FINANCIAL REPORTS

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*, *GBM, GBE, PhD, FREng, JP*	(Chairman)
Dr Norman LEUNG Nai Pang*, *GBS, JP*	(Deputy Chairman)
KWOK Ping-luen, Raymond, *JP*	
KWOK Ping-sheung, Walter, *JP*	
NG Siu Chan	
William LOUEY Lai Kuen	
John CHAN Cho Chak, *GBS, JP*	(Managing Director)
Charles LUI Chung Yuen, *M.H.*	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan with effect from 1 July 2007)
Dr KUNG Ziang Mien, James*, *GBS, OBE*	
George CHIEN Yuan Hwei	
Dr Eric LI Ka Cheung*, *GBS, OBE, JP*	
Edmond HO Tat Man	(Deputy Managing Director)
SIU Kwing-chue, Gordon*, *GBS, CBE, JP*	
John Anthony MILLER, *OBE, JP*	(Appointed on 1 March 2008)
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* and Mr KWOK Ping-sheung, Walter, *JP*. Ceased to be Alternate Director to Mr KWOK Ping-sheung, Walter, *JP* with effect from 1 May 2007)
WONG On Ning, Orlena	(Alternate Director to Mr KWOK Ping-sheung, Walter, *JP* 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					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
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					
	Personal interests	Family interests	Corporate interests	Trustee interests	Total number of shares held	Percentage of total issued shares
The Hon Sir Sze-yuen CHUNG*	4,000	–	–	–	4,000	–
Dr Norman LEUNG Nai Pang*	–	–	–	–	–	–
KWOK Ping-luen, 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-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 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)

(ii) 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			
	Registered shareholders	Corporate interests	Total number of shares held	Percentage of total issued shares
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 HK$'000	2007 HK$'000	2006 HK$'000	2006 HK$'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
Executive Directors					
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
Non-executive Directors					
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
Independent Non-executive Directors					
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
Executive Directors					
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
Non-executive Directors					
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
Independent Non-executive Directors					
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$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–
HK$7,000,001 – HK$7,500,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
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

		Attributable to equity shareholders of the Company									
	Note	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$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'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)

(ii) Capital management (continued)

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

	Note	The Group 2007 HK$'000	The Group 2006 HK$'000	The Company 2007 HK$'000	The Company 2006 HK$'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:

Net assets acquired:	Carrying amount HK$'000	Fair value HK$'000
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)

(ii) 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%	–	731	5%	–	–
	(3%)	–	(731)	(5%)	–	–
British Pound Sterling	4%	142	–	4%	(677)	–
	(4%)	(142)	–	(4%)	677	–
United States Dollars	1%	4,185	645	1%	3,613	645
	(1%)	(4,185)	(645)	(1%)	(3,613)	(645)

35 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) 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.