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 2010 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

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. 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 non-controlling interests (previously known as "minority interests"). 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(x)(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 and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries and non-controlling 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 non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity (see note 1(d)).

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

(d) Associates and joint ventures

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 joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

(i) Jointly controlled entities

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.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has joint control over its share of future economic benefits earned from the assets.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and 1(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and joint ventures (continued)

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 investee. For this purpose, the Group's interest 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 investees, 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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

The Group recognises in the financial statements its share of the jointly controlled assets and any liabilities incurred jointly with other venturers according to their nature. Liabilities and expenses incurred directly in respect of its interest in the jointly controlled asset are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled asset, together with its share of any expenses incurred by the joint venture, are recognised in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)(ii)).

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 fair value, 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 accumulated impairment losses (see note 1(m)(i)).

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 in other comprehensive income and accumulated separately in equity in the fair value reserve, 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(u)(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(u)(iv). When these investments are derecognised or impaired (see note 1(m)(i)), the cumulative gain or loss is reclassified from equity to 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 recognised immediately in the income statement, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

(h) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in note 1(u)(vi).

(j) Other property, plant and equipment

Properties held for own use and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)).

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(v)).

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.

Depreciation is calculated to write off the cost of items 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
Leasehold land classified as being held under finance leases	– the unexpired terms of the leases
Buses	– 14 years
Other motor vehicles	– 5 to 14 years
Vessels	– 25 years
Others	– 2 to 7 years

No depreciation is provided for buses and vessels under construction.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m). All of the Group's leasehold land classified as held under finance lease is fully paid.

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.

(l) 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(m)(ii)).

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 accumulated impairment losses (see note 1(m)(ii)).

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 remaining useful life.

(m) 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: see note 1(m)(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;

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

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

– 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 investments in associates and jointly controlled entities recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

– 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 carried at cost are not reversed.

– For 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 debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to 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)

(m) 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 and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- investment property under development;
- intangible assets;
- investments in subsidiaries; 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 fair value less costs to sell 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 the 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 if 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(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(m)(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 smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(n) 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.

(o) 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.

(p) 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(m)(i)), 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.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, 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.

(r) 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(t)(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.

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

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 guarantee issued. In addition, provisions are recognised in accordance with note 1(t)(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 assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition 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(t)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(t)(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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(ii) Revenue arising from the sale of completed property held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. 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) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that assets. Other borrowing costs are expensed in the period in which they are incurred.

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.

(w) Translation of foreign currencies

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

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 operations outside Hong Kong are translated into Hong Kong dollars at the average foreign exchange rates for the year. Balance sheet items including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005 are translated into Hong Kong dollar at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies (continued)

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(x) 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 or government bonds (where there is no deep markets in such 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.

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 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 or government bonds (where there is no such deep markets in such 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

(iv) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting 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.

(y) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

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. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

(z) 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.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Amendment to HKAS 39, Financial instruments: recognition and measurement – eligible hedged items
- Improvements to HKFRSs (2009)
- HK(Int) 5, Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 39).

The amendment to HKAS 39 and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, Leases, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fee, legal fees, due diligence fees, and other professional and consulting fees will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

2 CHANGES IN ACCOUNTING POLICIES (continued)

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in the income statement, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other deductible temporary differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in the income statement, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interests at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other deductible temporary differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

• As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies have been applied as from 1 January 2010:

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of a reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

• In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

2 CHANGES IN ACCOUNTING POLICIES (continued)

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in the current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to HKAS 17, Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the Government's land policy of renewal without payment of additional land premium. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 19 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, revenue from media sales and gross rentals from investment properties recognised during the year and is analysed as follows:

	2010	2009
	HK$'000	HK$'000
Fare revenue from franchised public bus services	**6,060,373**	6,146,454
Revenue from non-franchised transport services	**256,986**	295,373
Revenue from sales of properties	**29,263**	156,176
Media sales revenue	**327,000**	236,525
Gross rentals from investment properties	**13,214**	7,667
	6,686,836	6,842,195

The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. Further details regarding the Group's principal activities are disclosed in note 13 to these financial statements.

4 OTHER NET INCOME

	2010 HK$'000	2009 HK$'000
Net movement in balance of passenger rewards (note (a))	**26,657**	(58,100)
Net income/(loss) recognised in respect of defined benefit retirement plans (note 22(e))	**73,990**	(39,442)
Interest income on instalments receivable from sales of properties	**284**	852
Interest income on other financial assets not at fair value through profit or loss	**36,310**	36,380
Claims received	**27,059**	29,298
Dividend income from unlisted equity securities	**16,145**	8,680
Net miscellaneous business receipts	**8,642**	6,004
Net exchange gain/(loss)	**15,519**	(2,801)
Net gain on disposal of fixed assets	**3,345**	400
Net write-back of impairment loss on instalments receivable	**–**	80,285
Gain on disposal of jointly controlled entity	**–**	1,287
Available-for-sale debt securities: reclassified from equity upon disposal	**–**	(125)
Gain on deemed disposal of partial interest in associate	**–**	177
Reversal of net gain on property sales previously recognised (note (b))	**(38,628)**	–
Sundry revenue	**17,247**	27,644
	186,570	90,539

Notes: (a) Under the revised Modified Basket of Factors ("MBOF") approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net fixed assets is required to be set aside and accumulated in a balance of passenger rewards which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2010 and 2009 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2010, included in accounts payable and accruals, was HK$31,572,000 (2009: HK$58,100,000) (see note 27).

(b) During the year ended 31 December 2010, as the purchasers of two property units have defaulted in the settlement of the purchase consideration, the Group cancelled the sales of the two property units entered into in previous years pursuant to the Agreements for Sale and Purchase. In accordance with the terms of the Agreements for Sale and Purchase, the Group has retained the forfeited deposits of 10% of the purchase price, and the deposits received in excess of the deposit forfeited are to be refunded to the purchasers. As a result, a net loss on cancellation of property sales of HK$38,628,000 was recognised during the year, and completed property held for sale was increased by HK$9,072,000. The net loss includes the reversal of revenue from the cancelled properties recognised in prior years, net of the related selling and marketing expenses of HK$999,000, amounted to HK$53,111,000.

5 PROFIT BEFORE TAXATION

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

		2010 HK$'000	2009 HK$'000
(a)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**68,048**	65,557
	Movements in provision for long service payments (note 30)	**5,593**	2,887
	Salaries, wages and other benefits	**2,967,064**	2,988,750
		3,040,705	3,057,194
(b)	**Finance costs:**		
	Interest on bank loans and overdrafts not at fair value through profit or loss	**6,618**	12,143
(c)	**Other items:**		
	Auditors' remuneration		
	– audit services	**4,810**	4,107
	– other services	**1,738**	1,465
	Operating lease charges on properties, temporary bus depots, buses, ferries and terminal shelters	**31,417**	29,551
	Depreciation	**896,987**	898,457
	Amortisation of land lease premium	**2,056**	2,079
	Amortisation of media assets	**205**	406
	Impairment loss on trade and other receivables	**663**	296
	Impairment loss on media assets	**171**	–
	Write-back of impairment loss on trade and other receivables and instalments receivable	**(731)**	(80,285)
	Write-down of spare parts and stores	**12,440**	2,843
	Rentals receivable from investment properties less direct outgoings of HK$6,961,000 (2009: HK$5,796,000) (note)	**(6,253)**	(1,871)

Note: Included contingent rental income of HK$324,000 (2009: HK$177,000).

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 HK$'000	2009 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	71,902	138,813
Under-provision in respect of prior years	1,923	357
	73,825	139,170
Current tax – PRC Income Tax		
Provision for the year	260	247
Over-provision in respect of prior years	(401)	–
	(141)	247
PRC withholding tax	1,400	–
Deferred tax		
Origination and reversal of temporary differences	268	(21,675)
	75,352	117,742

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) 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.

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	930,726	799,798
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	151,416	135,541
Tax effect of non-deductible expenses	23,008	11,091
Tax effect of non-taxable income	(102,022)	(29,422)
Tax effect of unused tax losses not recognised	1,078	1,077
Under-provision in prior years	1,522	357
Others	350	(902)
Actual tax expense	75,352	117,742

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 2010	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					
Charles Lui Chung Yuen	360	840	67	–	1,267[(1)]
Edmond Ho Tat Man	450	3,963	1,000	476	5,889[(1)]
Evan Au Yang Chi Chun (Appointed on 20 May 2010)	223	3,501	502	200	4,426[(1)]
Non-executive Directors					
Kwok Ping-luen, Raymond	600	–	–	–	600
Dr Kwok Ping-sheung, Walter	360	–	–	–	360
Ng Siu Chan	360	–	–	–	360
William Louey Lai Kuen	360	–	–	–	360
Dr John Chan Cho Chak	756	–	–	–	756[(1)]
Winnie Ng	750	–	–	–	750[(1)]
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	450	–	–	–	450[(1)]
Yung Wing Chung[(2)]	178	–	–	–	178
Independent Non-executive Directors					
The Hon Sir Sze-yuen Chung	504	–	–	–	504
Dr Norman Leung Nai Pang	738	–	–	–	738
Dr Eric Li Ka Cheung	648	–	–	–	648[(1)]
Siu Kwing-chue, Gordon	420	–	–	–	420
Dr Kung Ziang Mien, James[(3)]	159	–	–	–	159
	7,736	8,304	1,569	676	18,285

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 2009	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					
Charles Lui Chung Yuen	360	600	67	–	1,027[(1)]
Edmond Ho Tat Man	415	3,901	1,000	468	5,784[(1)]
Non-executive Directors					
Kwok Ping-luen, Raymond	360	–	–	–	360
Dr Kwok Ping-sheung, Walter	360	–	–	–	360
Ng Siu Chan	360	–	–	–	360
William Louey Lai Kuen	360	–	–	–	360
Dr John Chan Cho Chak	456	–	–	–	456[(1)]
Winnie Ng	460	–	–	–	460[(1)]
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	415	–	–	–	415[(1)]
Yung Wing Chung [(2)]	108	–	–	–	108
Independent Non-executive Directors					
The Hon Sir Sze-yuen Chung	504	–	–	–	504
Dr Norman Leung Nai Pang	402	–	–	–	402
Dr Eric Li Ka Cheung	592	–	–	–	592[(1)]
Siu Kwing-chue, Gordon	377	–	–	–	377
Dr Kung Ziang Mien, James [(3)]	450	–	–	–	450
	6,399	4,501	1,067	468	12,435

Notes: (1) The amounts included emoluments from the Company and certain of its subsidiaries.

(2) Mr Yung Wing Chung, Alternate Director to Mr Kwok Ping-luen, Raymond, has been appointed as a Non-executive Director of RoadShow Holdings Limited ("RoadShow") with effect from 20 November 2008. His emolument was solely in respect of his services as a director of RoadShow.

(3) Dr Kung Ziang Mien, James passed away on 9 May 2010.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: one) 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:

	2010 HK$'000	2009 HK$'000
Fees	673	415
Salaries, allowances and benefits in kind	14,089	12,353
Discretionary bonuses	2,655	2,808
Retirement scheme contributions	888	685
	18,305	16,261

The emoluments of the five (2009: five) individuals with the highest emoluments are within the following bands:

	Number of individuals 2010	2009
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	2	3
HK$4,000,001 – HK$4,500,000	1	–
HK$5,500,001 – HK$6,000,000	1	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$900,895,000 (2009: HK$362,106,000) 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:

	2010 HK$'000	2009 HK$'000
Amount of consolidated profit attributable to equity shareholders of the Company dealt with in the Company's financial statements	900,895	362,106
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	50,631	109,061
Company's profit for the year (note 31(a))	951,526	471,167

10 OTHER COMPREHENSIVE INCOME

	2010 HK$'000	2009 HK$'000
Available-for-sale debt securities:		
Changes in fair value recognised during the year	**8,222**	(1,809)
Reclassification adjustment for amount transferred to profit or loss on disposal	**–**	125
Net movement in the fair value reserve during the year recognised in other comprehensive income	**8,222**	(1,684)
Cash flow hedges:		
Amount transferred to initial carrying amount of hedged items	**–**	595

11 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$866,886,000 (2009: HK$673,504,000) and 403,639,413 shares in issue during the years ended 31 December 2010 and 2009. The calculation of basic earnings per share arising from sales of building and leasehold land interest and Manhattan Hill properties and the Group's other operations is based on profits arising from the respective operations of HK$471,952,000 (2009: HK$186,099,000) and HK$394,934,000 (2009: HK$487,405,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2010 and 2009.

(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.

12 DIVIDENDS

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

	2010		2009	
	Per share HK$	Total HK$'000	Per share HK$	Total HK$'000
Interim dividend declared and paid	**0.30**	**121,092**	0.30	121,092
Ordinary final dividend proposed after the balance sheet date	**1.05**	**423,821**	1.05	423,821
Special dividend proposed after the balance sheet date	**–**	**–**	1.00	403,639
	1.35	**544,913**	2.35	948,552

The ordinary final dividend proposed after the balance sheet date has not been recognised as liability at the balance sheet date.

12 DIVIDENDS (continued)

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

	2010		2009	
	Per share	Total	Per share	Total
	HK$	HK$'000	HK$	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year	**1.05**	**423,821**	1.05	423,821
Special dividend in respect of the previous financial year, approved and paid during the year	**1.00**	**403,639**	–	–
	2.05	**827,460**	1.05	423,821

13 SEGMENT REPORTING

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

Franchised bus operation:	The provision of franchised public transport services in Hong Kong.
Media sales business:	The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.
Property development:	The development of residential properties for sale.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, Operating segments, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services, leasing of investment properties and investments in associates and jointly controlled entities.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

13 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments for the years ended 31 December 2010 and 2009 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**6,062,437**	6,200,046	**325,231**	183,022	**29,633**	156,176	**269,535**	302,951	**6,686,836**	6,842,195
Inter-segment revenue	**102,072**	54,371	**–**	13,339	**–**	–	**28,010**	19,837	**130,082**	87,547
Reportable segment revenue	**6,164,509**	6,254,417	**325,231**	196,361	**29,633**	156,176	**297,545**	322,788	**6,816,918**	6,929,742
Reportable segment profit/ (loss)	**328,028**	387,897	**(57,155)**	18,220	**(16,999)**	185,252	**73,078**	59,682	**326,952**	651,051
Interest income	**1,044**	3,109	**12,024**	13,648	**–**	–	**284**	852	**13,352**	17,609
Interest expense	**(5,993)**	(9,930)	**–**	–	**–**	–	**(625)**	(2,213)	**(6,618)**	(12,143)
Depreciation and amortisation for the year	**(859,399)**	(854,498)	**(6,498)**	(9,875)	**–**	–	**(33,351)**	(36,569)	**(899,248)**	(900,942)
Write-back/(provision) of impairment losses on receivables	**731**	–	**(318)**	(10)	**–**	80,285	**(345)**	(286)	**68**	79,989
Impairment loss on unlisted equity securities	**–**	–	**(110,000)**	(9,801)	**–**	–	**–**	–	**(110,000)**	(9,801)
Impairment loss on media assets	**–**	–	**(171)**	–	**–**	–	**–**	–	**(171)**	–
Staff costs	**(2,886,038)**	(2,903,030)	**(54,454)**	(39,975)	**–**	–	**(91,445)**	(106,691)	**(3,031,937)**	(3,049,696)
Share of profits less losses of associates	**–**	–	**–**	(4,544)	**–**	–	**33,821**	34,112	**33,821**	29,568
Reportable segment assets	**5,113,638**	5,055,096	**797,887**	852,081	**64,610**	198,217	**1,087,663**	1,072,698	**7,063,798**	7,178,092
– including interest in associates	**–**	–	**–**	–	**–**	–	**640,263**	612,007	**640,263**	612,007
Additions to non-current segment assets during the year	**1,044,774**	605,984	**1,303**	11,021	**–**	–	**34,112**	36,569	**1,080,189**	653,574
Reportable segment liabilities	**2,415,519**	2,433,116	**66,220**	47,987	**176,156**	187,252	**49,373**	247,777	**2,707,268**	2,916,132

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2010	2009
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**6,519,373**	6,606,954
Revenue from all other segments	**297,545**	322,788
Elimination of inter-segment revenue	**(130,082)**	(87,547)
Consolidated turnover	**6,686,836**	6,842,195

	2010	2009
	HK$'000	HK$'000
Profit		
Reportable segment profit	**253,874**	591,369
Profit from all other segments	**73,078**	59,682
Gain on disposal of building and interest in leasehold land	**489,052**	–
Unallocated profits	**39,370**	31,005
Consolidated profit after taxation	**855,374**	682,056

13 SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities (continued)

	2010 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	**5,976,135**	6,105,394
Assets from all other segments	**1,087,663**	1,072,698
Unallocated assets	**2,628,129**	2,794,011
Consolidated total assets	**9,691,927**	9,972,103

	2010 HK$'000	2009 HK$'000
Liabilities		
Reportable segment liabilities	**2,657,895**	2,668,355
Liabilities from all other segments	**49,373**	247,777
Unallocated liabilities	**42,442**	38,271
Consolidated total liabilities	**2,749,710**	2,954,403

(c) Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided or the properties were sold, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's fixed assets, intangible assets, goodwill and interests in associates ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interests in associates.

	Specified non-current assets	
	2010 HK$'000	2009 HK$'000
Hong Kong (place of domicile)	**4,354,299**	4,169,731
The PRC	**648,109**	627,617
	5,002,408	4,797,348

14 FIXED ASSETS

(a) The Group

	Buildings	Buses and other motor vehicles	Vessels	Buses under construction	Tools and others	Sub-total	Investment property under development	Investment properties	Interest in leasehold land	Total fixed assets
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:										
At 1 January 2009	1,429,913	9,156,710	122,885	43,088	2,559,066	13,311,662	120,375	–	126,120	13,558,157
Additions	7,840	30,386	–	229,507	326,576	594,309	–	584	–	594,893
Acquisition of subsidiary (note 32(a))	–	1,800	–	–	–	1,800	–	–	–	1,800
Disposals	(13,056)	(158,321)	–	–	(46,056)	(217,433)	–	–	–	(217,433)
Disposal of subsidiary (note 32(b))	(955)	(39,462)	(122,885)	–	(4,906)	(168,208)	–	–	–	(168,208)
Transfers	–	142,665	–	(142,665)	–	–	(120,375)	120,375	–	–
At 31 December 2009	1,423,742	9,133,778	–	129,930	2,834,680	13,522,130	–	120,959	126,120	13,769,209
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2009	856,047	6,003,539	34,547	–	2,167,801	9,061,934	–	–	46,095	9,108,029
Charge for the year	32,106	573,816	1,925	–	285,576	893,423	–	5,034	2,079	900,536
Acquisition of subsidiary (note 32(a))	–	1,200	–	–	–	1,200	–	–	–	1,200
Written back on disposal	(13,056)	(155,265)	–	–	(45,860)	(214,181)	–	–	–	(214,181)
Disposal of subsidiary (note 32(b))	(918)	(18,203)	(36,472)	–	(3,989)	(59,582)	–	–	–	(59,582)
At 31 December 2009	874,179	6,405,087	–	–	2,403,528	9,682,794	–	5,034	48,174	9,736,002
Net book value:										
At 31 December 2009	549,563	2,728,691	–	129,930	431,152	3,839,336	–	115,925	77,946	4,033,207
Add: Deposits paid in respect of buses on order						66,911	–	–	–	66,911
						3,906,247	–	115,925	77,946	4,100,118

14 FIXED ASSETS (continued)

(a) The Group (continued)

	Buildings	Buses and other motor vehicles	Buses under construction	Tools and others	Sub-total	Investment property under development	Investment properties	Interest in leasehold land	Total fixed assets
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:									
At 1 January 2010	1,423,742	9,133,778	129,930	2,834,680	13,522,130	–	120,959	126,120	13,769,209
Additions	10,261	40,553	703,686	335,051	1,089,551	5,236	1,093	–	1,095,880
Disposals	–	(318,591)	–	(266,047)	(584,638)	–	–	(2,020)	(586,658)
Exchange adjustments	–	87	–	43	130	–	–	–	130
Transfers	(25,978)	341,080	(341,080)	–	(25,978)	2,020	32,545	(8,587)	–
At 31 December 2010	1,408,025	9,196,907	492,536	2,903,727	14,001,195	7,256	154,597	115,513	14,278,561
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2010	874,179	6,405,087	–	2,403,528	9,682,794	–	5,034	48,174	9,736,002
Charge for the year	31,695	555,237	–	304,897	891,829	–	5,158	2,056	899,043
Written back on disposal	–	(318,436)	–	(262,200)	(580,636)	–	–	(2,020)	(582,656)
Exchange adjustments	–	73	–	26	99	–	–	–	99
Transfers	(16,523)	–	–	–	(16,523)	2,020	20,638	(6,135)	–
At 31 December 2010	889,351	6,641,961	–	2,446,251	9,977,563	2,020	30,830	42,075	10,052,488
Net book value:									
At 31 December 2010	518,674	2,554,946	492,536	457,476	4,023,632	5,236	123,767	73,438	4,226,073
Add: Deposits paid in respect of buses on order					50,221	–	–	–	50,221
					4,073,853	5,236	123,767	73,438	4,276,294

(b) The Company

	Other fixed assets	
	2010	2009
	HK$'000	HK$'000
Cost:		
At 1 January and 31 December	**201**	201
Accumulated depreciation:		
At 1 January and 31 December	**201**	201
Net book value:		
At 31 December	**–**	–

14 FIXED ASSETS (continued)

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Medium-term leases	462,614	478,884
Short-term leases	258,501	264,550
	721,115	743,434
Representing:		
Buildings	518,674	549,563
Interest in leasehold land	73,438	77,946
Investment properties	123,767	115,925
Investment property under development	5,236	–
	721,115	743,434

(d) Investment properties and investment property under development are stated at cost less accumulated depreciation and impairment loss. The fair values of the investment properties and investment property under development were HK$790,900,000 and HK$775,000,000 respectively as at 31 December 2010 (2009: HK$432,000,000 and Nil respectively). The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations were performed on an open market value basis. As at 31 December 2010, the investment property under development recognised in the fixed assets of HK$5,236,000 (2009: Nil) is related to the Group's interests in the jointly controlled asset.

(e) The Group leased out investment properties during the year ended 31 December 2010. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. The leases include contingent rentals being the excess of a percentage of the monthly turnover generated by the lessees over the monthly minimum lease rentals.

The total future minimum lease payments from investment properties under non-cancellable operating leases are receivable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	13,315	10,436
After 1 year but within 5 years	5,236	12,746
	18,551	23,182

15 PASSENGER SERVICE LICENCES

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost and net book value:		
At 1 January	**21,536**	15,036
Acquisition of subsidiary (note 32(a))	**–**	1,000
Additions	**1,000**	5,500
At 31 December	**22,536**	21,536

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 16 to the financial statements.

16 GOODWILL

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
At 1 January	**75,802**	75,372
Acquisition of subsidiary (note 32(a))	**–**	430
At 31 December	**75,802**	75,802
Accumulated impairment losses:		
At 1 January and 31 December	**12,487**	12,487
Carrying amount:		
At 31 December	**63,315**	63,315

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.

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

	2010	2009
	%	%
Growth rate	**3.0**	2.0
Discount rate	**8.1**	8.7

16 GOODWILL (continued)

The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

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

17 MEDIA ASSETS

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
At 1 January	**2,030**	2,030
Exchange adjustments	**23**	–
At 31 December	**2,053**	2,030
Accumulated amortisation and impairment losses:		
At 1 January	**1,658**	1,252
Amortisation for the year	**205**	406
Exchange adjustments	**19**	–
Impairment loss	**171**	–
At 31 December	**2,053**	1,658
Net book value:		
At 31 December	**–**	372

18 NON-CURRENT PREPAYMENTS

Non-current prepayments consist of deposits for purchase of fixed assets and advanced payments for concession and rights for advertising and media programme placement on transit vehicles and transit network furniture for periods from 2002 to 2012. The amounts are neither past due nor impaired.

19 INTEREST IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**1,188,423**	1,188,423

(b) Amounts due from/(to) subsidiaries

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

19 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	Percentage of ownership interest: Held by the Company	Percentage of ownership interest: 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	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)
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

19 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
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 investment
LCK Commercial Properties Limited	Hong Kong	1 share of HK$1	100	–	100	Property investment
KT Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
TM Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
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
RoadShow Holdings Limited	Incorporated in Bermuda and operates in Hong Kong	997,365,332 shares of HK$0.1 each	73	–	73	Investment holding
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 vehicles, shelters and for the Multi-media On- board business

19 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
RoadShow Productions Limited	Hong Kong	2 shares of HK$1 each	73	–	100	Production of content for Multi-media On-board systems
Bus Power Limited	Hong Kong	1 share of HK$1	73	–	100	Provision of media sales services for advertising on transit vehicle exteriors
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

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited, at 31 December 2010 amounted to HK$473,282,000 (2009: HK$531,533,000).

20 INTEREST IN ASSOCIATES

	The Group 2010 HK$'000	2009 HK$'000
Share of net assets	**581,364**	555,453
Goodwill	**63,821**	61,476
Amount due to associate	**(4,922)**	(4,922)
	640,263	612,007

20 INTEREST IN ASSOCIATES (continued)

The following list contains the particulars of associates which are unlisted corporate entities and 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	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Beijing Beiqi Kowloon Taxi Company Limited	Sino-foreign joint stock company	The PRC	RMB 166,600,000	31.4	–	31.4	Provision of taxi hire and car rental services
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB 951,430,306	35	-	35	Provision of bus and taxi hire services

Summary financial information on associates

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Net profit HK$'000
2010					
100 per cent	**3,573,937**	**(1,944,990)**	**1,628,947**	**2,625,011**	**96,375**
Group's effective interest	**1,287,401**	**(706,037)**	**581,364**	**905,507**	**33,821**
2009					
100 per cent	3,025,850	(1,480,168)	1,545,682	2,541,619	87,017
Group's effective interest	1,093,632	(538,179)	555,453	890,675	29,568

21 OTHER FINANCIAL ASSETS

	The Group 2010 HK$'000	2009 HK$'000
Instalments receivable from sales of properties	**3,019**	9,267
Unlisted equity securities, at cost	**38,925**	148,925
Loans to investee	**97,218**	69,884
Amount due from investee	**15,882**	12,167
Available-for-sale debt securities		
– listed outside Hong Kong	**442,717**	55,283
– unlisted	**38,501**	38,022
	636,262	333,548

Instalments receivable from sales of properties are neither past due nor impaired. Instalments receivable from sales of properties relate to customers for whom there was no recent history of default. Properties sold to the customers serve as collateral.

21 OTHER FINANCIAL ASSETS (continued)

At 31 December 2010 and 2009, the Group's investment in an unlisted investee with a carrying amount of HK$23,570,000 (2009: HK$133,570,000) was classified as available-for-sale equity securities as the Group does not have significant influence over the investee. At 31 December 2010, these available-for-sale equity securities were individually determined to be impaired on the basis of an adverse change in the market in which the investee operated which indicated that the Group's investment in the investee may not be fully recovered. Impairment loss on unlisted available-for-sale equity securities of HK$110,000,000 (2009: HK$9,801,000) was recognised in the consolidated income statement during the year ended 31 December 2010.

At 31 December 2010 and 2009, loans to investee were unsecured, carried interest ranging from 5.31% p.a. to 7.47% p.a. and were not expected to be settled within one year. The loans were neither past due nor impaired.

At 31 December 2010 and 2009, amount due from investee was unsecured, interest-free and had no fixed repayment terms, but was not expected to be recovered within one year. The amount was neither past due nor impaired.

Debt securities are issued by corporate entities with credit rating ranging from A- to AA+. As at 31 December 2010 and 2009, the Group's available-for-sale debt securities were neither past due nor impaired.

22 EMPLOYEE RETIREMENT BENEFITS

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits to 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 2010 and were prepared by Towers Watson Hong Kong Limited which has among its staff fellow members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 147% (2009: 132%) covered by the plan assets held by the trustee.

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Present value of funded obligations	**(2,700,389)**	(2,886,274)
Fair value of plan assets	**3,973,271**	3,816,704
Net unrecognised actuarial gains	**(482,899)**	(214,437)
	789,983	715,993

A portion of the above asset/liability is expected to be recovered/paid after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable/payable 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 2011 is Nil.

(b) Plan assets consist of the following:

	The Group	
	2010	2009
	HK$'000	HK$'000
Equity securities	**2,955,833**	2,774,886
Bonds	**894,688**	862,291
Cash and others	**122,750**	179,527
	3,973,271	3,816,704

22 EMPLOYEE RETIREMENT BENEFITS (continued)

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

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**2,886,274**	3,443,631
Benefits paid by the plans	**(199,878)**	(168,950)
Current service cost	**135,474**	168,753
Interest cost	**74,139**	40,925
Actuarial gains	**(195,620)**	(598,085)
At 31 December	**2,700,389**	2,886,274

(d) Movements in plan assets:

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**3,816,704**	3,110,517
Benefits paid by the plans	**(199,878)**	(168,950)
Actuarial expected return on plan assets	**283,647**	230,798
Actuarial gains	**72,798**	644,339
At 31 December	**3,973,271**	3,816,704

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Current service cost	**135,474**	168,753
Interest cost	**74,139**	40,925
Actuarial expected return on plan assets	**(283,647)**	(230,798)
Net actuarial losses recognised	**44**	60,562
	(73,990)	39,442

The above net (income)/loss is included in other net income 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 gain of HK$356,445,000 (2009: HK$875,137,000).

22 EMPLOYEE RETIREMENT BENEFITS (continued)

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

	The Group	
	2010	2009
	%	%
Discount rate	**3.0**	2.6
Expected rate of return on plan assets	**7.0**	7.5
Future salary increases	**4.5**	4.5

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

	The Group				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of plan assets	**3,973,271**	3,816,704	3,110,517	4,782,207	3,864,006
Present value of the defined benefit obligations	**(2,700,389)**	(2,886,274)	(3,443,631)	(2,755,991)	(2,661,069)
Surplus/(deficit) in the plans	**1,272,882**	930,430	(333,114)	2,026,216	1,202,937
Experience gains/(losses) arising on plan liabilities	**85,373**	125,284	(47,681)	84,445	41,439
Experience gains/(losses) arising on plan assets	**72,798**	644,339	(1,846,847)	866,572	302,284

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. 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 2010 and 2009.

24 ACCOUNTS RECEIVABLE

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade and other receivables	**242,408**	236,159
Instalments receivable from sale of properties	**409**	143,571
Interest receivable	**14,156**	9,378
Less: Allowance for doubtful debts (note 24(b))	**(345)**	(4,529)
	256,628	384,579

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:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current	**97,294**	148,726
1 to 3 months past due	**18,427**	17,872
More than 3 months past due	**7,934**	93,708
	123,655	260,306

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

(b) Impairment of trade and other receivables and instalments receivable from sale of properties

Impairment losses in respect of trade and other receivables and instalments receivable from sale of properties 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 and instalments receivable from sale of properties directly (see note 1(m)(i)).

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

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**4,529**	84,528
Impairment loss recognised	**663**	296
Write-back of impairment loss	**(731)**	(80,285)
Uncollectible amounts written off	**(4,116)**	(10)
At 31 December	**345**	4,529

24 ACCOUNTS RECEIVABLE (continued)

(b) Impairment of trade and other receivables and instalments receivable from sale of properties (continued)

At 31 December 2010, the Group's trade and other receivables of HK$814,000 (2009: HK$16,048,000) 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. During the year ended 31 December 2010, there was a write-back of impairment loss on trade and other receivables of HK$731,000 (2009: write-back of impairment loss on instalments receivable of HK$80,285,000) recognised in the consolidated income statement.

(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:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**230,267**	263,502
1 to 3 months past due	**18,427**	17,254
More than 3 months past due	**7,465**	92,304
	25,892	109,558
	256,159	373,060

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

In 2009, instalments receivable from sale of properties of HK$83,987,000 were due from customers who have defaulted in completion. The Group holds the property as collateral over these balances.

The remaining 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

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**185,208**	335,505	**31,590**	28,417
Bank deposits	**2,615,489**	3,217,556	**–**	–
	2,800,697	3,553,061	**31,590**	28,417
Less: Pledged and restricted bank deposits (note)	**(73,921)**	(51,200)	**–**	–
Cash and cash equivalents in the consolidated balance sheets	**2,726,776**	3,501,861	**31,590**	28,417
Less: Bank deposits with original maturities of over three months	**(2,084,485)**	(2,827,447)		
Bank overdrafts	**(229)**	(2,760)		
Cash and cash equivalents in the consolidated cash flow statement	**642,062**	671,654		

Note: Pursuant to certain licence agreements between certain subsidiaries of the Group and certain subsidiaries of RoadShow, the subsidiaries of RoadShow have provided bank guarantees issued in favour of the subsidiaries of the Group regarding their due performance and payment under the respective licence agreements. Bank deposits of HK$41,200,000 (2009: HK$51,200,000) has been pledged to the bank for the bank guarantees.

In addition, the Group is required to maintain the balance of passenger rewards (see note 4) in designated bank accounts under the revised MBOF approach. As at 31 December 2010, the related restricted bank deposits amounted to HK$32,721,000 (2009: Nil).

25 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	2010 HK$'000	2009 HK$'000
Profit before taxation	**930,726**	799,798
Adjustments for:		
– dividend income from unlisted equity securities	**(16,145)**	(8,680)
– interest income	**(36,594)**	(37,232)
– finance costs	**6,618**	12,143
– reclassification from equity on disposal of available-for-sale debt securities	**–**	125
– impairment loss on unlisted equity securities	**110,000**	9,801
– depreciation and amortisation	**899,248**	900,942
– impairment loss on media assets	**171**	–
– net gain on disposal of fixed assets	**(492,397)**	(400)
– gain on disposal of jointly controlled entity	**–**	(1,287)
– gain on deemed disposal of partial interest in associate	**–**	(177)
– share of profits less losses of associates	**(33,821)**	(29,568)
– share of profits of jointly controlled entities	**–**	(3,021)
Effect of foreign exchange rate	**(3,495)**	(2,386)
Operating profit before changes in working capital	**1,364,311**	1,640,058
(Increase)/decrease in non-current prepayments	**(25,106)**	9,580
Decrease/(increase) in spare parts and stores	**10,344**	(597)
(Increase)/decrease in trade and other receivables	**(10,433)**	244,881
Decrease in instalments receivable from sale of properties	**149,410**	96,536
Decrease/(increase) in deposits and prepayments	**7,505**	(12,886)
(Increase)/decrease in completed property held for sale	**(3,163)**	36,387
(Decrease)/increase in accounts payable and accruals	**(5,360)**	61,018
Decrease in amount due to jointly controlled entity	**–**	(350)
Increase/(decrease) in third party claims payable	**3,580**	(15,142)
Decrease in contingency provision – insurance	**(4,772)**	(31,845)
Decrease in provision for long service payments	**(4,395)**	(4,241)
(Increase)/decrease in employee benefit assets	**(73,990)**	39,442
Cash generated from operations	**1,407,931**	2,062,841

26 BANK LOANS AND OVERDRAFTS

At 31 December 2010, the bank loans and overdrafts were repayable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year or on demand	**197,592**	401,930
After 1 year but within 2 years	**69,916**	200,000
After 2 years but within 5 years	**400,000**	269,832
	469,916	469,832
	667,508	871,762

27 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**237,737**	206,375	**–**	–
Balance of passenger rewards (see note 4)	**31,572**	58,100	**–**	–
Other payables and accruals	**839,735**	805,027	**41,615**	37,451
Financial liabilities measured at amortised cost	**1,109,044**	1,069,502	**41,615**	37,451
Financial guarantees issued	**–**	–	**473**	3,600
	1,109,044	1,069,502	**42,088**	41,051

Financial guarantees issued by the Company of HK$151,000 (2009: HK$1,809,000) are expected to be recognised as income after more than one year. All other accounts payable and accruals at 31 December 2010 and 2009 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	
	2010	2009
	HK$'000	HK$'000
Due within 1 month or on demand	**202,101**	188,291
Due after 1 month but within 3 months	**33,120**	16,686
Due after more than 3 months	**2,516**	1,398
	237,737	206,375

28 CONTINGENCY PROVISION – INSURANCE

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**432,609**	479,596
Provision charged to the consolidated income statement	**39,466**	12,862
Payments made during the year	**(40,658)**	(59,849)
At 31 December	**431,417**	432,609
Representing:		
Current portion	**131,122**	127,542
Non-current portion	**300,295**	305,067
	431,417	432,609

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – 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:

	The Group	
	2010	2009
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year	**71,902**	138,813
Provisional Profits Tax paid	**(75,473)**	(99,955)
	(3,571)	38,858
Balance of Profits Tax recoverable relating to prior years	**(70)**	(23)
	(3,641)	38,835
PRC Income Tax payable	**260**	401
	(3,381)	39,236
Representing:		
Current taxation recoverable	**(15,781)**	(7,868)
Current taxation payable	**12,400**	47,104
	(3,381)	39,236

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(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:

	The Group					
Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Provisions HK$'000	Tax losses HK$'000	Defined benefit assets HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	558,226	(46,241)	(43,155)	42,379	11,628	522,837
Disposal of subsidiary (note 32(b))	(15,442)	–	7,413	–	–	(8,029)
(Credited)/charged to the consolidated income statement	(29,636)	9,061	3,910	(502)	(4,508)	(21,675)
At 31 December 2009	513,148	(37,180)	(31,832)	41,877	7,120	493,133
At 1 January 2010	**513,148**	**(37,180)**	**(31,832)**	**41,877**	**7,120**	**493,133**
Charged/(credited) to the consolidated income statement	**3,837**	**(4,491)**	**4,694**	**(50)**	**(3,722)**	**268**
At 31 December 2010	**516,985**	**(41,671)**	**(27,138)**	**41,827**	**3,398**	**493,401**

	The Group	
	2010 HK$'000	2009 HK$'000
Amounts recognised in the consolidated balance sheet:		
Net deferred tax assets	**(6,055)**	(6,013)
Net deferred tax liabilities	**499,456**	499,146
	493,401	493,133

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of HK$29,385,000 (2009: HK$28,307,000) in respect of tax losses of HK$177,007,000 (2009: HK$170,463,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for tax losses of HK$2,107,000 (2009: HK$2,127,000) which will expire in five years, 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:

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**34,280**	38,521
Provision charged to the consolidated income statement (note 5(a))	**5,593**	2,887
Payments made during the year	**(9,988)**	(7,128)
At 31 December	**29,885**	34,280

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) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2009		403,639	1,300,000	77,825	1,781,464
Changes in equity for 2009:					
Dividend approved in respect of the previous year	12(b)	–	–	(423,821)	(423,821)
Profit and total comprehensive income for the year		–	–	471,167	471,167
Dividend approved in respect of the current year	12(a)	–	–	(121,092)	(121,092)
At 31 December 2009		403,639	1,300,000	4,079	1,707,718
At 1 January 2010		**403,639**	**1,300,000**	**4,079**	**1,707,718**
Changes in equity for 2010:					
Dividends approved in respect of the previous year	12(b)	**–**	**–**	**(827,460)**	**(827,460)**
Profit and total comprehensive income for the year		**–**	**–**	**951,526**	**951,526**
Dividend approved in respect of the current year	12(a)	**–**	**–**	**(121,092)**	**(121,092)**
At 31 December 2010		**403,639**	**1,300,000**	**7,053**	**1,710,692**

31 CAPITAL AND RESERVES (continued)

(a) Movements in components of equity (continued)

The Company's reserves available for distribution to shareholders at 31 December 2010 amounted to HK$1,307,053,000 (2009: HK$1,304,079,000). After the balance sheet date, the Directors proposed an ordinary final dividend of HK$1.05 per share (2009: ordinary final dividend of HK$1.05 per share and special dividend of HK$1.00 per share), amounting to HK$423,821,000 (2009: ordinary final dividend of HK$423,821,000 and special dividend of HK$403,639,000). The ordinary final dividend proposed has not been recognised as liability at the balance sheet date.

(b) Share capital

Authorised and issued share capital

	2010 HK$'000	2009 HK$'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.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale debt securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 1(f).

(d) Capital management

The Group's primary objective when managing capital is 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 the level of net cash compared to the amount of capital. For this purpose the Group defines net cash as cash and cash equivalents and pledged and restricted bank deposits less interest-bearing loans and borrowings in the balance sheet. Capital comprises all components of equity.

31 CAPITAL AND RESERVES (continued)

(d) Capital management (continued)

Net cash and equity at 31 December 2010 and 2009 were as follows:

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	25(a)	**2,726,776**	3,501,861	**31,590**	28,417
Pledged and restricted bank deposits	25(a)	**73,921**	51,200	**–**	–
Less: Bank loans and overdrafts	26	**(667,508)**	(871,762)	**–**	–
Net cash		**2,133,189**	2,681,299	**31,590**	28,417
Total equity		**6,945,348**	7,017,700	**1,710,692**	1,707,718

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

32 ACQUISITION AND DISPOSAL OF SUBSIDIARY

(a) Acquisition of subsidiary

On 8 January 2009, the Company, via a wholly-owned subsidiary, acquired the entire equity interest in Hong Kong Coach Company Limited ("Hong Kong Coach") for a consideration of HK$2,030,000, satisfied in cash.

The principal activity of Hong Kong Coach is the provision of transport services in Hong Kong. The contribution to the Group's revenue and profit for the year ended 31 December 2009 from Hong Kong Coach since the date of acquisition was immaterial.

Details of net assets acquired and goodwill are as follows:

	Carrying Amount	Fair value
	HK$'000	HK$'000
Fixed assets	–	600
Passenger service licences	–	1,000
Net assets acquired		1,600
Goodwill arising from acquisition (note 16)		430
Total purchase price paid, satisfied in cash		2,030

32 ACQUISITION AND DISPOSAL OF SUBSIDIARY (continued)

(b) Disposal of subsidiary

On 21 May 2009, the Group entered into an agreement for the disposal of an indirectly wholly-owned subsidiary, Park Island Transport Company Limited ("PITC"), to Sun Hung Kai Transport Company Limited ("SHKTC"). The disposal consideration was HK$110,626,000, being the carrying value of the net assets of PITC as at 31 May 2009. The transaction was completed on 1 June 2009. There was no gain or loss on disposal of the subsidiary.

Details of the assets and liabilities disposed of are as follows:

	HK$'000
Fixed assets	108,626
Spare parts and stores	4,461
Accounts receivable	12,631
Deposits and prepayments	1,670
Cash and cash equivalents	3,986
Accounts payable and accruals	(12,719)
Deferred tax liabilities	(8,029)
Net assets disposed of	110,626
Gain on disposal of subsidiary	–
Cash consideration received	110,626
Net cash inflow arising on disposal of subsidiary:	
Cash consideration received	110,626
Cash and cash equivalents disposed of	(3,986)
	106,640

As SHKTC is a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, the disposal of PITC constitutes a related party transaction (see note 36(a)).

33 COMMITMENTS

(a) Capital commitments

At 31 December 2010, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the financial statements:

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted for	**530,314**	767,739
Authorised but not contracted for	**111,006**	173,000
	641,320	940,739

33 COMMITMENTS (continued)

(a) Capital commitments (continued)

As at 31 December 2010, the Group's share of capital commitments of the jointly controlled asset in relation to the investment property under development not provided for in the financial statements is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted for	**11,200**	–
Authorised but not contracted for	**1,785,900**	–
	1,797,100	–

(b) At 31 December 2010, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**2,326**	4,409
After 1 year but within 5 years	**1,523**	2,506
	3,849	6,915

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.

(c) Certain exclusive licences to conduct media sales management services for Multi-media On-board business have been granted to the Group, the respective licences expire in 2012. Under such licences, the Group has committed to pay licence fees or royalty fees at a pre-determined percentage of the net advertising rental received. The future minimum guaranteed licence fees or royalty fees are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**29,713**	11,504
After 1 year but within 5 years	**16,696**	19,451
	46,409	30,955

34 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2010, the Company has undertaken to guarantee a banking facility granted to a subsidiary to the extent of HK$140,000,000 (2009: HK$340,000,000).

As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at the balance sheet date under the guarantee issued is the outstanding amount of the loan advanced by the bank to the subsidiary of HK$70,000,000 (2009: HK$270,000,000).

Deferred income in respect of the guarantee issued is disclosed in note 27 to the financial statements.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, instalments receivable from sale of properties and 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 their 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.

For instalments receivable from sale of properties, the properties sold serve as collateral.

Debt investments are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. Cash at bank and bank deposits are placed with licensed financial institutions with high credit ratings and the Group monitors the exposure to each financial institution.

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 to third parties 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.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(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 requirements. 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.

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

	2010					2009				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Balance sheet carrying amount**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans	**205,120**	**74,575**	**403,592**	**683,287**	**667,279**	404,228	202,636	273,307	880,171	869,002
Accounts payable and accruals	**1,109,044**	**–**	**–**	**1,109,044**	**1,109,044**	1,069,502	–	–	1,069,502	1,069,502
Bank overdrafts	**229**	**–**	**–**	**229**	**229**	2,760	–	–	2,760	2,760
	1,314,393	**74,575**	**403,592**	**1,792,560**	**1,776,552**	1,476,490	202,636	273,307	1,952,433	1,941,264

The Company

	2010					2009				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Balance sheet carrying amount**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due to subsidiaries	**7,357,759**	**–**	**–**	**7,357,759**	**7,357,759**	6,788,653	–	–	6,788,653	6,788,653
Other payables and accruals	**41,615**	**–**	**–**	**41,615**	**41,615**	37,451	–	–	37,451	37,451
	7,399,374	**–**	**–**	**7,399,374**	**7,399,374**	6,826,104	–	–	6,826,104	6,826,104
Financial guarantees issued:										
Maximum amount guaranteed (note 34)	**70,000**	**–**	**–**	**70,000**	**473**	270,000	–	–	270,000	3,600

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2010 and 2009, all the Group's borrowings were denominated in Hong Kong dollar and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

(i) 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			
	2010		2009	
	Effective interest rate p.a.		Effective interest rate p.a.	
	%	**HK$'000**	%	HK$'000
Fixed rate assets:				
Bank deposits	**0.7**	**2,615,489**	0.5	3,217,556
Loans to investee	**5.3**	**97,218**	5.8	69,884
Available-for-sale debt securities	**3.7**	**481,218**	3.3	93,305
		3,193,925		3,380,745
Variable rate assets/ (liabilities):				
Cash at bank	**0.1**	**75,898**	0.3	65,955
Instalments receivable	**5.0**	**3,428**	5.0	10,159
Bank overdrafts	**5.0**	**(229)**	5.0	(2,760)
Bank loans	**0.9**	**(667,279)**	0.7	(869,002)
		(588,182)		(795,648)

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$4,786,000 (2009: HK$6,535,000). Other components of consolidated equity would have decreased/increased by approximately HK$13,662,000 (2009: HK$2,824,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas that are denominated in a currency other than the functional currency of the entity. The currency giving rise to this risk is primarily British Pounds sterling.

The Group hedges approximately 56% (2009: 27%) of its estimated foreign currency exposure in respect of highly probable forecast purchases. During the years ended 31 December 2010 and 2009, the Group used forward foreign exchange contracts to hedge its currency risk and classified these as cash flow hedges.

At 31 December 2010 and 2009, the Group had no forward foreign exchange contracts outstanding.

The Group is also exposed to currency risk arising from loans to and amount due from investee denominated in Renminbi.

(i) Exposure to 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. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollar, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2010			2009		
	Renminbi	British Pounds Sterling	United States Dollars	Renminbi	British Pounds Sterling	United States Dollars
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	4,112	20,963	194,191	–	21,515	309,614
Accounts payable and accruals	–	(52,516)	(3,168)	–	(18,860)	(5,165)
Available-for-sale debt securities	–	–	442,519	–	–	55,283
Amount due from investee	–	–	15,882	–	–	12,167
Loans to investee	27,064	–	70,154	–	–	69,884
Overall net exposure	31,176	(31,553)	719,578	–	2,655	441,783

In addition, the Group is exposed to currency risk arising from inter-company receivables denominated in Renminbi which is not the functional currency of the lender. Such inter-company receivables amounted to RMB123,734,000 as at 31 December 2010, equivalent to HK$145,882,000 (2009: RMB124,557,000, equivalent to HK$141,460,000).

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. 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 Group

	2010			2009		
	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%	5,319	–	3%	4,245	–
	(3%)	(5,319)	–	(3%)	(4,245)	–
British Pounds Sterling	4%	(916)	–	11%	634	–
	(4%)	916	–	(11%)	(634)	–
United States Dollars	1%	2,776	4,425	1%	3,874	553
	(1%)	(2,776)	(4,425)	(1%)	(3,874)	(553)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2009.

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, management considers the exposure to equity price risk to be insignificant.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(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 2010 and 2009.

(g) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2010

	The Group		
	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Assets			
Available-for-sale debt securities			
– Listed	**442,717**	**–**	**442,717**
– Unlisted	**–**	**38,501**	**38,501**
	442,717	**38,501**	**481,218**

2009

	The Group		
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Assets			
Available-for-sale debt securities			
– Listed	55,283	–	55,283
– Unlisted	–	38,022	38,022
	55,283	38,022	93,305

During the year there were no transfers between instruments in Level 1 and Level 2.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009 except as follows:

(1) Amounts due from/to subsidiaries, associates and investee 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.

(2) Unlisted equity securities of HK$38,925,000 (2009: HK$148,925,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less accumulated 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) 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.

(iii) 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 has entered into the following material related party transactions:

(a) Transactions with related companies

	Note	2010 HK$'000	2009 HK$'000
Service fees for provision of coach services	(i)	**36,612**	32,568
Insurance premium paid	(ii)	**67,869**	63,094
Amount paid and accrued for management contractor services for property under development	(iii)	**–**	–
Amount (recoverable)/accrued for letting and sales agency agreement	(iv)	**(127)**	1,899
Amount paid and accrued for management agreement	(v)	**4,659**	5,323
Amount paid and accrued for property project management services	(vi)	**–**	–
Estimated Entitled Net Return for provision of transport services	(vii)	**–**	2,730
Proceeds received from disposal of a subsidiary	32(b)	**–**	110,626
Amount paid and accrued for management contractor services for investment property under development	(viii)	**–**	–
Amount paid and accrued for project management and design services for investment property under development	(ix)	**–**	–
Amount paid for purchase of unsecured fixed rate notes	(x)	**–**	15,000
Interest income received and receivable from unsecured fixed rate notes	(x)	**396**	327
Gain on disposal of building and interest in leasehold land	(xi)	**489,052**	–
Amount paid and accrued for property management service and lease modification	(xii)	**2,920**	–

Notes:

(i) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company. Amounts due from these companies at 31 December 2010 amounted to HK$10,067,000 (2009: HK$6,826,000).

(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 (the "2010 Insurance Arrangements"). The amount paid and payable under the 2010 Insurance Arrangements amounted to HK$67,869,000. No experience refunds were received by the Group during the year (2009: HK$4,704,000). Outstanding balance due to SHKPI at 31 December 2010 amounted to HK$25,000 (2009: HK$22,000).

(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. ("CFCCL"), 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 CFCCL 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 CFCCL should not exceed HK$1,617,743,000. Outstanding balance payable for this contract at 31 December 2010 amounted to HK$101,845,000 (2009: HK$106,623,000).

(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. Outstanding balance payable for this contract at 31 December 2010 amounted to HK$3,605,000 (2009: HK$3,732,000).

(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 as 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. There was no outstanding balance payable for this contract at 31 December 2010 (2009: HK$1,078,000).

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

(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 2010 amounted to HK$3,800,000 (2009: HK$3,800,000).

(vii) On 23 May 2001, Park Island Transport Company Limited ("PITC") entered into an agreement ("Transport Agreement") 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. The Transport Agreement was subsequently amended and supplemented by seven supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005, 28 November 2006, 6 December 2007 and 25 November 2008 (collectively, the "Supplemental Agreements") with the operating term extended to 13 December 2009.

Under the terms of the Transport Agreement and Supplemental Agreements, PITC was entitled to a return lying within the range of 6% and 15% 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 21 May 2009, the Group disposed of the entire interest in PITC to Sun Hung Kai Transport Company Limited, a subsidiary of SHKP. The disposal consideration is HK$110,626,000, being the carrying value of the net assets of PITC at 31 May 2009. The transaction was completed on 1 June 2009. There was no resultant gain or loss on disposal of the subsidiary.

There was no outstanding balance receivable from SHKMW at 31 December 2009 under this contract.

(viii) On 16 April 2008, LCK Commercial Properties Limited ("LCKCP'), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement ("the Prime Cost Agreement") with CFCCL for the provision of management contractor services involving the alteration and addition works to the retail podium of Manhattan Hill ("Manhattan Mid-town"). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCCL should not exceed HK$37,400,000. Outstanding balance payable for this contract at 31 December 2010 amounted to HK$4,229,000 (2009: HK$4,390,000).

(ix) On 16 April 2008, LCKCP entered into a project management and design services agreement ("the Project Management and Design Services Agreement") with Sun Hung Kai Architects and Engineers Limited ("SHKAE"), a subsidiary of SHKP, for the provision of project management, statutory submission and interior design services in relation to Manhattan Mid-town. Pursuant to the Project Management and Design Services Agreement, a lump sum service fee of HK$2,670,000 is payable to SHKAE in accordance with the progress of the alteration and addition works to Manhattan Mid-town. There was no outstanding balance payable for this contract at 31 December 2010 (2009: HK$370,000).

(x) On 6 March 2009, KMB Financial Services Limited ("KMBFS"), a wholly-owned subsidiary of the Company, purchased certain unsecured fixed rate notes (the "Fixed Rate Notes") issued by Sun Hung Kai Properties (Capital Market) Limited ("SHKPCM"), a wholly-owned subsidiary of SHKP, with a total nominal value of HK$15,000,000 from a bank in an open secondary market, at a cost of HK$15,000,000. The Fixed Rate Notes are interest bearing at 2.65% per annum. The principal amount of the Fixed Rate Notes will be repaid by SHKPCM on the maturity date on 12 February 2012 and the interest on the Fixed Rate Notes is payable quarterly. At 31 December 2010, the Fixed Rate Notes held by KMBFS were carried at a fair value of HK$15,282,000 (2009: HK$15,251,000) and there was no material outstanding interest receivable in current and prior years.

(xi) At a special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of 50% of the Group's building and leasehold land interest in an industrial site at Kwun Tong (the "KT Site") to Turbo Result Limited ("TRL"), a subsidiary of SHKP, at a consideration of HK$490,000,000, which was determined by reference to a valuation performed by Knight Frank Petty Limited, an independent property valuer. The transaction was completed on 25 January 2010, resulting in a gain on disposal of HK$489,052,000.

At the same special general meeting, the independent shareholders of the Company also approved the development agreement entered into between the Group and TRL to jointly develop the KT Site on a 50-50 basis. In accordance with the development agreement, all income and profits, less all costs and expenses, deriving from the KT Site shall be shared by the Group and TRL in equal shares. The KT Site is a jointly controlled asset of the Group and is included in fixed assets (see note 14(d)). Capital commitment in respect of the Group's interests in the jointly controlled asset as at 31 December 2010 has been disclosed in note 33(a) to the consolidated financial statements.

(xii) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and TRL entered into an agreement with SHKRE, pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of the KT Site and the construction of the KT Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) HK$20,000,000; and (2) the lower of (a) 1% of the project cost and (b) HK$25,000,000.

The amount payable for lease modification services shall be in the sum of the lower of (1) HK$3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification and (2) HK$3,840,000.

There was no outstanding balance payable for this contract as at 31 December 2010.

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

37 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date, the Directors proposed an ordinary final dividend for the year. Further details are disclosed in note 12(a) to the financial statements.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 16, 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.

(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.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Recognition of deferred tax assets

At 31 December 2010, 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.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 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 and interpretations and new standard is expected to be in the period of initial application. So far it has concluded that the following developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosure	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRSs (2010)	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012