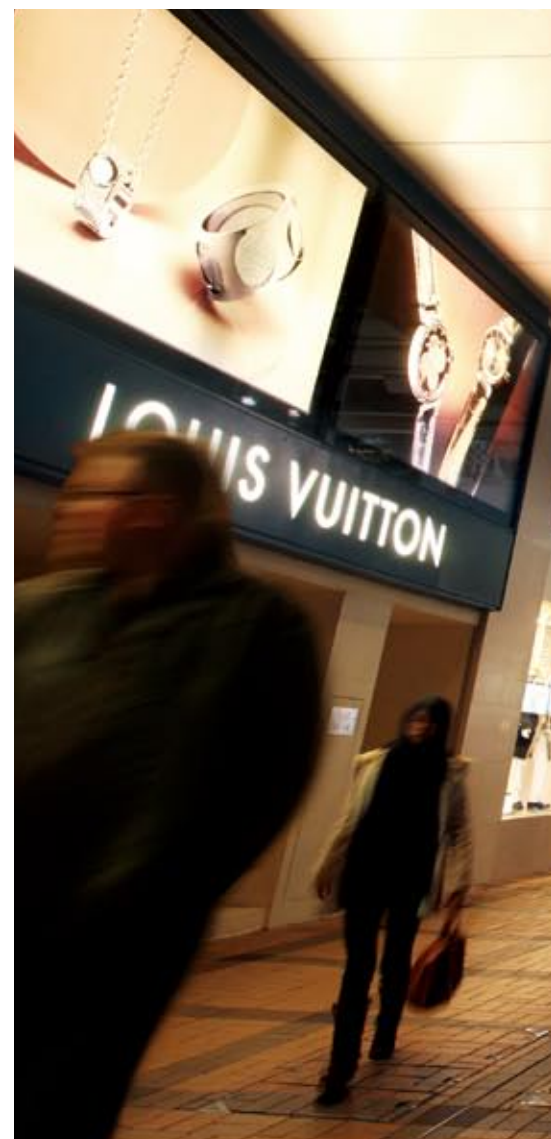
PERFORMANCE ASSURANCE

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

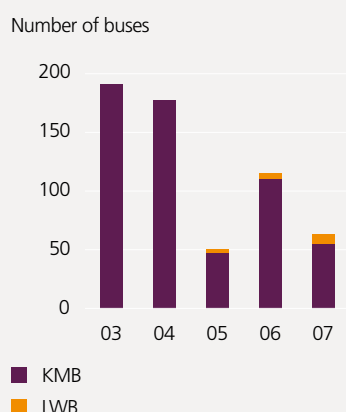
disabled and the elderly, different generations of such buses have been introduced to KMB's fleet. During 2007, we further added 54 new super-low floor air-conditioned double-deck buses comprising 53 Euro III buses and one Scania Caetano Euro IV prototype to the fleet. KMB is the first franchised bus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

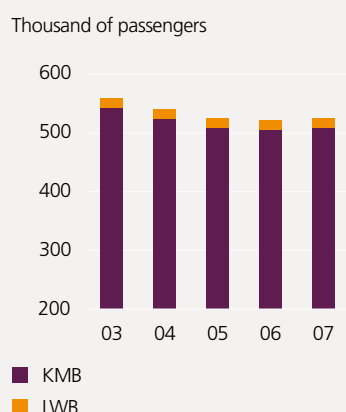
features, which have enhanced the quality, reliability and excellent value for money of KMB's services.

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

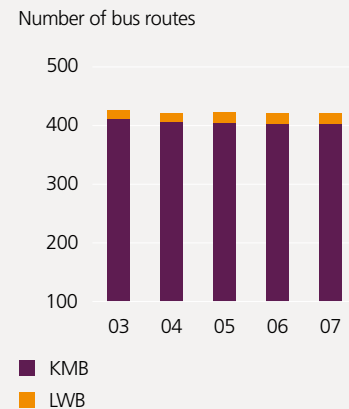
a reduction of frequencies on routes with diminished passenger demand. Such service adjustments enhance operational efficiency, and save resources that can either be redeployed to other areas with increasing demand or be eliminated through natural attrition. The rationalisation or frequency reduction

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



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.

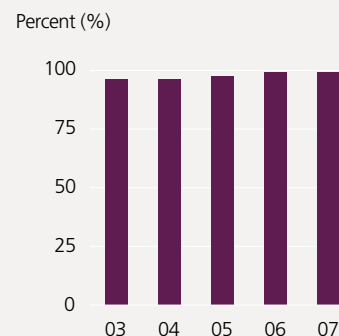
Electronic Bus-stop Announcement System

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

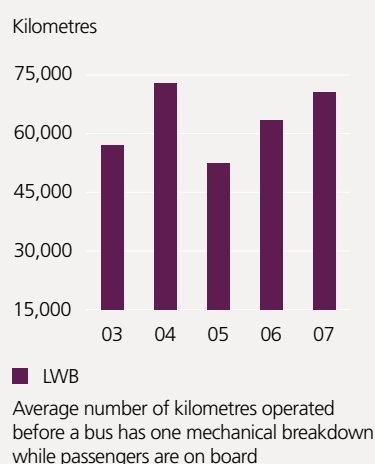
As at the end of 2007, there were a total of 18 routes in LWB's network, the same number as a year ago. LWB will continue to enhance its service levels to provide a more efficient and direct mode of transport to commuters travelling to and from the North Lantau area.

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

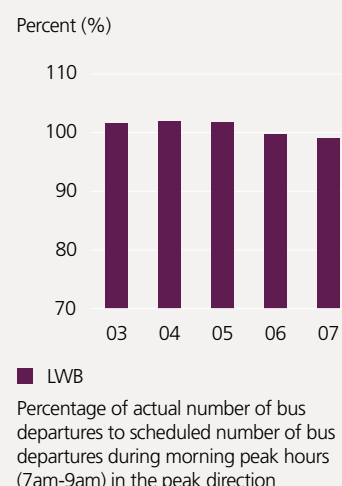
in continuous liaison with the relevant authorities to explore further opportunities for network improvement in order to benefit from the increase in passenger flow. This included the 2-phase diversion of the five airbus routes going through the new Passenger Terminal 2 as from December 2007.

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 minibuss 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.

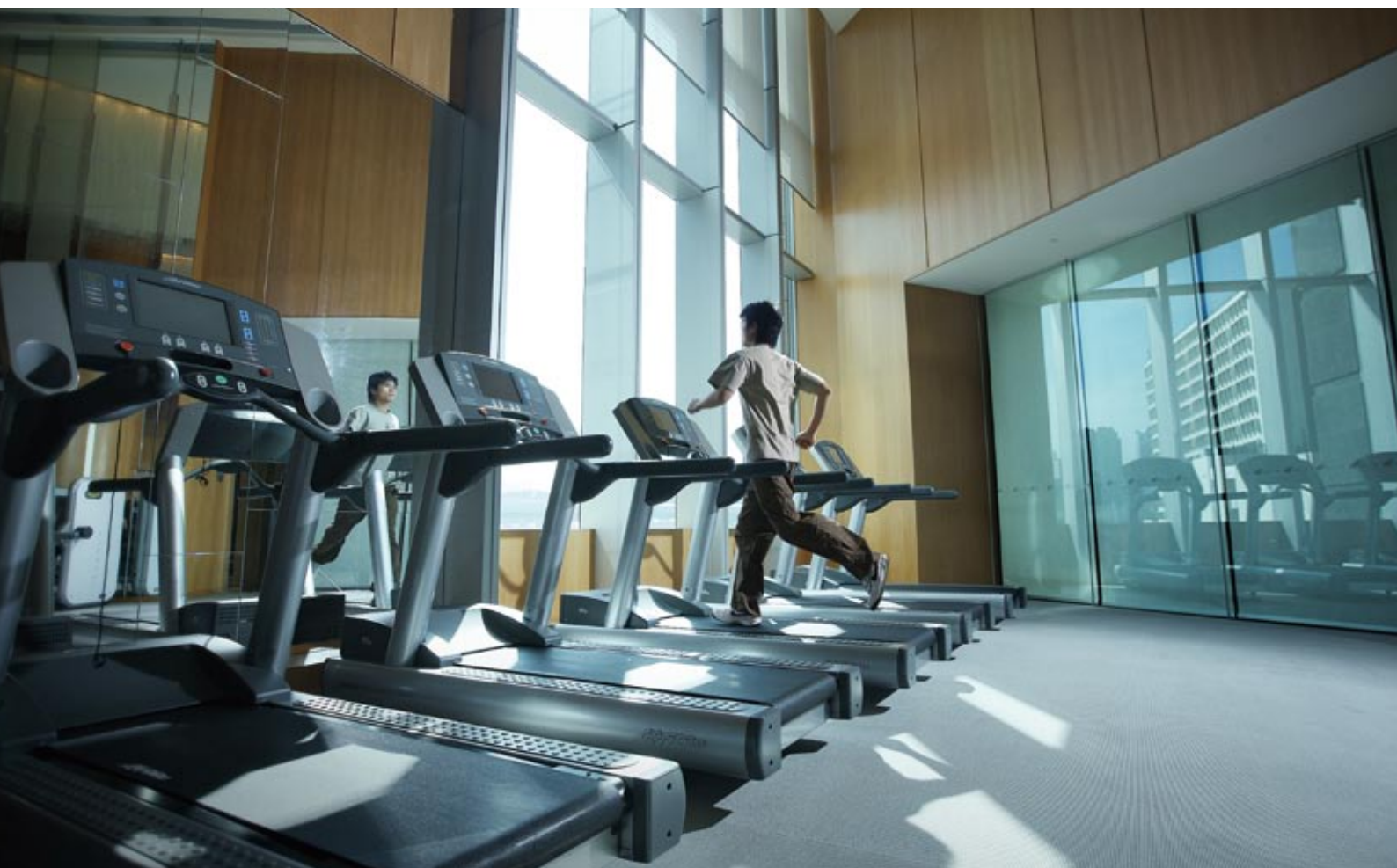


The sumptuous indoor swimming pool reflects the exclusive quality lifestyle Manhattan Hill residents enjoy

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.



CORPORATE SOCIAL RESPONSIBILITY

OVERVIEW AND STRATEGIES

As one of the world's leading public transport operators, TIH is particularly conscious of the social and environmental aspects of doing business in the rapidly evolving and interconnected global community of today. We, at TIH, are committed to contributing to sustainable economic development, and working as a team with our employees, our customers, the local community and society at large to improve their quality of life. Our aims are to minimise the impact of our business on the environment, to have a positive effect on society, to communicate with all our stakeholders in a transparent and timely manner, and to work with other organisations that embrace these objectives.

The economic and social progress of our two major markets, Hong Kong and the China Mainland, are at the heart of our corporate social responsibility strategy. But we seek to create a better, more sustainable world wherever our business portfolio takes us.



Every one of us will have to continuously step up our environmental protection efforts in preserving beautiful scenery like this one at Nam Sang Wai, New Territories

A CARING COMPANY

COMMUNICATION

CUSTOMER SERVICE CULTURE

Teamwork is of utmost importance to everyone at TIH. This means that we work in close partnership with one another, with our customers and with the community at large to provide the highest quality customer service in harmony with the social and environmental needs of everyone we serve, wherever they may be.

THE OCTOPUS SMART CARD

Introduced in 1997, the electronic Octopus Smart Card System has been widely used by commuters to pay fares on public transport in Hong Kong. Indeed, it is now the world's leading and most extensive contactless smartcard system, with the highest penetration, the highest transaction volume and the widest scope of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in terms of the value and the number of card

payment transactions. In 2007, about 88% of our franchised bus fare revenue was collected via Octopus cards. The Octopus cards provide convenience to our passengers to board our buses and enable the Group to save costs on cash collection and administration.

OCTOPUS BUS-BUS INTERCHANGE SCHEMES ("OCTOPUS BBI SCHEMES")

We constantly look into ways to optimise and expand the Octopus

BBI Schemes, both within KMB and LWB's route networks and also on inter-modal schemes jointly operated with other public transport operators. These Schemes benefit our passengers by giving them extensive fare discounts on the second legs of their journeys. They also improve our network coverage, save additional resources that would otherwise be required for serving a larger transportation network, and relieve traffic congestion along busy transport corridors. By the end

of 2007, KMB had 68 Octopus BBI Schemes covering 258 bus routes, whilst LWB had six such Schemes operating on 13 routes including those serving Hong Kong Disneyland and AsiaWorld-Expo.

We are a supporter of the HKSAR Government's "Action Blue Sky Campaign"「藍天行動」for conservation of the environment. We advocate rationalising and cancelling bus routes with low occupancy rates, and we keep the impact of

this on passengers to the minimum by introducing various Octopus BBI Schemes. This arrangement would help reduce buses on the road to achieve win-win solutions both in environmental and transportation terms.

BUS FARE DISCOUNT SCHEMES

We are committed to providing our customers with a focused and reliable public transport service that gives excellent value for money.

KMB and LWB have implemented a variety of fare discounts and concessions to their passengers paying by Octopus Cards. The following fare concession schemes, which had been introduced by KMB and LWB for a period of 36 months commencing from their respective effective dates in early 2006 for the benefit of our customers, were in operation throughout 2007.

	Discount rates	Exceptions	Effective date
1. Passengers aged 65 or above	A flat fare of HK\$2.00 or half fare (whichever is the lower) on Sundays and public holidays	Airport "A" and racecourse routes	28 January 2006
2. Fares at or above HK\$15	20% fare discount for the return trip of the same route or route group on the same day	Airport "A", racecourse and recreation routes	19 February 2006 (note)
3. Fares between HK\$10 and HK\$14.9	10% fare discount for the return trip of the same route or route group on the same day	Airport "A", racecourse and recreation routes	19 February 2006 (note)

Note: The fare concessions under schemes (2) and (3) above were extended to cover jointly-operated cross-harbour routes with effect from 1 July 2006.

BUS SHELTERS

We continued our bus shelter improvement programme with the aim of enhancing the waiting environment for our passengers. During the year, KMB added 35 new bus shelters, and LWB added one, bringing the total number of bus shelters of KMB to 2,383 and LWB to 30 at the end of 2007. Installed with 2,717 advertising panels, these bus shelters not only provide convenience to our customers but also generate advertising revenue for our franchised bus operations.

CYBER BUS STOPS

At the end of 2007, there were eight KMB cyber bus stops installed at the Star Ferry concourse and along Canton Road and Nathan Road. These cyber bus stops have light emitting diode and liquid crystal display panels that display route information, local and international news, and weather information. They are also equipped with public address systems that announce route information in Cantonese, English and Putonghua, and provide access to the KMB website for point-to-point route search and service information.

CUSTOMER SERVICE CENTRES

Currently, KMB has a total of eight customer service centres located at the public transport interchange hubs of Tsim Sha Tsui, Hung Hom, Sha Tin, Mei Foo, Tsuen Wan, Lam Tin, Tuen Mun and Tin Shui Wai, which provide a convenient one-stop service to public transport users. Our friendly customer service ambassadors at these centres assist passengers with route and timetable information and collect customer feedback.



Multimedia kiosk at KMB's Mei Foo Customer Service Centre

The "Digital Map Passenger Enquiry System" in the multimedia kiosks at the customer service centres not only provides the users with a route search function, but also lets the users view the surrounding landmarks on a three-dimensional map. This innovative system was first launched by KMB in 2006 and has been well received by passengers. Our customers may make use of the multi-media kiosks for browsing the KMB website. They may also purchase KMB souvenirs and use Octopus card services conveniently at these centres.

In addition to our customer service centres, the customer service and ticketing office of LWB at Hong Kong International Airport provides a one-stop shop for handling customer

enquiries, ticketing as well as lost and found services.

ENQUIRY HOTLINES

KMB's customer service hotlines continue to serve as an effective communication channel with our customers. In 2007, the enquiry hotline handled about 3.8 million calls, representing an average of about 320,000 calls per month. Our hotline operator service is available daily from 7:00 a.m. to 11:00 p.m. while the 24-hour hotline system, which operates in Cantonese, English and Putonghua, provides the public with on-demand bus route information, traffic news, service updates, voice mail recording and short message service (SMS) on bus route information. LWB's customer service helpline handled over 14,500 calls in

2007 – an average of about 1,200 calls per month. The helpline also gathers and processes customer feedback and handles lost and found enquiries.

KMB's customer service hotline is internationally recognised as an industry leader. The hotline won Gold Awards in two categories of the Asia Pacific Region of the Contact Center World Awards 2007, and represented the Asia Pacific region along with winners from the Americas and Europe, Middle East and Africa at the Contact Center World Awards finals organised by ContactCenterWorld.com. As testimony to our service excellence, our customer service hotline won the Gold Awards in the Best Contact Center (under 50 agents) and Best Technology Innovation categories in the world finals held in Las Vegas, USA in 2007.

CORPORATE WEBSITES

The Group's website at www.tih.hk provides a broad spectrum of information about the individual businesses of TIH and its subsidiaries. The KMB website, www.kmb.hk, features a convenient point-to-point route search function and also helps visually impaired and novice internet users overcome virtual barriers to access transport information. The continuing popularity of the website was reflected in its average daily hit rate of 5.3 million in December 2007.

CUSTOMER COMMUNICATIONS

We recognise that in order to maintain our leadership role,

we need to tap into public opinions and identify customer needs. For this reason, customers' feedback is highly valued and we are always eager to solicit customer needs and expectations. In 2007, KMB's Passenger Opinion Cabin, a modified single-deck bus, visited ten districts in Hong Kong to collect the customers' opinions on its services. In addition, six Passenger Liaison Group meetings ("PLGs") were held to gather opinions and assess public expectations. These meetings were chaired by specialist university lecturers and the Transport Department of the HKSAR Government also sent its representatives to attend as observers. Appropriate enhancement and changes in KMB's services were implemented in response to the various suggestions gathered. The overall feedback demonstrated that our passengers are generally satisfied with KMB's services. Similarly, LWB also held six PLGs during the year and received satisfactory response from its customers.

KMB's dedication to customer communications was once again recognised in 2007, following its success in 2006, in which the promotional campaigns "Equipping KMB's Passenger Opinion Cabin to Provide More Congenial Services" and "Environmental Protection: Ride Green with KMB" won Silver Awards in the Community Relations and Environmental Protection categories respectively at the 7th China Golden Awards for Excellence in Public Relations organised by the China International Public Relations

Association. KMB was awarded the PRC Consumers' Most Favourable Hong Kong Brands 2007 Gold Award. In addition, the "KMB 2006 Passenger Liaison Group Report" received the Award of Excellence in the Apex 2007 Awards for Publication Excellence, a testament to the quality of the Company's channels for customer feedback.

INFORMATION PUBLICATIONS

During the year, we published a "KMB's Efforts in Environmental Protection" booklet featuring KMB's latest efforts in environmental protection. The booklet highlights KMB's environment-friendly practices on buses, in depots and at the corporate level. It also describes how we contribute to the economic and social development of Hong Kong. In addition, we published a "Ride KMB for Fun" travel guide introducing 26 exciting attractions in Hong Kong with maps of the various scenic spots and relevant bus route information.

In 2007, LWB distributed over 17,000 copies of various information leaflets including Airbus Cards and "LWBC Bus Services for North Lantau and the Airport" to the public. The Airbus Cards provide route and departure information on LWB's Airport routes.

MARKETING AND PUBLIC EDUCATION

To raise public awareness of our efforts in environmental protection, a total of 12 press sessions and briefings were organised in 2007 to

promote various new environment-friendly initiatives, including the introduction of Euro IV bus engines, enhancement of the waste water recycling systems, zero disposal of scrapped tyres, environment-friendly functions of the Unit Overhaul Depot, full-fleet installation of the Posilock Refuelling System, the Electronic Terminus Management System, and improvement in bus emission levels.

Press sessions were also held to publicise the advances in bus technologies and innovation, including the multi-sided rotating route information bus stop panels and the new emergency exits on buses.

A newly launched "Civic Education Campaign", which mainly comprised a series of six 10-second civic education television programmes (three with an environmental protection theme and three focusing on passenger safety), was conducted during the period from April 2007 to February 2008 to promote the importance of proper conduct on buses. To further promote these civic education messages, ten related designs were displayed on more than 50 buses and at over 1,000 bus shelters.

In 2007, the HKSAR Government launched a special environmental publicity campaign to educate the public on the benefits of better air quality and the programme was broadcast on our MMOB system.



COMMITMENT

PEOPLE AND SAFETY

Our company ethos of “Caring for People” extends not only to passenger satisfaction and safety but also to our 13,000 members of staff. The TIH workforce is the bedrock of our company culture of quality service, excellent teamwork and industry-leading innovation. In reflection of this, we continue to focus on intensive training and re-training, as well as on creating a work environment that values performance, working together and a sense of social responsibility.

As in past years, the Group has continued to invest a great deal of effort and resources to enhance the safety of our bus and ferry operations. The core initiatives have been the provision of intensive training to our bus captains and ferry crews, the strengthening of performance monitoring procedures, the improvement of bus design, and the execution of stringent maintenance programmes for our buses and ferries. By means of training, motivation and rewards, a working culture has been built that is firmly based on safety and the continuous pursuit of high quality service.

The table below summarises the size of the staff force in each division of the Group at the end of 2007 and 2006 respectively:

Division	2007	2006
Franchised Public Bus Operations		
• KMB	12,000	12,133
• LWB	443	432
Non-franchised Transport Operations	817	784
Media Sales Business [#]	71	69
Mainland Transport Operations [*]	7	7
Total	13,338	13,425

[#] including the employees of the Group's subsidiary companies on the Mainland

^{*} excluding the employees of the Group's joint venture companies on the Mainland

STAFF COMMUNICATIONS

Excellent communications, which are the foundation of all our stakeholder initiatives, underpin the Group's successful staff relations. Each of the six Joint Consultative Committees of KMB and LWB is a constructive and proactive channel that enables management and employee representatives to meet and discuss in depth those matters that affect daily business operations. The Committee meets monthly at KMB and bi-monthly at LWB to review issues such as safety and operating procedures, the working environment, and staff welfare. We also have a dedicated homepage that contains a variety of information such as management announcements, real-time weather reports, details of upcoming activities and reports on staff events for access

by KMB and LWB staff. Periodic video compact discs such as "900 Tearoom" and a monthly in-house magazine are alternative innovative and interactive communication means to keep all our frontline staff informed of the company's policy and developments, both within the Group and the industry. In addition, we provide a staff library at our headquarters to promote the spirit of continuous self-learning.

The Employee Relations and Communications Section of KMB has been established under the Human Resources Department with the aim of further enhancing employee relations and communications. An Employee Caring Programme, consisting of professional counselling services to employees and their family members as well as health and recreational courses, was introduced by the Section during the year.

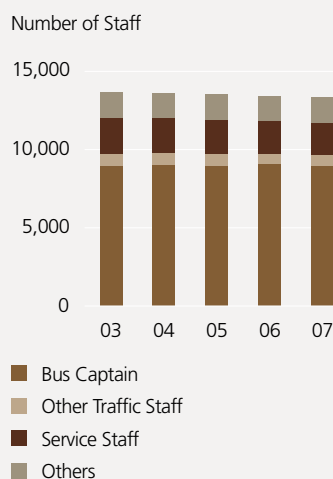
GENERAL STAFF TRAINING

The Group believes that training is not only a path to better practice but also a significant investment in the Group's present and future human capital. Leveraging on a focused platform of top down training, the Group made outstanding progress in terms of both innovation and creativity in 2007. Throughout the year of 2007, training sessions focusing on supervisory skills, interpersonal and communication skills, computer software applications and English writing skills were provided to our staff at KMB and LWB. We organised the Myers-Briggs Type Indicator ("MBTI") team building workshop for the management staff of KMB and LWB in order to foster team spirit and enhance departmental performance. In addition, 305 of our staff attended safety training courses organised by the Occupational Safety and Health Council and the Labour Department of the HKSAR Government during the year.

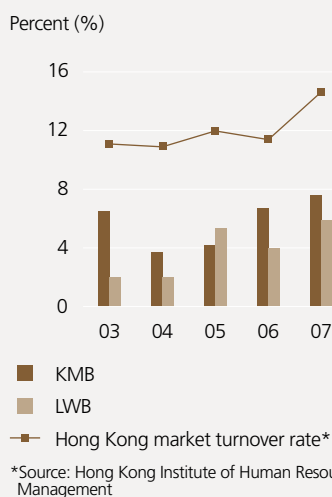
OUTSTANDING SERVICE AWARD

To promote its quality service culture, KMB continued its "Outstanding Service Award" programme in 2007. This year, 51 staff members were recognised for their outstanding performance. In addition, the following awards were presented to the staff of KMB and LWB in appreciation of their dedication and contribution:

Number of staff in
the Group
at 31 December



Staff turnover rate



2007 GOOD SERVICE AND SAFE DRIVING ANNUAL AWARDS FOR BUS CAPTAINS

Number of Bus Captains	KMB	LWB	Total
Good Service Annual Award	6,467	279	6,746
Safe Driving Annual Award	4,033	186	4,219

2007 GOOD SERVICE AND ATTENDANCE ANNUAL AWARDS FOR TERMINUS SUPERVISORS/ASSISTANT TERMINUS SUPERVISORS/CUSTOMER SERVICE ASSISTANTS

Number of Employees	KMB	LWB	Total
Good Service Annual Award	391	21	412
Attendance Annual Award	235	7	242

Same as the franchised public bus operations, the operating companies of the Group's Non-franchised Transport Operations Division also ran good service and safe driving award schemes in 2007 to recognise the outstanding performance of their drivers.

With the twin aims of fostering a caring and community-focused environment and promoting teamwork, a number of media sessions were held to recognise the commitment and outstanding achievements of our staff. These included press interviews with the winners of the Outstanding Service Award, Safe Driving Award and Long Service Award, as well as features on the first female maintenance staff member, an award-winning hotline supervisor and fathers and sons working together for KMB.

BUS CAPTAIN TRAINING

We are committed to providing a safe, comfortable and reliable transport service for our passengers. Over the years, we invested heavily in the KMB Bus Captain Training School ("Training School") at our Sha Tin Depot, which is responsible for training new bus captains and

providing improvement courses for existing bus captains. At present, we have more than 30 Driving Instructors and some 30 training buses.

Newly recruited bus captains have to undergo a series of training programmes at the Training School, including theory lessons in classroom that emphasise safety and customer service, as well as practical on-road training. Apart from undertaking driving examinations held by the HKSAR Government, all our bus captains are subject to stringent internal assessments to ensure that they are well qualified and capable of handling the responsibilities of their positions. For experienced bus captains, the Training School provides enhancement training courses to reinforce their sensitivity to passenger comfort and awareness of safety issues.

Towards the end of 2007, KMB introduced a state-of-the-art Driving Simulator Studio in the Training School. This Driving Simulator Studio is equipped with Hong Kong's first high-fidelity bus driving simulator system which can simulate real-world driving environments and vehicle behaviours to train and improve driver decision-making and performance over a wide range of vehicle manoeuvres. It also captures bus driving performance information, including passenger comfort indicators, bus speed and trip duration through a report generated

KMB
DRIVING
INSTRUCTOR
LO HON CHUNG



after the simulations are finished. There are four driver's stations in the Driving Simulator Studio. Each station is equipped with three 42-inch plasma displays broadcasting high-resolution three-dimensional driving images, as well as a real driving cabin, including real-sized driving seat, steering wheel, accelerator, brake and instrument panel. Bus captains under training are provided with realistic images of the operating environment. They can even feel the interaction between the vehicle and the road surface, and hear the sounds generated inside and

outside the cabin. Instructors will give on-the-spot instructions and review and share their experiences with the trainees after the session, in order to improve their driving skills.

BUS CAPTAINS' PERFORMANCE MONITORING

Bus captains' performance is constantly monitored by our specialised team through a systematic performance assessment mechanism. Remedial training courses are provided for bus captains whose

performance needs to be enhanced. In addition, the Performance Management Team has been established by KMB to assist bus captains to identify their strengths and weaknesses. Disciplinary actions are taken on cases of under-performance. Bus captains who demonstrate outstanding performance are recognised with various awards and bonuses. Similar measures are also implemented to monitor the staff performance of the Group's non-franchised bus and ferry operations.



One of the four newly introduced state-of-the-art driving simulator stations at the Bus Captain Training School



Our specialised teams work to stringent maintenance regimes to ensure a high standard of bus safety, reliability and efficiency

First introduced in 1990 to recognise the efforts of the bus captains of KMB and LWB, the Safe Driving Award has been an effective means of promoting road safety. The following awards were presented to KMB and LWB staff for their outstanding safety records during the year:

2007 SAFE DRIVING AWARD FOR BUS CAPTAINS

Number of Bus Captains	KMB	LWB	Total
35-year accident free	1	–	1
30-year accident free	3	–	3
25-year accident free	7	–	7
20-year accident free	43	2	45
15-year accident free	69	–	69
10-year accident free	166	2	168
5-year accident free	542	20	562
Total	831	24	855

BUS DESIGN AND MAINTENANCE

Safe operations and passenger satisfaction depend on the design and maintenance of our buses. Over the years, KMB's engineering team has actively collaborated with major bus manufacturers in designing new bus types tailor-made to Hong Kong's unique operating environment. Standard equipment such as speed limiting devices and electronic tachographs that record the on-road performance data of buses are used in our fleet to monitor and enhance safety.

All KMB and LWB buses are subject to daily, monthly and annual professional inspections and examinations at our depots. Such maintenance regimes fully comply with our current ISO certified programmes. In addition, our franchised buses are also subject to random spot checks at our depots by engineers of the Transport Department of the HKSAR Government from time to time.

INTEGRATED BUS MONITORING SYSTEM

New buses of KMB are equipped with the three-in-one integrated monitoring system with a periscope. When driving, a bus captain can make use of this system to observe and monitor the general condition of the upper saloon of the bus from the periscope, the objects behind the bus during reversing manoeuvres, and the passengers alighting the bus when the exit door is opened.

FERRY CREW TRAINING

On-board safety is a key focus of the ferry operations of Park Island Transport Company Limited ("PITC"). All PITC's crew members have appropriate maritime qualifications and seagoing experience and they participate in PITC's ongoing training and professional development programmes.

Newly recruited ferry crew members are required to attend various training programmes to fully familiarise themselves with all operational aspects relating to the handling and navigation of the fleet of catamarans, on-board safety and customer service. Ongoing professional development programmes are also provided to enhance the skills of crew members in areas such as effective radar and Very High Frequency (VHF) radio operations. Management also encourages the crew members to attend general training courses organised by the Vocational Training Council on passenger safety, medical first aid, fire fighting and survival techniques.

The crew members' ability to react promptly and effectively to emergency situations is enhanced by planned emergency exercises. On-board fire-fighting, collision and equipment failure drills are organised on a systematic basis. Special attention is paid to increasing our crews' awareness of safety issues and sensitivity to passenger comfort. We constantly review

and identify ways to enhance our performance standards to maintain PITC's outstanding service and safety records.

TECHNICAL AND APPRENTICE TRAINING

The KMB Technical Training School, established in 1973, is responsible for providing training in the latest bus transportation technology to our maintenance staff. During 2007, a total of 233 in-house training sessions were organised for 1,698 skilled workers and nine sessions were held for a total of 107 engineers, supervisors and foremen in conjunction with our bus manufacturers.

In order to ensure an adequate supply of skilled maintenance workers, the KMB Technical Training School also runs a four-year apprenticeship-training scheme for young school leavers. In 2007, a total of 21 apprentices graduated from the School, bringing the total number of graduates since its inception to 2,113. At the end of 2007, there were 164 apprentices receiving training in the School. The proven quality of KMB's apprentice training scheme was again recognised in 2007. Three of our apprentices won the second, fifth and sixth prize respectively in the automobile combined mechanical trade and electrical trade category of the 2007 "Best Apprentice Competition" organised by the Vocational Training Council. The winners were invited to visit the Mazda plant in Japan.



CONSIDERATION

COMMUNITY INVOLVEMENT

The Group has a long tradition of enthusiastic participation in a broad spectrum of community outreach programmes to support young people, the elderly, the handicapped and other people in need, through sponsorship of Government and charity-backed activities. In 2007, the Hong Kong Council of Social Service once again recognised the Group as a “Caring Company”, while the Community Chest of Hong Kong again presented an Award of Distinction to KMB.

FRIENDS OF KMB

KMB's customers are our fellow citizens and friends with shared hopes, social values, concerns and aspirations. In recognition of this common culture, we have developed KMB's volunteer club, FRIENDS OF KMB, as a model to extend across our various commercial businesses. During 2007, its 2,850

members voluntarily contributed a total of about 11,000 hours of their time to activities relating to community building, civic education, environmental protection and social service. Club members visited children's homes, centres for the elderly and a sheltered workshop and participated in charity walks, raffle ticket sales, carnivals and environmental protection efforts.

Since its inception 12 years ago, FRIENDS OF KMB has recorded over 60,000 hours of voluntary service, which was recognised in 2007 by the Social Welfare Department of the HKSAR Government when it named the club second-runner-up of the Highest Service Hour Award 2006 (Private Organisation – Best Customer Participation).

THE COMMUNITY CHEST OF HONG KONG AND OTHER NOT-FOR-PROFIT ORGANISATIONS

The various companies of our Group have long been supporters of programmes that serve young people, the elderly, the less able and people in need. The Group is an enthusiastic participant in community sponsorship programmes such as the Corporate and Employee Contribution Programme, Corporate Challenge Half Marathon, Dress Special Day and New Territories Walk for Millions organised by The Community Chest of Hong Kong, and other programmes organised by the HKSAR Government, professional groups and charitable organisations.

Following 2006, KMB was again presented an Award of Distinction by The Community Chest of Hong Kong and was also named a "Caring Company" by the Hong Kong

Council of Social Service in 2007. The arts, cultural events and sports were among the community sponsorship commitments made by us over the year, as well as campaigns that focus on industry improvement and social awareness. Beneficiaries included the Hong Kong Arts Festival, the Hong Kong Sports Stars Awards, the Hong Kong Outstanding Youth Volunteers Scheme, the Hong Kong Awards for Industries, the Hong Kong Management Association Quality Award and the Greater China Culture Global Association.

In addition, the Group's subsidiary company, RoadShow Holdings Limited ("RoadShow"), has received the "5 Years Plus Logo" of the Caring Company Award organised by the Hong Kong Council of Social Service in recognition of its sustained commitment to good corporate citizenship with an extra effort. RoadShow continues to support many charities and not-for-

profit organisations through the broadcasting of community service messages and charity appeals on its Multi-media On-board (MMOB) system.

ASSISTANCE TO THOSE WITH SPECIAL NEEDS

As in the past, the Group offered free bus rides on its franchised bus routes to different categories of passengers in Hong Kong in November 2007. On "Elderly Day" on 18 November 2007, free rides were given on both KMB and LWB buses to passengers aged 65 and above. Similar support was provided to disabled people and their escorts through a free ride offer on 25 November 2007 – "International Day of Disabled Persons". During the year, KMB and LWB continued to work closely with disabled groups through exchange forums on improvements to facilitate the use of public transport by the disabled.

KMB's Long Distance Run Club team members are frequent winners of the Standard Chartered Hong Kong Marathon races





CONCERN

CARING FOR THE ENVIRONMENT

As a successful member of the international business community, the Group has long recognised its corporate responsibilities towards both the environment and the community. We believe in the importance of environmental protection and we continue to implement and develop procedures and products that minimise environmental impacts across all our operations. KMB's certification by the Hong Kong Q-Mark Council and our publication, "KMB's Efforts in Environmental Protection", which received the Grand Award in the Apex 2007 Awards for Publication Excellence, reflect our commitment to building a sustainable future.

KMB'S EXCELLENCE IN ENVIRONMENTAL MANAGEMENT RECOGNISED BY HONG KONG Q-MARK COUNCIL

KMB has been granted Hong Kong Green Mark Certification by the Hong Kong Q-Mark Council (the "Council") of the Federation of Hong

Kong Industries. This recognised that the delivery of franchised bus services and the maintenance and repair of buses by KMB's four depots, namely, Kowloon Bay Depot, Lai Chi Kok Depot, Sha Tin Depot and Tuen Mun Depot, had met the prescribed Hong Kong Green Mark Standard under the Hong Kong Green Mark Certification Scheme

(the "Scheme"). The Scheme is a system certification scheme designed by the Council to help business enterprises to identify, control and monitor the environmental aspects of their operations. KMB is subject to surveillance audits on a quarterly basis to ensure that stringent environmental management standards are maintained throughout

the certification period from 4 May 2007 to 30 April 2010. We are the first listed public transport organisation to have been awarded this certification.

ENVIRONMENT-FRIENDLY BUSES

KMB and LWB bus fleets are continuously upgraded to ensure that they comply with, and in many aspects exceed, the latest internationally recognised environmental standards. We lead the bus industry in Hong Kong, and even the world, in making environmental enhancements to buses by using innovative techniques and equipment.

Euro Engines

In 2006, KMB took an industry lead by first introducing one Dennis Trident Enviro 500 double-deck buses equipped with a Euro IV engine and one Volvo Olympian B9TL Euro IV prototype for testing in the local operating environment. In 2007, a Euro IV Scania prototype and 61 new buses with emissions complying with the Euro III standard were further added to our fleet.

KMB and LWB buses are fully equipped with environment-friendly engines and emission reduction devices that meet the stringent exhaust emission standards of the European Council of Environmental Ministers. All of KMB's buses with pre-Euro or Euro I engines and LWB's buses with pre-Euro engines have been installed with catalytic converters. Together with the use of Ultra Low Sulphur Diesel, the exhaust emissions of these pre-Euro and Euro I-engined buses have been enhanced to the level of Euro I and Euro II engine standards respectively.

In addition, a total of 504 Euro III-engined KMB buses have been equipped with Continuous Regeneration Traps ("CRTs") plus exhaust gas recirculation devices. These devices significantly reduce particulate matters and bring smoke levels to virtually zero, improving the exhaust emission standard of these buses to a level comparable to the Euro IV engine standard.

At 31 December 2007, the number of KMB and LWB buses that met the respective emission standards are tabulated as follows:

Emission Standards (in terms of particulate matters)	Number of buses meeting such standards		
	KMB	LWB	Total
Euro I	527	3	530
Euro II	2,403	134	2,537
Euro III	447	16	463
Euro IV	670	2	672
Total	4,047	155	4,202

The bus fleets of the Group's Non-franchised Transport Operations Division are also equipped with environment-friendly engines.

Ultra Low Sulphur Diesel ("ULSD")

At present, the Group has the largest bus fleet in the Asia-Pacific region using ULSD with less than 0.005% sulphur content, which significantly reduces exhaust emission levels of sulphur oxides, nitrous oxides and particulates. Our bus fleet in Hong Kong is gradually adopting a newly introduced "Euro V Diesel" with 0.001% sulphur content. This new type of near-zero sulphur diesel can make a further contribution to improving the environment through cleaner emissions.

Environment-friendly Non-franchised Buses

The bus fleets of the SBH Group and New Hong Kong Bus Company Limited are equipped with environment-friendly engines. Over 63% of the fleet operates with Euro III or Euro IV engines.

Revolutionary Diesel-Electric Hybrid Buses

PITC has three diesel-electric hybrid air-conditioned super-low floor single-deck buses that are powered by rechargeable batteries with an energy-regenerating function during braking and moving down slopes, thereby drastically reducing exhaust emissions. Their on-board micro-turbine generators are powered

by diesel and only operate when the batteries have run down to a pre-set level.

Synthetic Transmission Oil

All the gearboxes of KMB and LWB double-deck buses have been using synthetic oil since 2004. As a result, we have significantly reduced oil wastes by 80% compared with using the traditional mineral oil. The use of synthetic oil has extended the oil drain interval substantially from 30,000 kilometres to 150,000 kilometres.

Eco-Driveline

The pioneering Eco-Driveline on buses was developed by KMB. This Eco-Driveline integrates an engine with a high torque, six-speed double overdrive gearbox coupled with an optimised final drive ratio axle and a sophisticated electronic control gear-shift program. Besides providing our customers with a smoother and more comfortable ride, the Eco-Driveline also reduces both fuel consumption and exhaust emissions for urban and highway routes.

Air Foam Filter

Our Group's double-deck buses have been installed with air foam filters for air filtration since 2004. The air foam filters, after extensive testing, were proved to have an average life

span of about 12 months, which is six times longer than that of conventional paper filters. While the operating performance of buses has not been compromised, the solid waste associated with the used filters has been greatly reduced with the use of air foam filters.

WASTE TREATMENT

WasteWise Scheme

Waste minimisation and treatment is one of the priority environmental issues that the Group has focused on for many years. During the year, KMB continued to record promising results in resource saving and waste-reduction in daily operations, particularly in waste paper, disposable batteries and fluorescent tubes collection, reduced sludge generation and procurement of long-life fluorescent tubes. The solid waste management scheme enables the efficient use of materials and significantly reduces the amount of solid waste generated. Due to our continual efforts in environmental protection, KMB was once again granted the Gold WasteWise Scheme Logo by the Environmental Protection Department of the HKSAR Government in 2007. The TIH Group is committed to exploring, developing and implementing environmental protection initiatives to reduce the negative impact to the ecosystem that may arise from our operations.

Tyre Retreading and Recycling of Scrapped Tyre

To alleviate environmental impacts caused by industrial waste and to fully utilise resources, KMB's tyre retreading plant retreaded 34,400 tyres in 2007, bringing the total number of tyres retreaded since operations began to over 600,000. To further explore every possibility in the recycling of scrapped tyres, KMB has made arrangements with a tyre recycling agent since July 2006 to collect and extract various materials from scrapped tyres previously dumped to government landfill into a variety of products such as playground flooring or other rubber products. By the end of 2007, over 20,000 pieces of scrapped tyres and 230 tonnes of tyre chips were collected through this recycling exercise.

Recycling of Fluorescent Tubes

KMB became the first enterprise in Hong Kong to participate in a fluorescent tube recycling campaign in 2006. With an aim to reduce the impact of solid waste on the environment, KMB engaged a licensed contractor to regularly collect its used fluorescent tubes for recycling. The contractor removes mercury from the used tubes at a Government chemical waste treatment centre before the tubes are crushed into glass granules, allowing

the retrieved mercury, glass granules and other metal parts to be reused. In 2007, approximately 62,000 pieces of used fluorescent tubes were sent to the Government chemical waste treatment centre for recycling.

Waste Oil and Chemical Waste

During 2007, about 879,000 litres (2006: 890,000 litres) of consumed lubricating oil from our bus maintenance programmes were delivered to a registered waste oil recycling agent for treatment and about 362,400 kilograms (2006: 335,880 kilograms) of solid chemical waste were disposed of by a registered chemical waste collector at the authorised landfills in Hong Kong.

Waste Water

KMB depots are equipped with a total of 11 automatic waste water treatment systems for its fleet and depots with a total daily treatment capacity of 773 cubic metres. Waste water is treated according to regulatory standards before it is discharged into the public sewage system.

Self-developed Filter-compressing Machine

During 2007, KMB continued to operate the in-house developed "Filter-compressing Machine" which had won the certificate of Merit in Green Innovative Practice in

the 2006 Hong Kong Eco-Business Awards. Since the introduction of this machine in 2005, the volume of disposed fuel filters and oil filters has been reduced by 60%. This leads to a reduction in solid chemical waste and an extension in the lifespan of landfills. Further environmental conservation benefits accrue as waste lubricating oil collected from this process goes through a reclaiming process and is subsequently recycled.

GREEN PREMISES

Environmental protection and energy conservation are a primary concern in our design, construction and operation of bus depots. All the depots of KMB and LWB are equipped with dedicated facilities, including waste water treatment systems, water recycling facilities and environment-friendly fire service systems. Energy saving features are built into our lighting, air-conditioning and ventilation systems to conserve energy. Regular air sampling has also been conducted in depot areas to ensure a fresh air working environment.

The "Green Office" concept has also been applied to the design and renovation of the Group's headquarters in Hong Kong. Pre-set timers are installed to switch off lightings when they are not needed or when outdoor light is

sufficient. Temperature controllers in our air-conditioned premises are set to 25.5°C to conserve energy and reduce air pollution in response to the HKSAR Government's "Action Blue Sky Campaign". The indoor air quality of our headquarters building has been certified as "Good Class" by the Indoor Air Quality Information Centre of the Environmental Protection Department in recognition of our hygienic work environment and excellent air quality.

KMB
PRINCIPAL ENGINEER
SHUM YUET HUNG



FINANCIAL REVIEW

THE GROUP

REVIEW OF 2007 FINANCIAL PERFORMANCE

The Group's Results for the Year

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2007 was HK\$3,847.7 million, an increase of HK\$2,009.7 million compared to HK\$1,838.0 million for 2006. Earnings per share rose correspondingly from HK\$4.55 for 2006 to HK\$9.53 for 2007. These increases were

mainly attributable to the non-recurrent after-tax profit of HK\$3,507.7 million (2006: HK\$1,500.2 million) arising from the sales of residential units and car parking spaces of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary of the Company. If the after-tax profits from property sales for 2007 and 2006 were excluded, the profit attributable to equity shareholders for 2007 would have been HK\$339.9 million, representing an increase of only 0.6% compared with HK\$337.8 million for 2006.

The turnover and profit generated from the Group's six Divisions for the year ended 31 December 2007 are tabulated below:

HK\$ million	Turnover		Profit before taxation	
	2007	2006	2007	2006
Franchised Public Bus Operations Division	6,131.6	6,072.8	347.3	327.5
Non-franchised Transport Operations Division	379.9	337.1	37.9	40.1
Property Holdings and Development Division	5,382.9	2,133.2	3,700.4	1,616.4
Media Sales Business Division	119.1	161.4	61.1	63.4
Financial Services Division	—	—	32.8	14.1
Mainland Transport Operations Division	—	—	16.2	45.1
	12,013.5	8,704.5	4,195.7	2,106.6
Finance costs			(118.8)	(106.3)
Unallocated net operating (expenses)/income			(3.0)	2.4
Profit before taxation and minority interests			4,073.9	2,002.7
Income tax			(205.6)	(133.3)
Minority interests			(20.6)	(31.4)
Profit attributable to equity shareholders of the Company			3,847.7	1,838.0

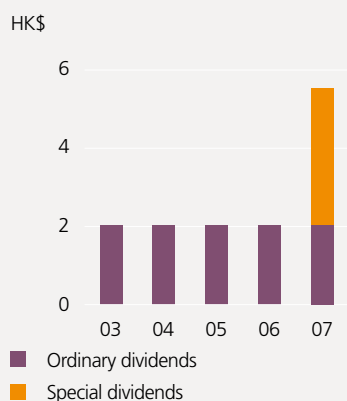
For the year ended 31 December 2007, the Group's turnover amounted to HK\$12,013.5 million (2006: HK\$8,704.5 million), an increase of HK\$3,309.0 million or 38% compared to 2006. The increase was primarily due to the further sales of Manhattan Hill residential units which resulted in a total sales revenue of HK\$5,382.9 million (2006: HK\$2,133.2 million) being recognised during the year, while fare revenue and other income generated from the Group's transport operations and other businesses increased by HK\$59.3 million from HK\$6,571.3 million for 2006 to HK\$6,630.6 million for 2007.

The Group's total operating expenses for the year amounted to HK\$8,116.9 million (2006: HK\$6,802.2

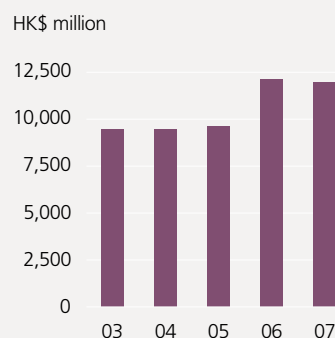
million), an increase of HK\$1,314.7 million or 19.3% compared with 2006. The increase was mainly attributable to the increase in cost of properties sold by HK\$899.4 million and selling and marketing expenses by HK\$348.7 million resulting from the further sales of Manhattan Hill residential units, and the increase in fuel and oil costs by HK\$106.8 million from HK\$1,103.0 million for 2006 to HK\$1,209.8 million for 2007 as a result of the continuous surge of international oil prices. More detailed information in respect of the Group's individual business units are set out on pages 94 to 99 of this Annual Report.

The Group's share of profits of associates in 2007 amounted to HK\$29.4 million (2006: HK\$51.7 million), a decrease of HK\$22.3 million compared with 2006.

Dividends per share

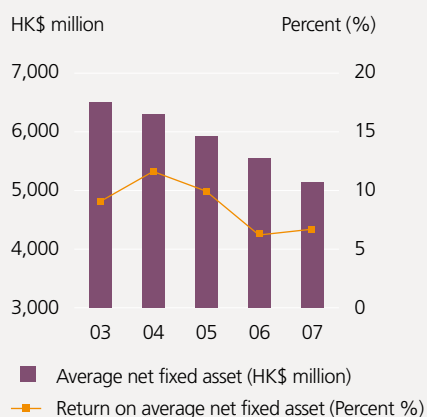


Total assets at 31 December

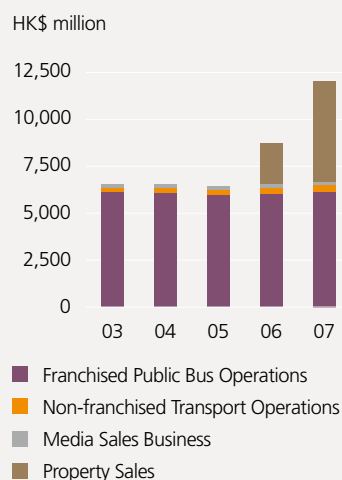


Return on average net fixed asset employed

(excluding property sales)



Group turnover



Income tax expense for the year amounted to HK\$205.6 million (2006: HK\$133.3 million), representing an increase of 54.2% compared to the previous year. The breakdown of the income tax expense is set out in note 6(a) to the financial statements on page 142 of this Annual Report.

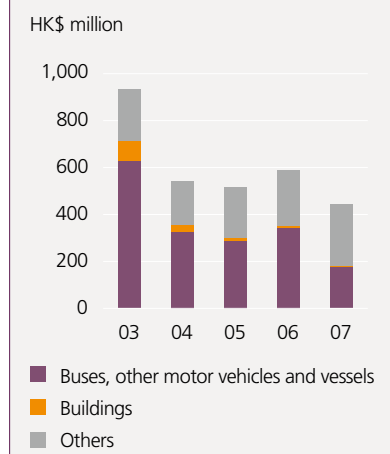
Segment information on the Group's main businesses is set out in note 12 to the financial statements on page 146 of this Annual Report.

KEY CHANGES TO FINANCIAL POSITION

Fixed Assets and Capital Expenditure

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, buses and other motor vehicles, vessels, buses under construction, tools and others, investment property under development, and interest in leasehold land held for own use under operating leases. None of the Group's fixed assets was pledged or charged as at 31 December 2007.

Capital expenditure



During 2007, the Group incurred capital expenditure of HK\$451.1 million (2006: HK\$588.2 million). The decrease was mainly attributable to the purchase of fewer new buses for the franchised public bus operations as result of network reorganisation. The breakdown of the capital expenditure is shown in note 13(a) to the financial statements on page 147 of this Annual Report.

Current Assets and Liabilities

At the end of 2007, the Group's total current assets amounted to HK\$5,160.5 million (2006: HK\$5,077.0 million) which mainly comprised completed property held for sale of HK\$206.3 million (2006: HK\$1,433.4 million), accounts receivable of HK\$1,707.6 million (2006: HK\$2,179.3 million) and liquid funds of HK\$3,095.4 million (2006: HK\$1,228.5 million). Completed property held for sale represented the cost of the unsold residential units and car parking spaces of Manhattan Hill held at the balance sheet date. Accounts receivable included instalments receivable of HK\$1,433.8 million (2006: HK\$1,855.7 million) arising from the property sales in respect of Manhattan Hill. The Group's liquid funds at the end of 2007 were mainly denominated in Hong Kong Dollars, United States Dollars, Renminbi and British Pound Sterling ("GBP"). The increase in total current assets during the year was mainly due to the receipt of sales proceeds in respect of Manhattan Hill.

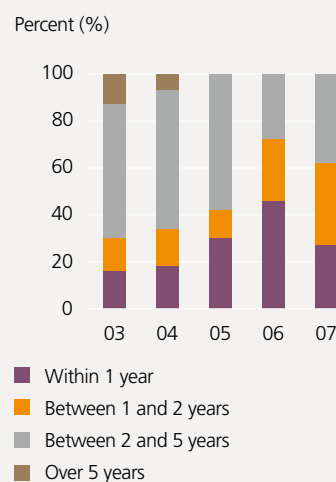
Total current liabilities at 31 December 2007 amounted to HK\$1,936.7 million (2006: HK\$3,650.2 million), which principally included the current portion of bank loans, bank overdrafts, accounts payable and other accruals. The decrease was mainly due to repayment of bank loans during the year.

Bank Loans and Overdrafts

Bank loans and overdrafts as at 31 December 2007 amounted to HK\$1,591.6 million (2006: HK\$3,832.7 million), of which bank loans of HK\$38.0 million (2006: HK\$38.0 million) were secured by pledged bank deposits of HK\$38.0 million (2006: HK\$39.5 million).

The maturity profile of bank loans and overdrafts of the Group at 31 December 2007 and 31 December 2006 is shown in the chart below:

Debt maturity profile at 31 December



Net Cash/(Borrowings)

At 31 December 2007, the Group's net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK\$1,541.8 million (2006: net borrowings of HK\$2,564.7 million). The details of the Group's net cash/(borrowings) by currency at 31 December 2007 are tabulated below:

Currency	2007		2006	
	Net cash/ (borrowings) in foreign currency million	Net cash/ (borrowings) in HK\$ million	Net cash/ (borrowings) in foreign currency million	Net cash/ (borrowings) in HK\$ million
Hong Kong Dollars		978.2		(3,082.4)
United States Dollars	54.0	421.3	46.9	365.6
British Pound Sterling	1.6	25.5	1.6	23.7
Renminbi	109.1	116.8	128.4	128.4
Total		1,541.8		(2,564.7)

Capital Commitments

Capital commitments outstanding and not provided for in the financial statements of the Group as at 31 December 2007 amounted to HK\$361.9 million (2006: HK\$491.2 million). These commitments are to be financed by borrowings and working capital of the Group. A summary of the capital commitments is set out below:

HK\$ million	2007	2006
Development of Manhattan Hill	45.2	37.2
Purchase of buses and other motor vehicles	58.8	188.3
Purchase of other fixed assets	256.5	263.3
Construction of depots and other depot facilities	1.4	2.4
Total	361.9	491.2

At 31 December 2007, the Group had 41 (2006: 97) buses on order for delivery in 2008 and 22 (2006: 38) buses at various stages of construction.

FUNDING AND FINANCING

Liquidity and Financial Resources

Under the principle of prudent financial management, the Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. The Group's operations were mainly financed by

shareholders' funds, bank loans and overdrafts. Major operating companies of the Group arrange for their own financing to meet their operational and investment requirements. The Group's other subsidiaries are mainly financed by the holding company from its capital base. The Group reviews its funding strategy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. At 31 December 2007, the Group had unutilised banking facilities totalling HK\$692.0 million (2006: HK\$1,254.0 million).

Gearing Ratio and Liquidity Ratio

The gearing ratios and liquidity ratios of the Group at 31 December 2007 and 2006 are set out below:

	2007	2006
Gearing ratio at year-end (the ratio of net borrowings to the total share capital and reserves attributable to equity shareholders of the Company)	Net Cash	0.51
Liquidity ratio at year-end (the ratio of current assets to current liabilities)	2.66	1.39

The Group's net cash at 31 December 2007 amounted to HK\$1,541.8 million (2006: net borrowings of HK\$2,564.7 million). This was attributable to the increase in liquid funds arising from the sales of Manhattan Hill residential units, a portion of which has been utilised to repay all the bank loans in respect of the construction of Manhattan Hill.

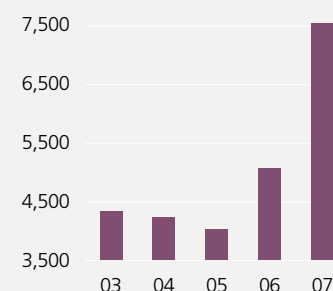
Finance Costs and Interest Cover

For the year ended 31 December 2007, the finance costs incurred by the Group increased to HK\$118.8 million from HK\$106.3 million for 2006. The increase was due mainly to the increase in average bank borrowings during the year and the rise in interest rates. The average interest rate in respect of the Group's borrowings for 2007 was 4.48%, an increase of 14 basis points compared with 4.34% for 2006.

Interest cover, representing the ratio of profit before finance costs and taxation divided by net finance costs (i.e. total finance costs less interest income), was 32.1 times in 2006. For the year ended 31 December 2007, the Group's interest income exceeded the total finance costs by HK\$84.9 million (i.e. a net interest income position).

Shareholders' fund
at 31 December

HK\$ million



Net Cash Flow

The cash flow generated from the operations of franchised public bus business and the sales of Manhattan Hill residential units has been our principal source of liquidity. For the year ended 31 December 2007, there was a net increase in cash and cash equivalents of HK\$600.7 million (2006: HK\$229.0 million) and the sources are set out below:

	2007 HK\$ million	2006 HK\$ million
Net cash generated from/(used in):		
• Operating activities	5,917.7	803.3
• Investing activities	(1,626.0)	(423.2)
• Financing activities	(3,691.0)	(151.1)
	600.7	229.0

In 2007, the net cash inflow generated from the operating and investing activities of the Group was HK\$4,291.7 million (2006: HK\$380.1 million), which mainly included the net effect of: (i) net cash generated from the franchised public bus operations of HK\$622.1 million; (ii) cash proceeds received from the sales of Manhattan Hill residential units of HK\$5,958.0 million; (iii) payment of capital expenditure of HK\$338.3 million; and (iv) payment of interest expenses of HK\$120.5 million.

The net decrease in bank loans in 2007 amounted to HK\$2,250.1 million compared to the net increase of

HK\$674.6 million in 2006. Before the payment of dividends to equity shareholders for 2007, the net cash inflow for 2007 was HK\$2,025.5 million, compared to HK\$1,048.4 million for 2006.

Details of the Group's cash flow movement for the year ended 31 December 2007 are set out in the consolidated cash flow statement on pages 126 and 127 of this Annual Report.

Treasury Policies

The Group's activities are exposed to a variety of financial risks, including potential risks on credit, cash flow and liquidity, interest rate, foreign currency, equity price and fuel price. The overall risk management policies and practices of the Group focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's performance.

Credit Risk

The Group's credit risk is mainly attributable to trade and other receivables, instalments receivable from sale of properties, loans to associates, and unlisted debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all major customers requiring credit over a certain amount for trade and other receivables. For instalments receivable from sale of properties, the properties sold serve as the collateral. Debt investments are only made with counterparties of high credit ratings. Management regularly reviews the recoverability status of the receivables and carries out appropriate follow up actions to minimise the Group's exposure to credit risk. The Group has no significant concentrations of credit risk and it does not provide any guarantee that would expose the Group to credit risk.

Cash Flow and Liquidity Risk Management

Cash flow and liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, which is caused by mismatches between assets and liabilities in terms of their size and/or timing.

The Group has not been exposed to significant cash flow and liquidity risks as a substantial portion of the Group's revenue is generated from the franchised public bus operations, which is essentially received on a cash basis.

Through proper planning and close monitoring of the level of debts, the Group is able to effectively meet its funding and investment requirements.

Interest Rate Risk Management

The Group manages its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. As at 31 December 2007, all of the Group's borrowings were denominated in Hong Kong Dollars and on a floating interest rate basis. This enabled the Group to take advantage of the lower floating interest rates compared to fixed rate financing in 2007. The Group constantly reviews its strategy on interest rate risk management in the light of prevailing market conditions and devises suitable strategies to cope with risk exposure. The Group's major subsidiary, KMB, has been granted a good and stable "A" credit rating by Standard & Poor's since 14 January 2002. With this credit rating, KMB has been able to obtain favourable borrowing rates from financial institutions.

Foreign Currency Risk Management

Foreign currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments and transactions denominated in foreign currencies. The Group's foreign currency exposure mainly arises from the payments for new buses and overseas motor vehicle components, which are denominated in GBP. Although foreign currency exposure does not pose a significant risk to the Group as the levels of foreign currency assets and liabilities are relatively low compared to its total asset base, the Group will continue to closely monitor foreign exchange movements and enter into forward exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. There was no outstanding forward foreign exchange contract as at 31 December 2007.

Equity Price Risk

The Group is exposed to equity price changes arising from investment in equity securities. As the carrying amount of such investments is insignificant compared to the total assets of the Group, management considers the exposure to equity price risk to be insignificant.

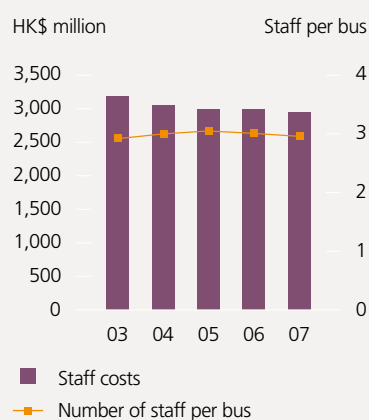
Fuel Price Risk

Management constantly monitors fuel oil price movements. When opportunities arise, it may recommend entering into fuel oil swap contracts to hedge against fuel oil price fluctuations in a strategic manner. There was no outstanding fuel oil swap contract at the year end of 2007.

EMPLOYEES AND REMUNERATION POLICIES

As the provision of transport services is labour intensive, staff costs account for a substantial portion of the total cost of the Group. For the year ended 31 December 2007, the total remuneration of employees of the Group (including employees of the Group's subsidiary companies on the Mainland) amounted to HK\$2,945.7 million compared with HK\$2,979.3 million for 2006. During the year, through natural attrition and continued control of the number of staff to align with the saving in manpower resulting from the implementation of various bus network reorganisation programmes, the headcount of the Group at the year-end of 2007 decreased marginally to 13,338 (2006: 13,425). The Group will continue to closely monitor and align the number and remuneration of its employees against productivity and market trends.

Staff costs and staff per bus
(Franchised Public Bus Operations)



INDIVIDUAL BUSINESS UNITS

FRANCHISED PUBLIC BUS OPERATIONS

The Kowloon Motor Bus Company (1933) Limited ("KMB")

	Unit	2007	2006
Turnover	HK\$ million	5,847.0	5,790.6
Other net income	HK\$ million	95.7	68.3
Total operating expenses	HK\$ million	(5,621.3)	(5,560.3)
Finance costs	HK\$ million	(61.1)	(63.1)
Profit before taxation	HK\$ million	260.3	235.5
Income tax expense	HK\$ million	(46.2)	(19.2)
Profit after taxation	HK\$ million	214.1	216.3
Net profit margin		3.7%	3.7%
Passenger volume	Million passenger trips	1,008.1	1,007.9
Kilometres travelled	Million km	331.2	336.2
Staff number at year-end	Number of staff	12,000	12,133
Fleet size at year-end	Number of buses	4,047	4,021
Total assets value	HK\$ million	5,451.4	5,789.0

The profit after taxation of KMB for the year amounted to HK\$214.1 million (2006: HK\$216.3 million), which included the deemed income of HK\$65.2 million (2006: HK\$52.1 million) determined by independent actuaries in respect of two defined benefit schemes operated by KMB. Such deemed income, which was non-cash in nature, was booked in the income statement of KMB in accordance with the requirement of Hong Kong Accounting Standard 19 "Employee Benefits". If this non-cash item was excluded, the profit after taxation of KMB for 2007 would have been HK\$160.3 million, a decrease of 7.5% compared with HK\$173.3 million for 2006.

KMB's fare revenue for the year amounted to HK\$5,768.8 million, an increase of 0.8% compared with that for 2006. Total ridership for 2007 was 1,008.1 million passenger trips, a slight increase of 0.02% as compared with 1,007.9 million passenger trips for 2006. The strong local economy in 2007 facilitated ridership growth for the public transport market as a whole. However, the increase in the ridership of KMB was below the market

average as it continued to face intense competition from the new railways. With the continuous economic growth of Hong Kong, KMB's advertising revenue for the year increased to HK\$74.7 million, an increase of 15.5% compared with HK\$64.7 million for the previous year.

KMB's total operating expenses for 2007 amounted to HK\$5,621.3 million (2006: HK\$5,560.3 million), representing an increase of HK\$61.0 million compared with that for 2006. Fuel and oil costs for 2007 increased by HK\$89.2 million or 9.1% to HK\$1,071.3 million compared with HK\$982.1 million for 2006 as a result of a drastic upsurge of international fuel oil prices to a historically high level during 2007. The increase in fuel oil costs was largely beyond KMB's control. Nevertheless, we will continue to strive to achieve economies wherever possible.

KMB has been assigned a single "A" corporate rating (outlook: stable) by Standard & Poor's since 14 January 2002.

Long Win Bus Company Limited (“LWB”)

	Unit	2007	2006
Turnover	HK\$ million	303.0	293.1
Other net income	HK\$ million	1.8	3.0
Total operating expenses	HK\$ million	(278.9)	(267.3)
Finance costs	HK\$ million	(4.5)	(6.8)
Profit before taxation	HK\$ million	21.4	22.0
Income tax expense	HK\$ million	(3.6)	(3.5)
Profit after taxation	HK\$ million	17.8	18.5
Net profit margin		5.9%	6.3%
Passenger volume	Million passenger trips	27.7	26.5
Kilometres travelled	Million km	24.9	24.5
Staff number at year-end	Number of staff	443	432
Fleet size at year-end	Number of buses	155	153
Total assets value	HK\$ million	211.6	225.2

The profit after taxation of LWB for the year amounted to HK\$17.8 million (2006: HK\$18.5 million), representing a decrease of HK\$0.7 million or 3.8% compared with that for 2006.

LWB's fare revenue for the year increased by 3.4% from HK\$291.2 million for 2006 to HK\$301.2 million for 2007. The total ridership of LWB in 2007 was 27.7 million (a daily average of 75,804) passenger trips, an increase of 4.5% compared with 26.5 million (a daily average of 72,617) passenger trips in 2006. The increase was due mainly to the continued population intake at Tung Chung New Town and the increased travel demand to and from Hong Kong International Airport (including the newly opened SkyPlaza at Terminal 2) and AsiaWorld-Expo. The advertising revenue of LWB increased to HK\$1.8 million in 2007 from HK\$1.6 million in 2006.

LWB's total operating expenses for the year amounted to HK\$278.9 million (2006: HK\$267.3 million), an increase of HK\$11.6 million compared with that for 2006. The increase was due mainly to increases in fuel costs, staff costs, tunnel toll charges, depreciation as well as other operating expenses as a result of the addition of new buses to meet growing travel demand and the enhancement of service quality. Finance costs for 2007 decreased by HK\$2.3 million

to HK\$4.5 million (2006: HK\$6.8 million) due mainly to the decrease in average bank borrowings compared with the previous year.

NON-FRANCHISED TRANSPORT OPERATIONS

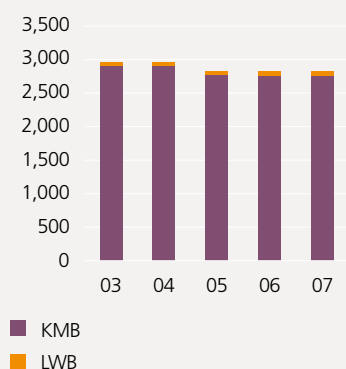
The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$29.1 million for 2007 (2006: HK\$29.6 million), representing a decrease of 1.7% compared with that for the previous year. Turnover increased by 12.7% from HK\$337.1 million for 2006 to HK\$379.9 million for 2007. Details of the operations of the principal business units in this Division are set out as follows:

Sun Bus Holdings Limited and its subsidiaries (the “SBH Group”)

The SBH Group is one of the leading non-franchised bus operators in Hong Kong. It provides tailor-made high quality transport services to a variety of customers. Its fleet serves different sectors and 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.

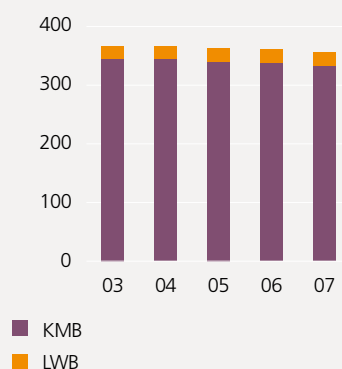
Average number of passenger trips per day (Franchised Public Bus Operations)

Thousand of passenger trips per day



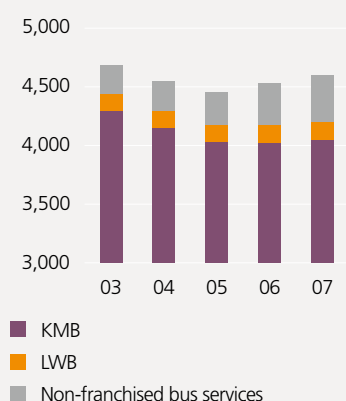
Bus kilometres operated (Franchised Public Bus Operations)

Million kilometres



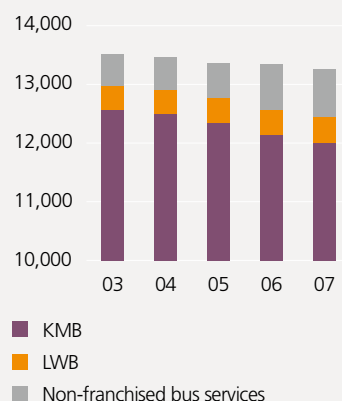
Number of licensed buses at 31 December

Number of buses



Number of staff at 31 December

Number of staff



Turnover of the SBH Group for the year amounted to HK\$196.9 million, an increase of 24.8% compared with that for 2006. The increase was due mainly to the additional revenue generated from the expanded fleet, and the introduction of the new bus routes serving MegaBox and SkyPlaza during the year. However, the

growth in turnover was partly offset by the rise in fuel costs, staff costs and other operating expenses during the year.

At 31 December 2007, the SBH Group had a fleet of 360 buses (2006: 330 buses). During the year, 58 buses (2006: 126 buses) were purchased for business expansion, service enhancement and fleet replacement.

Park Island Transport Company Limited (“PITC”)

PITC provides quality shuttle bus and ferry services for residents of and visitors to Park Island, a prestigious development on Ma Wan Island. For the year 2007, the total patronage of the bus and ferry services of PITC increased by 8.7% to 7.5 million passenger trips (2006: 6.9 million passenger trips). This increase was due mainly to the additional population intake of Park Island and the increase in the number of visitors to Ma Wan Island due to the opening of Phase 1 of Ma Wan Park during the year. In order to meet the increased service demand of the residents and visitors of Ma Wan Island, PITC added six new vehicles, comprising three super-low floor single-deck buses, two coaches and one minibus to its bus fleet in 2007. At 31 December 2007, PITC operated two ferry routes and four bus routes serving Ma Wan Island, with a ferry fleet of seven high-speed catamarans and an air-conditioned bus fleet comprising 17 super-low floor single-deck buses, three diesel-electric hybrid super-low floor single-deck buses, two coaches and two 28-seat minibuses.

New Hong Kong Bus Company Limited (“NHKB”)

NHKB jointly operates a direct, economical, 24-hour cross-boundary shuttle bus service serving regular commuters and holiday travellers between Lok Ma Chau and Huanggang(皇崗)with its Shenzhen(深圳)counterpart. NHKB's patronage decreased by 5.0% from 10.0 million passenger trips for 2006 to 9.5 million passenger trips for 2007. The decrease in patronage was mainly due to the increased competition for patronage from the newly opened Lok Ma Chau Spur Line and public minibus services. At the end of 2007, NHKB operated a total of 15 buses, the same number as at the end of 2006.

PROPERTY HOLDINGS AND DEVELOPMENT

Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale luxurious complex of residential towers located at 1 Po Lun Street, Lai Chi Kok, Kowloon. Manhattan Hill consists of 1,115 residential units with a total gross floor area of more than one million square feet.

The sales of Manhattan Hill's residential units and car parking spaces have commenced since November 2006. In 2007, 835 residential units (2006: 245 residential units) with a total gross floor area (“GFA”) of about 820,000 square feet (2006: 299,000 square feet), representing approximately 69% (2006: 25%) of the total saleable GFA, and 178 car parking spaces (2006: 75 car parking spaces) were sold. These sales generated a profit of HK\$3,507.7 million for 2007 (2006: HK\$1,500.2 million).

At 31 December 2007, completed property held for sale (classified under current assets in the consolidated balance sheet) amounted to HK\$206.3 million (2006: HK\$1,433.4 million).

There were no outstanding bank loans in respect of the construction of Manhattan Hill at 31 December 2007 (2006: HK\$1,283.0 million).

LCK Real Estate Limited (“LCKRE”)

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group for its own use and was stated at cost less accumulated depreciation in the amount of HK\$38.4 million (2006: HK\$40.2 million) on the consolidated balance sheet as at 31 December 2007.

LCK Commercial Properties Limited (“LCKCP”)

On 20 December 2007, the commercial accommodation of Manhattan Hill was transferred from LCKPI to LCKCP, a wholly-owned subsidiary of the Group. LCKCP is currently the owner of the two-level retail podium of Manhattan Hill, which will be developed into a shopping mall with about 50,000 square feet for rental purpose. LCKCP had capital commitment of HK\$45.2 million (2006: Nil) as at 31 December 2007.

MEDIA SALES BUSINESS

RoadShow Holdings Limited and its subsidiaries (the "RoadShow Group")

HK\$ million	2007	2006
Turnover	134.3	176.5
Other revenue	57.3	89.9
Total operating expenses	(143.0)	(209.4)
Finance costs	(1.7)	(1.6)
Share of profit of associate	12.5	6.4
Profit before taxation	59.4	61.8
Income tax expense	(2.0)	(7.4)
Profit after taxation	57.4	54.4
Minority interests	(7.8)	(23.6)
Profit after taxation and minority interests	49.6	30.8

For the year ended 31 December 2007, the RoadShow Group reported a total operating revenue of HK\$191.6 million (2006: HK\$266.4 million) and a profit attributable to equity shareholders of HK\$49.6 million (2006: HK\$30.8 million).

The total operating expenses of the RoadShow Group for 2007 amounted to HK\$143.0 million, a decrease of 31.7% compared to HK\$209.4 million for 2006.

The profit attributable to equity shareholders of the RoadShow Group comprised segment profits derived from Hong Kong operations of HK\$25.6 million (2006: HK\$7.3 million) and China Mainland operations of HK\$24.0 million (2006: HK\$23.5 million). The overall performance in 2007 remained steady. In general, the results reflected the continuing prudent and focused expansion strategy of the RoadShow Group in both Hong Kong and the China Mainland.

Further information relating to the RoadShow Group is available in its 2007 final results announcement and annual report.

MAINLAND TRANSPORT OPERATIONS

At 31 December 2007, the Group's total interests in associates and jointly controlled entities within the Mainland Transport Operations Division amounted to HK\$702.2 million (2006: HK\$680.0 million).

Such investments are mainly related to the operation of passenger public transport services in Dalian(大連), Wuxi(無錫) and Shenzhen(深圳), and taxi and car rental services in Beijing(北京). For the year ended 31 December 2007, the Group's Mainland Transport Operations Division reported a profit of HK\$16.2 million, representing a decrease of HK\$28.9 million or 64.1% compared to HK\$45.1 million for 2006. The decrease was mainly due to the increases in the fuel expenses and staff costs of our associates on the Mainland.

Dalian

This co-operative joint venture ("CJV") in Dalian, Liaoning Province(遼寧省) was established in July 1997 by 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). The Group's net investment in the CJV was HK\$12.0 million as at 31 December 2007 (2006: HK\$12.0 million). The Dalian co-operative joint venture has a fleet of about 84 single-deck buses operating on three routes serving Dalian City. The business of this CJV remained stable in 2007.

Beijing

Beijing Beiqi Kowloon Taxi Company Limited(北京北汽九龍出租汽車股份有限公司)("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders 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. The Group has invested RMB80.0 million (HK\$75.5 million) in BBKT, representing an equity interest of 31.38%. BBKT principally engages in taxi hire and car rental businesses with a fleet of around 4,300 vehicles and about the same number of employees. It made steady progress and continued to record a profit in 2007.

Wuxi

Wuxi Kowloon Public Transport Company Limited(無錫九龍公共交通股份有限公司)("WKPT") is a Sino-foreign joint stock company in which the Group has 45% interest, was established in Wuxi City, Jiangsu Province(江蘇省無錫市) in February 2004. The Group has invested RMB135.4 million (HK\$127.2 million) in WKPT. WKPT currently operates around 1,859 public buses serving

some 128 routes. WKPT recorded a ridership of 277.8 million passenger trips for 2007, representing an increase of 2% compared with 2006. It made steady progress and continued to record a profit for the year ended 31 December 2007.

Shenzhen

Shenzhen Bus Group Company Limited(深圳巴士集團股份有限公司)("SBG"), which commenced operation in January 2005, 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, and four other Mainland investors. The Group has invested RMB387.1 million (HK\$363.9 million) in SBG, representing a stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province(廣東省深圳市), which includes the Shenzhen Special Economic Zone and the Bao-an(寶安) and Longgang(龍崗) areas, with about 4,248 vehicles serving some 175 routes. It recorded a ridership of 748.2 million passenger trips for 2007, representing an increase of 8% compared to 2006. The profit of SBG significantly declined in 2007 due mainly to intense competition from the underground railway and a heavier cost burden resulting from the continuous upsurge of fuel prices.

Summary of Investments in Mainland Transport Operations

	Dalian	Beijing	Wuxi	Shenzhen
Nature of business	Bus services	Taxi and car rental services	Bus services	Bus and taxi hire services
Form of business structure	Co-operative joint venture	Sino-foreign joint stock company	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	August 1997	April 2003	March 2004	January 2005
The Group's investment cost (RMB million)	12	80	135	387
The Group's effective interest	30%	31.38%	45%	35%
Fleet size at year-end 2007 (Number of vehicles)	84	4,307	1,859	4,248
Bus passenger volume (Million trips)	19.5	N/A	277.8	748.2
Bus kilometres travelled (Million km)	5.0	N/A	89.4	307.7
Staff number at year-end 2007	265	4,307	4,824	14,228

CONTINUING CONNECTED TRANSACTIONS

The particulars of the following continuing connected transactions of the Group are set out below in compliance with the reporting requirements of Chapter 14A of the Listing Rules:

THE GROUP

Transactions with Sun Hung Kai Properties Insurance Limited ("SHKPI")

As detailed in note 36(a)(ii) to the financial statements on page 174 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), during the year pursuant to which SHKPI agreed to provide insurance coverage and services to the Group (the "2007 Insurance Arrangements"), and such insurance policies took effect from 1 January 2007 for a period of one year. The transactions under the 2007 Insurance Arrangements constitute continuing connected transactions of the Company under the Listing Rules. For the year ended 31 December 2007, the annual insurance premium paid by the Group to SHKPI amounted to HK\$65,029,000. On 6 December 2007, the Group further entered into various insurance arrangements (the "2008 Insurance Arrangements") with SHKPI pursuant to which SHKPI will continue to provide insurance coverage and services to the Group. The insurance policies entered into pursuant to the 2008 Insurance Arrangements commenced on 1 January 2008 and will last for one year from the effective date of the policies. It is estimated that the annual insurance premium paid and payable by the Group to SHKPI under the 2008 Insurance Arrangements for the financial year ending 31 December 2008 will not exceed HK\$71,500,000. The transactions under the 2007 Insurance Arrangements and the 2008 Insurance Arrangements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirement. Particulars of these connected transactions were disclosed in the announcements of the Company dated 28 December 2006 and 10 December 2007.

PARK ISLAND TRANSPORT COMPANY LIMITED ("PITC")

Transactions with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW")

Pursuant to an agreement dated 23 May 2001 entered into between PITC and SHKMW, a wholly-owned subsidiary of SHKP (the "Transport Agreement"), SHKMW engaged

PITC as the operator of the bus and ferry services to, from and within Ma Wan Island. The Transport Agreement was subsequently amended and supplemented by five supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005 and 28 November 2006 (the "2006 Supplemental Agreement") (together, the "Previous Supplemental Agreements"), with the operating term extended to 13 December 2007. On 6 December 2007, PITC and SHKMW entered into another supplemental agreement (the "2007 Supplemental Agreement") to further extend the operating term for a period of one year from 14 December 2007 to 13 December 2008, and to amend certain terms and conditions of the Transport Agreement. The transactions executed under the Transport Agreement, as modified by the Previous Supplemental Agreements and the 2007 Supplemental Agreement, constitute continuing connected transactions of the Company under the Listing Rules. Particulars of these connected transactions were disclosed in the announcements of the Company dated 25 May 2001, 5 December 2006 and 10 December 2007. As detailed in note 36(a)(vii) to the financial statements on page 175 of this Annual Report, the annual permitted return to which PITC was entitled for the year ended 31 December 2007 was HK\$8,054,000. It is estimated that the permitted return for the period from 1 January 2008 to 13 December 2008 will not exceed HK\$15,665,000.

LAI CHI KOK PROPERTIES INVESTMENT LIMITED ("LCKPI")

Letting and Sales Agency Agreement, and Management Agreement

LCKPI entered into a Letting and Sales Agency Agreement with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and car parking spaces of Manhattan Hill (the "Original Agreement"). On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement entered into between LCKPI and SHKRE (the "Letter Agreement"), pursuant to which LCKPI continues to appoint SHKRE as the exclusive letting and sales agent under the same terms and conditions of the Original Agreement except that the aggregate amount of the agency fees payable under the Original Agreement and the Letter Agreement shall not exceed HK\$65,000,000. The appointment of SHKRE under the Letter Agreement shall be for a period of three years commencing from the date of the Letter Agreement.

As detailed in note 36(a)(iv) to the financial statements on page 174 of this Annual Report, the letting and sales agency fees paid by LCKPI to SHKRE amounted to HK\$44,085,000 for the year ended 31 December 2007. The amount of letting and sales agency fees paid under the Original Agreement by LCKPI to SHKRE from 1 January 2007 to the date of the Letter Agreement was HK\$16,478,000. Particulars of these connected transactions were disclosed in the announcements of the Company dated 21 July 2003 and 16 August 2007.

LCKPI also entered into a Management Agreement with Hong Yip Service Company Limited ("Hong Yip"), a subsidiary of SHKP, on 17 July 2003 to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in the deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a unit of the completed Manhattan Hill. On 21 June 2007, LCKPI entered into a supplemental deed with Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP (the "Supplemental Deed"), pursuant to which LCKPI appointed Royal Elite as the manager of Manhattan Hill in place of Hong Yip. All terms defined in the Management Agreement are adopted in the Supplemental Deed. For the year ended 31 December 2007, the amount of management fee paid and payable by LCKPI to Royal Elite was HK\$10,271,000.

The transactions contemplated under each of the aforesaid two agreements constitute continuing connected transactions of the Company under the Listing Rules.

CONDITIONAL WAIVERS

In compliance with the conditional waivers granted to the Company by The Stock Exchange of Hong Kong Limited from strict compliance with the requirement of disclosure by public announcement as stipulated in Chapter 14A of the Listing Rules in connection with the foregoing continuing connected transactions with SHKPI, SHKMW, SHKRE and Royal Elite on each occasion they arise, the Directors including the Independent Non-executive Directors of the Company have reviewed and confirmed that:-

1. each of the foregoing continuing connected transactions with SHKPI, SHKMW, SHKRE and Royal Elite was entered into:-
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms,

on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2007 did not exceed the cap amount of HK\$82,000,000 as disclosed in the announcement dated 28 December 2006;
3. the permitted return for the period from 1 January 2007 to 13 December 2007 entitled by PITC under the Transport Agreement, as modified by the 2006 Supplemental Agreement, did not exceed the cap amount of HK\$17,512,000 as disclosed in the announcement dated 5 December 2006;
4. the permitted return for the period from 14 December 2007 to 31 December 2007 entitled by PITC under the Transport Agreement, as modified by the 2007 Supplemental Agreement, did not exceed the cap amount of HK\$810,000 as disclosed in the announcement dated 10 December 2007;
5. the agency fees for the year ended 31 December 2007 paid by LCKPI under the Original Agreement and the Letter Agreement did not exceed the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2006;
6. the agency fees for the year ended 31 December 2007 paid by LCKPI under the Letter Agreement did not exceed the cap amount of HK\$48,522,000, and the aggregate amount of the agency fees paid under the Original Agreement and the Letter Agreement did not exceed the cap amount of HK\$65,000,000, as disclosed in the announcement dated 16 August 2007; and
7. the annual aggregate amount for the year ended 31 December 2007 paid or payable by LCKPI under the Management Agreement did not exceed the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2006.

The auditors of the Company had also performed agreed-upon procedures on the above continuing connected transactions and on the basis of such procedures, advised the Board that the continuing connected transactions (a) had received the approval of the boards of directors of the relevant companies; (b) had been entered into in accordance with the relevant agreements governing the transactions; and (c) had not exceeded the caps as stated above.

DIRECTORS' PROFILES



The Hon Sir Sze-yuen CHUNG*

GBM, GBE, PhD, FREng, JP

Chairman and Independent Non-executive Director, aged 90. Sir Sze-yuen Chung has been the Chairman and an Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 12 August 1999. He is an Independent Non-executive Director of both CLP Holdings Limited and Sun Hung Kai Properties Limited. The latter is a substantial shareholder of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. He is also the Pro-Chancellor of The Hong Kong University of Science and Technology. Sir Sze-yuen Chung has contributed significantly in Hong Kong's political, industrial, social and tertiary education fields for over four decades. He was Senior Member of Hong Kong Legislative Council (1974-78), Executive Council (1980-88), and again Convenor of HKSAR Executive Council (1997-99). He was Chairman of Federation of Hong Kong Industries (1966-70), Hong Kong Productivity Council (1974-78), President of Engineering Society of Hong Kong (1960-61) and Hong Kong Academy of Engineering Sciences (1994-97). He established Hong Kong Polytechnic in 1972, City Polytechnic in 1984, The Hong Kong University of Science and Technology in 1991 and Hospital Authority in 1990. He was deeply involved in the Sino-British Negotiation on Hong Kong's future (1982-85) and the establishment of the Hong Kong Special Administrative Region (1992-97).



Dr Norman LEUNG Nai Pang*

GBS, JP, LLD, BA

Deputy Chairman and Independent Non-executive Director, aged 67. Dr Leung has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He is the Executive Deputy Chairman of Television Broadcasts Limited and a Director of Wing Lung Bank Limited. As for public service, he is the Commissioner of Civil Aid Service and the Pro-Chancellor of the City University of Hong Kong.



KWOK Ping-luen, Raymond

JP, MA(Cantab), MBA, Hon DBA, Hon LLD

Director, aged 54. Mr Kwok has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 September 1981 and 8 May 1997 respectively. Mr Kwok holds a Master of Arts Degree in Law from Cambridge University, a Master Degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. He is also Chairman of SUNeVision Holdings Ltd., Chairman of SmarTone Telecommunications Holdings Limited, a Non-executive Director of USI Holdings Limited and an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port Development Council and Vice Chairman of the Council of The Chinese University of Hong Kong. Mr Kwok is the younger brother of Mr Kwok Ping-sheung, Walter, who is a Director of the Company.



KWOK Ping-sheung, Walter

JP, MSc(Lond), DIC, MICE

Director, aged 57. Mr Kwok has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 15 November 1990 and 8 May 1997 respectively. He holds a Master of Science degree in Civil Engineering from Imperial College of Science and Technology, University of London, and is a Member of the Institution of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is currently the Chairman and Chief Executive of Sun Hung Kai Properties Limited, a substantial shareholder of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, an Executive Director of SUNeVision Holdings Ltd., and a Director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd. Mr Kwok is also a Director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners.

On the community front, he is the Member of the Former Directors Committee of The Hong Kong Community Chest. He is also a Member of MBA Programmes Committee of The Chinese University of Hong Kong and an Honorary Member of The Court of The Hong Kong University of Science and Technology. Mr Kwok is an Honorary Citizen of Beijing & Guangzhou and a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Kwok is the elder brother of Mr Kwok Ping-luen, Raymond, who is a Director of the Company.



NG Siu Chan

Director, aged 77. Mr Ng has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 1983 and 8 May 1997 respectively. Mr Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited. Mr Ng is the father of Ms Winnie Ng, who is a Director and Executive Director of the Company, KMB, LWB and KMB (China) Holdings Limited, and also founder and Group Managing Director of RoadShow Holdings Limited.



William LOUEY Lai Kuen

BSc(Econ)

Director, aged 48. Mr Louey has been a Director of Transport International Holdings Limited since 4 September 1997. He has been acting as Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 14 January 1993 and 8 May 1997 respectively. Mr Louey has previously worked for an international merchant bank in the United Kingdom for five years and an international accounting firm in the United Kingdom for three years. In 1995, he set up the William S D Louey Educational Foundation in memory of his grandfather, Mr William S D Louey, to finance outstanding students from China and Hong Kong to further their education abroad. Having aware of the success of the Foundation, Mr Louey was invited to become a committee member of the Hong Kong Oxford Scholarship Fund in 1999. Mr Louey has also served as an Executive Committee Member of The Friends of Cambridge University in Hong Kong since 2003. The Friends of Cambridge University is the sponsor of the Prince Philip Scholarship.

(*Independent Non-executive Director)



John CHAN Cho Chak

GBS, JP, DBA(Hon), BA, DipMS, CCMI, FCILT, FHKIoD

Managing Director, aged 64. Mr Chan was the Managing Director of Transport International Holdings Limited (the "Company") from 4 September 1997 to 7 April 2008; the Managing Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") from 1 November 1993 to 31 December 2006 and from 8 May 1997 to 31 December 2006 respectively; the Senior Executive Director of KMB and LWB from 1 January 2007 to 7 April 2008; and a Non-executive Director of the Company, KMB and LWB since 8 April 2008. He is also the Chairman and Non-executive Director of RoadShow Holdings Limited, an indirect subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited and an Independent Non-executive Director of Hang Seng Bank Limited and Guangdong Investment Limited. He was formerly an Independent Non-executive Director of the Hong Kong Exchanges and Clearing Limited, 2000-03 and a member of the Hong Kong Civil Service, 1964-78 and 1980-93. Key posts held in Government included Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. Also former Executive Director and General Manager of Sun Hung Kai Finance Company Limited, 1978-80. Chairman of the Hong Kong Jockey Club, Vice Patron of The Community Chest, Chairman of the Council of The Hong Kong University of Science and Technology, Member of the Advisory Committee on Corruption and Member of the East Asian Games Planning Committee. In December 2000, Mr Chan won the Executive Award in the DHL/SCMP HK Business Awards 2000 and received an Honorary University Fellowship from The University of Hong Kong.



Charles LUI Chung Yuen

M.H., BEc, AASA, FCILT

Executive Director, aged 73. Mr Lui has been a Director of Transport International Holdings Limited since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited ("KMB (China)") on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003.



Winnie NG

BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD

Executive Director, aged 44. Ms Ng has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and KMB (China) Holdings Limited ("KMB (China)") since 4 September 1997, 12 October 1995 and 1 September 1997 respectively. She is also founder and Group Managing Director of RoadShow Holdings Limited. Ms Ng joined the Group in 1990 and since then has looked after various portfolios including business development, marketing and sales, customer service, procurement, insurance, facilities management, and corporate relations. She has successfully revamped and rejuvenated KMB's image and positioned KMB as a powerful out-of-home media sales tool by raising the profiles of bus body, bus shelter, and in-bus advertising. She was appointed Commercial Director in 1999 and then Executive Director of the Company, KMB and KMB (China) in 2001. In 2003, Ms Ng won the Yazhou Zhoukan Young Chinese Entrepreneur Award and in 2006 was named one of China's One Hundred Outstanding Women Entrepreneurs; she was also named a Mason Fellow of Harvard University in 2006. Active in public service, she is Director of Bauhinia Foundation Research Centre; Director of HK Cyberport; Board Member of Agency for Volunteer Service; Council Member of Better HK Foundation; PR Committee Member of Community Chest; Executive Committee Member of HK Council of Social Service; Hospital Governing Committee Member of Queen Elizabeth Hospital, and Director of Habitat for Humanity China. Ms Ng is also Vice Chairman of Council of China's Foreign Trade, China Council for the Promotion of International Trade and Vice Board Chairman of Council of World Market, Shanghai Foreign Economic Relation & Trade Commission. Ms Ng is daughter of Mr Ng Siu Chan, who is a Director of the Company. Ms Ng holds an MBA degree from the University of Chicago and an MPA degree from Harvard University.



Dr KUNG Ziang Mien, James*

GBS, OBE

Independent Non-executive Director, aged 77. Dr Kung has been the Independent Non-executive Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 16 July 1998. He retired from the Chairman and CEO of Chekiang First Bank Ltd, after 53 years of service. Dr Kung graduated from the Soochow University Law School with a degree of LLB in 1950. He was conferred Doctor of Laws, LL.D (honoris causa) by The Chinese University of Hong Kong in 1990; DBA, Doctor of Business Administration (honoris causa) by Hong Kong Polytechnic in 1991 and Doctor of Laws (honoris causa) by The University of Hong Kong in 2000. Dr Kung was awarded OBE by Her Majesty the Queen in 1994. Diplomatic Service: 1989 – 2007, Honorary Consul of Luxembourg. Other awards include Grand Officer of Order of Merit of the Grand Duchy of Luxembourg in 1994, Chevalier de la Légion d'Honneur of France in 1996, Commander in the Order of Leopold II of Belgium in 1997, Officier de la Légion d'Honneur in 2000, Commandeur de la Légion d'Honneur in 2003 and Grand Officier de la Légion d'Honneur in 2007. Dr Kung is Chairman of the Hong Kong Digestive Foundation, Former Member of the Exchange Fund Advisory Committee and the Land Fund Advisory Committee, Member of the Advisory Council, One Country Two Systems Research Institute, Chairman of the HKU-Pasteur Research Centre Ltd, President of the Légion d'Honneur Club Hong Kong Chapter.

(*Independent Non-executive Director)



George CHIEN Yuan Hwei

MSc(Lond), BSc(Eng), DIC, FICE, CEng, PEng, FITE

Director, aged 70. Mr Chien has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 16 July 1998. He was the Alternate Director to Mr Kwok Ping-sheung, Walter during the period from 8 June 1995 to 13 October 1998 inclusive. He is a member of the Audit Committee of the Company. Mr Chien is the holder of "Transportation Advisor" post in Sun Hung Kai Properties Limited, a substantial shareholder of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Previously worked for the Toronto Transit Commission in Canada for more than 10 years and in the ex-Public Works Department of the Hong Kong Government for about 24 years.



Dr Eric LI Ka Cheung*

GBS, OBE, JP, LLD, DSocSc, BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Independent Non-executive Director, aged 54. Dr Li has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 10 December 1998. Dr Li was appointed an Independent Non-executive Director of RoadShow Holdings Limited since 16 September 2004. He is the Senior Partner of Li, Tang, Chen & Co., Certified Public Accountants. Dr Li is an independent non-executive director of SmarTone Telecommunications Holdings Limited, Wong's International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited, Meadville Holdings Limited and Bank of Communications Co. Ltd., all of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was formerly an independent non-executive director of China Vanke Co., Ltd., Sinofert Holdings Limited and CATIC International Holdings Limited. He is also a non-executive director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company as defined in the Rules Governing the Listing of Securities on the Stock Exchange. He is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit Committee of the Company.



Edmond HO Tat Man

MA(Cantab), MBA, CMILT, MHKIoD

Deputy Managing Director, aged 46. Mr Ho has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 1 January 2001. He joined KMB in September 1998 and served as Finance and Administration Director from January 1999 to April 2003. Mr Ho was promoted to Deputy Managing Director of the Company, KMB and LWB with effect from 10 January 2002. He has been appointed as Managing Director of KMB and LWB since 1 January 2007 and Managing Director of the Company with effect from 8 April 2008. Posts previously held by him included Investment Director of a merchant bank and executive director of a number of transport infrastructure management and investment companies in Hong Kong and on the Mainland. He was also former director of four Sino-foreign joint venture companies of an international leading soft drink brand. Mr Ho holds a master's degree in engineering from Cambridge University and an MBA degree from The University of Hong Kong.



SIU Kwing-chue, Gordon*

GBS, CBE, JP, MSS(Birmingham, UK)

Independent Non-executive Director, aged 62. Mr Siu was appointed Independent Non-executive Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 26 October 2004. Mr Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in July 2002 with a service of over 36 years. His recent positions in Government included Deputy Secretary for the Civil Service (1981-1985), Secretary-General of OMELCO (1985-1988), Postmaster General (1988-1989), Commissioner for Transport (1989-1992), Director, New Airport Projects Co-ordination Office (1992-1993), Secretary for Economic Services (1993-1996), Secretary for Transport (1996-1997), Head, Central Policy Unit (1997-1999) and Secretary for Planning, Environment & Lands (1999-2002). Mr Siu was awarded the honours of Commander of the Most Excellent Order of the British Empire (CBE) in 1997 and Gold Bauhinia Star (GBS) in 2002, and appointed a non-official Justice of the Peace in 2003.



John Anthony MILLER

OBE, JP, MPA(Harvard), BA(Lond)

Director, aged 57. Mr Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. Mr Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization in Geneva. Key positions held over a career spanning 35 years prior to Mr Miller's retirement include Permanent Secretary for Financial Services and the Treasury 2002-2004, Director of Housing and Chief Executive of the Housing Authority 1996-2002, Director-General of Trade 1993-1996, Director of Marine 1991-1993, Information Coordinator in the Chief Secretary's Office 1989-1991 and Private Secretary to the Governor 1979-1982. Mr Miller has been a Non-executive Director of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited since 12 November 2007. Mr Miller holds an MPA degree from Harvard University and a BA degree from London University.

(*Independent Non-executive Director)

SENIOR MANAGEMENT

John CHAN Cho Chak GBS, JP, DBA(Hon), BA, DipMS, CCMI, FCILT, FHKIoD

Aged 64. Managing Director of Transport International Holdings Limited. Senior Executive Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Also Chairman and Non-executive Director of RoadShow Holdings Limited. Brief biography of Mr Chan is set out on page 104 of this Annual Report.

Charles LUI Chung Yuen M.H., BEc, AASA, FCILT

Aged 73. Executive Director of Transport International Holdings Limited. Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Also Chairman of KMB (China) Holdings Limited. Brief biography of Mr Lui is set out on page 104 of this Annual Report.

Winnie NG BA, MBA(Chicago), MPA(Harvard), FCIM, CMILT, MHKIoD

Aged 44. Executive Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited and KMB (China) Holdings Limited. Also founder and Group Managing Director of RoadShow Holdings Limited. Brief biography of Ms Ng is set out on page 105 of this Annual Report.

Edmond HO Tat Man MA(Cantab), MBA, CMILT, MHKIoD

Aged 46. Deputy Managing Director of Transport International Holdings Limited. Managing Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Also Managing Director of KMB (China) Holdings Limited. Brief biography of Mr Ho is set out on page 106 of this Annual Report.

William HO Sai Kei BBA, CA(Canada), FCPA, MHKIoD

Aged 40. Qualified Accountant of Transport International Holdings Limited. Also Finance and Administration Director of The Kowloon Motor Bus Company (1933) Limited. Mr Ho joined the Group in 2003 and had previously held senior finance positions in two groups of companies listed on The Stock Exchange of Hong Kong Limited. He also has over nine years of experience in public accounting in Canada and Hong Kong.

James Conrad LOUEY BSc

Aged 43. Commercial Director of The Kowloon Motor Bus Company (1933) Limited ("KMB"). Mr Louey joined KMB in 1990 and was appointed as Head of Human Resources Department in 1993. On community service, he is currently a member of the Ninth and the Tenth Session Henan provincial committee of the Chinese People's Political Consultative Conference.

Tim IP Chung Tim BSocSc, MSc, DIC, CMILT

Aged 54. Operations Director of The Kowloon Motor Bus Company (1933) Limited ("KMB"). Mr Ip joined KMB in 1981 as Senior Transport Planner and was promoted to Planning, Marketing and Development Manager in 1989. After two years overseas, Mr Ip re-joined KMB in 1994 as Assistant to General Manager. He was appointed Head of Traffic Department in 1999 and assumed the post of Operations Director in May 2007. Mr Ip was a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong from 1994 to 2002 and is a member of the Management Committee of Rehabus.

Winnie W Y HO BA

Aged 38. Corporate Affairs Director of The Kowloon Motor Bus Company (1933) Limited ("KMB"). Ms Ho was a member of the Administrative Officer Grade of the Hong Kong Civil Service between 1991 and 2004 and has held directorate positions in the tourism, aviation and environment portfolios. She was Director, Government Relations of an international theme park company prior to joining KMB in 2007.

CORPORATE EXECUTIVES

Name	Position
Transport International Holdings Limited	
Lana WOO MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
The Kowloon Motor Bus Company (1933) Limited	
Lana WOO MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
Peter S H MACK MBA, MSc(Finance), LLB(Peking), ACA, CPA, ACIS	Head of Accounts Department
Susanne HO	Head of Corporate Communications Department
CHAN Pik Yin BA	Head of Customer Service Department
Thomas T M TONG MSc, MBA, CEng, MStructE, MHKIE, RPE, AP, RSE	Head of Facilities Management Department
Doris K K LAU ACA, CPA	Head of Financial Planning and Costing Department
Sharon Y C CHENG BA	Head of Human Resources Department
Tommy H T LEUNG BSc, DMS	Head of Information Technology Department
Alice LUK BBA, ANZIIF(Snr Assoc), MCIArb	Head of Insurance Department
Thomas M L LEUNG BSc(Hons), ACA, FCCA, CPA, CGA	Head of Internal Audit Department
Queenie L M YAU BBA	Head of Office Administration Department
Mark LEUNG BBA, CMILT	Head of Planning and Development Department
Lisa L M NG BA	Head of Purchasing Department
LEUNG Kin Wang BSc, MIMechE, CEng	Head of Service Department
SHUM Yuet Hung BSc(Eng), MSc, MSc(Eng), MBA, MIRTE, FIMechE, CEng, MHKIE, ACGI, MSOE	Principal Engineer, Bus Engineering
Wendy W M SIU BA, CMILT	Head of Traffic Department
TSANG Lap Chung	Head of Treasury Department
WAN Kin Tim BSc	General Manager (Kowloon Bay Depot)
LUI Yuk Fan	General Manager (Lai Chi Kok Depot)
HO Chi Man MA, CMILT	General Manager (Sha Tin Depot)
WOO Kin Keung	General Manager (Tuen Mun Depot)
Long Win Bus Company Limited	
Kenrick FOK CMILT	General Manager
Lana WOO MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
KMB (China) Holdings Limited and New Hong Kong Bus Company Limited	
Simon TU MBA, CMILT	General Manager
Sun Bus Holdings Limited	
Benjamin C H WONG CMILT	General Manager
Park Island Transport Company Limited	
Sammy C B SIN MILT	General Manager
RoadShow Holdings Limited	
Ramond YIU Wing Hong BBA	Marketing and Sales Director (Hong Kong & Greater China)
Lisa HUI Ping Sum BSc	Commercial Director
Jo MAN Miu Sheung ACA, CPA, ACIS, ACS	Finance and Administration Director and Company Secretary

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report and the audited financial statements for Transport International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2007.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services. Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

The Group's turnover and profit are mainly attributable to transport operations, property development and media sales business. The analysis of the principal activities of the Group during the financial year is set out in note 12 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 121 to 177 of this Annual Report.

An analysis of the results and financial position of the Group is set out on pages 88 to 101 of this Annual Report.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of HK\$3,847,678,000 (2006: HK\$1,838,014,000) have been transferred to reserves. Other movements in reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

An ordinary interim dividend of 45 cents per share (2006: 45 cents per share) and a special interim dividend of HK\$1.50 per share (2006: Nil) were paid to the shareholders on 17 October 2007. The Directors now recommend that an ordinary final dividend of HK\$1.58 per share (2006: HK\$1.58 per share) and a special final dividend of HK\$2.00 per share (2006: Nil) in respect of the year ended 31 December 2007 be paid to the shareholders on 30 May 2008.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$1,181,000 (2006: HK\$1,499,000).

FIXED ASSETS

During the year, major additions to the fixed assets of the Group were buses under construction with a total cost of HK\$147,994,000 and tools and other fixed assets with a total cost of HK\$263,718,000. Buses with a total cost of HK\$191,068,000 were licensed and put into service during the year following the completion of construction. Other movements in fixed assets during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the financial statements. There were no movements during the year.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

The Hon Sir Sze-yuen CHUNG*, <i>GBM, GBE, PhD, FREng, JP</i>	(Chairman)
Dr Norman LEUNG Nai Pang*, <i>GBS, JP</i>	(Deputy Chairman)
KWOK Ping-luen, Raymond, <i>JP</i>	
KWOK Ping-sheung, Walter, <i>JP</i>	
NG Siu Chan	
William LOUEY Lai Kuen	
John CHAN Cho Chak, <i>GBS, JP</i>	(Managing Director)
Charles LUI Chung Yuen, <i>M.H.</i>	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan with effect from 1 July 2007)
Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i>	
George CHIEN Yuan Hwei	
Dr Eric LI Ka Cheung*, <i>GBS, OBE, JP</i>	
Edmond HO Tat Man	(Deputy Managing Director)
SIU Kwing-chue, Gordon*, <i>GBS, CBE, JP</i>	
John Anthony MILLER, <i>OBE, JP</i>	(Appointed on 1 March 2008)
KUNG Lin Cheng, Leo	(Alternate Director to Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i>)
YUNG Wing Chung	(Alternate Director to Mr KWOK Ping-luen, Raymond, <i>JP</i> and Mr KWOK Ping-sheung, Walter, <i>JP</i> . Ceased to be Alternate Director to Mr KWOK Ping-sheung, Walter, <i>JP</i> with effect from 1 May 2007)
WONG On Ning, Orlena	(Alternate Director to Mr KWOK Ping-sheung, Walter, <i>JP</i> with effect from 1 May 2007)
LUI Pochiu	(Retired on 18 May 2007)

* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), The Hon Sir Sze-yuen Chung, Mr Ng Siu Chan, Mr John Chan Cho Chak, Dr Kung Ziang Mien, James, Mr Siu Kwing-chue, Gordon and Mr John Anthony Miller retire from the Board by rotation and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 102 to 107 of this Annual Report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2007 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

(i) Interests in Issued Shares

(a) The Company

	Ordinary shares of HK\$1 each					Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	
The Hon Sir Sze-yuen CHUNG*	18,821	—	—	—	18,821	0.005%
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-luen, Raymond	393,350	—	—	—	393,350	0.097%
KWOK Ping-sheung, Walter	61,522	—	—	—	61,522	0.015%
NG Siu Chan	—	21,000,609	—	—	21,000,609	5.203%
William LOUEY Lai Kuen	6,246,941	4,475	—	—	6,251,416	1.549%
John CHAN Cho Chak	2,000	—	—	—	2,000	—
Charles LUI Chung Yuen	12,427	—	—	2,651,750 (Note 1)	2,664,177	0.660%
Winnie NG	41,416	—	—	21,000,609 (Note 2)	21,042,025	5.213%
Dr KUNG Ziang Mien, James*	—	—	172,000	—	172,000	0.043%
George CHIEN Yuan Hwei	2,000	—	—	—	2,000	—
Dr Eric Li Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
KUNG Lin Cheng, Leo (Alternate Director to Dr KUNG Ziang Mien, James*)	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-luen, Raymond)	—	—	—	—	—	—
WONG On Ning, Orlena (Alternate Director to Mr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* Independent Non-executive Director

Notes:

- 1 Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 2,651,750 shares in the Company.
- 2 Ms Winnie Ng has interest in 21,000,609 shares in the Company as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(i) Interests in Issued Shares (continued)

(b) RoadShow Holdings Limited ("RoadShow"), a subsidiary of the Company

	Ordinary shares of HK\$0.1 each					Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	
The Hon Sir Sze-yuen CHUNG*	4,000	—	—	—	4,000	—
Dr Norman LEUNG Nai Pang*	—	—	—	—	—	—
KWOK Ping-uen, Raymond	37,400	—	—	—	37,400	0.004%
KWOK Ping-sheung, Walter	6,600	—	—	—	6,600	0.001%
NG Siu Chan	—	123,743	—	—	123,743	0.012%
William LOUEY Lai Kuen	412,371	—	—	—	412,371	0.041%
John CHAN Cho Chak	—	—	—	—	—	—
Charles LUI Chung Yuen	—	—	—	209,131 (Note 1)	209,131	0.021%
Winnie NG	1,000,000	—	—	123,743 (Note 2)	1,123,743	0.113%
Dr KUNG Ziang Mien, James*	—	—	500,000	—	500,000	0.050%
George CHIEN Yuan Hwei	—	—	—	—	—	—
Dr Eric LI Ka Cheung*	—	—	—	—	—	—
Edmond HO Tat Man	—	—	—	—	—	—
SIU Kwing-chue, Gordon*	—	—	—	—	—	—
KUNG Lin Cheng, Leo (Alternate Director to Dr KUNG Ziang Mien, James*)	—	—	—	—	—	—
YUNG Wing Chung (Alternate Director to Mr KWOK Ping-uen, Raymond)	—	—	—	—	—	—
WONG On Ning, Orlena (Alternate Director to Mr KWOK Ping-sheung, Walter)	—	—	—	—	—	—

* Independent Non-executive Director

Notes:

- 1 Mr Charles Lui Chung Yuen and members of his family together have interests in certain private trusts which beneficially held 209,131 shares in RoadShow.
- 2 Ms Winnie Ng has interest in 123,743 shares in RoadShow as a beneficiary in certain private trusts which beneficially held the aforesaid block of shares.

As at 31 December 2007, none of the Directors had any non-beneficial interest in the share capital of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(iii) Interests in Underlying Shares

RoadShow has a share option scheme ("the Scheme") which was adopted on 7 June 2001, under which the directors of RoadShow may, at their discretion, offer any employee (including any directors) of RoadShow or any of its wholly-owned subsidiaries options to subscribe for shares in RoadShow to recognise their contributions to the growth of RoadShow, subject to the terms and conditions stipulated in the Scheme.

The exercise price of the options is determined as the highest of the nominal value of the shares of RoadShow ("the Shares"), the closing price of the Shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date of the grant and the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of grant. The options vest immediately from the date of grant and are then exercisable within a period of three years. The Scheme is valid and effective for a period of ten years ending on 6 June 2011, after which no further options will be granted.

The total number of securities available for issue under the Scheme as at 31 December 2007 was 99,736,533 shares which represented 10% of the issued share capital of RoadShow at 31 December 2007. In respect of the maximum entitlement of each participant under the Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of RoadShow's ordinary shares in issue. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 of RoadShow.

As at 31 December 2007, no options were outstanding.

Apart from the above, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries or other associated corporations, as recorded in the register of directors' interests and short positions required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts as disclosed in note 36(a) to the financial statements, in which Messrs. Kwok Ping-luen, Raymond and Kwok Ping-sheung, Walter, who have beneficial interests in Sun Hung Kai Properties Limited ("SHKP") were interested, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK\$1 each			Percentage of total issued shares
	Registered shareholders	Corporate interests	Total number of shares held	
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	133,271,012	133,271,012	33.0%
Arklake Limited (Note 1)	68,600,352	–	68,600,352	17.0%
HSBC International Trustee Limited (Note 3)	183,757,886	–	183,757,886	45.5%
Kwong Tai Holdings Limited (Note 4)	21,000,609	–	21,000,609	5.2%

Notes:

- 1 The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.
- 2 Under The Code on Takeovers and Mergers ("the Takeovers Code"), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rule 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creeper under Rule 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP has been holding 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001.
- 3 HSBC International Trustee Limited is deemed to be interested in 183,757,886 shares in the Company held on trust for its clients, of which 133,271,012 shares are held for SHKP.
- 4 The interest disclosed by Kwong Tai Holdings Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both are Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

SENIOR MANAGEMENT

Brief particulars of the senior management of the Group are set out on page 108 of this Annual Report.

STAFF RETIREMENT SCHEMES

The Group operates two separate non-contributory defined benefit retirement schemes, The Kowloon Motor Bus Company (1933) Limited Monthly Rated Employees Provident Fund Scheme ("The KMB Monthly Rated Employees Scheme") and The Kowloon Motor Bus Company (1933) Limited Daily Rated Employees Retirement Fund Scheme ("The KMB Daily Rated Employees Scheme"), and participates in a defined contribution retirement scheme, SHKP MPF Employer Sponsored Scheme.

Defined Benefit Retirement Schemes

The Group makes contributions to two defined benefit retirement schemes that provide pension benefits for employees upon retirement. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the retirement schemes at regular intervals.

The most recent actuarial valuations of the two schemes were at 1 January 2008 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

The KMB Monthly Rated Employees Scheme

- i) The scheme was established with effect from 15 February 1978.
- ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 65.
- iii) The market value of the scheme assets at 31 December 2007 was HK\$1,382,344,000.
- iv) On the basis of the assumptions made as to the future economic and demographic experience of the Scheme, and if the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the year ended 31 December 2007.
- v) The ongoing funding surplus in the scheme was HK\$696,579,000 and the solvency surplus was HK\$706,404,000 at 31 December 2007.

The KMB Daily Rated Employees Scheme

- i) The scheme was established with effect from 1 July 1983.
- ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 60.
- iii) The market value of the scheme assets at 31 December 2007 was HK\$3,399,863,000.
- iv) On the basis of the assumptions made as to the future economic and demographic experience of the Scheme, and if the past service surplus is to be utilised faster to offset the Group's contribution requirement, the Group took a contribution holiday for the year ended 31 December 2007.
- v) The ongoing funding surplus in the scheme was HK\$1,699,007,000 and the solvency surplus was HK\$1,912,602,000 at 31 December 2007.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(v)(ii) and 22 to the financial statements).

STAFF RETIREMENT SCHEMES (continued)

Defined Contribution Retirement Scheme

SHKP MPF Employer Sponsored Scheme (“the SHKP Scheme”)

The Group is also a participating member of a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees’ salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees’ relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the SHKP Scheme during the year are charged to the income statement as incurred. For forfeited amount due to resignation prior to the vesting of the benefits, the amount will be used to reduce the Group’s contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2007 were insignificant to the Group.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group as at 31 December 2007 are set out in note 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group’s total purchases for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 178 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein throughout the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules.

PROPERTIES

Particulars of the completed property held for sale of the Group are shown on page 97 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2007.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

S.Y. CHUNG

Chairman

Hong Kong, 20 March 2008

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Transport International Holdings Limited (the "Company") set out on pages 121 to 177, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	3 & 12	12,013,479	8,704,524
Other net income	4	267,402	155,134
Cost of properties sold		(1,360,588)	(461,140)
Staff costs	5(a)	(2,945,700)	(2,979,285)
Depreciation and amortisation		(934,043)	(935,625)
Fuel and oil		(1,209,805)	(1,102,961)
Spare parts and stores		(243,902)	(230,447)
Toll charges		(332,061)	(325,987)
Selling and marketing expenses for property sales		(420,750)	(72,042)
Other operating expenses		(670,075)	(694,709)
Profit from operations		4,163,957	2,057,462
Finance costs	5(b)	(118,756)	(106,305)
Share of profits of associates		29,380	51,718
Share of losses of jointly controlled entities		(644)	(205)
Profit before taxation	5	4,073,937	2,002,670
Income tax	6(a)	(205,581)	(133,265)
Profit for the year		3,868,356	1,869,405
Attributable to:			
Equity shareholders of the Company	9 & 31(a)	3,847,678	1,838,014
Minority interests	31(a)	20,678	31,391
Profit for the year		3,868,356	1,869,405
Profit for the year attributable to equity shareholders of the Company:			
Arising from sales of properties		3,507,741	1,500,246
Arising from the Group's other operations		339,937	337,768
		3,847,678	1,838,014
Earnings per share:	10		
Arising from sales of properties		HK\$8.69	HK\$3.72
Arising from the Group's other operations		0.84	0.83
		HK\$9.53	HK\$4.55
Dividends paid/payable to equity shareholders of the Company attributable to the year:	11		
Ordinary interim dividend declared and paid of HK\$0.45 per share (2006: HK\$0.45 per share)		181,638	181,638
Special interim dividend declared and paid of HK\$1.50 per share (2006: Nil)		605,459	–
Ordinary final dividend proposed after the balance sheet date of HK\$1.58 per share (2006: HK\$1.58 per share)		637,750	637,750
Special final dividend proposed after the balance sheet date of HK\$2.00 per share (2006: Nil)		807,279	–
		2,232,126	819,388

The notes on pages 128 to 177 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Fixed assets	13(a)		
– Investment property under development		82,529	74,567
– Other property, plant and equipment		4,816,690	5,304,284
– Interest in leasehold land held for own use under operating leases		82,104	84,183
		4,981,323	5,463,034
Passenger service licences	14	13,936	7,576
Goodwill	15	51,578	49,204
Media assets	16	1,122	1,408
Non-current prepayments	17	38,322	47,902
Interest in associates	19	911,887	834,161
Interest in jointly controlled entities	20	22,959	22,647
Other financial assets	21	138,060	46,576
Employee benefit assets	22(a)	602,228	536,950
Deferred tax assets	29(b)	11,877	13,785
		6,773,292	7,023,243
Current assets			
Completed property held for sale		206,288	1,433,425
Spare parts and stores		76,780	72,718
Accounts receivable	24	1,707,599	2,179,273
Deposits and prepayments		30,518	98,317
Current taxation recoverable	29(a)	5,917	25,278
Pledged bank deposits	26	38,000	39,520
Cash and cash equivalents	25	3,095,420	1,228,512
		5,160,522	5,077,043
Current liabilities			
Bank loans and overdrafts	26	436,936	1,780,150
Accounts payable and accruals	27	1,281,709	1,627,976
Third party claims payable		143,751	126,223
Current taxation payable	29(a)	74,307	115,844
		1,936,703	3,650,193
Net current assets		3,223,819	1,426,850
Total assets less current liabilities		9,997,111	8,450,093

	Note	2007 HK\$'000	2006 HK\$'000
Non-current liabilities			
Bank loans	26	1,154,664	2,052,500
Contingency provision – insurance	28	295,165	271,209
Deferred tax liabilities	29(b)	701,504	758,215
Provision for long service payments	30	47,222	49,290
		2,198,555	3,131,214
Net assets		7,798,556	5,318,879
Capital and reserves	31(a)		
Share capital		403,639	403,639
Reserves		7,145,289	4,670,551
Total equity attributable to equity shareholders of the Company		7,548,928	5,074,190
Minority interests		249,628	244,689
Total equity		7,798,556	5,318,879

Approved and authorised for issue by the Board of Directors on 20 March 2008

S.Y. CHUNG

Chairman

John CHAN Cho Chak

Managing Director

The notes on pages 128 to 177 form part of these financial statements.

BALANCE SHEET

at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Plant and equipment	13(b)	–	–
Investments in subsidiaries	18(a)	1,187,986	1,175,966
		1,187,986	1,175,966
Current assets			
Deposits and prepayments		360	343
Amounts due from subsidiaries	18(b)	3,432,229	2,532,975
Cash and cash equivalents	25	30,804	18,127
		3,463,393	2,551,445
Current liabilities			
Accounts payable and accruals	27	52,967	92,035
Amounts due to subsidiaries	18(b)	2,466,765	1,469,171
		2,519,732	1,561,206
Net current assets		943,661	990,239
Net assets		2,131,647	2,166,205
Capital and reserves	31(b)		
Share capital		403,639	403,639
Reserves		1,728,008	1,762,566
Total equity		2,131,647	2,166,205

Approved and authorised for issue by the Board of Directors on 20 March 2008

S.Y. CHUNG

Chairman

John CHAN Cho Chak

Managing Director

The notes on pages 128 to 177 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Note	2007		2006	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total equity at 1 January:					
Attributable to equity shareholders of the Company		5,074,190		4,032,133	
Minority interests		244,689		268,547	
			5,318,879		4,300,680
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of foreign entities			53,966		24,258
Release upon deemed disposal of partial interest in associate			(1,782)		–
Change in fair value of available-for-sale securities			5		–
			52,189		24,258
Profit for the year:					
Attributable to equity shareholders of the Company		3,847,678		1,838,014	
Minority interests		20,678		31,391	
			3,868,356		1,869,405
Total recognised income for the year			3,920,545		1,893,663
Attributable to:					
– equity shareholders of the Company		3,899,585		1,862,272	
– minority interests		20,960		31,391	
		3,920,545		1,893,663	
Dividends declared or approved during the year	11		(1,424,847)		(819,388)
Dividends paid to minority shareholders			(16,021)		(12,988)
Reduction in minority interests upon disposal of subsidiaries			–		(49,761)
Contribution by minority shareholders			–		6,673
Total equity at 31 December			7,798,556		5,318,879

The notes on pages 128 to 177 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Operating activities			
Profit before taxation		4,073,937	2,002,670
Adjustments for:			
– net realised and unrealised gain on investments in securities carried at fair value		–	(7,786)
– dividend income		–	(630)
– interest income		(203,607)	(40,674)
– finance costs		118,756	106,305
– depreciation and amortisation		934,043	935,625
– impairment loss on fixed assets		3,000	7,969
– impairment loss on goodwill		–	12,487
– impairment loss on media assets		–	2,100
– net gain on disposal of fixed assets		(5,389)	(8,007)
– gain on deemed disposal of partial interest in associate		(10,243)	–
– share of profits of associates		(29,380)	(51,718)
– share of losses of jointly controlled entities		644	205
– gain on disposal of media assets		–	(44,043)
– gain on disposal of subsidiaries		–	(12,677)
Effect of foreign exchange rate		(3,764)	(6,960)
Operating profit before changes in working capital		4,877,997	2,894,866
Decrease in non-current prepayments		9,580	14,708
Increase in spare parts and stores		(4,062)	(574)
Decrease/(increase) in trade and other receivables		59,344	(63,324)
Decrease/(increase) in deposits and prepayments		67,816	(26,953)
Increase in property under development		–	(530,332)
Decrease in completed property held for sale		1,227,137	461,140
(Decrease)/increase in accounts payable and accruals		(460,738)	137,835
(Increase)/decrease in amounts due from associates		(4,471)	8,682
Decrease/(increase) in instalments receivable from sale of properties		380,508	(1,868,337)
Increase/(decrease) in third party claims payable		17,528	(45,872)
Increase in contingency provision – insurance		23,956	85,539
Decrease in provision for long service payments		(2,068)	(595)
Increase in employee benefit assets		(65,278)	(51,981)
Cash generated from operations		6,127,249	1,014,802
Interest received		193,484	40,598
Interest paid		(120,487)	(140,722)
Hong Kong Profits Tax paid		(281,416)	(110,340)
The People's Republic of China ("PRC") Income Tax paid		(1,144)	(968)
Net cash generated from operating activities		5,917,686	803,370

	Note	2007 HK\$'000	2006 HK\$'000
Investing activities			
Decrease/(increase) in pledged bank deposits		1,520	(39,520)
(Increase)/decrease in bank deposits with original maturities of over three months		(1,251,071)	117,991
Payment for purchase of fixed assets		(337,145)	(599,458)
Payment for purchase of passenger service licences		(1,110)	(1,756)
Payment for purchase of available-for-sale debt securities		(50,030)	–
Payment for media assets		–	(725)
Net cash inflow from disposal of subsidiaries		–	9,349
Proceeds from disposal of fixed assets		5,694	8,266
Proceeds from disposal of media assets		–	72,086
Proceeds from sale of investment securities		–	55,036
Payment for acquisition of subsidiary	32	(9,807)	(49,296)
New loans to associate		(25,552)	(28,302)
Repayment of loan from associate		–	8,583
Capital injection to jointly controlled entity		–	(6,000)
Dividends received from associates		41,467	29,868
Dividends received from listed securities		–	630
Net cash used in investing activities		(1,626,034)	(423,248)
Financing activities			
Dividends paid to equity shareholders of the Company		(1,424,847)	(819,388)
Dividends paid to minority shareholders		(16,021)	(12,988)
Proceeds from new bank loans		1,438,003	3,605,000
Repayment of bank loans		(3,688,126)	(2,930,416)
Contribution by minority shareholders		–	6,673
Net cash used in financing activities		(3,690,991)	(151,119)
Net increase in cash and cash equivalents		600,661	229,003
Cash and cash equivalents at 1 January		1,196,516	963,587
Effect of foreign exchange rate changes		5,308	3,926
Cash and cash equivalents at 31 December	25	1,802,485	1,196,516

The notes on pages 128 to 177 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The purchase method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see note 1(e)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments in securities (see note 1(f)), derivative financial instruments (see note 1(g)) and employee benefit assets (see note 1(v)(ii)) are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 39.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 1(e) and (k)).

When the Group's share of losses exceeds its interest in an associate or a jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(k)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill (continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated income statement.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the income statement. Dividend income from these investments is recognised in the income statement in accordance with the policy set out in note 1(s)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement in accordance with the policy set out in note 1(s)(iv). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement.

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost, including borrowing costs capitalised (see note 1(t)), aggregate cost of development, materials and supplies, direct labour and other direct expenses, less any impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Buildings situated on leasehold land	– the shorter of 40 years and the unexpired terms of the leases
Buses	– 14 years
Other motor vehicles	– 5 to 10 years
Vessels	– 20 years
Others	– 2 to 7 years

No depreciation is provided for buses and vessels under construction and investment property under development.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the period of the lease term.

(j) Intangible assets (other than goodwill)

Media assets represent advertising rights which are the costs of acquiring operating rights for the placement of advertisements in advertising display panels in the PRC and include any directly attributable costs of bringing advertising display panels to their present condition and location for their intended use. Advertising rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)).

Advertising rights are amortised to the income statement on a straight-line basis over 5 to 10 years, being the agreed periods of use of the advertising rights.

Passenger service licences acquired by the Group are regarded to have indefinite useful lives and are stated in the balance sheet at cost less impairment losses (see note 1(k)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to the income statement on a straight-line basis over the asset's estimated useful life.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 1(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under operating leases;
- intangible assets;
- investments in subsidiaries, associates and jointly controlled entities; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, goodwill and intangible assets that have indefinite useful lives are tested for impairment annually even when there is no indication of impairment.

- Calculation of the recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a small loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Completed property held for sale

Inventories in respect of completed property held for sale are carried at the lower of cost and net realisable value. Cost of completed property developed by the Group is determined by apportionment of the total development costs for that development project attributable to the unsold property. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(m) Spare parts and stores

Spare parts and stores are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, with the exception of fixed interest foreign currency borrowings that are designated as hedged items in fair value hedges, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Subsequent to initial recognition, the fair value of fixed interest foreign currency borrowings that are designated as hedged items in fair value hedges is remeasured at each balance sheet date. The gain or loss on remeasurement is recognised in the income statement.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Company issues a financial guarantee for borrowings of a subsidiary, the fair value of the guarantee is initially recognised as deferred income within accounts payable and accruals, and a corresponding increase in the Company's investment in the subsidiary is recognised on initial recognition of the deferred income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(iii) if and when it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and the amount of that claim on the Company is expected to exceed the amount currently carried in accounts payable and accruals in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.
- (ii) Revenue arising from the sale of completed property held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on property sold prior to the date of revenue recognition are included in accounts payable and accruals.

Where property is sold under deferred terms with part of the sale proceeds being receivable after an interest-free period, that portion of the differences between the sale prices with and without such terms representing finance income is allocated to the income statement on a basis that takes into account the effective yield on the amounts of the sale proceeds receivable over the interest-free period.
- (iii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.
- (iv) Interest income is recognised as it accrues using the effective interest method.
- (v) Dividends
 - Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
 - Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong Dollars while that for subsidiaries which operate in the PRC is Renminbi. The presentation currency of the Group is Hong Kong Dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong Dollars at the average foreign exchange rates for the year. Balance sheet items including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005 are translated into Hong Kong Dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

- (i) As a result of the adoption of HKFRS 7, the financial statements include expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 35.
- (ii) The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 31(c)(ii).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 40).

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 18 to the financial statements.

Turnover comprises fare revenue from the operation of franchised public bus and non-franchised transport services, revenue from sales of properties and media sales revenue recognised during the year and is analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Fare revenue from franchised public bus services	6,070,232	6,014,258
Revenue from non-franchised transport services	380,180	337,117
Revenue from sales of properties	5,382,928	2,133,202
Media sales revenue	180,139	219,947
	12,013,479	8,704,524

4 OTHER NET INCOME

	2007 HK\$'000	2006 HK\$'000
Interest income on financial assets not at fair value through profit or loss	203,607	40,674
Claims received	23,355	21,250
Gain on deemed disposal of partial interest in associate (note 19)	10,243	–
Net exchange gain	8,308	6,837
Net miscellaneous business receipts	6,118	4,204
Net gain on disposal of fixed assets	5,389	8,007
Gain on disposal of media assets (note (a))	–	44,043
Gain on disposal of subsidiaries (note (b))	–	12,677
Net realised and unrealised gain on investments in securities carried at fair value	–	7,786
Dividend income from listed securities	–	630
Sundry revenue	10,382	9,026
	267,402	155,134

Notes:

- (a) Gain on disposal of media assets

During 2006, the Group disposed of certain media assets in Beijing with a net book value of HK\$28,043,000, resulting in a gain on disposal of HK\$44,043,000.

- (b) Gain on disposal of subsidiaries

During 2006, the Group disposed of its interests in RoadVision (Dalian) Limited and Guangzhou Key Media Advertising Company Limited, resulting in a gain on disposal of HK\$12,677,000.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2007 HK\$'000	2006 HK\$'000
(a) Staff costs:		
Contributions to defined contribution retirement plans	56,972	52,452
Net income recognised in respect of defined benefit retirement plans (note 22(e))	(65,278)	(51,981)
Movements in provision for long service payments (note 30)	5,929	13,301
Net (income)/expense recognised in respect of retirement benefits	(2,377)	13,772
Salaries, wages and other benefits	2,948,077	2,965,513
	2,945,700	2,979,285

Movement in provision for long service payments for the year ended 31 December 2006 included HK\$6,663,000 paid to employees who opted for early retirement under a voluntary retirement scheme in 2006.

	2007 HK\$'000	2006 HK\$'000
(b) Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	118,756	141,670
Less: borrowing costs capitalised into property under development*	–	(35,365)
	118,756	106,305

* The borrowing costs were capitalised in 2006 at the average interest rate of 4.2% per annum.

	2007 HK\$'000	2006 HK\$'000
(c) Other items:		
Auditors' remuneration		
– audit services	4,396	4,315
– other services	1,730	2,418
Operating lease charges on properties, temporary bus depots, buses, ferries and terminal shelters	36,705	27,643
Operating lease charges on media assets	–	12,634
Depreciation	931,594	925,141
Amortisation of land lease premium	2,079	2,079
Amortisation of media assets	370	8,405
Impairment losses		
– fixed assets	3,000	7,969
– goodwill	–	12,487
– media assets	–	2,100
– trade and other receivables	289	5,192
Write-down of spare parts and stores	7,163	7,552

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Current tax – Hong Kong Profits Tax		
Profits Tax for the year	258,445	193,578
Tax recoverable on resolution of tax dispute	–	(22,314)
Under/(over)-provision in respect of prior years	942	(66)
	259,387	171,198
Current tax – PRC Income Tax		
Provision for the year	997	5,025
	260,384	176,223
Deferred tax		
Origination and reversal of temporary differences	(54,803)	(42,958)
	205,581	133,265

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

In prior years, the Hong Kong Inland Revenue Department (“the IRD”) disallowed deductions of certain expenses of a subsidiary of the Company for Hong Kong Profits Tax purposes, resulting in additional tax payment of HK\$22,314,000 made by the Group. The subsidiary considered that such expenses should be deductible and lodged objections against the IRD’s assessments in prior years. In 2006, the IRD notified the subsidiary that it was satisfied that such expenses were deductible for tax purposes. A tax credit of HK\$22,314,000 has therefore been recognised in 2006.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	4,073,937	2,002,670
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	719,772	356,985
Tax effect of non-deductible expenses	8,759	9,471
Tax effect of non-taxable income	(525,479)	(208,862)
Tax recoverable on resolution of tax dispute	–	(22,314)
Tax effect of unused tax losses not recognised	1,216	6,158
Tax effect of prior years’ unrecognised tax losses utilised during the year	(139)	(8,185)
Under/(over)-provision in prior years	942	(66)
Others	510	78
Actual tax expense	205,581	133,265

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

For the year ended 31 December 2007	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
John Chan Cho Chak	354	4,356	1,500	1,101	7,311
Charles Lui Chung Yuen	288	600	27	–	915
Winnie Ng	343	3,159	1,035	–	4,537
Lui Pochiu#	108	1,144	–	–	1,252
Edmond Ho Tat Man	288	2,964	1,380	434	5,066
<i>Non-executive Directors</i>					
Kwok Ping-luen, Raymond	288	–	–	–	288
Kwok Ping-sheung, Walter	288	–	–	–	288
Ng Siu Chan	288	–	–	–	288
William Louey Lai Kuen	288	–	–	–	288
George Chien Yuan Hwei	336	–	–	–	336
<i>Independent Non-executive Directors</i>					
The Hon Sir Sze-yuen Chung	403	–	–	–	403
Dr Norman Leung Nai Pang	322	–	–	–	322
Dr Kung Ziang Mien, James	360	–	–	–	360
Dr Eric Li Ka Cheung	457	–	–	–	457
Siu Kwing-chue, Gordon	288	–	–	–	288
	4,699	12,223	3,942	1,535	22,399

Mr Lui Pochiu retired as Executive Director on 18 May 2007.

7 DIRECTORS' REMUNERATION (continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows (continued):

For the year ended 31 December 2006	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
John Chan Cho Chak	348	4,554	1,500	1,151	7,553
Charles Lui Chung Yuen	288	600	65	–	953
Winnie Ng	338	2,618	203	–	3,159
Lui Pochiu	288	2,455	329	–	3,072
Edmond Ho Tat Man	288	2,599	438	267	3,592
<i>Non-executive Directors</i>					
Kwok Ping-luen, Raymond	288	–	–	–	288
Kwok Ping-sheung, Walter	288	–	–	–	288
Yu Shu Chuen	95	4	–	–	99
Ng Siu Chan	288	–	–	–	288
William Louey Lai Kuen	288	–	–	–	288
George Chien Yuan Hwei	336	–	–	–	336
<i>Independent Non-executive Directors</i>					
The Hon Sir Sze-yuen Chung	403	–	–	–	403
Dr Norman Leung Nai Pang	322	–	–	–	322
Dr Kung Ziang Mien, James	360	–	–	–	360
Dr Eric Li Ka Cheung	457	–	–	–	457
Siu Kwing-chue, Gordon	288	–	–	–	288
	4,963	12,830	2,535	1,418	21,746

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: four) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2007 HK\$'000	2006 HK\$'000
Fees	985	1,262
Salaries, allowances and benefits in kind	14,518	14,071
Discretionary bonuses	4,887	2,681
Retirement scheme contributions	1,634	1,482
	22,024	19,496

The emoluments of the five (2006: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2007	2006
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	1	–
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$1,331,462,000 (2006: HK\$232,051,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2007 HK\$'000	2006 HK\$'000
Amount of consolidated profit attributable to equity shareholders of the Company dealt with in the Company's financial statements	1,331,462	232,051
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	58,827	137,237
Company's profit for the year (note 31(b))	1,390,289	369,288

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$3,847,678,000 (2006: HK\$1,838,014,000) and 403,639,413 shares in issue during the years ended 31 December 2007 and 2006. The calculation of basic earnings per share arising from sales of properties and the Group's other operations is based on profits arising from the respective operations of HK\$3,507,741,000 (2006: HK\$1,500,246,000) and HK\$339,937,000 (2006: HK\$337,768,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2007 and 2006.

(b) Diluted earnings per share

The diluted earnings per share for the current and previous years are not presented as there are no dilutive potential ordinary shares during the years.

11 DIVIDENDS

(a) Dividends paid/payable to equity shareholders of the Company attributable to the year

	2007 HK\$'000	2006 HK\$'000
Ordinary interim dividend declared and paid of HK\$0.45 per share (2006: HK\$0.45 per share)	181,638	181,638
Special interim dividend declared and paid of HK\$1.50 per share (2006: Nil)	605,459	–
Ordinary final dividend proposed after the balance sheet date of HK\$1.58 per share (2006: HK\$1.58 per share)	637,750	637,750
Special final dividend proposed after the balance sheet date of HK\$2.00 per share (2006: Nil)	807,279	–
	2,232,126	819,388

The ordinary final dividend and special final dividend proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 HK\$'000	2006 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.58 per share (2006: HK\$1.58 per share)	637,750	637,750

12 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Transport operations:	The provision of franchised and non-franchised public transport services.
Media sales business:	The provision of audio-video programming through a multi-media on-board system and marketing of exterior advertising spaces on transit vehicles exteriors, shelters and outdoor signages.
Property holdings and development:	The development of residential and commercial properties for sale and long term investment.

	Transport operations		Media sales business		Property holdings and development		Inter-segment elimination		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	6,450,412	6,351,375	180,139	219,947	5,382,928	2,133,202	–	–	12,013,479	8,704,524
Inter-segment revenue	–	–	30,491	22,968	–	–	(30,491)	(22,968)	–	–
Other revenue from external customers	36,227	31,464	2,321	2,345	–	384	–	–	38,548	34,193
Total	6,486,639	6,382,839	212,951	245,260	5,382,928	2,133,586	(30,491)	(22,968)	12,052,027	8,738,717
Segment result	333,119	332,784	68,959	108,577	3,557,087	1,592,620			3,959,165	2,033,981
Unallocated net operating income									204,792	23,481
Profit from operations									4,163,957	2,057,462
Finance costs									(118,756)	(106,305)
Share of profits less losses of associates and jointly controlled entities	16,198	45,126	12,538	6,387	–	–			28,736	51,513
Income tax									(205,581)	(133,265)
Profit after taxation									3,868,356	1,869,405
Depreciation and amortisation for the year	910,920	899,452	23,123	36,173	–	–				
Impairment losses										
– fixed assets	–	–	3,000	7,969	–	–				
– goodwill	–	–	–	12,487	–	–				
– media assets	–	–	–	2,100	–	–				
– trade and other receivables	234	322	55	4,870	–	–				
Segment assets	5,825,002	6,249,775	105,471	152,541	1,728,469	3,441,160			7,658,942	9,843,476
Interests in associates and jointly controlled entities	702,223	679,969	232,623	176,839	–	–			934,846	856,808
Unallocated assets									3,340,026	1,400,002
Total assets									11,933,814	12,100,286
Segment liabilities	1,218,958	1,211,608	64,091	52,539	455,652	778,562			1,738,701	2,042,709
Unallocated liabilities									2,396,557	4,738,698
Total liabilities									4,135,258	6,781,407
Capital expenditure incurred during the year	444,087	587,769	124	2,918	7,962	–				

Geographical segments

The Group's turnover and profit from operations derived from activities outside Hong Kong were insignificant. Accordingly, no analysis by geographical segment is presented.

13 FIXED ASSETS

(a) The Group:

	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Vessels HK\$'000	Buses under construction HK\$'000	Tools and others HK\$'000	Sub-total HK\$'000	Investment property under development HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
Cost:									
At 1 January 2006	1,412,424	8,730,848	122,922	157,405	1,842,915	12,266,514	–	126,120	12,392,634
Exchange adjustments	–	53	–	–	24	77	–	–	77
Additions	9,047	49,248	–	309,822	237,823	605,940	–	–	605,940
Transfer from property under development	–	–	–	–	–	–	74,567	–	74,567
Acquisition of subsidiaries	–	36,668	–	–	–	36,668	–	–	36,668
Disposal of subsidiaries	–	–	–	–	(928)	(928)	–	–	(928)
Disposals	(366)	(125,787)	–	–	(7,386)	(133,539)	–	–	(133,539)
Transfer of buses	–	352,151	–	(352,151)	–	–	–	–	–
At 31 December 2006	1,421,105	9,043,181	122,922	115,076	2,072,448	12,774,732	74,567	126,120	12,975,419
Accumulated depreciation, amortisation and impairment loss:									
At 1 January 2006	731,445	4,494,222	17,631	–	1,420,627	6,663,925	–	39,858	6,703,783
Exchange adjustments	–	28	–	–	10	38	–	–	38
Charge for the year	51,313	612,769	6,150	–	254,909	925,141	–	2,079	927,220
Impairment loss for the year (note)	–	–	–	–	7,969	7,969	–	–	7,969
Acquisition of subsidiaries	–	20,882	–	–	–	20,882	–	–	20,882
Disposal of subsidiaries	–	–	–	–	(542)	(542)	–	–	(542)
Written back on disposals	(366)	(125,718)	–	–	(7,196)	(133,280)	–	–	(133,280)
At 31 December 2006	782,392	5,002,183	23,781	–	1,675,777	7,484,133	–	41,937	7,526,070
Net book value:									
At 31 December 2006	638,713	4,040,998	99,141	115,076	396,671	5,290,599	74,567	84,183	5,449,349
Add:									
Deposits paid in respect of buses on order						13,685	–	–	13,685
						5,304,284	74,567	84,183	5,463,034
Cost:									
At 1 January 2007	1,421,105	9,043,181	122,922	115,076	2,072,448	12,774,732	74,567	126,120	12,975,419
Exchange adjustments	–	142	–	–	–	142	–	–	142
Additions	4,797	40,277	–	147,994	263,718	456,786	7,962	–	464,748
Acquisition of subsidiary (note 32)	–	13,028	–	–	–	13,028	–	–	13,028
Disposals	–	(74,559)	–	–	(8,192)	(82,751)	–	–	(82,751)
Transfer of buses	–	191,068	–	(191,068)	–	–	–	–	–
At 31 December 2007	1,425,902	9,213,137	122,922	72,002	2,327,974	13,161,937	82,529	126,120	13,370,586
Accumulated depreciation, amortisation and impairment loss:									
At 1 January 2007	782,392	5,002,183	23,781	–	1,675,777	7,484,133	–	41,937	7,526,070
Exchange adjustments	–	89	–	–	–	89	–	–	89
Charge for the year	42,196	617,826	6,150	–	265,422	931,594	–	2,079	933,673
Impairment loss for the year (note)	–	–	–	–	3,000	3,000	–	–	3,000
Acquisition of subsidiary (note 32)	–	8,877	–	–	–	8,877	–	–	8,877
Written back on disposals	–	(74,416)	–	–	(8,030)	(82,446)	–	–	(82,446)
At 31 December 2007	824,588	5,554,559	29,931	–	1,936,169	8,345,247	–	44,016	8,389,263
Net book value:									
At 31 December 2007	601,314	3,658,578	92,991	72,002	391,805	4,816,690	82,529	82,104	4,981,323

13 FIXED ASSETS (continued)**(a) The Group:** (continued)

Note on impairment loss on fixed assets:

During the years ended 31 December 2007 and 2006, the management has carried out an assessment of the recoverable amount of certain fixed assets of the Group. Based on their assessment, the carrying amount of these fixed assets was written down by HK\$3,000,000 and HK\$7,969,000 in 2007 and 2006 respectively. The estimated recoverable amount was determined based on the future cash flows generated from these fixed assets. The impairment loss is included in other operating expenses in the consolidated income statement.

(b) The Company:

	Other fixed assets	
	2007 HK\$'000	2006 HK\$'000
Cost:		
At 1 January and 31 December	201	201
Accumulated depreciation:		
At 1 January	201	186
Charge for the year	–	15
At 31 December	201	201
Net book value:		
At 31 December	–	–

- (c) All the Group's buildings, investment property under development and interest in leasehold land held for own use under operating leases are held in Hong Kong. The analysis of the net book value of properties is as follows:

	2007 HK\$'000	2006 HK\$'000
Medium-term leases	473,307	482,048
Short-term leases	292,640	315,415
	765,947	797,463
Representing:		
Buildings held for own use	601,314	638,713
Interest in leasehold land held for own use under operating leases	82,104	84,183
Investment property under development	82,529	74,567
	765,947	797,463

14 PASSENGER SERVICE LICENCES

	2007 HK\$'000	2006 HK\$'000
Cost and net book value:		
At 1 January	7,576	–
Acquisition of subsidiary (note 32)	5,250	5,820
Additions	1,110	1,756
At 31 December	13,936	7,576

Passenger service licences of the Group are regarded to have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Passenger service licences have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

15 GOODWILL

	2007 HK\$'000	2006 HK\$'000
Cost:		
At 1 January	61,691	32,599
Acquisition of subsidiary (note 32)	2,374	29,092
At 31 December	64,065	61,691
Accumulated impairment losses:		
At 1 January	12,487	–
Impairment loss for the year	–	12,487
At 31 December	12,487	12,487
Carrying amount:		
At 31 December	51,578	49,204

15 GOODWILL (continued)**Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives**

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit ("CGU").

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	2007 %	2006 %
Gross margin	11.8	8.5
Growth rate	3.0	3.0
Discount rate	7.5	7.0

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the segment.

The recoverable amount of the CGU is higher than its carrying amount based on the value-in-use calculations. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in the consolidated income statement in 2007.

Management has carried out an impairment assessment on goodwill allocated to media advertising agency, design and production in Shanghai as a CGU in 2006. Management considered that the estimated future cash flows generated from the CGU were less than the carrying value of the CGU. Therefore, goodwill with carrying amount of HK\$12,487,000 was fully impaired and charged to the consolidated income statement as other operating expenses in 2006.

16 MEDIA ASSETS

	2007 HK\$'000	2006 HK\$'000
Cost:		
At 1 January	1,797	122,807
Exchange adjustments	126	2,444
Additions	–	725
Disposals	–	(33,089)
Disposal of subsidiaries	–	(91,090)
At 31 December	1,923	1,797
Accumulated amortisation and impairment losses:		
At 1 January	389	27,002
Exchange adjustments	42	538
Amortisation for the year	370	8,405
Impairment loss for the year (note)	–	2,100
Written back on disposals	–	(5,046)
Disposal of subsidiaries	–	(32,610)
At 31 December	801	389
Carrying amount:		
At 31 December	1,122	1,408

Note on impairment loss of media assets:

A number of advertising display panels were dismantled in 2006. Management considered that the estimated future cash flows generated from these panels were less than their reconstruction costs. Therefore, all these media assets with carrying amount of HK\$2,100,000 were impaired and charged to the consolidated income statement as other operating expenses in 2006.

17 NON-CURRENT PREPAYMENTS

Non-current prepayments consist of advanced payments for concession and rights for advertising and media programme placement on transit vehicles and transit network furniture.

18 INTEREST IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	1,187,986	1,175,966

(b) Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of settlement/repayment.

18 INTEREST IN SUBSIDIARIES (continued)**(c) Particulars of principal subsidiaries**

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares of HK\$1 each	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares of HK\$1 each	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares of HK\$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares of HK\$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares of HK\$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares of HK\$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares of HK\$1 each	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Park Island Transport Company Limited	Hong Kong	10,000 shares of HK\$1 each	100	–	100	Provision of non-franchised bus and ferry services in Hong Kong
RoadShow Holdings Limited ("RoadShow")	Incorporated in Bermuda and operates in Hong Kong	997,365,332 shares of HK\$0.1 each	73	–	73	Investment holding
CityVision Limited	Hong Kong	10,000 shares of HK\$1 each	65.7	–	90	Operation of multi-media on-board business on transit vehicles
KM-Vision Limited	Hong Kong	10,000 shares of HK\$1 each	73	–	100	Operation of multi-media on-board business on transit vehicles

18 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
LW-Vision Limited	Hong Kong	10,000 shares of HK\$1 each	74.4	–	100	Operation of multi-media on-board business on transit vehicles
RoadShow Creations Limited	Hong Kong	2 shares of HK\$1 each	73	–	100	Trading of bus souvenirs
RoadShow Media Limited	Hong Kong	2 shares of HK\$1 each	73	–	100	Provision of media sales and management services for advertising on transit vehicle exteriors and shelters and for the multi-media on-board business
RoadShow Productions Limited	Hong Kong	2 shares of HK\$1 each	73	–	100	Production of content for multi-media on-board systems
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property development
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property holding
LCK Commercial Properties Limited	Hong Kong	1 share of HK\$1	100	–	100	Property holding
TIH Financial Services Limited	Hong Kong	2 shares of HK\$1 each	100	–	100	Provision of second mortgage loan services
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Investment holding
HK Macau Ltd.	Incorporated in the British Virgin Islands and operates in Hong Kong	1,200 shares of US\$1 each	60	–	60	Investment holding
Shanghai Yafei Advertising Company Limited (Limited liability company)	The PRC	RMB600,000	37.2	–	51	Provision of media advertising agency and design and production of advertisements
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares of HK\$100 each	100	–	100	Provision of non-franchised bus services in Hong Kong and the PRC

The market value of the Group's interest in a listed subsidiary, RoadShow at 31 December 2007 amounted to HK\$524,215,000 (2006: HK\$495,092,000).

19 INTEREST IN ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
Share of net assets	739,317	692,614
Goodwill	72,298	71,298
Loans to associate	94,793	69,241
Amounts due from associates	10,401	5,930
Amounts due to associates	(4,922)	(4,922)
	911,887	834,161

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. Loans to associate and amounts due from associates are neither past due or impaired.

The loans to associate are unsecured, bearing interest ranging from 6.12% p.a. to 7.29% p.a. (2006: 1.2% p.a. to 5.85% p.a.) and due within one year.

During the year, the Group provided an additional loan of RMB22,858,000, equivalent to HK\$24,408,000, to an associate. The loan was made through a designated deposit/loan arrangement where a subsidiary of the Group placed a pledged deposit of RMB22,858,000, equivalent to HK\$24,408,000, with a bank in the PRC and the bank provided a loan to the associate of the same amount.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by subsidiaries	
AdSociety Daye Advertising Company Limited	Sino-foreign equity joint venture	The PRC	RMB74,380,984	29.9	–	40.9	Provision of full range of advertising services
Beijing Beiqi Kowloon Taxi Company Limited	Sino-foreign joint stock company	The PRC	RMB166,600,000	31.4	–	31.4	Provision of taxi hiring and car rental services
Wuxi Kowloon Public Transport Company Limited	Sino-foreign joint stock company	The PRC	RMB300,880,000	45	–	45	Provision of bus services
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB995,630,000	35	–	35	Provision of bus services

During the year, the Group and the joint venture partner of AdSociety Daye Advertising Company Limited entered into an agreement with an investor under which the investor agreed to subscribe for a 16.5% equity interest in the enlarged registered capital of the associate. The transaction was completed on 13 December 2007 and the Group's equity interest in the associate has been diluted from 35.8% to 29.9%, resulting in a gain on deemed disposal of HK\$10,243,000.

19 INTEREST IN ASSOCIATES (continued)

(a) Goodwill on acquisition of associates

Goodwill arising from acquisition of associates is allocated to the Group's share of net assets in the respective associates as follows:

	2007 HK\$'000	2006 HK\$'000
Shenzhen Bus Group Company Limited ("SBG")	57,802	53,937
AdSociety Daye Advertising Company Limited ("ADA")	14,496	17,361
	72,298	71,298

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the businesses in which the CGUs operate.

Key assumptions used for value-in-use calculations:

	SBG		ADA	
	2007 %	2006 %	2007 %	2006 %
Gross margin	14.1	13.6	18.5	24.0
Growth rate	10.0	3.0	3.0	3.4
Discount rate	7.4	7.5	4.4	4.2

Management determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

(b) Summary financial information on associates

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Profit HK\$'000
2007					
100 per cent	3,830,618	(1,856,441)	1,974,177	2,920,522	95,792
Group's effective interest	1,420,189	(680,872)	739,317	1,016,817	29,380
2006					
100 per cent	3,205,417	(1,391,238)	1,814,179	2,429,659	155,156
Group's effective interest	1,223,064	(530,450)	692,614	884,996	51,718

20 INTEREST IN JOINTLY CONTROLLED ENTITIES

	2007 HK\$'000	2006 HK\$'000
Share of net assets	23,309	22,997
Amount due to jointly controlled entity	(350)	(350)
	22,959	22,647

The amount due to jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

The following list contains only the particulars of the jointly controlled entity which principally affected the results or assets of the Group:

Name of Joint Venture	Form of business structure	Place of establishment and operation	Particulars of registered and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Dalian HK Macau Motor Bus Services Limited	Co-operative joint venture	The PRC	RMB37,000,000	(Note)	–	(Note)	Provision of bus service in Dalian, the PRC

Note: The co-operative joint venture, Dalian HK Macau Motor Bus Services Limited ("Dalian HK Macau"), was formed between HK Macau Ltd. ("HK Macau"), a 60% owned subsidiary of the Group, and 大連市第一公共汽車公司, a PRC entity. The joint venture is for a period of 15 years commencing from 31 July 1997. The profits and losses of Dalian HK Macau are shared equally by HK Macau and 大連市第一公共汽車公司.

21 OTHER FINANCIAL ASSETS

	2007 HK\$'000	2006 HK\$'000
Instalments receivable from sale of properties	54,078	12,629
Unlisted equity securities, at cost	15,355	15,355
Available-for-sale unlisted debt securities	50,035	–
Loan to investee	18,592	18,592
	138,060	46,576

The loan to investee is unsecured, interest bearing at 5.5% per annum and repayable in 2010.

Neither the instalments receivable from sale of properties, unlisted debt securities nor the loan to investee are past due or impaired. Instalments receivable from sale of properties relate to a wide range of customers for whom there was no recent history of default. Properties sold to the customers serve as collateral. The unlisted debt securities are issued by a corporate entity with credit rating of Aa3. The investee has no recent history of default.

22 EMPLOYEE RETIREMENT BENEFITS

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for eligible employees of the Group. The schemes are administered by an independent trustee and the assets are held separately from those of the Group.

The latest independent actuarial valuations of the plans were at 31 December 2007 and were prepared by Watson Wyatt Hong Kong Limited, which has among its staff fellow members of the Canadian Institute of Actuaries and the Society of Actuaries, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 174% (2006: 145%) covered by the plan assets held by the trustee.

(a) The amount recognised in the consolidated balance sheet is as follows:

	2007 HK\$'000	2006 HK\$'000
Present value of funded obligations	(2,755,991)	(2,661,069)
Fair value of plan assets	4,782,207	3,864,006
Unrecognised past service cost	113,659	124,540
Net unrecognised actuarial gains	(1,537,647)	(790,527)
	602,228	536,950

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future refund or reduction of contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement plans for 2008 is nil.

(b) Plan assets consist of the following:

	2007 HK\$'000	2006 HK\$'000
Equity securities	3,491,011	2,979,569
Bonds	963,913	741,328
Cash and others	327,283	143,109
	4,782,207	3,864,006

(c) Movements in the present value of the defined benefit obligations:

	2007 HK\$'000	2006 HK\$'000
At 1 January	2,661,069	2,341,958
Benefits paid by the plans	(232,644)	(117,086)
Current service cost	142,001	125,127
Past service cost	–	126,806
Interest cost	101,256	98,530
Actuarial losses	84,309	85,734
At 31 December	2,755,991	2,661,069

22 EMPLOYEE RETIREMENT BENEFITS (continued)**(d) Movements in plan assets:**

	2007 HK\$'000	2006 HK\$'000
At 1 January	3,864,006	3,422,344
Benefits paid by the plans	(232,644)	(117,086)
Actuarial expected return on plan assets	284,273	256,464
Actuarial gains	866,572	302,284
At 31 December	4,782,207	3,864,006

(e) Net income recognised in the consolidated income statement is as follows:

	2007 HK\$'000	2006 HK\$'000
Current service cost	142,001	125,127
Past service cost recognised	10,881	2,266
Interest cost	101,256	98,530
Actuarial expected return on plan assets	(284,273)	(256,464)
Net actuarial gains recognised	(35,143)	(21,440)
	(65,278)	(51,981)

The above net income is included in staff costs in the consolidated income statement. The actual return on plan assets (taking into account all changes in the fair value of the plan assets excluding contributions received and benefits paid) was net income of HK\$1,150,845,000 (2006: HK\$558,748,000).

(f) The principal actuarial assumptions used at the respective year-ends are as follows:

	2007	2006
Discount rate	3.5%	3.75%
Expected rate of return on plan assets	7.5%	7.5%
Future salary increases	4.5%	4.0%

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(g) Historical information

	2007 HK\$'000	2006 HK\$'000
Fair value of plan assets	4,782,207	3,864,006
Present value of the defined benefit obligations	(2,755,991)	(2,661,069)
Surplus in the plans	2,026,216	1,202,937
Experience gains arising on plan liabilities	84,445	41,439
Experience gains arising on plan assets	866,572	302,284

Disclosure of historical information has been made prospectively from the year ended 31 December 2006 in accordance with the transitional provisions of Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures.

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS

RoadShow operates a share option scheme ("the Scheme") which was adopted on 7 June 2001 whereby the directors of RoadShow are authorised, at their discretion, to offer any employee (including any director) of RoadShow or any of its wholly-owned subsidiaries options to subscribe for shares in RoadShow to recognise their contributions to the growth of RoadShow. The options vest immediately from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share of RoadShow. The Scheme is valid and effective for a period of ten years ending on 6 June 2011.

No option was granted during the year and there were no outstanding options at 31 December 2007 and 2006.

24 ACCOUNTS RECEIVABLE

	2007 HK\$'000	2006 HK\$'000
Trade and other receivables	266,086	324,897
Instalments receivable from sale of properties	1,433,751	1,855,708
Interest receivable	11,714	1,591
Less: Allowance for doubtful debts (note 24(b))	(3,952)	(3,718)
Financial assets measured at amortised cost	1,707,599	2,178,478
Derivative financial instruments	–	795
	1,707,599	2,179,273

All of the accounts receivable are expected to be recovered within one year.

(a) Ageing analysis

Included in accounts receivable are trade receivables and instalments receivable from sale of properties (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007 HK\$'000	2006 HK\$'000
Current	1,644,599	2,003,382
1 to 3 months past due	12,291	15,853
More than 3 months past due	6,474	9,803
	1,663,364	2,029,038

The Group's credit policy is set out in note 35(a) to the financial statements.

24 ACCOUNTS RECEIVABLE (continued)**(b) Impairment of trade and other receivables**

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2007 HK\$'000	2006 HK\$'000
At 1 January	3,718	3,396
Impairment loss recognised	289	5,192
Uncollectible amounts written off	(55)	(4,870)
At 31 December	3,952	3,718

At 31 December 2007, the Group's trade and other receivables of HK\$13,890,000 (2006: HK\$11,539,000) were individually determined to be impaired. The individually impaired receivables related to customers that have defaulted on repayment and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK\$3,952,000 (2006: HK\$3,718,000) were recognised. The Group does not hold any collateral over these balances.

(c) Accounts receivable that is not impaired

The ageing analysis of accounts receivable that is neither individually nor collectively considered to be impaired is as follows:

	2007 HK\$'000	2006 HK\$'000
Neither past due nor impaired	1,681,014	2,150,783
1 to 3 months past due	10,775	9,936
More than 3 months past due	5,872	10,733
	16,647	20,669
	1,697,661	2,171,452

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Properties sold to customers serve as collateral for instalments receivable from sale of properties.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash at bank and in hand	134,545	108,351	30,804	18,127
Bank deposits	2,960,875	1,120,161	–	–
Cash and cash equivalents in the balance sheet	3,095,420	1,228,512	30,804	18,127
Less: Bank deposits with original maturities of over three months	(1,261,500)	(10,429)		
Bank overdrafts (note 26)	(31,435)	(21,567)		
Cash and cash equivalents in the consolidated cash flow statement	1,802,485	1,196,516		

26 BANK LOANS AND OVERDRAFTS

At 31 December 2007, the bank loans and overdrafts were repayable as follows:

	2007 HK\$'000	2006 HK\$'000
Within 1 year or on demand	436,936	1,780,150
After 1 year but within 2 years	550,000	977,500
After 2 years but within 5 years	604,664	1,075,000
	1,154,664	2,052,500
	1,591,600	3,832,650

At 31 December 2007, the bank loans and overdrafts were secured as follows:

	2007 HK\$'000	2006 HK\$'000
Unsecured bank overdrafts	31,435	21,567
Bank loans		
– secured	38,000	38,000
– unsecured	1,522,165	3,773,083
	1,591,600	3,832,650

At 31 December 2007, bank loans of HK\$38,000,000 (2006: HK\$38,000,000) were secured by pledged bank deposits of HK\$38,000,000 (2006: HK\$39,520,000).

Except for fixed interest foreign currency borrowings of HK\$Nil (2006: HK\$31,788,000) that are designated as hedged items in fair value hedges and that are measured at fair value, all bank loans and overdrafts are measured at amortised cost.

27 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade payables	201,005	253,260	–	–
Other payables and accruals	1,080,704	1,374,716	37,431	26,498
Financial liabilities measured at amortised cost	1,281,709	1,627,976	37,431	26,498
Financial guarantees issued	–	–	15,536	65,537
	1,281,709	1,627,976	52,967	92,035

Financial guarantees issued by the Company of HK\$8,547,000 (2006: HK\$45,393,000) are expected to be recognised as income after more than one year. All of the other accounts payable and accruals, except for other payables and accruals of the Group of HK\$Nil (2006: HK\$33,666,000), are expected to be settled within one year.

Included in accounts payable and accruals are trade payables with the following ageing analysis as of the balance sheet date:

	The Group	
	2007 HK\$'000	2006 HK\$'000
Due within 1 month or on demand	116,044	196,850
Due after 1 month but within 3 months	84,961	54,571
Due after more than 3 months	–	1,839
	201,005	253,260

28 CONTINGENCY PROVISION – INSURANCE

	2007 HK\$'000	2006 HK\$'000
At 1 January	271,209	185,671
Provision charged during the year	23,956	85,538
At 31 December	295,165	271,209

The Group is involved from time to time in litigations and claims in connection with its bus operations. Contingency provisions – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the balance sheet date in connection with the Group's bus operations.

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	2007 HK\$'000	2006 HK\$'000
Provision for Hong Kong Profits Tax for the year	258,445	193,578
Provisional Profits Tax paid	(169,136)	(79,360)
	89,309	114,218
Balance of Profits Tax recoverable relating to prior years	(21,564)	(24,444)
	67,745	89,774
PRC Income Tax payable	645	792
	68,390	90,566
Representing:		
Current taxation recoverable	(5,917)	(25,278)
Current taxation payable	74,307	115,844
	68,390	90,566

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Defined benefit assets HK\$'000	Total HK\$'000
At 1 January 2006	775,684	(12,568)	(62,303)	84,871	785,684
Acquisition of subsidiaries	1,917	–	(213)	–	1,704
(Credited)/charged to consolidated income statement	(41,447)	(14,675)	4,068	9,096	(42,958)
At 31 December 2006	736,154	(27,243)	(58,448)	93,967	744,430
At 1 January 2007	736,154	(27,243)	(58,448)	93,967	744,430
(Credited)/charged to consolidated income statement	(57,148)	(14,084)	5,005	11,424	(54,803)
At 31 December 2007	679,006	(41,327)	(53,443)	105,391	689,627

	2007 HK\$'000	2006 HK\$'000
Net deferred tax assets recognised in the consolidated balance sheet	(11,877)	(13,785)
Net deferred tax liabilities recognised in the consolidated balance sheet	701,504	758,215
	689,627	744,430

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of HK\$26,940,000 (2006: HK\$35,693,000) in respect of tax losses of HK\$153,944,000 (2006: HK\$203,960,000). The tax losses do not expire under the current tax legislation.

30 PROVISION FOR LONG SERVICE PAYMENTS

Details of the provision for long service payments of the Group are as follows:

	2007 HK\$'000	2006 HK\$'000
At 1 January	49,290	49,885
Provision charged to the consolidated income statement (note 5(a))	5,929	13,301
Payments made during the year	(7,997)	(13,896)
At 31 December	47,222	49,290

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

31 CAPITAL AND RESERVES

(a) The Group

Note	Attributable to equity shareholders of the Company							Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Staff retirement fund reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000			
At 1 January 2006	403,639	2,412	17,839	1,082,600	17,067	–	2,508,576	4,032,133	268,547	4,300,680
Dividend approved in respect of the previous year	11(b)	–	–	–	–	–	(637,750)	(637,750)	–	(637,750)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(12,988)	(12,988)
Exchange differences on translation of financial statements of foreign entities		–	–	–	24,258	–	–	24,258	–	24,258
Contribution by minority shareholders		–	–	–	–	–	–	–	6,673	6,673
Disposal of subsidiaries		–	–	–	(827)	–	–	(827)	(48,934)	(49,761)
Profit for the year		–	–	–	–	–	1,838,014	1,838,014	31,391	1,869,405
Dividend approved in respect of the current year	11(a)	–	–	–	–	–	(181,638)	(181,638)	–	(181,638)
At 31 December 2006	403,639	2,412	17,839	1,082,600	40,498	–	3,527,202	5,074,190	244,689	5,318,879
At 1 January 2007	403,639	2,412	17,839	1,082,600	40,498	–	3,527,202	5,074,190	244,689	5,318,879
Dividend approved in respect of the previous year	11(b)	–	–	–	–	–	(637,750)	(637,750)	–	(637,750)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(16,021)	(16,021)
Exchange differences on translation of financial statements of foreign entities		–	–	–	53,684	–	–	53,684	282	53,966
Deemed disposal of partial interest in associate		–	–	–	(1,782)	–	–	(1,782)	–	(1,782)
Available-for-sale securities: change in fair value		–	–	–	–	5	–	5	–	5
Profit for the year		–	–	–	–	–	3,847,678	3,847,678	20,678	3,868,356
Dividend approved in respect of the current year	11(a)	–	–	–	–	–	(787,097)	(787,097)	–	(787,097)
At 31 December 2007	403,639	2,412	17,839	1,082,600	92,400	5	5,950,033	7,548,928	249,628	7,798,556

Included in retained profits are an amount of HK\$71,229,000 (2006: HK\$96,282,000) being the retained profits attributable to associates, and an amount of HK\$877,000 (2006: HK\$1,521,000) being the retained profits attributable to jointly controlled entities.

31 CAPITAL AND RESERVES (continued)

(b) The Company

	Note	Share capital HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2006		403,639	1,300,000	912,666	2,616,305
Dividend approved in respect of the previous year	11(b)	–	–	(637,750)	(637,750)
Profit for the year		–	–	369,288	369,288
Dividend approved in respect of the current year	11(a)	–	–	(181,638)	(181,638)
At 31 December 2006		403,639	1,300,000	462,566	2,166,205
At 1 January 2007		403,639	1,300,000	462,566	2,166,205
Dividend approved in respect of the previous year	11(b)	–	–	(637,750)	(637,750)
Profit for the year		–	–	1,390,289	1,390,289
Dividend approved in respect of the current year	11(a)	–	–	(787,097)	(787,097)
At 31 December 2007		403,639	1,300,000	428,008	2,131,647

The Company's reserves available for distribution to shareholders at 31 December 2007 amounted to HK\$1,728,008,000 (2006: HK\$1,762,566,000). After the balance sheet date, the Directors proposed an ordinary final dividend of HK\$1.58 per share (2006: HK\$1.58 per share) and a special final dividend of HK\$2.00 per share (2006: Nil), amounting to HK\$637,750,000 (2006: HK\$637,750,000) and HK\$807,279,000 (2006: Nil) respectively totalling HK\$1,445,029,000 (2006: HK\$637,750,000). The dividends have not been recognised as liabilities at the balance sheet date.

(c) Share capital

(i) Authorised and issued share capital

	2007 HK\$'000	2006 HK\$'000
Authorised:		
600,000,000 ordinary shares of HK\$1 each	600,000	600,000
Issued and fully paid:		
403,639,413 ordinary shares of HK\$1 each	403,639	403,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as interest-bearing loans and borrowings less cash and cash equivalents. Capital comprises all components of equity.

31 CAPITAL AND RESERVES (continued)**(c) Share capital** (continued)**(iii) Capital management** (continued)

The net debt-to-capital ratio at 31 December 2007 and 2006 was as follows:

	Note	The Group		The Company	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Bank loans and overdrafts	26	1,591,600	3,832,650	–	–
Less: Cash and cash equivalents	25	(3,095,420)	(1,228,512)	(30,804)	(18,127)
Pledged deposits	26	(38,000)	(39,520)	–	–
Net (cash)/debt		(1,541,820)	2,564,618	(30,804)	(18,127)
Total equity	31	7,798,556	5,318,879	2,131,647	2,166,205
Net debt-to-capital ratio		N/A	0.48	N/A	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 ACQUISITION OF SUBSIDIARY

On 23 August 2007, the Company, via a wholly-owned subsidiary, acquired the entire equity interests in CAG Limited for HK\$9,807,000, satisfied in cash.

The principal activity of CAG Limited is the provision of non-franchised transport services in Hong Kong. The contribution to the Group's revenue and profit for the year from CAG Limited since its date of acquisition is immaterial.

Details of net assets acquired and goodwill are as follows:

	Carrying amount HK\$'000	Fair value HK\$'000
Net assets acquired:		
Fixed assets	–	4,151
Passenger service licences	–	5,250
Accounts receivable	299	299
Deposits and prepayments	17	17
Accounts payable and accruals	(2,284)	(2,284)
Net assets acquired		7,433
Goodwill arising from acquisition (note 15)		2,374
Total purchase price paid, satisfied in cash		9,807

33 COMMITMENTS

- (a) At 31 December 2007, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the financial statements:

	2007 HK\$'000	2006 HK\$'000
Contracted for	122,108	295,308
Authorised but not contracted for	239,780	195,858
	361,888	491,166

- (b) At 31 December 2007, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2007 HK\$'000	2006 HK\$'000
Within 1 year	3,043	3,024
After 1 year but within 5 years	1,380	1,598
	4,423	4,622

The Group leases a number of properties under operating leases. The leases typically run for a period of one to five years. The leases do not include contingent rentals.

34 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2007, the Company has undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$540,000,000 (2006: HK\$3,160,000,000).

As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK\$410,000,000 (2006: HK\$2,343,000,000).

Deferred income in respect of the guarantees issued is disclosed in note 27 to the financial statements.

35 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, instalments receivable from sale of properties, loans to associate and an investee, and unlisted debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year.

Debt investments are only made with counterparties of high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

For instalments receivable from sale of properties, the properties sold serve as the collateral.

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables are set out in notes 21 and 24.

(b) Liquidity risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development.

Major operating companies of the Group arrange for their own financing to meet specific requirement. The Group's other subsidiaries are mainly financed by the Company's capital base.

The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

35 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	The Group									
	2007					2006				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Bank loans	1,560,165	1,667,259	459,311	580,525	627,423	3,811,083	4,090,358	1,910,562	1,054,585	1,125,211
Accounts payable and accruals	1,281,709	1,281,709	1,281,709	–	–	1,627,976	1,627,976	1,627,976	–	–
Bank overdrafts	31,435	31,435	31,435	–	–	21,567	21,567	21,567	–	–
	2,873,309	2,980,403	1,772,455	580,525	627,423	5,460,626	5,739,901	3,560,105	1,054,585	1,125,211
	The Company									
	2007					2006				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Amounts due to subsidiaries	2,466,765	2,466,765	2,466,765	–	–	1,469,171	1,469,171	1,469,171	–	–
Other payable and accruals	37,431	37,431	37,431	–	–	26,498	26,498	26,498	–	–
	2,504,196	2,504,196	2,504,196	–	–	1,495,669	1,495,669	1,495,669	–	–

(c) Interest rate risk

(i) Hedging

It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2007, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group reviews its strategy on interest rate risk management in the light of the prevailing market conditions and used interest rate swaps to hedge against fluctuations in fair value of fixed interest bank loans as at 31 December 2006.

At 31 December 2006, the Group had interest rate swaps with a notional contract amount of HK\$31,788,000 with the maturity of the swaps matched exactly the maturity of the related loans. The Group classifies interest rate swaps as fair value hedges and states them at fair value in accordance with the policy set out in note 1(g). The net fair value of swaps entered into by the Group at 31 December 2006 was HK\$795,000. The amount is recognised as derivative financial instruments and is included within "Accounts receivable" (note 24). Upon the maturity of the swaps, no further hedging arrangements were made in 2007.

35 FINANCIAL INSTRUMENTS (continued)**(c) Interest rate risk** (continued)**(iii) Interest rate profile**

The following table details the interest rate profile of the Group's interest bearing assets and liabilities at the balance sheet date.

	The Group			
	2007		2006	
	Effective interest rate p.a. %	HK\$'000	Effective interest rate p.a. %	HK\$'000
Fixed rate assets/(liabilities):				
Bank deposits	3.8	2,960,875	4.1	1,120,161
Instalments receivable	4.4	1,433,751	4.9	1,868,337
Loan to investee	5.5	18,592	5.5	18,592
Loans to associate	6.5	94,793	4.3	69,241
Available-for-sale debt securities	4.1	50,035	–	–
Bank loans	–	–	6.6	(31,788)
Effect of interest rate swaps	–	–	6.6	31,788
		4,558,046		3,076,331
Variable rate assets/(liabilities):				
Cash at bank	0.6	68,602	1.1	41,960
Instalments receivable	6.8	54,078	–	–
Bank overdrafts	6.8	(31,435)	7.8	(21,567)
Bank loans	3.9	(1,560,165)	4.2	(3,779,295)
Effect of interest rate swaps	–	–	4.2	(31,788)
		(1,468,920)		(3,790,690)

(iii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK\$11,999,000 (2006: HK\$31,200,000). Other components of consolidated equity would decrease/increase by approximately HK\$1,815,000 (2006: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

35 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

Foreign currency exposure does not pose a significant risk for the Group as the levels of foreign currency assets and liabilities were relatively low compared to its total asset base. The Group's foreign currency exposure mainly arises from the payments for new buses and motor vehicle components which are denominated in British Pound Sterling. It is the Group's policy to closely monitor the foreign exchange rate movements and enter into forward foreign exchange contracts in a strategic manner when opportunities arise to hedge the foreign currency fluctuations. There was no outstanding forward foreign exchange contract as at 31 December 2007 and 2006.

(i) Exposure to foreign currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group					
	2007			2006		
	Renminbi '000	British Pound Sterling '000	United States Dollars '000	Renminbi '000	British Pound Sterling '000	United States Dollars '000
Cash and cash equivalents	–	1,636	54,018	–	1,556	50,951
Loans to associate	22,858	–	8,894	–	–	8,894
Accounts payable and accruals	–	(1,706)	(433)	–	(3,233)	(511)
Bank loans and overdrafts	–	–	–	–	–	(4,080)
Overall net exposure	22,858	(70)	62,479	–	(1,677)	55,254

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	The Group					
	2007			2006		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) HK\$'000	Effect on other components of equity (increase/ (decrease)) HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) HK\$'000	Effect on other components of equity (increase/ (decrease)) HK\$'000
Renminbi	3% (3%)	– –	731 (731)	5% (5%)	– –	– –
British Pound Sterling	4% (4%)	142 (142)	– –	4% (4%)	(677) 677	– –
United States Dollars	1% (1%)	4,185 (4,185)	645 (645)	1% (1%)	3,613 (3,613)	645 (645)

35 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2006.

Renminbi is not a fully convertible currency. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

(e) Equity price risk

The Group is exposed to equity price changes arising from investments in equity securities. As the carrying amount of such investments is insignificant compared to the total assets of the Group, the management considers the exposure to equity price risk to be insignificant.

(f) Fuel price risk

It is the Group's policy to closely monitor the fuel oil price movements and enter into fuel oil swap contracts in a strategic manner when opportunities arise to hedge against fuel oil price fluctuations. There was no outstanding fuel oil swap contract as at 31 December 2007 and 2006.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006 except as follows:

- (i) Amounts due from/to subsidiaries, associates and jointly controlled entities of the Group and the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.
- (ii) Unlisted equity securities of HK\$15,355,000 (2006: HK\$15,355,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date.

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale debt securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivatives

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

35 FINANCIAL INSTRUMENTS (continued)

(h) Estimation of fair values (continued)

(iii) Interest-bearing loans and borrowings

Fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates can be made.

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Transactions with related companies

	Note	2007 HK\$'000	2006 HK\$'000
Service fees for provision of coach services	(i)	26,105	27,536
Insurance premium paid	(ii)	65,029	81,376
Amount paid and accrued for management contractor services for property under development	(iii)	37,238	1,045,458
Amount paid and accrued for letting and sales agency agreement	(iv)	44,085	13,561
Amount paid and accrued for management agreement	(v)	10,271	–
Amount paid and accrued for property project management services	(vi)	–	9,800
Estimated Entitled Net Return for provision of transport services	(vii)	8,054	9,681

- (i) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP") under the same terms as those available to other customers in the ordinary course of business. Amounts due from these companies at 31 December 2007 amounted to HK\$7,480,000 (2006: HK\$7,025,000).

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

- (ii) During the year, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group. SHKPI entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. There was no outstanding balance due to SHKPI at 31 December 2007 and 2006.
- (iii) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract ("the Prime Cost Contract") with Chun Fai Construction Co. Ltd. ("Chun Fai"), a subsidiary of SHKP, for the provision of management contractor services relating to the property under development of the Group ("Manhattan Hill"). In 2004, a supplementary agreement to the Prime Cost Contract ("the Supplementary Agreement") was entered into between LCKPI and Chun Fai for the purposes of upgrading the design, materials and quality of the workmanship of Manhattan Hill. Pursuant to the Prime Cost Contract, as supplemented by the Supplementary Agreement, the aggregate consideration payable to Chun Fai should not exceed HK\$1,617,743,000. Outstanding balance payable for this contract at 31 December 2007 amounted to HK\$163,925,000 (2006: HK\$545,905,000).
- (iv) LCKPI entered into a Letting and Sales Agency Agreement (the "Original Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and the car parking spaces of Manhattan Hill. On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement (the "Letter Agreement") pursuant to which LCKPI continues to appoint SHKRE as the letting and sales agent of Manhattan Hill under the same terms and conditions of the Original Agreement except that the maximum amount of the agency fees payable under the Original Agreement and the Letter Agreement shall, altogether, not exceed HK\$65,000,000. There was no outstanding balance payable for this contract at 31 December 2007 (2006: HK\$13,561,000).
- (v) In 2003, LCKPI entered into the Management Agreement with Hong Yip Service Company Limited ("Hong Yip"), a subsidiary of SHKP, to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a completed unit of the property.

In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a fellow subsidiary of Hong Yip, to amend and supplement the management agreement (the "Supplemental Deed"). It is agreed among the three parties that Royal Elite will replace Hong Yip to be the Manager and to perform and discharge the duties and obligations as the manager under the deed(s) of mutual covenant. All terms defined in the Management Agreement are adopted in the Supplemental Deed. Outstanding balance payable for this contract at 31 December 2007 amounted to HK\$2,111,000 (2006: Nil).
- (vi) The Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to Manhattan Hill. The contract sum of the project management services is HK\$15,000,000, or the lower of 1% of the project costs and HK\$20,000,000, whichever is higher. Management service fees payable for this contract at 31 December 2007 amounted to HK\$3,800,000 (2006: HK\$6,800,000).

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

- (vii) On 23 May 2001, an indirectly wholly-owned subsidiary of the Company, Park Island Transport Company Limited ("PITC"), entered into a contract with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW"), a wholly-owned subsidiary of SHKP, for the provision of transport services for Ma Wan Island in Hong Kong. Under the terms of the contract ("the Transport Agreement"), PITC shall be entitled to a return lying within the range of 9% and 16% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of PITC's fixed assets with respect to the accounting year concerned ("the Entitled Net Return").

On 6 December 2005, PITC entered into a Supplemental Letter to amend certain terms and conditions of the Transport Agreement whereby the operating term of the Transport Agreement was extended for a period of one year from 14 December 2005 to 13 December 2006 and the Entitled Net Return of the Transport Agreement was changed to lie within the range of 8% and 14% per annum.

Further, on 28 November 2006, PITC entered into another Supplemental Letter to amend certain terms and conditions of the Transport Agreement whereby the operating term of the Transport Agreement was extended for a period of one year from 14 December 2006 to 13 December 2007 and the Entitled Net Return of the Transport Agreement was changed to lie within the range of 7% and 14% per annum.

On 6 December 2007, the Transport Agreement was extended for a period of another year from 14 December 2007 to 13 December 2008 with no change in the range of Entitled Net Return per annum.

The amount receivable from SHKMW at 31 December 2007 under this contract was HK\$59,384,000 (2006: HK\$68,589,000).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

(c) Financing arrangements

Loans to associate are unsecured and have no fixed terms of repayment. Interest income from loans to associate during the year was HK\$3,735,000 (2006: HK\$3,208,000) and the interest receivable at the year end amounted to HK\$8,896,000 (2006: HK\$5,446,000).

37 COMPARATIVE FIGURES

Following the adoption of HKFRS 7, Financial instruments: Disclosures, and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2.

Further, third party claims payable of HK\$136,656,000 under current liabilities as at 31 December 2006 has been re-classified as contingency provision – insurance under non-current liabilities, to conform with the current year's presentation and to reflect the expected settlement after one year from the balance sheet date.

38 NON-ADJUSTING POST BALANCE SHEET EVENTS

- (a) After the balance sheet date, the Directors proposed final dividends for the year. Further details are disclosed in note 11(a) to the financial statements.
- (b) After the balance sheet date, as a result of the fall in prices of equity securities, there has been a fall in the fair value of plan assets of the Group's defined benefit retirement schemes and a resulting fall in the net unrecognised actuarial gains, which are recognised in accordance with the accounting policy disclosed in note 1(v)(ii). This non-adjusting post balance sheet event has no impact on the measurement of assets and liabilities as at 31 December 2007.
- (c) On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09 and a one-off reduction of 75% of the tax payable for the 2007/08 assessment subject to a ceiling of HK\$25,000. In accordance with the Group's accounting policy set out in note 1(w), no adjustments have been made to these financial statements as a result of this announcement. These proposed changes are estimated to result in the opening balances of the Group as at 1 January 2008 being remeasured as follows:
 - (i) current tax payable by the Group will decrease by HK\$250,000; and
 - (ii) the Group's deferred tax liabilities and deferred tax assets will decrease by HK\$39,911,000 and HK\$701,000 respectively.

These opening balance adjustments to current and deferred tax balances at 1 January 2008 will be recognised as a reduction in the Group's income tax expense of HK\$39,460,000. It is impracticable to further estimate the impact on future financial statements of the change in tax rate.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 15, 19, 22(f) and 35(h) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 28, is based on past claims experience and recent claims development. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

(b) Depreciation/amortisation

Fixed assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment of assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(d) Net realisable value of completed property held for sale

Management determines the net realisable value of completed property held for sale with reference to recent sale transactions of the property and those in nearby areas. Estimated costs to be incurred in selling the property are taken into account in estimating net realisable value. These estimates require management judgement as to the anticipated future selling prices, rate of new property sales, marketing costs and general market conditions. Changes in market conditions affect the actual selling price when the property is sold and may affect profit or loss in future years.

(e) Recognition of deferred tax assets

At 31 December 2007, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 29(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in the consolidated income statement for the period in which such a reversal takes place.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a material impact on the Group's results of operations and financial position.

In addition, HKFRS 8, Operating segments, which is effective for accounting periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

FINANCIAL SUMMARY

for the year ended 31 December

	2007 HK\$'M	2006 HK\$'M	2005 HK\$'M	2004 HK\$'M	2003 HK\$'M	2002 HK\$'M	2001 HK\$'M	2000 HK\$'M	1999 HK\$'M	1998 HK\$'M
Income statement										
Turnover	12,013	8,705	6,456	6,544	6,540	6,843	6,862	6,323	5,871	5,510
Profit before taxation	4,074	2,002	691	913	857	1,142	1,810	936	893	679
Less: Income tax	206	133	96	169	259	175	237	81	154	93
Profit after taxation	3,868	1,869	595	744	598	967	1,573	855	739	586
Less: Minority interests	21	31	11	13	1	28	34	–	–	–
Profit attributable to equity shareholders of the Company	3,847	1,838	584	731	597	939	1,539	855	739	586
Balance sheet										
Fixed assets	4,981	5,463	5,720	6,119	6,491	6,497	6,047	5,381	4,952	4,882
Passenger service licences	14	8	–	–	–	–	–	–	–	–
Goodwill	52	49	33	30	50	53	21	22	4	–
Media assets	1	1	96	115	61	–	–	–	–	–
Non-current prepayments	38	48	63	470	105	101	–	–	–	–
Interest in associates	911	834	776	330	162	61	1	–	(5)	(5)
Interest in jointly controlled entities	23	23	16	5	1	2	6	10	13	17
Other financial assets	138	46	34	15	15	15	15	1	–	–
Employee benefit assets	602	537	485	414	339	278	–	–	–	–
Net current assets	3,224	1,426	184	253	548	465	854	926	881	374
Employment of funds	9,984	8,435	7,407	7,751	7,772	7,472	6,944	6,340	5,845	5,268
Financed by:										
Share capital	404	404	404	404	404	404	404	404	404	404
Reserves	7,145	4,670	3,628	3,847	3,935	4,157	3,776	2,341	2,052	1,782
Total equity attributable to equity shareholders of the Company	7,549	5,074	4,032	4,251	4,339	4,561	4,180	2,745	2,456	2,186
Minority interests	249	245	269	289	260	244	228	4	6	6
Total equity	7,798	5,319	4,301	4,540	4,599	4,805	4,408	2,749	2,462	2,192
Contingency provision – insurance	295	271	52	59	106	117	202	298	305	299
Long term bank loans	1,155	2,052	2,218	2,298	2,218	1,830	1,743	2,176	1,961	1,694
Other liabilities	736	793	836	854	849	720	591	1,117	1,117	1,083
Funds employed	9,984	8,435	7,407	7,751	7,772	7,472	6,944	6,340	5,845	5,268
Earnings per share (HK\$)	9.53	4.55	1.45	1.81	1.48	2.33	3.81	2.12	1.83	1.45
Dividends per share (HK\$)	5.53	2.03	2.03	2.03	2.03	2.03	1.86	1.58	1.35	1.15

Notes:

- In 2005, the Group has changed several of its accounting policies to comply with Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Figures for 2004 to 2007 have been prepared based on the new and revised policies in accordance with the transitional provisions of HKFRSs. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively.
- In order to comply with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 34 “Employee benefits” (now superseded and replaced by Hong Kong Accounting Standard 19, “Employee benefits”) and SSAP 12 (revised) “Income taxes” (now superseded and replaced by Hong Kong Accounting Standard 12, “Income taxes”), the Group adopted new accounting policies for short-term employee benefits and deferred taxation in 2002. Figures for the year 2001 have been adjusted and it is not practicable to restate earlier years for comparison purposes.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

The Hon Sir Sze-yuen CHUNG*
GBM, GBE, PhD, FEng, JP
Chairman

Dr Norman LEUNG Nai Pang*
GBS, JP, LLD, BA
Deputy Chairman

KWOK Ping-luen, Raymond
JP, MA(Cantab), MBA, Hon DBA, Hon LLD

KWOK Ping-sheung, Walter
JP, MSc(Lond), DIC, MICE

NG Siu Chan

William LOUEY Lai Kuen
BSc(Econ)

John CHAN Cho Chak
GBS, JP, DBA(Hon), BA, DipMS,
CCMI, FCILT, FHKIoD
Managing Director

Charles LUI Chung Yuen
M.H., BEc, AASA, FCILT
Executive Director

Winnie NG
BA, MBA(Chicago), MPA(Harvard),
FCIM, CMILT, MHKIoD
Executive Director and
Alternate Director to Mr NG Siu Chan

Dr KUNG Ziang Mien, James*
GBS, OBE

George CHIEN Yuan Hwei
MSc(Lond), BSc(Eng), DIC, FICE, CEng,
PEng, FITE

Dr Eric LI Ka Cheung*
GBS, OBE, JP, LLD, DSocSc, BA,
FCPA(Practising), FCA, FCPA(Aust.), FCIS

Edmond HO Tat Man
MA(Cantab), MBA, CMILT, MHKIoD
Deputy Managing Director

SIU Kwing-chue, Gordon*
GBS, CBE, JP, MSS(Birmingham, UK)

John Anthony MILLER
OBE, JP, MPA(Harvard), BA(Lond)

KUNG Lin Cheng, Leo
(Alternate Director to
Dr KUNG Ziang Mien, James*, GBS, OBE)

YUNG Wing Chung
(Alternate Director to
Mr KWOK Ping-luen, Raymond, JP)

WONG On Ning, Orlena
(Alternate Director to
Mr KWOK Ping-sheung, Walter, JP)

BOARD COMMITTEES

Audit Committee

Dr Eric LI Ka Cheung#
Dr KUNG Ziang Mien, James
George CHIEN Yuan Hwei

Nomination Committee

Dr Norman LEUNG Nai Pang#
Dr KUNG Ziang Mien, James
Dr Eric LI Ka Cheung
SIU Kwing-chue, Gordon

Remuneration Committee

Dr Norman LEUNG Nai Pang#
Dr KUNG Ziang Mien, James
Dr Eric LI Ka Cheung

Standing Committee

Dr Norman LEUNG Nai Pang#
KWOK Ping-luen, Raymond
NG Siu Chan
John CHAN Cho Chak
Charles LUI Chung Yuen

COMPANY SECRETARY

Lana WOO
MBA, BA, AAT, CGA, ACIS, MIFC, CFC

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183 Queen's Road East
Wan Chai, Hong Kong

Bermuda

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Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

REGISTER OF MEMBERS

Book closed from 21 May 2008 to
29 May 2008, both dates inclusive

DIVIDENDS

Ordinary Interim

HK\$0.45 per share,
paid on 17 October 2007

Special Interim

HK\$1.50 per share,
paid on 17 October 2007

Ordinary Final (proposed)

HK\$1.58 per share,
payable on 30 May 2008

Special Final (proposed)

HK\$2.00 per share,
payable on 30 May 2008

STOCK CODE

The Stock Exchange of Hong Kong: 062
Bloomberg: 62HK
Reuters: 0062.HK

CUSTOMER SERVICE HOTLINES

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(1933) Limited**

Telephone: (852) 2745 4466
Facsimile: (852) 2745 0600

Long Win Bus Company Limited

Telephone: (852) 2261 2791
(852) 2261 2792

Sun Bus Limited

Telephone: (852) 2371 2666

(* Independent Non-executive Directors of the Company)

(# Committee Chairman)

This Annual Report is also available on our corporate website: www.tih.hk

TRANSPORT INTERNATIONAL HOLDINGS LIMITED

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Stock Code: 062

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