THE GROUP

REVIEW OF 2007 FINANCIAL PERFORMANCE

The Group's Results for the Year

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2007 was HK$3,847.7 million, an increase of HK$2,009.7 million compared to HK$1,838.0 million for 2006. Earnings per share rose correspondingly from HK$4.55 for 2006 to HK$9.53 for 2007. These increases were mainly attributable to the non-recurrent after-tax profit of HK$3,507.7 million (2006: HK$1,500.2 million) arising from the sales of residential units and car parking spaces of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary of the Company. If the after-tax profits from property sales for 2007 and 2006 were excluded, the profit attributable to equity shareholders for 2007 would have been HK$339.9 million, representing an increase of only 0.6% compared with HK$337.8 million for 2006.

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

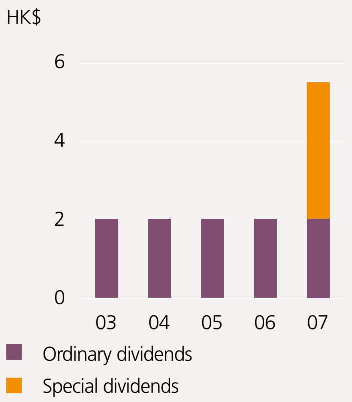
	Turnover		Profit before taxation	
HK$ million	**2007**	2006	**2007**	2006
Franchised Public Bus Operations Division	**6,131.6**	6,072.8	**347.3**	327.5
Non-franchised Transport Operations Division	**379.9**	337.1	**37.9**	40.1
Property Holdings and Development Division	**5,382.9**	2,133.2	**3,700.4**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

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

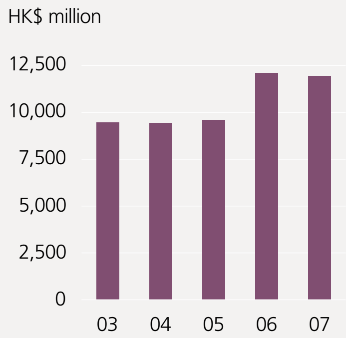
The Group's total operating expenses for the year amounted to HK$8,116.9 million (2006: HK$6,802.2 million), an increase of HK$1,314.7 million or 19.3% compared with 2006. The increase was mainly attributable to the increase in cost of properties sold by HK$899.4 million and selling and marketing expenses by HK$348.7 million resulting from the further sales of Manhattan Hill residential units, and the increase in fuel and oil costs by HK$106.8 million from HK$1,103.0 million for 2006 to HK$1,209.8 million for 2007 as a result of the continuous surge of international oil prices. More detailed information in respect of the Group's individual business units are set out on pages 94 to 99 of this Annual Report.

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

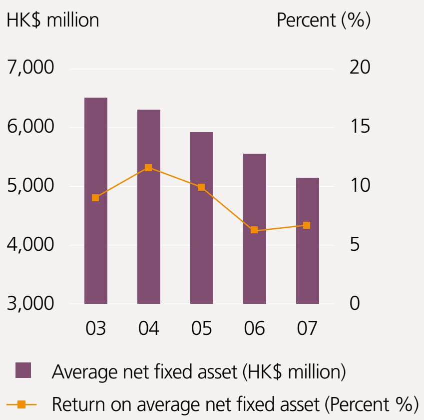
Dividends per share



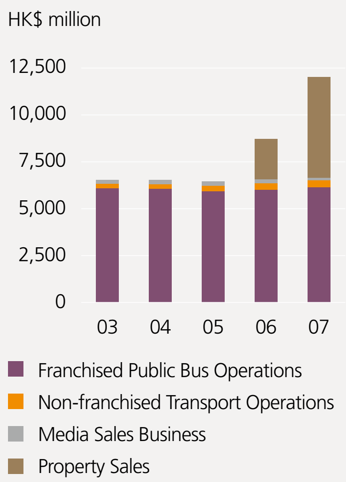
Total assets at 31 December



Return on average net fixed asset employed
(excluding property sales)



Group turnover



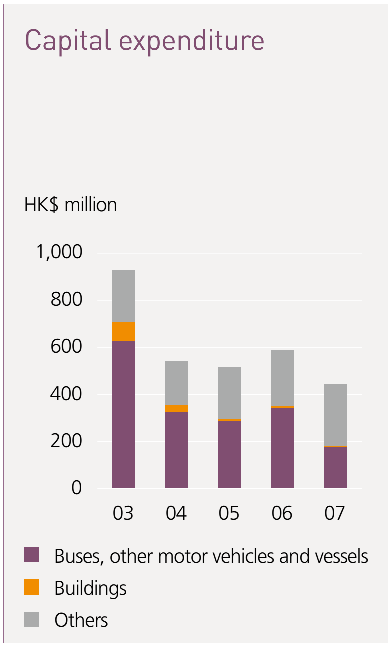
Income tax expense for the year amounted to HK$205.6 million (2006: HK$133.3 million), representing an increase of 54.2% compared to the previous year. The breakdown of the income tax expense is set out in note 6(a) to the financial statements on page 142 of this Annual Report.

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

KEY CHANGES TO FINANCIAL POSITION

Fixed Assets and Capital Expenditure

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



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

Current Assets and Liabilities

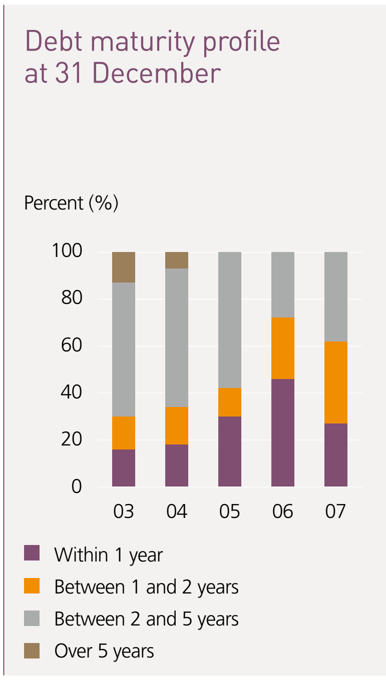
At the end of 2007, the Group's total current assets amounted to HK$5,160.5 million (2006: HK$5,077.0 million) which mainly comprised completed property held for sale of HK$206.3 million (2006: HK$1,433.4 million), accounts receivable of HK$1,707.6 million (2006: HK$2,179.3 million) and liquid funds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

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

Bank Loans and Overdrafts

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

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



Net Cash/(Borrowings)

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

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

Capital Commitments

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

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

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

FUNDING AND FINANCING

Liquidity and Financial Resources

Under the principle of prudent financial management, the Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development.
The Group's operations were mainly financed by shareholders' funds, bank loans and overdrafts. Major operating companies of the Group arrange for their own financing to meet their operational and investment requirements. The Group's other subsidiaries are mainly financed by the holding company from its capital base.
The Group reviews its funding strategy from time to time to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. At 31 December 2007, the Group had unutilised banking facilities totalling HK$692.0 million (2006: HK$1,254.0 million).

Gearing Ratio and Liquidity Ratio

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

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

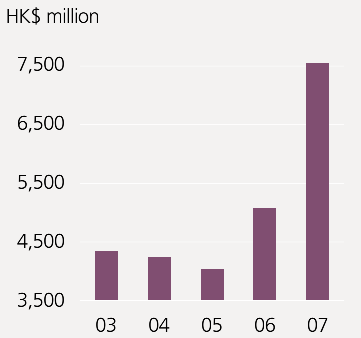
The Group's net cash at 31 December 2007 amounted to HK$1,541.8 million (2006: net borrowings of HK$2,564.7 million). This was attributable to the increase in liquid funds arising from the sales of Manhattan Hill residential units, a portion of which has been utilised to repay all the bank loans in respect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

Finance Costs and Interest Cover

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

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

Shareholders' fund at 31 December



Net Cash Flow

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

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

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

The net decrease in bank loans in 2007 amounted to HK$2,250.1 million compared to the net increase of HK$674.6 million in 2006. Before the payment of dividends to equity shareholders for 2007, the net cash inflow for 2007 was HK$2,025.5 million, compared to HK$1,048.4 million for 2006.

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

Treasury Policies

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

Credit Risk

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

Cash Flow and Liquidity Risk Management

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

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

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

Interest Rate Risk Management

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

Foreign Currency Risk Management

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

Equity Price Risk

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

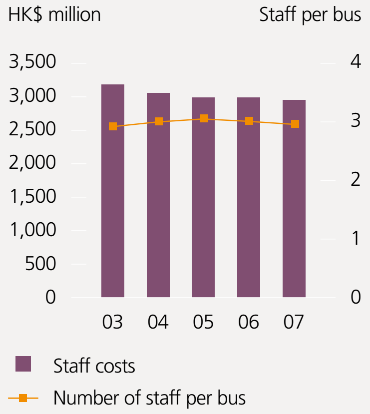
Fuel Price Risk

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

EMPLOYEES AND REMUNERATION POLICIES

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

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



INDIVIDUAL BUSINESS UNITS

FRANCHISED PUBLIC BUS OPERATIONS

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

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

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

KMB's fare revenue for the year amounted to HK$5,768.8 million, an increase of 0.8% compared with that for 2006. Total ridership for 2007 was 1,008.1 million passenger trips, a slight increase of 0.02% as compared with 1,007.9 million passenger trips for 2006. The strong local economy in 2007 facilitated ridership growth for the public transport market as a whole. However, the increase in the ridership of KMB was below the market average as it continued to face intense competition from the new railways. With the continuous economic growth of Hong Kong, KMB's advertising revenue for the year increased to HK$74.7 million, an increase of 15.5% compared with HK$64.7 million for the previous year.

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

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

Long Win Bus Company Limited ("LWB")

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

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

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

LWB's total operating expenses for the year amounted to HK$278.9 million (2006: HK$267.3 million), an increase of HK$11.6 million compared with that for 2006. The increase was due mainly to increases in fuel costs, staff costs, tunnel toll charges, depreciation as well as other operating expenses as a result of the addition of new buses to meet growing travel demand and the enhancement of service quality. Finance costs for 2007 decreased by HK$2.3 million to HK$4.5 million (2006: HK$6.8 million) due mainly to the decrease in average bank borrowings compared with the previous year.

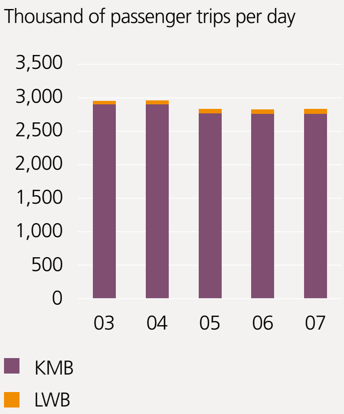
NON-FRANCHISED TRANSPORT OPERATIONS

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

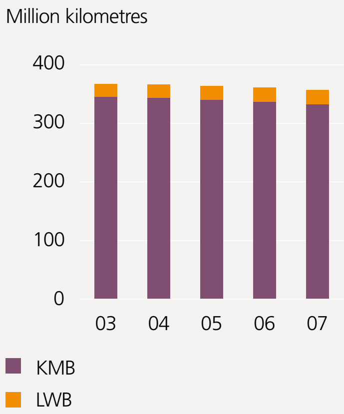
Sun Bus Holdings Limited and its subsidiaries (the "SBH Group")

The SBH Group is one of the leading non-franchised bus operators in Hong Kong. It provides tailor-made high quality transport services to a variety of customers. Its fleet serves different sectors and niche markets, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services.

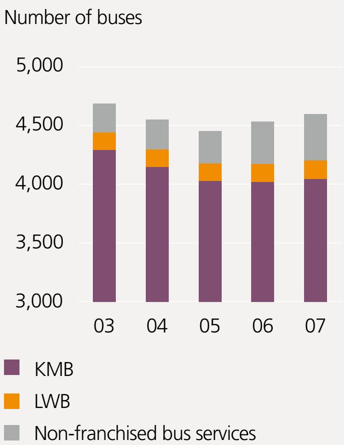
Average number of passenger trips per day
(Franchised Public Bus Operations)



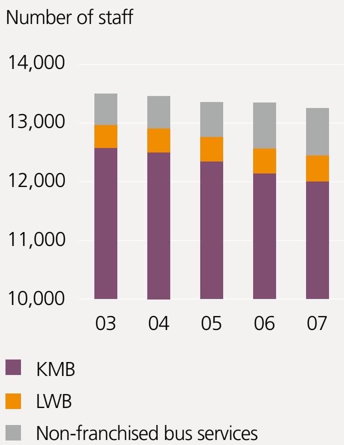
Bus kilometres operated
(Franchised Public Bus Operations)



Number of licensed buses at 31 December



Number of staff at 31 December



Turnover of the SBH Group for the year amounted to HK$196.9 million, an increase of 24.8% compared with that for 2006. The increase was due mainly to the additional revenue generated from the expanded fleet, and the introduction of the new bus routes serving MegaBox and SkyPlaza during the year. However, the growth in turnover was partly offset by the rise in fuel costs, staff costs and other operating expenses during the year.

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

Park Island Transport Company Limited ("PITC")

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

New Hong Kong Bus Company Limited ("NHKB")

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

PROPERTY HOLDINGS AND DEVELOPMENT

Lai Chi Kok Properties Investment Limited ("LCKPI")

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

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

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

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

LCK Real Estate Limited ("LCKRE")

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

LCK Commercial Properties Limited ("LCKCP")

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

MEDIA SALES BUSINESS

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

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

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

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

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

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

MAINLAND TRANSPORT OPERATIONS

At 31 December 2007, the Group's total interests in associates and jointly controlled entities within the Mainland Transport Operations Division amounted to HK$702.2 million (2006: HK$680.0 million). Such investments are mainly related to the operation of passenger public transport services in Dalian（大連）, Wuxi（無錫）and Shenzhen（深圳）, and taxi and car rental services in Beijing（北京）. For the year ended 31 December 2007, the Group's Mainland Transport Operations Division reported a profit of HK$16.2 million, representing a decrease of HK$28.9 million or 64.1% compared to HK$45.1 million for 2006. The decrease was mainly due to the increases in the fuel expenses and staff costs of our associates on the Mainland.

Dalian

This co-operative joint venture ("CJV") in Dalian, Liaoning Province（遼寧省）was established in July 1997 by a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company（大連市第一公共汽車公司）. The Group's net investment in the CJV was HK$12.0 million as at 31 December 2007 (2006: HK$12.0 million). The Dalian co-operative joint venture has a fleet of about 84 single-deck buses operating on three routes serving Dalian City. The business of this CJV remained stable in 2007.

Beijing

Beijing Beiqi Kowloon Taxi Company Limited（北京北汽九龍出租汽車股份有限公司）("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited（九巴（北京）出租汽車投資有限公司）, a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited（北京北汽出租汽車集團有限責任公司）and three other Mainland investors. The Group has invested RMB80.0 million (HK$75.5 million) in BBKT, representing an equity interest of 31.38%. BBKT principally engages in taxi hire and car rental businesses with a fleet of around 4,300 vehicles and about the same number of employees. It made steady progress and continued to record a profit in 2007.

Wuxi

Wuxi Kowloon Public Transport Company Limited（無錫九龍公共交通股份有限公司）("WKPT") is a Sino-foreign joint stock company in which the Group has 45% interest, was established in Wuxi City, Jiangsu Province（江蘇省無錫市）in February 2004. The Group has invested RMB135.4 million (HK$127.2 million) in WKPT. WKPT currently operates around 1,859 public buses serving some 128 routes. WKPT recorded a ridership of 277.8 million passenger trips for 2007, representing an increase of 2% compared with 2006. It made steady progress and continued to record a profit for the year ended 31 December 2007.

Shenzhen

Shenzhen Bus Group Company Limited（深圳巴士集團股份有限公司）("SBG"), which commenced operation in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited（九巴（深圳）交通投資有限公司）, a wholly-owned subsidiary of the Group, and four other Mainland investors. The Group has invested RMB387.1 million (HK$363.9 million) in SBG, representing a stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province（廣東省深圳市）, which includes the Shenzhen Special Economic Zone and the Bao-an（寶安）and Longgang（龍崗）areas, with about 4,248 vehicles serving some 175 routes. It recorded a ridership of 748.2 million passenger trips for 2007, representing an increase of 8% compared to 2006. The profit of SBG significantly declined in 2007 due mainly to intense competition from the underground railway and a heavier cost burden resulting from the continuous upsurge of fuel prices.

Summary of Investments in Mainland Transport Operations

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

CONTINUING CONNECTED TRANSACTIONS

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

THE GROUP

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

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

PARK ISLAND TRANSPORT COMPANY LIMITED ("PITC")

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

Pursuant to an agreement dated 23 May 2001 entered into between PITC and SHKMW, a wholly-owned subsidiary of SHKP (the "Transport Agreement"), SHKMW engaged PITC as the operator of the bus and ferry services to, from and within Ma Wan Island. The Transport Agreement was subsequently amended and supplemented by five supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005 and 28 November 2006 (the "2006 Supplemental Agreement") (together, the "Previous Supplemental Agreements"), with the operating term extended to 13 December 2007. On 6 December 2007, PITC and SHKMW entered into another supplemental agreement (the "2007 Supplemental Agreement") to further extend the operating term for a period of one year from 14 December 2007 to 13 December 2008, and to amend certain terms and conditions of the Transport Agreement. The transactions executed under the Transport Agreement, as modified by the Previous Supplemental Agreements and the 2007 Supplemental Agreement, constitute continuing connected transactions of the Company under the Listing Rules. Particulars of these connected transactions were disclosed in the announcements of the Company dated 25 May 2001, 5 December 2006 and 10 December 2007. As detailed in note 36(a)(vii) to the financial statements on page 175 of this Annual Report, the annual permitted return to which PITC was entitled for the year ended 31 December 2007 was HK$8,054,000. It is estimated that the permitted return for the period from 1 January 2008 to 13 December 2008 will not exceed HK$15,665,000.

LAI CHI KOK PROPERTIES INVESTMENT LIMITED ("LCKPI")

Letting and Sales Agency Agreement, and Management Agreement

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

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

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

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

CONDITIONAL WAIVERS

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

1. each of the foregoing continuing connected transactions with SHKPI, SHKMW, SHKRE and Royal Elite was entered into:-
   (i) in the ordinary and usual course of business of the Group;
   (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
   (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2007 did not exceed the cap amount of HK$82,000,000 as disclosed in the announcement dated 28 December 2006;
3. the permitted return for the period from 1 January 2007 to 13 December 2007 entitled by PITC under the Transport Agreement, as modified by the 2006 Supplemental Agreement, did not exceed the cap amount of HK$17,512,000 as disclosed in the announcement dated 5 December 2006;
4. the permitted return for the period from 14 December 2007 to 31 December 2007 entitled by PITC under the Transport Agreement, as modified by the 2007 Supplemental Agreement, did not exceed the cap amount of HK$810,000 as disclosed in the announcement dated 10 December 2007;
5. the agency fees for the year ended 31 December 2007 paid by LCKPI under the Original Agreement and the Letter Agreement did not exceed the higher of HK$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2006;
6. the agency fees for the year ended 31 December 2007 paid by LCKPI under the Letter Agreement did not exceed the cap amount of HK$48,522,000, and the aggregate amount of the agency fees paid under the Original Agreement and the Letter Agreement did not exceed the cap amount of HK$65,000,000, as disclosed in the announcement dated 16 August 2007; and
7. the annual aggregate amount for the year ended 31 December 2007 paid or payable by LCKPI under the Management Agreement did not exceed the higher of HK$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2006.

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