



載通國際  
Transport International



Committed to **Developing Our People**  
and **Delivering Quality Services**

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Committed to **Developing Our People**  
and **Delivering Quality Services**

At the heart of the development of the businesses of Transport International Holdings Limited (“TIH”) in Hong Kong and China Mainland lie its people. The Group’s core strengths of innovation, efficiency and service excellence all depend on first-rate people working together to deliver the very best. Our commitment to service excellence is geared towards the satisfaction of increasingly sophisticated and discerning customers who are looking for transport services that offer excellence in quality in addition to good value for money. We share one and the same goal with all our customers: the delivery of top quality service across our operations.



A decorative graphic on the left side of the page consists of several colored squares: a large red square, a smaller grey square, a large orange square, a vertical red rectangle, and a large grey square.

## Service from the **Heart**

A photograph showing two men inside a bus. One man is driving, and the other is standing near the front, possibly a conductor or customer service representative.

Committed to providing our customers with service from the heart, the Group provides tailor-made training for staff at all levels. Besides equipping our people with the skills required to handle challenging customer service situations, the training cultivates a positive mindset and raises awareness of customers' expectations of quality service – from the heart.

# We Are Transport International

Transport International Holdings Limited (“TIH” or the “Company”, SEHK: 62) is a leading public transport operator in Hong Kong and China Mainland. TIH is the holding company of The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, RoadShow Holdings Limited and a number of non-franchised transport providers. It also has business interests in property holdings and development in Hong Kong.

TIH’s vision is to become a global leader in public transport. It strives to achieve this by delivering services of the highest quality and by adopting innovative and environment-friendly solutions based on its customers’ needs. The Company’s mission is to continuously enhance shareholder value while helping to foster the social and economic development of Greater China.

We will continue to target sustainable development based on a model of high productivity and efficiency through leveraging the strengths of our operating companies in driving forward the standard of public transport services.







# Mission

Our mission is to enhance shareholder value and contribute to the social and economic development of Greater China. This mission drives our business operations:

- Distinctive customer service
- Reliable performance
- Innovation
- Value for money
- Environmental responsibility
- Sustainable business practice

By listening to our customers, identifying their expectations and developing our people to meet those expectations, we raise the quality of our service in all areas of our operations.





# Vision

Our vision to be a global leader in public transport is based on three pillars: understanding our customers' needs, introducing innovative and proven technologies that further environmental preservation, and setting new standards for safety, service and efficiency.

# Corporate Values

In line with our commitment to sustainable business excellence, our corporate values are based on delivering service standards that meet customer needs, operating with a consistent record of profitability for shareholders, and supporting the overall development of the communities in which we conduct our business.



## TRANSPORT INTERNATIONAL HOLDINGS LIMITED

### HONG KONG

#### Franchised Public Bus Operations



##### The Kowloon Motor Bus Company (1933) Limited

the flagship company of the Group, operates franchised public bus services with a fleet of around 3,900 buses on a network of some 400 routes covering Kowloon, the New Territories and Hong Kong Island.



##### Long Win Bus Company Limited

operates franchised public bus services with 167 buses on 19 routes linking the New Territories with Hong Kong International Airport and North Lantau.

#### Non-franchised Transport Operations



##### Sun Bus Holdings Limited and its subsidiaries

with Sun Bus Limited as the flagship company, have 377 buses which provide a wide range of non-franchised bus services to the residential and commercial sectors through chartered hire services.



##### New Hong Kong Bus Company Limited

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

#### Property Holdings and Development



##### Lai Chi Kok Properties Investment Limited

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



##### LCK Commercial Properties Limited

owns the two-level retail podium of Manhattan Hill, known as "Manhattan Mid-town", which is situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong and has an area of about 50,000 square feet.



##### LCK Real Estate Limited

owns a 17-storey commercial office building which is situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong and has a total gross floor area of 156,700 square feet.

CHINA MAINLAND

Media Sales Business



**RoadShow Holdings Limited and its subsidiaries**

market advertising in Hong Kong through an integrated media platform which includes the Multi-media On-board ("MMOB") system as well as bus interior and exterior advertising.

Financial Services



**KMB Financial Services Limited**

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

Mainland Transport Operations



**Shenzhen Bus Group Company Limited**

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



**TIH Financial Services Limited**

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



**Beijing Beiqi Kowloon Taxi Company Limited**

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









## The Group's Strategic Locations

Average number of passenger trips per day by mode of public transport in Hong Kong in 2009 (in thousand)



Railways	4,128
TIH Group (Franchised public bus operations)	2,722
Minibuses	1,852
Taxis	954
Citybus	570
NWFB	471
Others	507
Ferries	140

## The Group's bus termini, depots and customer service centres in Hong Kong

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



## Our Presence in China Mainland



## Our Presence in Hong Kong

The Group's bus termini, depots and customer service centres in Hong Kong



1 The Group's headquarters



2 KMB's depot at Lai Chi Kok



3 Bus terminus at Tin Shui Wai



4 LWB's depot at Siu Ho Wan



5 KMB's customer service centre at Mei Foo



6 Manhattan Hill



7 Bus terminus of "Huang Bus"

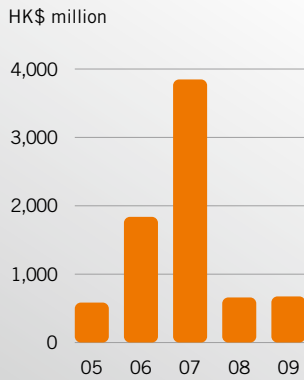


# Financial and Operational Highlights

For the Year Ended 31 December 2009

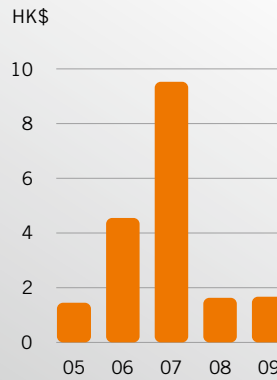
	Unit	2009	2008	Increase/ (Decrease) %
<b>Financial Highlights</b>				
Turnover:	HK\$ million	<b>6,842.2</b>	7,353.1	(7%)
– Fare revenue	HK\$ million	<b>6,441.8</b>	6,537.6	(1%)
– Property sales	HK\$ million	<b>156.2</b>	619.0	(75%)
– Media sales revenue	HK\$ million	<b>236.5</b>	196.5	20%
– Gross rentals from investment property	HK\$ million	<b>7.7</b>	–	N/A
Profit before taxation	HK\$ million	<b>799.8</b>	693.7	15%
Profit attributable to equity shareholders of the Company	HK\$ million	<b>673.5</b>	658.7	2%
Earnings per share	HK\$	<b>1.67</b>	1.63	2%
Ordinary dividends per share	HK\$	<b>1.35</b>	1.35	–
Special dividend per share	HK\$	<b>1.00</b>	–	N/A
Total equity attributable to equity shareholders of the Company	HK\$ million	<b>6,788.9</b>	6,660.8	2%
Total assets	HK\$ million	<b>9,972.1</b>	10,287.0	(3%)
Net cash	HK\$ million	<b>2,681.3</b>	1,719.0	56%
Net finance income	HK\$ million	<b>25.1</b>	88.6	(72%)
Cash generated from operations	HK\$ million	<b>2,062.8</b>	2,335.9	(12%)
<b>Financial Ratios</b>				
Profit margin		<b>9.8%</b>	9.0%	9%
Profit margin (excluding property sales)		<b>7.3%</b>	4.3%	70%
Return on equity attributable to equity shareholders of the Company		<b>9.9%</b>	9.9%	–
Gearing ratio	Times	<b>Net Cash</b>	Net Cash	N/A
(ratio of net borrowings to total equity attributable to equity shareholders of the Company)				
Dividend cover	Times	<b>0.71</b>	1.21	(41%)
(ratio of profit attributable to equity shareholders of the Company to total dividends paid and proposed for the year)				
Share price per share at year-end	HK\$	<b>22.0</b>	19.3	14%
Market capitalisation at year-end	HK\$ million	<b>8,880.1</b>	7,790.2	14%
<b>Operational Highlights</b>				
<b>Hong Kong</b>				
<b>Franchised Public Bus Operations:</b>				
Average number of passenger trips per day	Million trips	<b>2.72</b>	2.77	(2%)
Number of licensed buses at year-end		<b>4,047</b>	4,090	(1%)
Number of staff at year-end		<b>12,327</b>	12,398	(1%)
Average number of staff per licensed bus at year-end		<b>3.05</b>	3.03	1%
<b>Non-franchised Transport Operations:</b>				
Number of licensed buses at year-end		<b>392</b>	408	(4%)
Number of staff at year-end		<b>635</b>	838	(24%)
<b>China Mainland</b>				
<b>Mainland Transport Operations:</b>				
Number of licensed buses at year-end		<b>4,501</b>	3,816	18%
Number of taxis and vehicles for rental at year-end		<b>4,796</b>	4,802	–

### Profit attributable to equity shareholders of the Company



Profit attributable to equity shareholders for 2009 was HK\$673.5 million

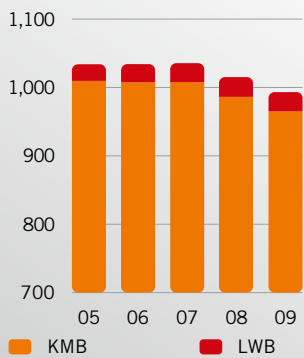
### Earnings per share



Earnings per share for 2009 were HK\$1.67

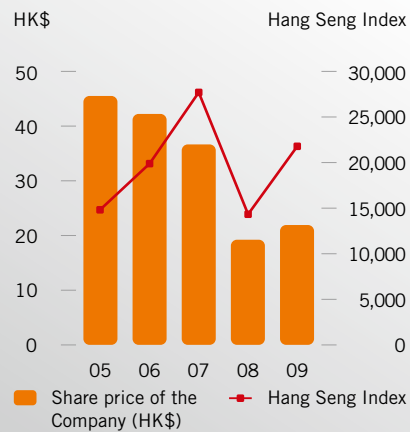
### Number of passenger trips

(Franchised Public Bus Operations)  
Million trips



Number of passenger trips in 2009 was 0.99 billion, down from 1.02 billion in 2008

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



The closing share price of the Company at 2009 year-end was HK\$22.0 per share, up 14% compared with that of 2008 year-end

# Corporate Milestones 2009



Award in the Apex Awards for Publication Excellence organised by Communication Concepts. KMB's print ad "Let's fly again" and KMB's 2009 Environmental Protection Booklet also received Awards of Excellence in the Apex Awards.

## OCT

### TIH's 2008 Annual Report Won International Awards

TIH's 2008 annual report won three awards in the International ARC Awards: Best of Hong Kong Award (Traditional Format), Gold Award for Overall Annual Report and Bronze Award for Chairman's Letter.



## FEB

### Asia's First Euro V Double-deck Bus Introduced by KMB

Euro V engine meets the latest and toughest emission standards in the world. KMB launched this Euro V 3-axle air-conditioned double-decker on Route B1, contributing to a cleaner environment for Hong Kong.

### KMB Received Sing Tao Excellent Services Brand Award 2008 – Excellent Eco Award

KMB received the Excellent Eco Award in the Sing Tao Excellent Services Brand Award 2008.

## MAR

### KMB Won Customer Service Awards

KMB won Bronze in the Grand Award of the Hong Kong Association for Customer Service Excellence Award 2008, while one of its staff won Gold in the Counter Service Individual category.

### Opening of Manhattan Mid-town Shopping Mall

The Manhattan Mid-town shopping mall opened, providing Manhattan Hill residents and other shoppers with high quality retail facilities.

## APR

### KMB Recognised as Responsible Corporate Citizen

KMB was named a "Caring Company" by the Hong Kong Council of Social Service for the seventh consecutive year.

## JUN

### KMB Won Communicator Awards

KMB's Corporate Social Responsibility Charter and 2008 Passenger Liaison Group Report won Awards of Excellence in The Communicator Awards organised by the International Academy of The Visual Arts.

## JUL

### KMB's Publications Received Apex Awards

KMB's 2008 Passenger Liaison Group Report won the Grand

### "Service from the Heart" Training Programme

KMB and LWB launched a large scale programme for training over 10,000 frontline staff in a total of 52 seminars. This programme was tailor-made and aimed at cultivating a positive customer service mindset to meet customers' increasing expectations.

## NOV

### TIH's 2008 Annual Report Received Award

TIH's 2008 annual report received the Bronze Award in the Hong Kong Management Association Best Annual Reports Awards.



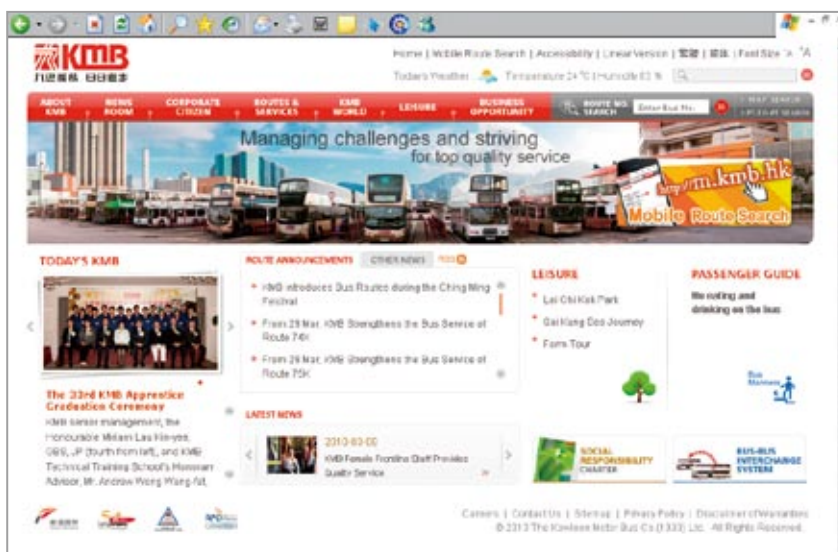
### KMB's TOM System Won Hong Kong RFID Award

KMB's Traffic Operations Management ("TOM") System, which was developed in-house by our Information Technology Department and Traffic Department, won the Best EPC/RFID Implementation Gold Award and the Most Innovative Use of EPC/RFID Bronze Award in

the Hong Kong RFID Awards 2009 organised by GS1 Hong Kong.

### KMB Launched New Look Multi-dimensional Website

The award-winning barrier-free KMB website [www.kmb.hk](http://www.kmb.hk) became Hong Kong's first public bus website to be equipped with an online map-based bus route search function.



## DEC

### KMB Introduced First Euro V 2-axle Air-conditioned Double-deck Bus

KMB took an industry lead by introducing the first Euro V 2-axle air-conditioned double-deck bus to Hong Kong. Being lighter and slightly shorter than the regular 3-axle version, this new type of double-deckers gives better fuel efficiency.



### KMB Introduced Environment-friendly Luminous Crystal Bus Stop Pole

KMB introduced the pioneering "luminous crystal" bus stop poles which are lit by LED lighting and fitted with advertising panels for trial.

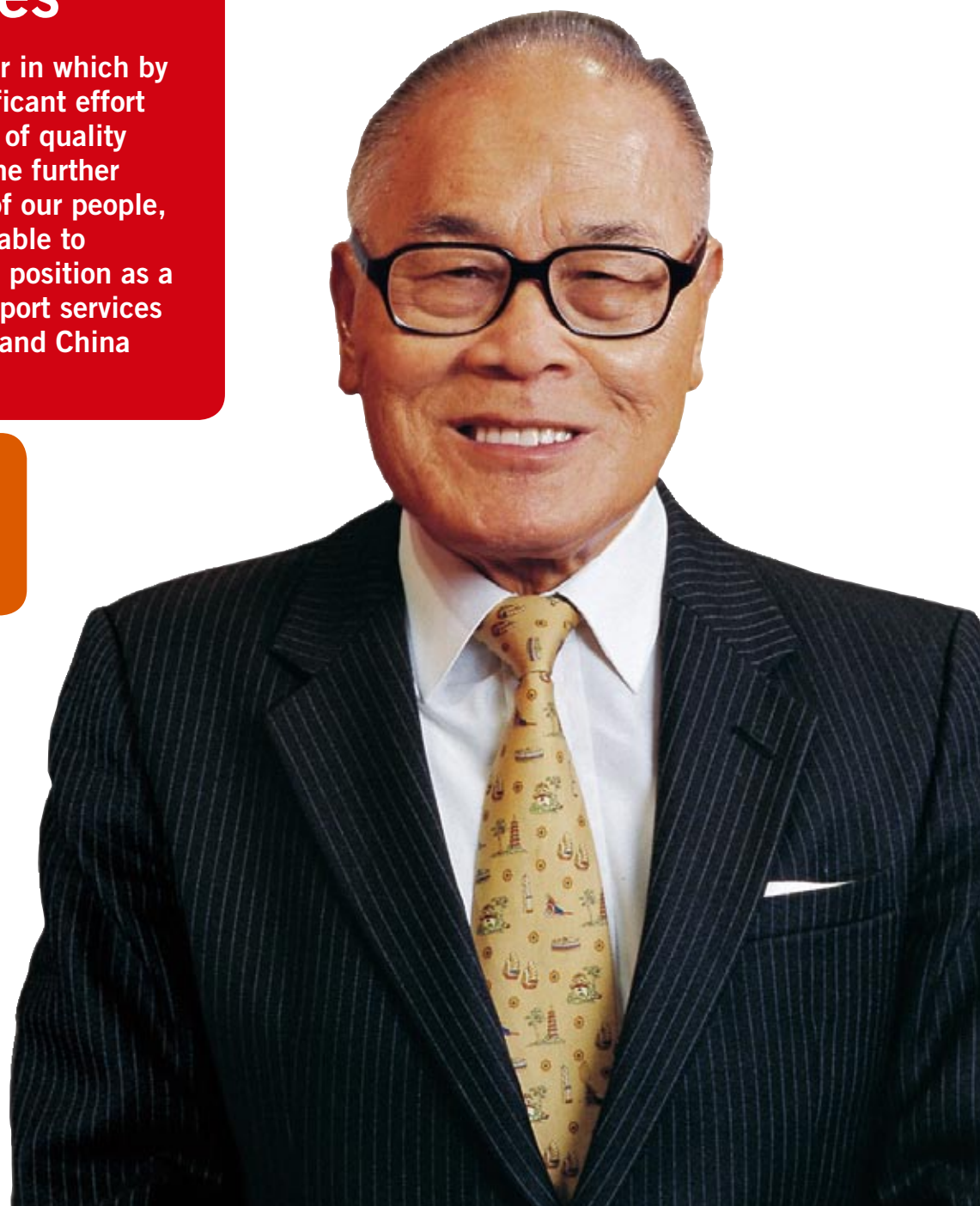
### FRIENDS OF KMB Recognised by Social Welfare Department

FRIENDS OF KMB was named first runner-up in the Highest Service Hour Award 2008 (Private Organisation – Customer Participation) by the Social Welfare Department of the HKSAR Government.

## Quality Services

This was a year in which by devoting significant effort to the delivery of quality services and the further development of our people, we have been able to strengthen our position as a leader in transport services in Hong Kong and China Mainland.

S.Y. CHUNG  
Chairman



## Dear Shareholders and Partners,

On behalf of the Board, I am pleased to report that although the financial performance of our public transport operations in Hong Kong was somewhat affected by rising fuel prices and expansion of the rail network in the second half of 2009, Transport International Holdings Limited ("TIH") continued to reap the rewards of sustainable development based on a model of high productivity and efficiency. During 2009, we devoted significant effort to developing our people and delivering higher quality services, and I believe we have been able to further strengthen our position as a leader in transport services in Hong Kong and China Mainland.

### OUR FINANCIAL PERFORMANCE

The Group's profit attributable to equity shareholders for the year ended 31 December 2009 was HK\$673.5 million, an increase of 2.3% compared to HK\$658.7 million for 2008. Earnings per share increased correspondingly from HK\$1.63 for 2008 to HK\$1.67 for 2009. The profit for 2009 included the non-recurrent after-tax profit of HK\$186.1 million (2008: HK\$366.2 million) arising from the further sales of five residential units (2008: 27 residential units) of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary in the Group's Property Holdings and Development Division. If this non-recurrent profit from property sales was excluded, the profit attributable to equity shareholders of the Company for 2009 would have been HK\$487.4 million, representing an increase of 66.6% compared to HK\$292.5 million for 2008.

In 2009, total fare revenue of the Group's franchised public bus business operated by The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") increased slightly by 0.1% as compared with 2008. The increase in fare revenue was mainly attributed to the fare increase of 4.5% which took effect from 8 June 2008, but it was largely offset by a decrease in total ridership of 2.2% compared with 2008 due mainly to intensified competition from the railways and decreased travel demand resulting from the economic downturn and higher unemployment rate. Thanks largely to the decrease in average fuel oil prices in 2009 compared to 2008, the total operating expenses of our franchised bus operations decreased, resulting in positive earnings growth for both KMB and LWB in 2009.

Sun Bus Holdings Limited and its subsidiaries (the "SBH Group"), our non-franchised transport businesses, maintained steady growth in 2009 despite being affected by the negative impact of the economic downturn and the outbreak of human swine influenza during the year. The SBH Group has put a great deal of effort into continuing to strengthen its quality management system and enhancing service quality by acquiring more coaches to service new business contracts.

In 2009, we further adjusted our business portfolio in China Mainland by divesting our entire interest in our co-operative joint venture in Dalian. This has resulted in a positive return for our shareholders. The financial performance of our joint venture transport companies in Beijing and Shenzhen continued to perform satisfactorily. As for the RoadShow Group, its profit attributable to equity shareholders for 2009 decreased by 67.1% compared to that for 2008.

### DIVIDENDS

The Board has declared an ordinary final dividend of HK\$1.05 per share and a special dividend of HK\$1.00 per share (2008: an ordinary final dividend of HK\$1.05 per share). Together with the ordinary interim dividend of HK\$0.30 per share (2008: an ordinary interim dividend of HK\$0.30 per share) paid on 15 October 2009, total dividends for the year will amount to HK\$2.35 per share (2008: HK\$1.35 per share). The total dividend payout for the year will amount to HK\$948.6 million (2008: HK\$544.9 million).

It should be noted that the aforesaid special dividend of HK\$1.00 per share for 2009, the payment of which is subject to the approval of shareholders at the upcoming Annual General Meeting of the Company in May 2010, is to be paid out of the profit derived from the sale of the Manhattan Hill residential units.

### COMMITTED TO DELIVERING QUALITY SERVICES

As a public service provider in an ever more demanding environment, the Group understands that its ability to confidently steer through the challenges it faces depends more than ever on the delivery of even higher quality services. In the face of the expansion of the railway

# Chairman's Letter



**Our commitment to providing the greenest buses was demonstrated with the introduction of Hong Kong's first Euro V 2-axle air-conditioned double-deck bus in December 2009.**

network, the rebound in fuel prices since the second half of 2009 and increasingly demanding customer expectations, the Group has chosen to refocus on its core strengths. Our commitment to providing the greenest buses was demonstrated with the introduction of Hong Kong's first Euro V 2-axle air-conditioned double-deck bus in December 2009. This revolutionary vehicle, currently being trialled in Hong Kong's unique operating environment, not only brings enhanced comfort for passengers, fuel savings and reduced emissions, it also incorporates the latest safety features. We remain dedicated to upgrading our fleet with the newest generation of environment-friendly vehicles with 240 double-deckers and 78 single-deckers on order at the end of 2009.

2009 also saw the launch of the revamped KMB website at [www.kmb.hk](http://www.kmb.hk). The new look website comes equipped with an online map-based bus route search function – the first in the local public bus industry – which gives information on more than 5,000 bus stops on around 400 bus routes. Besides enabling passengers to make faster and more accurate searches, the multidimensional KMB website provides another means for strengthening communications with stakeholders and the community we serve – a value of paramount importance to us. Indeed, many of the new elements in the revamped website are based on our passengers' suggestions.

Our commitment to service excellence has been recognised by ISO accreditation across the whole organisation of KMB since 1999, an unparalleled achievement for a public bus company in Hong Kong. In 2009, KMB successfully obtained new ISO 9001:2008 certificates issued by the Hong Kong Quality Assurance Agency ("HKQAA") on completion of the upgrading audits.

As a responsible corporate citizen, the Group has a long tradition of service to the wider community. Besides sponsoring industry-improvement campaigns, sporting and cultural events, we have engaged the community by participating in a variety of charitable activities, such as Dress Special Day and Walk for Millions. In 2009, all revenue generated by the sale of the new KMB Bus Guide was donated to The Community Chest of Hong Kong. During the year, the 3,100 members of KMB's volunteer club, FRIENDS OF KMB, contributed more than 13,000 hours of their time to community outreach by organising and taking part in a range of social service, environmental protection and civic education activities.

## **DEVELOPING OUR PEOPLE**

Our ethos "Caring for People" extends not only to the community we serve but also to all our staff. The Group has developed a culture that values and rewards performance and teamwork. We recognise that in an increasingly demanding and sophisticated society where service standards are continually being raised, we need to consistently meet the demands and expectations of our customers. To this end, we have substantially increased our investment in developing our people.

In 2009, in collaboration with a renowned consultancy firm, KMB and LWB launched the large scale "Service from the Heart" training programme which was tailor-made for our frontline operations staff with emphasis on fostering a positive customer service mindset. By the end of 2009, more than 10,000 of our staff members had taken part in a total of 52 seminars in the first phase of this programme. The second phase of the programme was launched in January 2010, when more than 300 workshops will be organised to provide immersive training for about 30 frontline staff in each session to further equip them with the special skills required to better serve our customers.

The Group continues to reward those employees who have demonstrated their ability to deliver excellent service, with a range of awards recognising the outstanding contributions of frontline staff in both our franchised and non-franchised bus operations. In 2009, KMB extended its Outstanding Service Award programme to include teams in order to cultivate teamwork and give recognition to groups of staff who have gone the extra mile and attained performance levels beyond the already high standards expected of them.

## LOOKING AHEAD

With an expanding railway network, surging fuel oil prices and rising expectations for higher service levels, we expect that the operating environment of KMB and LWB will become increasingly challenging in 2010 and in the years ahead. We will respond to this challenge by making improvements to the efficiency of our bus network by reorganising routes with low demand and increasing the service on routes with growing demand. We will also have to explore ways to turn higher expectations of the travelling public into business opportunities by providing service of better quality.

The sale of the residential units of the Manhattan Hill development has almost been completed, providing the Group with a net cash position. The Manhattan Hill retail podium, commonly known as the "Manhattan Mid-town" shopping mall, with a total area of approximately 50,000 square feet, opened in March 2009, adding a new element to the West Kowloon shopping and dining scene. This will continue to provide a steady income stream for the Group in the future.

We are pleased to report that at the Special General Meeting held on 21 January 2010, the shareholders of the Company approved the disposal of 50% of the Group's interest in an industrial site at Kwun Tong and the entering of a development agreement with Sun Hung Kai Properties Limited and its subsidiary to redevelop the industrial site into commercial use for long-term investment purposes. The gain arising from this disposal of approximately HK\$489 million will be recognised in 2010, and will be used by the Group to fund the redevelopment. The redevelopment of the site for the purpose of generating rental income is in line with the

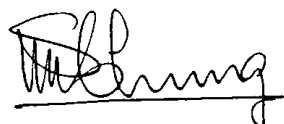
We recognise that in an increasingly demanding and sophisticated society where service standards are continually being raised, we need to consistently meet the demands and expectations of our customers.

Group's business strategy of seeking diversification to establish recurrent income sources.

The Group will continue to look for further investment opportunities in China Mainland while enhancing our efficiency through reorganising and rationalising our bus network in Hong Kong. Whatever the challenges that may meet us in the coming years, they will be met with the same ethos of quality service married to sustainable business growth that has seen us become a leading transport operator in the region.

## ACKNOWLEDGEMENTS

All our achievements in 2009 have been made possible only by the dedication and hard work of our team who are all driven by the Group's vision. I would like to sincerely thank my fellow Board members, our dedicated management team and staff at every level for their contributions to the Group and look forward with them to continued success in the future.



**S.Y. CHUNG**  
Chairman  
18 March 2010



## People Development

Quality services are the result not just of training our people to sharpen their technical skills in service delivery, but also of instilling in all our staff a sincere attitude which can only come from the heart.

Edmond HO Tat Man  
Managing Director

Q

**What is the rationale behind the choice of this year's theme, "Committed to developing our people and delivering quality services"?**

A

As we are in the service industry, people are our most important asset. It is the Group's strategy to amply invest in developing our workforce so that we can serve our customers better, and this strategy covers not only our frontline staff but also our senior management team. In 2009, we launched a large scale training programme for KMB and LWB frontline staff, which we named "Service from the Heart". This programme was designed by referencing the ever-rising standards of service now provided by many prominent organisations, not just in the transport field, but also in other sectors such as retail, F&B services and property management. Our goal is to provide quality service in line with the best.

Q

**Does the name of the training programme, "Service from the Heart", have any special significance?**

A

In our core business of providing franchised bus services, it is vitally important that our service is delivered not only professionally but also with passion. We can continue to train our people to sharpen their technical skills in service delivery, but this is incomplete unless accompanied by a sincere attitude which can only come from the heart. I believe the only way we could be distinctive in service is to equip every staff member with the skills as well as the drive to achieve higher standards. Customers are becoming ever more discerning these days; they really can tell the difference.

Q

**What role does the Group's top management play in the delivery of a quality training package?**

A

Fully appreciating that managerial support is absolutely crucial to the success of our overall training approach, the Group's senior management recently participated in an intensive leadership programme run by the Richard Ivey School of Business of the University of Western Ontario. This programme included a focus on leadership and people management with a view to enabling our staff to perform their very best for the organisation.

Q

**According to what principles does the Group attempt to balance shareholder interest with public interest?**

A

We consider shareholder interest and public interest to be interdependent rather than mutually exclusive. While the Group is dedicated to looking after the interest of its shareholders, as a franchisee, KMB has a responsibility towards the travelling public by providing quality services. We are proud that we have managed to honour that responsibility for 76 years by providing value for money bus services in a highly efficient manner. This in turn creates value for our shareholders. When the public are happy with the service we provide, we are in a strong position to attract more passengers, which generates more shareholder value.

## Interview with the Managing Director

Q

**What are the main challenges facing the Group and what measures is it taking to tackle those challenges?**

A

The increasingly challenging operating environment presents us with three main challenges: an expanding railway network, surging fuel prices and rising demand for higher service levels. We can respond in two main ways to the anticipated rail network expansion: reorganising routes with low or falling demand, and increasing services on routes with high or growing demand. Soaring fuel costs require us to identify more ways to conserve fuel and improve fuel efficiency. With regard to higher customer expectations, it is as much an opportunity as it is a challenge, since it provides us with the impetus to enhance the skills and service standards of all our staff.

Q

**What strategies does the Group have for securing and strengthening its existing core businesses?**

A

The Group is always looking at ways to generate more income. In 2009, we launched two new schemes which we are confident will not only capture the imagination of the public but also act as new revenue streams. Firstly, we have introduced bus interior advertising, making creative and aesthetically pleasing use of the space in bus compartments, including ceilings and stairwells as well as the backs of seats. Secondly, we are piloting an innovative type of bus stop pole, lit by energy-efficient LED lighting and fitted with advertising panels. If the trial is successful, we will be looking at expanding the use of such “luminous crystal” bus stops across our network. We also opened the Manhattan Mid-town shopping mall in West Kowloon in March 2009, which is set to provide a steady income stream.

Q

**What plans does the Group have for Greater China?**

A

With China’s strong growth, the Group will continue to explore viable business opportunities in the Mainland in line with the need to ensure a return for investors. In 2009, owing to a change in Dalian municipal government public transport policy, the Group made a divestment to dispose of its entire interest in its Dalian Co-operative Joint Venture, on which it realised a reasonable return.

Q

**How will the Group handle increasing calls for early replacement of older buses by new Euro V buses?**

A

Over the years KMB has invested heavily to improve its bus fleet. For example, we have been progressively installing Diesel Particulate Filters (DPFs) on our Euro II and Euro III buses, which has the effect of upgrading exhaust emission levels of particulate matter to Euro IV / Euro V standards. By doing this, KMB has essentially upgraded the emission standards of a sizeable portion of its fleet within a relatively short period of time and in a cost-effective way. Meanwhile, under its regular bus replacement programme, KMB introduces on average 200 to 300 new buses every year, all of which comply with the most up to date emission standards approved by the Government.



Q

**Does the Group have any timeline for introducing more fuel-efficient vehicles such as diesel-electric hybrid vehicles?**

A

In December 2009, KMB introduced a Euro V 2-axle air-conditioned double-deck bus for trial. Although these buses offer fewer seats, they are lighter and slightly smaller than regular 3-axle double-deckers. Therefore, they use less fuel. Regarding diesel-electric hybrid vehicles, we are keeping an eye on the trials being conducted in London. It should be noted that hybrid buses cost substantially more than regular double-deckers, and the hybrid buses on trial in London are not equipped with full air-conditioning systems designed for tropical and sub-tropical climates. We will continue to monitor trends and developments in bus technologies worldwide and seek to introduce relevant innovations to our bus fleet where technically feasible and commercially viable.

Q

**Does the Group support the development of a bus rapid transit system in Hong Kong?**

A

In general terms, a bus rapid transit (BRT) system is an elaborated form of “bus-only lane” or bus priority set-up. It can enable bus operators to serve passengers with fewer vehicles, as well as providing better fuel economy and shorter journey times. Given these benefits, many cities in China Mainland have already implemented BRT systems. We will continue to explore ways to introduce this bus transport model to suitable areas in Hong Kong.

Q

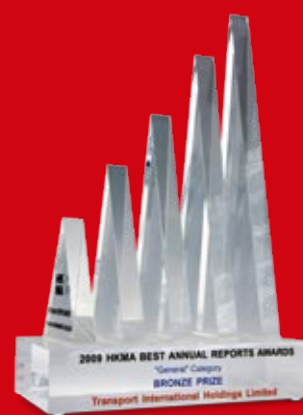
**Bus accidents have hit the headlines from time to time. What measures are being adopted by the Group to further enhance safety?**

A

Safety is simply the number one priority in our bus operations. In 2009, we had a renewed emphasis on further enhancing bus safety through a portfolio of measures. These included using our state-of-the-art driving simulators to conduct immersive training, creating a central database of traffic accident “black spots”, instituting “best practice” daily safety briefings for our bus captains during duty dispatches, and introducing additional measures to not only monitor but also discourage unsafe driving behaviour, especially speeding. With some of these measures already implemented, in 2009 KMB achieved a record low in its traffic accident rate in terms of number of accidents per million kilometres operated. However, we believe that one accident is one too many, and we look forward to introducing even better practices and systems in 2010 and beyond.

# Corporate Governance Report

**Sustainable accomplishment of the corporate mission and vision by leveraging our core strengths and upholding our corporate values is crucial to the Company's accountability to the stakeholders. We adopt a comprehensive Corporate Governance Framework to translate our planning into action and to evaluate the results against our intentions and expectations, as well as to enrich our corporate values.**



## **CORPORATE GOVERNANCE FRAMEWORK**

Our Corporate Governance Framework (the “Framework”) is designed to enable our Board of Directors and management to operate and conduct the Group's businesses with a view to achieving long term strategic goals that meet the expectations of our various stakeholders, including shareholders, customers, employees, creditors, suppliers, while also complying with the legal and regulatory requirements as well as meeting the environmental and local community needs. Key elements of good corporate governance principles include responsibility and accountability, transparency, honesty, integrity, openness, performance orientation, mutual respect, and commitment. We ensure that all these elements are embodied in the design of the Framework, and that sound, efficient and effective management policies and practices are adopted and observed at all levels throughout the Group's businesses. We are committed to maintaining the highest standards of corporate governance and to constantly enhancing and benchmarking our Framework against local regulatory changes and international developments in a timely manner.

We achieve our corporate governance objectives primarily through implementation of the following measures:

- Optimal board composition, efficient management reporting systems and effective internal control procedures are in place to ensure that the Directors and management alike are able to make informed decisions in the best interests of our stakeholders;
- Internal audit and control systems are established to provide safeguards against risk and protect the Group's assets as well as to ensure that its policies and management practices are executed as planned, with any deviations identified and corrected on a timely basis; and
- A variety of communication channels have been established to ensure that our affairs are transparent to shareholders, customers and other stakeholders.

We realise that good corporate governance is the key to sustainable business success and are committed to continuing to improve our governance standards. Our management will continue to devote every effort to enhancing our current practices to ensure compliance

with new regulatory developments and to finding ways to mitigate risk in every feasible way. In this Corporate Governance Report, we set out in detail the policies and practices in respect of corporate governance that have been applied throughout the Group for the management of our businesses.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

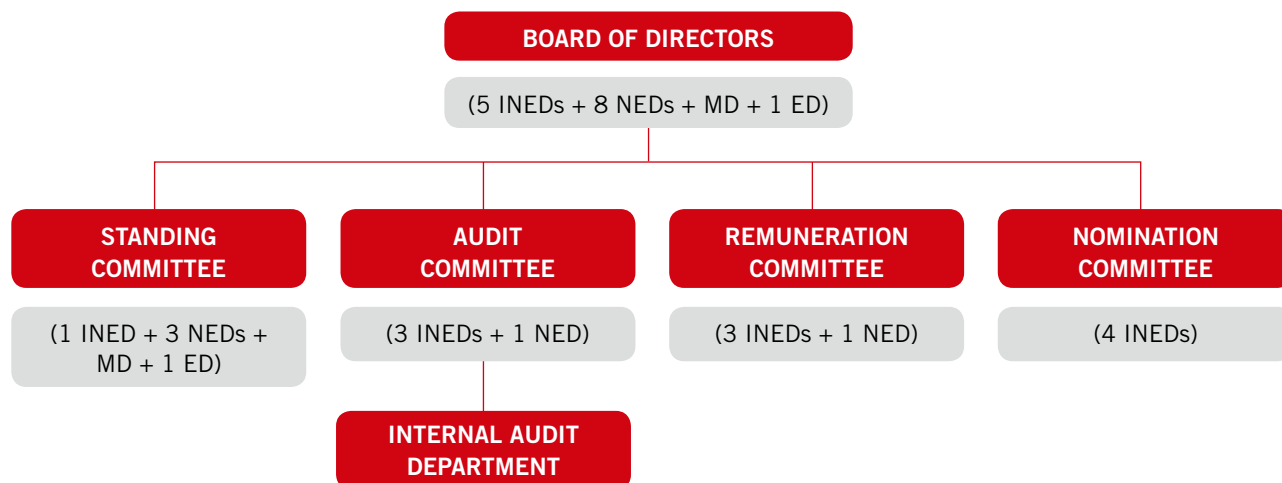
The Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), which was first introduced in 2005, provides a comprehensive guide by means of which listed issuers in Hong Kong can evaluate and improve their corporate governance practices. The CG Code provides two levels of recommendations: the “Code Provisions”, with which issuers are expected to comply but from which they may choose to deviate provided they give considered reasons for non-compliance; and the “Recommended Best Practices”, which are provided for guidance only. The

Listing Rules in relation to certain corporate governance issues and continuing listing obligations were amended in December 2008 and became effective on 1 January 2009.

Throughout the year ended 31 December 2009, the Group fully complied with the Code Provisions set forth in the CG Code contained in Appendix 14 of the Listing Rules and their relevant amendments.

## BOARDROOM FRAMEWORK

The Company’s Board comprises 15 members, of which five are Independent Non-executive Directors, eight are Non-executive Directors and two are Executive Directors. Day-to-day management of the Group’s businesses is delegated to four designated Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, as well as the Executive Directors and senior management of the Company. The Company’s boardroom framework is outlined below:



INED : Independent Non-executive Director

NED : Non-executive Director

MD : Managing Director

ED : Executive Director

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition of the Board of Directors

The Board of Directors is responsible for steering and supervising the Group's affairs in a responsible, impartial and effective manner and for running its businesses in the best interests of the stakeholders.

The primary areas of responsibilities of the Board include the following:

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

The Board has a composition of executive and non-executive directors (including independent non-executive

directors) with a diversity of experience from different business backgrounds, which ensures that there is a strong independent element on the Board that can effectively exercise independent judgement. Throughout 2009, the Company had five Independent Non-executive Directors, which complies with the Recommended Best Practice A.3.2 of the Listing Rules that at least one-third of the Board members should be Independent Non-executive Directors, and also exceeded the minimum requirements of Rules 3.10(1) and (2) of the Listing Rules, which stipulate that there should be at least three Independent Non-executive Directors, of whom at least one must have appropriate professional qualifications or accounting or related financial management expertise. The Independent Non-executive Directors ensure that connected transactions and other major issues are subject to objective and thorough consideration by the Board and that the interests of the shareholders as a whole are fully and impartially taken care of.

As at the date of this Annual Report, written confirmation of independence has been submitted by each of the Independent Non-executive Directors to The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company in accordance with the requirement of Rule 3.13 of the Listing Rules, and the Company considers each of the Independent Non-executive Directors to be independent.

Directors of the Company as at the date of this Annual Report are:

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

Note: Mr So Wai Kei, Godwin, was appointed as an Alternate Director to Dr Kwok Ping-sheung, Walter, JP with effect from 25 February 2009 in place of Ms Wong On Ning, Orlena.

Detailed biographies of the Directors are set out on pages 112 to 117 of this Annual Report in accordance with the Listing Rules. Information provided includes name, age, positions held with the Company and its subsidiaries, length of service with the Company and the Group and such other information (which may include business experience) of which shareholders should be aware, relationship with other Directors or senior management, as well as the particulars of other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and other major appointments and professional qualifications. All Directors have a service term of directorship of not longer than three years.

### Responsibilities of Directors

Senior management and corporate executives provide accurate, adequate and detailed financial and operational information to the Board of Directors to keep them abreast of the latest developments of the Group and enable them to make informed decisions and discharge their responsibilities effectively. The Company Secretary is charged with the responsibility of providing comprehensive induction programmes, briefings, and other training courses to develop and refresh new and existing Directors' knowledge and skills and enhance their awareness of good corporate governance. Directors are also encouraged to participate in continuous professional development programmes organised by qualified institutions.

### Code of Conduct

The Company has drawn up a written Code of Conduct (the "Code") for Directors and employees. The Code provides guidance on personal conduct, relations with suppliers and contractors, responsibilities to shareholders, relations with customers, employment practices and responsibilities to the community, as well as procedures for monitoring of compliance and means of enforcement. The Code emphasises ethical values and conscience in business activities. Directors and employees are required to adhere to the Code when they discharge their delegated duties.

### Securities Transactions by Directors

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct to regulate the Director's securities transactions concerning the Company. All Directors, upon specific enquiry by the Company, confirmed that they had complied with the required standard of dealings set out in the Model Code regarding their securities transactions throughout 2009.

Details of the shareholding interests held by the Directors in the Company and its indirect non-wholly-owned subsidiary, RoadShow Holdings Limited, as at 31 December 2009 are set out on pages 123 and 124 of this Annual Report.

### Appointment, Re-election and Removal of Directors

In 2009, the following appointments were effected with the endorsement of the Nomination Committee and appropriate announcements were published in accordance with the requirement of Rule 2.07 of the Listing Rules:

- Mr So Wai Kei, Godwin was appointed as Alternate Director to Dr Kwok Ping-sheung, Walter of the Company, KMB and LWB with effect from 25 February 2009, in place of Ms Orlena Wong On Ning; and
- Mr Siu Kwing-chue, Gordon, who has been an Independent Non-executive Director of the Company since 26 October 2004, was appointed a member of the Audit Committee of the Company with effect from 18 September 2009.

### Rotation of Directors

In compliance with the requirement of the Listing Rules and the Company's Bye-laws, all Directors of the Company are appointed for a specific term and they are subject to retirement by rotation and to re-election at the Company's annual general meeting at least once every three years. All Directors appointed to fill out casual vacancies of the Board are subject to election by the shareholders of the Company at the following general meeting after their appointment.

# Corporate Governance Report

At the annual general meeting of the Company held on 21 May 2009, five Directors, namely Mr Kwok Ping-luen, Raymond, Mr Charles Lui Chung Yuen, Ms Winnie Ng, Dr Eric Li Ka Cheung and Mr Edmond Ho Tat Man retired by rotation and were re-elected as Directors of the Company.

Dr Norman Leung Nai Pang, Dr Kwok Ping-sheung, Walter, Mr William Louey Lai Kuen and Mr George Chien Yuan Hwei will retire as Directors of the Company upon conclusion of the annual general meeting to be held on 20 May 2010 (the "2010 AGM"). All these retiring Directors have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2010 AGM.

## Distinctive Roles of the Chairman and the Managing Director

The posts of Chairman and Managing Director are held separately by The Hon Sir Sze-yuen Chung and Mr Edmond Ho Tat Man respectively, neither of whom have any financial, business, family or other relationship with each other. This separation ensures that there is a clear distinction between the roles and the responsibilities of the Chairman and the Managing Director. The respective roles and duties of the Chairman and the Managing Director have been clearly defined in writing and are summarised as follows:

### Chairman

#### Responsibilities

- Chairing the Board and shareholders' meetings
- Ensuring the operations of the Board are managed effectively
- Ensuring all key and appropriate issues are discussed by the Board in a timely and constructive manner
- Ensuring good corporate governance practices are followed

### Managing Director

#### Responsibilities

- Managing the Group's day-to-day businesses
- Implementing the Group's policies and strategies as set out by the Board

The Chairman also meets once a year with the Non-executive Directors in the absence of the Managing Director and Executive Director(s) to discuss the Group's business affairs. This meeting was held on 20 August 2009.

## Board Meetings

The full Board normally meets once a month to discuss and decide on major corporate strategic and operational issues, as well as to evaluate major investment opportunities. Board meetings are conducted according to the procedures set out in the Company's Bye-laws and the recommended best practices in the CG Code, as summarised below:

- The annual schedule for regular Board meetings is provided to the Board members at the start of each year;
- Directors may request inclusion of items in the agenda of the Board meetings;
- Notice of Board meeting is normally sent to the Directors one month in advance, with the agenda and discussion papers for the Board meeting circulated one week in advance to ensure Directors have sufficient time to attend to the affairs to be discussed and make informed decisions in the best interest of the company;

- Draft minutes of all Board meetings, which record in details the matters considered by the Board and decisions reached as well as any concerns raised or dissenting views expressed by the Directors, are taken by the Company Secretary and circulated to all Directors for comment within a reasonable time after the meeting. The final version of the draft minutes are submitted to the Board at the subsequent meeting for formal adoption. The adopted minutes are kept by the Company Secretary and are open for inspection by all Directors;
- At each of the Board meeting, the Directors are requested to declare their interests, if any, in any transaction, arrangement or other issues proposed to be discussed at the Board meeting and to abstain from voting on the relevant resolutions if they have conflict of interests or a material interest in the proposed transactions. Directors with interests so declared would not be counted in the quorum of the meeting for the passing of the relevant resolutions; and
- Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered in the ordinary and usual course of business of the Group and the terms are on normal commercial terms which were arrived at on arm's length basis and are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary is responsible to ensure that all connected transactions entered are in compliance with the Listing Rules. In 2009, the Company had entered into five continuing connected transactions and three connected transactions, details of which are disclosed on pages 108 to 111 of this Annual Report.

## DELEGATION BY THE BOARD OF DIRECTORS

The Board has established four designated Board Committees, namely Standing Committee, Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Group's affairs. Each of the Committees has proper terms of references and adequate authority and resources to discharge their duties.

## Standing Committee

The Standing Committee comprises six members, namely Dr Norman Leung Nai Pang (chairman of the committee), Mr Kwok Ping-luen, Raymond, Dr John Chan Cho Chak, Ms Winnie Ng, Mr Charles Lui Chung Yuen and Mr Edmond Ho Tat Man. The Standing Committee was set up by the Board with specific terms of reference to advise and assist the Board in formulating policies, and to monitor their implementation by management. The Standing Committee meets with senior management regularly on a monthly basis to review and discuss financial, operational and strategic issues in relation to current businesses as well as potential investment opportunities of the Group, and reports findings and makes recommendations to the Board directly.

## Audit Committee

The Audit Committee comprises four members, namely Dr Eric Li Ka Cheung (chairman of the committee), Dr Kung Ziang Mien, James, Mr Siu Kwing-chue, Gordon, and Mr George Chien Yuan Hwei, of whom the first three are Independent Non-executive Directors and the other one is a Non-executive Director. Dr Li is a certified public accountant, with the appropriate professional qualifications and accounting expertise required by the Listing Rules. The Chairman and the other members of the Audit Committee have a wide range of experience in various business and professional fields as described in the Directors' biographies set out on pages 112 to 117 of this Annual Report. None of the Audit Committee members is a former or existing partner of the external auditor of the Company. The Audit Committee's terms of reference are largely based on the recommendations laid down in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and updated with reference to the CG Code of the Listing Rules. Under its term of reference, the Audit Committee oversees the Company's financial reporting process, internal control procedures and risk management system and its relationship with the external auditor.

# Corporate Governance Report

In 2009, two Audit Committee meetings were held together with senior management and the external auditors. At the end of each meeting, the external auditors were invited to discuss in private with the Audit Committee members issues arising from the audit and any other matters which they might wish to discuss without the presence of senior management. The Chairman of the Audit Committee reported to the Board and gave a briefing on all significant issues after the meetings.

The major work performed by the Audit Committee during the year included:

- (a) Review of the Company's financial reporting process, internal control and risk management systems
- Reviewed the accounting principles and practices adopted by the Group, the accuracy and fairness of the financial statements and the scope of both internal and external audit works;
- Reviewed with the external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements;
- Discussed and reviewed the audit reports prepared by the Head of the Internal Audit Department. These reports cover internal audit aspects, including audit objectives, audit approach, audit work done and findings. The qualifications and experience of staff carrying out accounting and financial reporting, as well as adequacy of resources, training programmes and budgets for such staff are examined, together with internal control functions;
- Provided guidance to internal auditors and senior management to ensure that the accounting policies and practices adopted by the Group are consistently applied in line with the applicable accounting standards and legal requirements; and
- Conducted reviews with the external auditors and/or senior management to ensure that connected transactions were properly disclosed in accordance with the requirements of the Listing Rules.

Based on the conclusions drawn from the above reviews and discussions, the Audit Committee has recommended the Board to approve the unaudited interim financial report of the Company for the six months ended 30 June 2009 and the annual financial statements for the

year ended 31 December 2009. The Audit Committee concluded that, in general, the Group continues to operate in a sound control environment with a control system that effectively monitors and corrects non-compliance. The Board, following the Audit Committee's annual review of the Group's internal control system, is satisfied that the Group has fully complied with the Code Provision on internal controls in 2009.

(b) Management of the relationship with the external auditors

- Reviewed the independence of the external auditors and considered the terms of engagement and audit fee proposal to ensure that there is no impairment to their independence; and
- Ensured that the external auditors have duly conducted their audit and non-audit services in an effective manner.

Based on the conclusions drawn from the above review, the Audit Committee has recommended to the Board the re-appointment of KPMG, the existing external auditors, as auditors of the Company in respect of the financial statements for the year ending 31 December 2010.

## Remuneration Committee

The Remuneration Committee comprises four members, namely Dr Norman Leung Nai Pang (chairman of the committee), Dr Kung Ziang Mien, James, Dr Eric Li Ka Cheung and Dr John Chan Cho Chak. The role of the Remuneration Committee is to formulate policies on remuneration, including establishing guidelines to determine terms and conditions of employment, remuneration and retirement benefits of Directors and employees of the Group. It also sets appropriate criteria for performance-based bonuses, and reviews and makes recommendations on human resources-related policies to the Board by reference to the goals and objectives of the Group. Details of the terms of reference, remuneration policies and work done by the Remuneration Committee in 2009 are set out in the Remuneration Report on pages 38 to 41 of this Annual Report.

## Nomination Committee

The Nomination Committee comprises four members, namely, Dr Norman Leung Nai Pang (chairman of the committee), Dr Kung Ziang Mien, James, Dr Eric Li Ka Cheung and Mr Siu Kwing-chue, Gordon, all of whom are



Independent Non-executive Directors. The Nomination Committee is charged with the responsibility to identify appropriate candidates with suitable skills and experience for consideration by the Board. The objective is to ensure that the appointment of Directors undergoes formal, stringent and transparent procedures. The principal terms of reference of the Nomination Committee include:

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

In 2009, no physical meeting was held by the Nomination Committee, but written resolution and discussion paper were circulated to all members of the Nomination Committee members for review and approval on 19 March 2009.

The overall attendance record of the Directors at Board Meetings and Committee Meetings in 2009 is tabulated below:

Member of the Board of Directors	Meetings Attended / Held				
	Board	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
<b>Independent Non-executive Directors</b>					
The Hon Sir Sze-yuen CHUNG, GBM, GBE, JP (Chairman)	12/12				
Dr Norman LEUNG Nai Pang, GBS, JP (Deputy Chairman)	12/12	12/12		2/2	1/1
Dr KUNG Ziang Mien, James, GBS, OBE (with Mr KUNG Lin Cheng, Leo, JP as alternate)	10/12		1/2	1/2	1/1
Dr Eric LI Ka Cheung, GBS, OBE, JP	12/12		2/2	2/2	1/1
Mr SIU Kwing-chue, Gordon, GBS, CBE, JP	12/12		Note		1/1
<b>Non-executive Directors</b>					
Mr KWOK Ping-luen, Raymond, JP (with Mr YUNG Wing Chung as alternate)	12/12	10/12			
Dr KWOK Ping-sheung, Walter, JP (with Mr SO Wai Kei, Godwin as alternate)	11/12				
Mr NG Siu Chan (with Ms Winnie NG as alternate)	12/12				
Mr William LOUEY Lai Kuen	10/12				
Dr John CHAN Cho Chak, GBS, JP	12/12	12/12		2/2	
Ms Winnie NG	12/12	9/12			
Mr George CHIEN Yuan Hwei	12/12		2/2		
Mr John Anthony MILLER, SBS, OBE	12/12				
<b>Executive Directors</b>					
Mr Charles LUI Chung Yuen, M.H.	9/12	9/12			
Mr Edmond HO Tat Man (Managing Director)	12/12	12/12			

Note: Appointed as a member of the Audit Committee with effect from 18 September 2009.

# Corporate Governance Report

## **Delegation of Responsibilities to Senior Management**

The day-to-day management of the Group's businesses is delegated to senior management and corporate executives under the guidance and supervision of the relevant Board Committees. This facilitates prompt response to a rapidly changing market environment. The Company's senior management and corporate executives have wide experience and expertise in different areas. Brief particulars of the senior management and corporate executives of the Group are set out on pages 118 and 119 of this Annual Report.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Directors are responsible for the preparation, and the true and fair presentation, of the financial statement of the Company and the Group. This responsibility covers the interim and annual reports, the "price-sensitive" announcements and other financial disclosures required under the Listing Rules, as well as reports to regulators and information required to be disclosed pursuant to the statutory requirements.

Based on the financial statements that have been audited or reviewed by the Company's external auditors, the Company publishes its interim and annual results within three months of the end of the respective accounting periods.

The financial statements of the Company and the Group for the year ended 31 December 2009 on pages 131 to 203 of this Annual Report are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and the Group, and the results and cash flow for the year. These financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute

of Certified Public Accountants (the "HKICPA"). Suitable accounting policies are selected and consistently applied and accounting estimates are made on a prudent and reasonable basis. The responsibilities of the external auditors, KPMG, are set out in the auditors' report on page 130 of this Annual Report.

### **Internal Controls and Risk Management**

The Board recognises its responsibility to ensure that an effective system of internal control is in place. This is to safeguard the assets of the Group, minimise risk of failure in operational systems and prevent material misstatement of information (both financial and non-financial). Stringent internal control measures are adopted extensively at all levels of the Group to monitor the performance of the Group's day-to-day operations.

### **Control Environment**

#### **Clearly defined Organisation Structure, Authority and Responsibility Framework**

The Group has a clear organisational structure with delineated lines of authority and control responsibility, which are clearly defined in writing and documented in the form of organisation charts and job manuals for each of the operating and business units. In general, senior management and corporate executives are primarily responsible for the design, implementation and maintenance of internal controls, formulation of operational plans and preparation of financial budgets which set out the resources to be allocated in accordance with the identified and prioritised business opportunities, while the Board and the Audit Committee oversee the management performance and assess the effectiveness of these controls. Specialised committees are also established from time to time to deal with specific issues. The Group's Internal Control Framework is built on the following components:

### The Board

- establishes high ethical and moral standards and monitor management's compliance with those standards
- maintains a sound and effective internal control system
- monitors and oversees performances of the Internal Control Framework

### Audit Committee

- oversees the Internal Control Framework
- provides directives for the design and implementation of a sound and effective internal control system
- ensures the independence and transparency of the internal audit function
- facilitates the coordination between the internal and external auditors
- approves audit plans and ensures findings of the Internal Audit Department are properly addressed by management
- reports to the Board about the performance of the Company's internal control environment

### Internal Audit Department

- formulates action plans to monitor the effectiveness of the internal control system
- coordinates with various operating units and monitors their compliance with internal control practices
- conducts robust reviews and rigorous testing of the internal control system and makes recommendations for improvement
- reports directly to the Audit Committee on a periodic basis
- provides independent and objective assurance that the internal control practices are effective

### Management

- designs, implements and maintains an effective internal control system
- supervises staff to ensure that they perform according to the requirements of internal control practices
- cooperates with and supports the work of the Internal Audit Department
- plays the central role in monitoring the Group's Quality Management System

## Business Ethics

The Group's internal control environment is built on the culture of moral consciousness, high ethical values and management integrity. The Code of Conduct (the "Code") and the Staff Handbook set down the rules and policies to which all Directors and staff are expected to adhere. These guidelines spell out the behaviour expected in all aspects of administrative and operational activities, including relationships with customers, suppliers, competitors and fellow staff, and underscore the social responsibilities of the Group. The Code also emphasises transparency, objectivity, integrity and reliability in financial information handling and disclosure in financial reports.

## Enterprise Risk Management

Our businesses are exposed to various types of risks, such as financial and operational risks. We have developed and implemented policies and procedures to manage these risks by adopting the "Internal Control – Integrated Framework" model recommended by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

This framework helps the Group identify risks that may have an impact on fulfilling its objectives, assess the risks using appropriate quantitative and qualitative techniques, and manage the risks in a systematic and hierarchical way. The process covers a range of areas, from the devising of strategies to the setting of related objectives for day-to-day activities, across the whole organisation. The implementation of ISO-based Quality Management System ("QMS") is one of the proactive control practices adopted to respond to the risk inherent in our bus operation, which is the core business of the Group. In 2009, under the direction of the Audit Committee, the Internal Audit Department reviewed in detail the process of KMB's enterprise risk management based on the framework of COSO to ensure KMB's risk management is properly conducted. The review covered KMB's control environment, objective setting, event identification and risk assessment, risk response and control activities, information and communication, and monitoring process. The level of risks inherent in various processes has been duly prioritised and identified with each risk item properly

# Corporate Governance Report

measured and controlled, and potential improvements or follow-up measures put in place to minimise the risk exposure. No material deficiency was noted in this review.

## Control Effectiveness

The internal control effectiveness of the Group is overseen by the Audit Committee with the support of the Company's Internal Audit Department and the external auditors. Details of composition, terms of reference and the work done by the Audit Committee in 2009 are set out under the section headed "Audit Committee" on pages 29 and 30 of this Annual Report.

## Effective and Efficient Quality Management System ("QMS")

The Group has implemented an effective and efficient Quality Management System, which is based on the benchmarks required by the International Organisation for Standardisation ("ISO"), for its two major subsidiaries, KMB and Sun Bus Limited ("SB"). The implementation of QMS in KMB was recognised by the ISO 9001:1994 accreditation for quality management system achieved on a company-wide basis in 1999, and ISO 14001 accreditation for environmental management system obtained at two major bus depots in 2003. The Group also implemented QMS for SB in July 2008, and it was accredited with ISO 9001:2000 certification for the provision of non-franchised bus services in November 2008. In 2009, new ISO 9001:2008 certificates were issued to KMB and SB upon the completion of the upgrading audits.

The operation of QMS in KMB and SB is closely monitored by trained internal quality auditors. Under ISO requirements, all major financial and operational procedures and instructions, including illustrative flow charts, need to be clearly documented and approved by authorised persons before release. This documentation covers KMB and SB's major operational processes, and responsible persons and their respective duties are well defined. The ISO documentation is constantly reviewed and updated to ensure compliance with change in the work process. Management meetings are held every three months at KMB and every two months at SB to review the effectiveness and compliance of the respective QMS. Preventive and corrective measures, if any cases of non-conformity are detected, as well as continuous improvement plans are implemented accordingly.

Each year, an external ISO certification organisation, the Hong Kong Quality Assurance Agency ("HKQAA"), carries out an independent audit of the respective QMS of KMB and SB to ensure its effectiveness, efficiency and conformity. Recommendations are made for follow-up action when areas of improvement are identified during the ISO audit.

The adoption of QMS has enhanced cooperation between our staff, with everyone directed towards achieving the same goal and meeting the required ISO standards. A well-structured and systematic documentation model facilitates the Group's development of strategic and operational plans and serves as a performance indicator so that each business unit can obtain concrete measurement of its effectiveness.

## Business Continuity Plan

As an integral part of risk management, KMB has formulated and documented a Business Continuity Plan ("BCP"), which is updated from time to time as conditions change. The BCP enables senior management to preserve stakeholder value in the event of a crisis by responding promptly to the situation and resuming KMB's critical business functions within the maximum tolerable limits. In the BCP, major risks and the business functions affected are identified and evaluated, responsibilities, recovery time objectives and resources required are defined, and responses are outlined. Walkthrough tests or drills are carried out to ensure that the responses are feasible and viable.

## Advanced Management Information System

The Group adopts a comprehensive Enterprise Resources Planning ("ERP") system, including SAP e-business Software, to provide a tailor-made solution which transforms large amounts of operational and financial data systematically to help senior management and the Board make informed strategic business decisions on the basis of updated, reliable and relevant information and measure management performance against budget.

## Establishment of a Comprehensive Internal Audit Function

The Internal Audit Department plays a crucial role in monitoring the internal governance of the Group. The Department is responsible for independently reviewing the risks and controls of the Group, and for providing reasonable assurance to senior management and the Audit Committee that the internal control systems are

effective in achieving their objectives, and that any risks and internal control weaknesses have been identified and adequately addressed. The Head of the Internal Audit Department is responsible for supervising the conduct of comprehensive audits, and reviewing the financial and operational procedures and practices of the Group on both a regular and an ad hoc basis.

To ensure the independence of the internal audit function of the Group, the Head of the Internal Audit Department reports directly to the Managing Director and the Audit Committee.

In 2009, the major work undertaken by the Internal Audit Department included:

- conducting systematic audits of various aspects of the Group's operations according to the audit rolling plan, and reporting findings and recommending follow-up action to the relevant operating units, the Managing Director and the Audit Committee;
- independently reviewing the risks and controls of the Group, and ensuring that the risks and internal control weaknesses had been adequately addressed; and
- specially reviewing critical areas of concern identified by senior management or the Audit Committee.

Based on the report of the Internal Audit Department, the Audit Committee concluded that the Group continues to operate in a sound control environment with a control system that effectively monitors and corrects non-compliance in all significant areas. The Board, following the Audit Committee's annual review of the Group's internal control system, is satisfied that the Group has fully complied with the Code Provision on internal controls in 2009.

### Control Practices for Handling and Disseminating Price-sensitive Information

The Company is aware of its obligations under the Listing Rules and has established proper procedures and internal controls for handling and disseminating price-sensitive information. The Board and nominated managers with access to price-sensitive and/or specific information are bound by the Model Code for Securities Transactions under the Listing Rules. In addition, all staff are required by the Code of Conduct and the Staff Handbook to keep unpublished price-sensitive information strictly confidential.

## External Audit

The external auditors play a key role in ensuring the integrity of the disclosure of financial information. The management letters, which report the external auditors' major findings relating to the Company's interim and annual published financial statements, are addressed directly to the Audit Committee and the Board. The external auditors are invited to attend meetings of the Audit Committee as well as the Annual General Meeting.

KPMG were engaged as external auditors to review and audit the interim and annual financial statements of the Company for 2009. The audit and non-audit related services provided by KPMG are subject to the review of the Audit Committee, and a policy is in place to ensure that the engagement of KPMG in other non-audit services will not impair their independence to act as external auditors.

The fees for services provided to the Group by KPMG for the year ended 31 December 2009 are set out below:

	HK\$ million
Audit related services	5.5
Non-audit related services	0.1
<b>Total</b>	<b>5.6</b>

## COMMUNICATION WITH STAKEHOLDERS

### Communication with Shareholders

The Group fully understands its corporate responsibility to provide shareholders with the information necessary for them to evaluate the Group's performance. Press releases, interim and final results announcements, interim and annual reports, and other information of interest to shareholders are uploaded to the Stock Exchange's website and the Company's corporate website [www.tih.hk](http://www.tih.hk). The interim and annual reports are also sent to shareholders within the respective deadlines stipulated by the Listing Rules.

The Company's 2008 annual report won four awards in 2009:

- Best of Hong Kong – traditional format in the International ARC Awards
- Gold Award for Overall Annual Report and Bronze Award for Chairman's Letter in the International ARC Awards
- Bronze Award in the Hong Kong Management Association ("HKMA") Best Annual Reports Awards

# Corporate Governance Report



*Directors meet with the shareholders at the 2009 Annual General Meeting of the Company*

These awards are recognition of the Company's efforts in maintaining transparency and good corporate governance as well as in ensuring an excellent level of disclosure across all aspects of our businesses.

The Board regards the general meetings as important opportunities for direct communication with shareholders. The annual general meetings or other general meetings are normally attended by all Directors and senior management. Shareholders are invited to raise questions to the Directors during the meetings, or email their enquiries to the Directors through the Company's email address "director@tih.hk". The Company Secretary is responsible for attending to these enquiries in the first instance.

All shareholders have the right to vote at general meetings. Since 2007, the Company has conducted voting by poll at general meetings so that each share is entitled to one vote. At the general meetings, separate resolutions are proposed for each distinctive issue, including the election of each individual Director. A circular containing the notice of the annual general meeting, proposed resolutions, biographies of each of the Directors standing for election at the annual general meeting, and information on poll voting procedures is despatched to shareholders together with the annual report. The circular for the 2009 Annual General Meeting ("2009 AGM") was despatched to shareholders at least 21 days prior to the 2009 AGM date in accordance with the Listing Rules then prevailing. The circular for the 2010 Annual General Meeting ("2010 AGM") will be despatched to shareholders at least 20 clear business days prior to the 2010 AGM date to comply with the latest amended Listing Rules.

The 2009 AGM was held on 21 May 2009 and the matters resolved are summarised below:

- Approval of the audited financial statements and reports of the Directors and Auditors for the year ended 31 December 2008
- Approval of an ordinary final dividend of HK\$1.05 per share for the year ended 31 December 2008
- Re-election of Mr Kwok Ping-luen, Raymond, Mr Charles Lui Chung Yuen, Ms Winnie Ng, Dr Eric Li Ka Cheung and Mr Edmond Ho Tat Man as Directors of the Company
- Re-appointment of KPMG as auditors of the Company and authorisation of the Directors to fix their remuneration
- Granting of a general mandate to the Directors to issue shares not exceeding 20% of the issued share capital
- Granting of a general mandate to the Directors to exercise powers of the Company to purchase its own shares not exceeding 10% of the issued share capital
- Granting of a general mandate to the Directors to extend the share issue mandate granted to the Directors not exceeding 10% of the issued share capital

The details and poll voting results of the 2009 AGM were published on the websites of the Company and of the Stock Exchange on 21 May 2009.

The 2010 Financial Calendar of the Company is set out as follows:

Announcement of 2009 final results	18 March 2010
Despatch of 2009 Annual Report and accompanying Circular to shareholders	21 April 2010
Last day to register for 2009 ordinary final dividend and 2009 special dividend	11 May 2010
Book closure period	12-20 May 2010
Date of 2010 AGM	20 May 2010
Payment of 2009 ordinary final dividend and 2009 special dividend	24 May 2010
Announcement of 2010 interim results	mid-September 2010
Payment of 2010 interim dividend	mid-October 2010
Financial year end date	31 December 2010

## Communication with the General Public

**Website** – The Company's corporate website [www.tih.hk](http://www.tih.hk) provides a wide range of information about the Group and its various businesses. To respond to the changing needs of its stakeholders, in November 2009, KMB launched a revamped corporate website to provide a more user-friendly and informative online experience to its customers.

**Media** – To enhance the public's understanding of the bus services of KMB and LWB, two of the Company's major subsidiaries, regular press sessions are held to keep the media informed about the latest developments of the bus companies in areas including services, facilities, safety and environmental protection.

**Publications** – To enhance transparency and strengthen communication with the general public, KMB and LWB, periodically distribute various publications to keep customers and the community updated on their services and operations.

These publications include:

- More about KMB
- More about Long Win
- KMB Corporate Social Responsibility Charter
- Long Win Corporate Social Responsibility Report

- KMB Passenger Liaison Group Report
- Long Win Passenger Liaison Group Report
- KMB's Efforts in Environmental Protection
- KMB Today (a monthly magazine)

In 2009, two of KMB's publications, namely the 2008 Passenger Liaison Group Report and the 2009 Environmental Protection Booklet, received the Grand Award and the Award of Excellence respectively in the Apex Awards for Publication Excellence, organised by Communications Concepts. In addition, the Passenger Liaison Group Report and KMB's Corporate Social Responsibility Charter won Awards of Excellence in the Communicator Awards, sanctioned and judged by the International Academy of the Visual Arts. KMB's publications are available on its website [www.kmb.hk](http://www.kmb.hk), together with corporate, financial and press information pertaining to the Group, which is regularly updated and uploaded.

## Communication with Employees

Effective communication between management and our 13,000 staff members is vital to our success as well as a means of helping develop teamwork and efficiency.

To enhance mutual understanding and promote cooperation at all levels, six joint consultative committees of KMB and LWB have been established to provide channels for management and staff to discuss matters such as safety and the work environment, as well as issues relating to staff welfare.

The Group also maintains a staff website through which staff can conveniently access relevant management announcements and information on staff matters including payroll information, details of staff events and activities, etc. Online orientation training courses, e-learning programmes and a staff forum are also made available through the website. Periodic VCDs and the monthly magazine, KMB Today, are produced on a regular basis to keep our employees, particularly frontline staff, informed of news and events relating to the Group and the industry. To further enhance communication between management and staff, a new column "Message from the Managing Director" has been introduced in KMB Today.

The Staff Handbook provides clear guidelines for all staff to follow, as well as setting out the company's human resources policies. The Handbook can be accessed via our staff website.

# Remuneration Report

**The level of remuneration for the Directors, management and staff is determined based on the principles of performance, fairness, transparency and market competitiveness, and is applied with different remuneration elements designed to attract, retain and motivate individuals to contribute to the Group.**

Since its establishment in 2003, the Remuneration Committee has been chaired by Dr Norman Leung Nai Pang, who is an Independent Non-executive Director and also the Deputy Chairman of the Company. The other members are Dr Kung Ziang Mien, James, Dr Eric Li Ka Cheung and Dr John Chan Cho Chak. Dr Kung and Dr Li are Independent Non-executive Directors, and Dr Chan is a Non-executive Director.

The Remuneration Committee is delegated by the Board with the responsibility of ensuring that the Company applies properly structured and fair remuneration policies, which align the interests of Directors and staff with those of the Company and its other stakeholders. The principal remuneration policies adopted by the Group are set out as follows:

- No Director or member of the senior management is allowed to decide his or her own remuneration;
- Remuneration policy and practice including that relating to the Directors should be transparent; and
- Remuneration packages should represent a fair reward system for all participants and have regard to market practices and the packages offered by comparable companies for similar posts, taking

qualifications, experience and performance into consideration. Independent professional advice on human resources related matters is sought whenever required.

The Remuneration Committee has clear written terms of reference, which fully comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee include:

- Formulation of remuneration policies, including the basis of remuneration;
- Establishment of guidelines to determine terms and conditions of employment, and retirement benefits for Directors and staff;
- Setting up criteria for performance-based bonuses; and
- Reviewing and making recommendations to the Board on major human resources related policies.

In 2009, the Remuneration Committee:

- Reviewed the remuneration policy for 2009;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarking it against the level



of remuneration of major listed companies in terms of workload, scale and complexity of business;

- Reviewed the annual performance-related bonuses for the employees of the Group, having regard to their achievements, against the assessment criteria and with reference to the market norms; and
- Examined employees' wage and salary increments in 2009.

## CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

The principles adopted by the Group are formalised for assessment of the remuneration of Directors by reference to the aforesaid remuneration policies to reflect good corporate governance practices. The principles applied have taken into account market practices and a tried and tested methodology for remunerating directors. As in previous years, Directors' fees for 2009 were determined based on the Higgs Methodology, with reference to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited.

The fee structure for Directors in 2009, which is the same as 2008, is set out as follows:

Per annum	
<b>Board Members</b>	
Chairman	HK\$504,000*
Other Director	HK\$360,000*
<b>Audit Committee Members</b>	
Chairman	HK\$84,000
Other Member	HK\$60,000
<b>Remuneration Committee Members</b>	
Chairman	HK\$42,000
Other Member	HK\$30,000

\* These fees are in respect of 12 board meetings held for each of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited.

Except for the fees disclosed above, none of our Independent Non-executive Directors and Non-executive Directors received any pension benefits or bonuses from the Group.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2009, together with the 2008 figures, are given in note 7 to the consolidated financial statements on pages 156 and 157 of this Annual Report.

**“ The Remuneration Committee is delegated by the Board with the responsibility of ensuring that the Company applies properly structured and fair remuneration policies, which align the interests of Directors and staff with those of the Company and its other stakeholders. ”**

# Remuneration Report

## **CRITERIA FOR DETERMINATION OF THE REMUNERATION OF SENIOR MANAGEMENT AND OTHER EMPLOYEES**

In determining the remuneration of members of the Senior Management (whose brief biographies are set out on page 118 of this Annual Report) and other employees, reference is made to the remuneration of similar positions in local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Subject to the performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The levels of discretionary bonuses are subject to the review and approval of the Remuneration Committee and the Board, having regard to the Group's performance. No members of the Senior Management are members of the Remuneration Committee. The main components of remuneration for members of the Senior Management and other employees are set out below:

### **Base Compensation**

Base compensation, including salaries, allowances and fringe benefits (e.g. medical) is subject to annual review by the Remuneration Committee with reference to the Group's performance, market practices and individual performance. Fringe benefits are reviewed regularly taking into account industry practices.

### **Discretionary Bonus**

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to comprehensive performance appraisal by their immediate supervisors. Only those who attain at least a satisfactory performance rating are considered for the award of an incentive bonus. In 2009, selected management staff of The Kowloon Motor Bus Company (1933) Limited ("KMB"), Long Win Bus Company Limited and Sun Bus Limited were eligible to receive discretionary bonuses. In addition, the Group operates other incentive schemes to motivate staff of its other business units.

## **Staff Retirement Schemes**

The Group operates two separate non-contributory defined benefit retirement schemes, the KMB Monthly Rated Employees Provident Fund Scheme (the "Monthly Scheme") and the KMB Daily Rated Employees Retirement Fund Scheme (the "Daily Scheme"). It also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance in 2000.

### **i) The Monthly Scheme**

The Monthly Scheme was formally established under trust in 1978 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426). It is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member's benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member's completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of independent actuary who value the retirement scheme at regular intervals. The scheme has been closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Monthly Scheme) on or after 1 December 2000.

### **ii) The Daily Scheme**

The Daily Scheme was formally established under trust in 1983 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426). It is administered by an independent trustee and the assets are held separately from those of the Group. The Scheme provides benefits on death or retirement or on otherwise leaving service to its daily-rated employees. Under the current scheme rules, an eligible member's benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee

and further multiplied by a benefit factor applicable to the member's completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary's recommendations. The Scheme has been closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Daily Scheme) on or after 1 December 2000.

### **iii) SHKP MPF Employer Sponsored Scheme**

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme ("SHKP Scheme"), which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000.

The particulars and total remuneration of the five highest paid employees of the Group, together with the 2008 figures, are set out in note 8 to the consolidated financial statements on page 158 of this Annual Report.

# Management Discussion and Analysis



**Edmond HO Tat Man**  
Managing Director



**Evan AUYANG**  
Deputy Managing Director



**William HO Sai Kei**  
Finance and Administration Director

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**James C LOUEY**  
Commercial Director



**Tim IP Chung Tim**  
Operations Director



**Winnie W Y HO**  
Corporate Affairs Director

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Anytime



## Operational Review HONG KONG

### Overview and Strategy

A commitment to providing safe and reliable journeys and a passion for quality service underpin TIH's reputation as one of the world's leading public transport providers. Our motto "Moving forward every day" encapsulates our drive to deliver efficient and sustainable services.

Mechanical reliability and operational capability are the two key benchmarks of our operational performance. By striving to meet these standards, we demonstrate our dedication to meeting the growing expectations of our customers. Working closely with our manufacturers and suppliers, we will continue to develop and trial the latest bus technologies – the cleanest engines, the most advanced safety features and the most up to date designs.

Anywhere



## Franchised Public Bus Operations

Franchised public bus operations are central to the Group's business. The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited offer passengers convenient and reliable public transport services on a fleet of buses that set industry standards for design, technology and innovation.



*KMB's world-class public transport services meet the needs of modern metropolitan living*

### THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED ("KMB")

KMB, founded in 1933, a wholly-owned subsidiary of TIH, operates bus services in Kowloon, the New Territories and Hong Kong Island. It serves approximately 2.64 million passenger trips each day on its fleet of around 3,900 buses running on some 400 routes. With a workforce of around 12,000 employees, including some 8,000 bus captains, KMB ensures that its passengers receive the very best in service.

#### OPERATIONAL EXCELLENCE

With more than three quarters of a century of experience and dedication in providing franchised public bus services in Hong Kong, KMB is able

to maintain its industry leadership by adopting the highest standards in all its operations.

In 1999, KMB became the first public bus company in Hong Kong to achieve



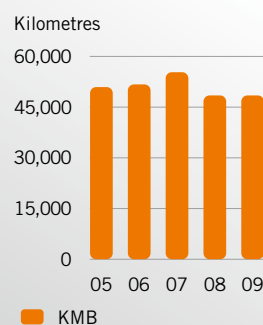


ISO 9001:1994 certification on a company-wide basis, as accredited by the Hong Kong Quality Assurance Agency ("HKQAA"). In 2002, the excellence of KMB's management systems was further confirmed as the company successfully upgraded to ISO 9001:2000 certification. In 2003, when Lai Chi Kok and Sha Tin Depots were awarded ISO 14001:1996 Environmental Management System certification, KMB became the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation. Lai Chi Kok and Sha Tin Depots were subsequently upgraded to ISO 14001:2004 Environmental Management System certification in 2004 and 2005

respectively. In 2007, all the main operating depots of KMB at Lai Chi Kok, Sha Tin, Kowloon Bay and Tuen

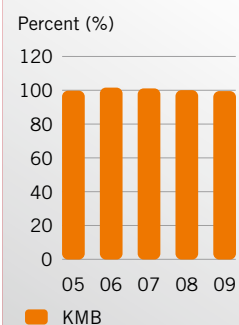
Mun were certified by the Q-Mark Council of the Federation of Hong Kong Industries as having met the

#### Mechanical reliability



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

#### Operational capability



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

# Operational Review HONG KONG

## Major Depots Serving KMB and LWB Buses

Depot	Areas served/ main purpose of depot	Gross floor area (square metres)	Number of buses served as at 31 December 2009	Year in which operations commenced
<b>KMB depots:</b>				
Kowloon Bay Depot	East Kowloon	71,379	1,074	1990
Sha Tin Depot	North and East New Territories	66,915	1,084	1988
Lai Chi Kok Depot	South and West Kowloon	60,311	857	2002
Tuen Mun Depot	West New Territories	13,844	865	1979
Tuen Mun Overhaul Centre	Bus overhaul	35,401		1983
<b>LWB depot:</b>				
Siu Ho Wan Depot	Lantau Island	7,660	167	1998
<b>Total</b>		<b>255,510</b>	<b>4,047</b>	

Green Mark Standard under the Hong Kong Green Mark Certification Scheme. In 2009, KMB successfully obtained from the HKQAA the newest ISO 9001:2008 certificates on completion of upgrading audits in the four certification areas: KMB Headquarters; Traffic Department and the four main operating depots; the Overhaul Centre; and the Unit Overhaul Depot.

## DEPOTS

Depot facilities are continually enhanced to help improve the productivity and service quality of our bus operations. Besides the four major depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun, which provide routine maintenance and repair services for our entire bus fleet, KMB has ten other depots that provide

parking and minor maintenance services, as well as an overhaul centre for major overhaul of buses.

## PERFORMANCE PLEDGE

We are dedicated to providing superior quality, safe and reliable bus services for the benefit of our customers. Mechanical reliability and operational capability are the two key performance indicators we set for measuring the operational performance of our public bus services. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction during the peak operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2009, the mechanical reliability of KMB's fleet measured 48,388 km : 1 against a target of 45,000 km : 1 and the operational capability achieved was 99.6% against a target of 100%.



*The Euro V 2-axle double-decker introduced by KMB adds an extra dimension to bus travel*

## BUS FLEET AND FLEET UPGRADES

Fleet upgrades are an ongoing operational priority for service enhancement. We plan our operations according to our service requirements and prevailing local market conditions, and continue to make substantial investments in new buses with the latest designs and safety features.

Super-low floor double-deck buses that provide easy access to all passengers, including the elderly and the disabled, were first introduced to Hong Kong by KMB in 1998. Throughout the years, a range of technologically advanced and environment-friendly buses has been added to our fleet. The latest super-low floor air-conditioned double-deck buses in KMB's fleet include a number of innovations, such as straight staircases, which provide passengers with easier access to the upper deck, wider bodies and facilities for the disabled, as well as advanced air-conditioning systems, which give better monitoring of the temperature and humidity in the bus.



KMB provides a point-to-point service to shopping hotspots

Feedback from our passengers on these innovative features has been positive, as our customers seek ever enhanced services.

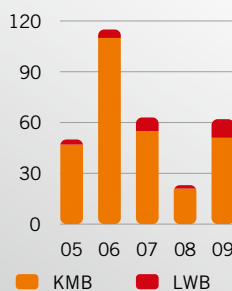
In 2009, KMB added a total of 51 new super-low floor air-conditioned

buses, comprising nine Euro IV double-deckers and 42 Euro IV single-deckers, to its fleet. We demonstrated our leadership in environment-friendly bus services by becoming the first public bus company in Asia to introduce the

### Number of new buses introduced to the fleet

(Franchised Public Bus Operations)

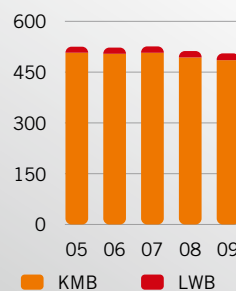
Number of buses



### Total fleet capacity at 31 December

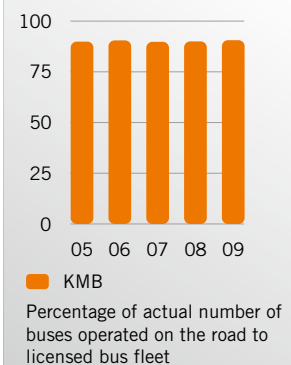
(Franchised Public Bus Operations)

Thousand of passengers



### Fleet utilisation

Percent (%)





*Newly developed population centres are served by the KMB network*

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Non Air-conditioned double-deck buses	Total number of buses
As at 1 Jan 2009	3,613	128	192	<b>3,933</b>
Additions during the year	9	42	–	<b>51</b>
Disposals during the year	(72)	(19)	(13)	<b>(104)</b>
As at 31 Dec 2009	3,550	151	179	<b>3,880</b>

Euro V double-deck bus, which went into service on our Route B1 in February 2009. In addition, as part of our service upgrade, KMB continues to introduce brand new wheelchair accessible super-low floor single-deck buses in replacement of retiring single-deck buses. These

models combine stylish design with higher headroom to provide passengers with a quality ride.

As at 31 December 2009, KMB operated a total of 3,880 buses, comprising 3,729 double-deck buses and 151 single-deck buses, of which 95.4% were air-conditioned.

At the end of 2009, KMB had on order 44 air-conditioned double-deck Euro IV buses and 176 air-conditioned double-deck Euro V buses, as well as seven air-conditioned single-deck Euro IV buses and 71 air-conditioned single-deck Euro V buses, for delivery in 2010 and 2011.

## **BUS SERVICE NETWORK**

### **Bus Routes**

At the end of 2009, KMB operated a total of 396 bus routes. We were able to respond to the continued expansion of the rail network in KMB's service areas by identifying openings for the introduction of some new services. In 2009, KMB

launched four special routes to cater for two one-off events. Two special routes were introduced to operate from Hong Kong Gold Coast and Hoi Wing Road to the railway stations at Tsuen Wan and Tuen Mun respectively for the pyrotechnics display cum variety show held in Tuen Mun on 19 September 2009. The other two special routes were operated for the Community Chest New Territories Walk (Stonecutters Bridge) held on 15 November 2009, one running from Nam Cheong Station Public Transport Interchange to Ngong Shuen Chau Viaduct, the other from Nam Wan Tunnel West Control Building to Tsing Yi Station.

### Bus Network Reorganisation

KMB will continue to respond to changing market conditions through strategic bus route reorganisation, which enables us to better deploy our resources while meeting the travel demand of our passengers. Bus network reorganisation often involves the cancellation of certain bus routes that are superfluous due to the opening of new railway lines, and a reduction of frequencies on routes with diminished passenger demand. This improves operational efficiency and helps not only relieve traffic congestion on busy transport corridors but also improve the environment and ease fare increase pressure.

The opening of the Kowloon Southern Link, the railway linking Sham Shui Po and Tsim Sha Tsui, in August 2009 caused a significant decrease in KMB's patronage. The company is in the process of rationalising its bus network along this rail corridor by cancelling some bus routes and making adjustments to others. The resources saved as a result of the

reorganisation will be deployed to areas of increasing demand or disposed of through natural attrition.

A summary of the bus network rationalisation carried out in 2009 is tabulated below:

	Number of bus routes involved	Number of buses saved
Cancellation / rationalisation <sup>(i)</sup>	3	5
Frequency reduction	15	19
<b>Total</b>	<b>18</b>	<b>24</b>

(i) This excludes the cancellation of Route K16.

### INFORMATION TECHNOLOGY

KMB adopts advanced information technology in every aspect of its daily operations for performance monitoring, enhancement of internal and external communications, and productivity improvement. KMB's data network covers its headquarters, the four main bus depots and ten satellite depots, the eight Customer Service Centres and 167 bus termini. At the end of 2009, there were a total of 1,864 personal computers installed at various KMB facilities. These computers are interlinked via high-speed communication lines to 149 computer servers at headquarters. Further, about 38 software applications, including in-house developed programs and proprietary software, are used for our daily operational and financial management. Continuous upgrading of our information technology systems enables us to improve KMB's performance in customer service, human resources management, fleet and

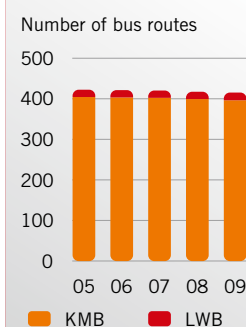
depot operations and financial management.

### Electronic Bus Stop Announcement System

For the convenience of passengers, KMB's entire bus fleet has been

equipped with an on-board electronic bus stop announcement system. The system gives passengers details of the next stop in advance, with voice announcements in Cantonese, Putonghua and English, and shows the name of the next bus stop on light emitting diode ("LED") displays.

### Number of bus routes operated at 31 December



# Operational Review **HONG KONG**

## **Traffic Operations Management System**

KMB's in-house developed Traffic Operations Management System ("TOMS") improves the efficiency of bus captain duty assignment and despatch. With TOMS, our depot staff can use a handheld Radio Frequency Identification ("RFID") reader to readily identify the parking location of buses and upload this information to the system. Each day this information, together with vehicle registration numbers, route numbers, duty schedules and any ad hoc operational arrangements, can be retrieved by bus captains by placing their personalised Octopus cards on the system readers at the Duty Dispatch Offices. TOMS not only makes the daily assignment and dispatch process more efficient, but it also allows management to obtain from depots updated information on duty allocations and dispatches, as well as real-time operational arrangements. By means of a fleet database, TOMS is also able to prioritise the deployment of buses with better emission standards on routes operating on busy corridors.

Our innovation and dedication in the development and implementation of TOMS gained external recognition when TOMS won the Best EPC/RFID Implementation Gold Award and the Most Innovative Use of EPC/RFID Bronze Award at the Hong Kong RFID Awards 2009.

## **Operations Communications Management System**

In 2009, our Operations Communications Management System ("OCM") was developed to streamline the recording and dissemination of real-time

information about bus operation incidents logged by the Radio Control Section of the Traffic Department. OCM improves the efficiency and accuracy of message dissemination, as all relevant KMB staff are able to access the incident related information. Prompt response to incidents such as traffic jams can be made right away.

## **Lost Property Management System**

The Lost Property Management System was developed in 2009 to improve efficiency and accuracy in handling passengers' inquiries and claims about lost property. Every step of the flow of items of lost property, from their initial locations to their reclaim by passengers or disposal if unclaimed, is logged in the system. This not only helps our staff to accurately keep track of all lost property but also improves our service in handling passengers' inquiries on lost property in an efficient manner.

## **Bus Service Information**

The Integrated Bus Service Information Display System ("IBSID") installed at KMB termini is one of the major facilities for disseminating bus service information to our passengers. IBSID displays bus route information, including destination, departure time and fares, as well as urgent messages on, for example, major traffic disruption, large LED display panels at bus termini. IBSID's closed circuit television function allows traffic and operating conditions in the area surrounding the termini to be monitored both locally and from KMB headquarters. At the end of 2009, 28 termini were equipped with IBSID.

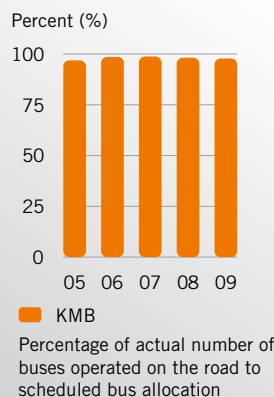


*KMB's terminus adjacent to International Finance Centre is set against the splendid Central night scene*

In striving for innovation, our Information Technology Department developed the Electronic Terminus Management System ("ETMS") to facilitate the monitoring of daily bus operations. Our bus captains use their radio-frequency identification driver cards to report arrival at bus termini, and next departure time and special instructions are automatically displayed on the screen for their attention. Terminus supervisors use personal data assistants to record bus arrival and departure times, which are instantly transmitted to control centres at depots and relevant departments, so that service adjustments can be made, along with any other necessary operational decisions. Our Customer Service Hotline staff can also make use of



### Achievement of schedule



the arrival and departure information to answer passengers' inquiries. By the end of 2009, 163 termini were equipped with ETMS.

### Bus Maintenance Information System

The computerised Bus Maintenance Information System ("BMS") was developed in-house to assist management in assigning jobs and monitoring maintenance costs. BMS provides information on buses, including type, history, repair and maintenance records, as well as the status and attendance data of maintenance workers. As part of KMB's commitment to safety and environmental protection, BMS has been upgraded to keep track of the performance and durability of retreaded tyres.

### Advanced Finance and Administration Systems

Our use of SAP e-Business Software has improved both financial and

human resources management. During 2009, the financial management system was further upgraded from SAP version R/3 Release 4.6C to ERP 6.0. The use of these advanced proprietary systems, which allow timely processing of large amounts of data, greatly improves the efficiency of financial planning, control and reporting, and enhances staff administration and planning. Through the employment of the advanced electronic document management system and the use of e-tendering, e-payslips, and e-mail on a company-wide basis in our daily operations, we have enhanced the efficiency of internal and external communications, and greatly reduced paper usage and the amount of time required for document distribution, filing and retrieval.

# Operational Review HONG KONG



*Long Win's bus fleet takes passengers straight to the airport comfortably and on time*



## LONG WIN BUS COMPANY LIMITED (“LWB”)

LWB commenced operating bus services linking the New Territories with Hong Kong International Airport and North Lantau on 1 June 1997. The areas currently served by LWB’s network include Hong Kong Disneyland, AsiaWorld-Expo and the Ngong Ping 360 cable car.

LWB’s fleet of buses connects Hong Kong International Airport, Tung Chung and entertainment and tourism developments on North Lantau with the New Territories. As a result of a reduction in air travel in 2009 arising from the global financial downturn in 2008, LWB saw a decline in its patronage of 2.4% compared to 2008. Looking forward, with anticipated population growth in Tung Chung, recovery of air travel demand, the Hong Kong Disneyland expansion programme and the commencement of other infrastructural projects, travel demand to and from North Lantau is expected to increase. With its comprehensive network, LWB is well-positioned to serve a steadily improving market.

### PERFORMANCE PLEDGE

LWB ensures that the safety and reliability of its bus fleet are maintained at the highest levels through constant review and upgrade of its bus services. Two key performance indicators of operational performance, namely mechanical reliability and operational capability, demonstrate LWB’s commitment to excellence. Mechanical reliability is defined as the average number of kilometres a bus operates before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction during the peak operational

hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. In 2009, LWB’s buses achieved 77,549 km : 1 in mechanical reliability and 102.9% in operational capability against targets of 50,000 km : 1 and 100% respectively.

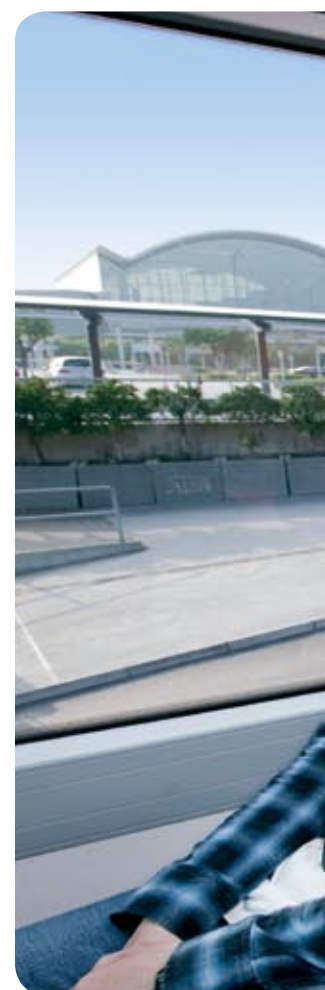
### BUS FLEET

In 2009, LWB added 11 new super-low floor air-conditioned double-deck buses to its fleet to strengthen services on its External and Airbus routes.

As at 31 December 2009, LWB operated a total of 165 air-conditioned double-deck buses and two air-conditioned single-deck buses. All LWB’s super-low floor double-deck buses feature wheelchair access and the electronic bus stop announcement system. The entire LWB bus fleet is equipped with the electronic tachograph, which records vehicle speed and other operational information.



● LWB’s bus termini on Lantau Island



Long Win offers door-to-door services to and from Hong Kong International Airport

LWB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Total number of buses
As at 1 Jan 2009	154	3	<b>157</b>
Additions during the year	11	–	<b>11</b>
Disposals during the year	–	(1)	<b>(1)</b>
As at 31 Dec 2009	165	2	<b>167</b>

At the end of 2009, LWB had on order 21 Euro IV super-low floor air-conditioned double-deck buses for introduction in 2010.

## DEPOTS

The depot at Siu Ho Wan provides support services to LWB buses

including daily bus maintenance, refuelling, bus washing and fleet parking. The depot is equipped with a waste water treatment system, which ensures that the quality of waste water complies with statutory requirements before being discharged into the public drainage system.

## BUS SERVICE NETWORK

At the end of 2009, LWB operated 19 routes compared with 18 at the end of 2008. Overnight route N64, plying between the Airport (Ground Transportation Centre) and Tung Chung (Yat Tung Estate), was introduced in October 2009.

To enhance service levels, two buses were added on Route E33/ Route E33P in June 2009 and one bus was added on Route A41P in July 2009. LWB will continue to look at ways to leverage tourism growth, while maintaining the highest standards of network coverage and service for local customers. LWB

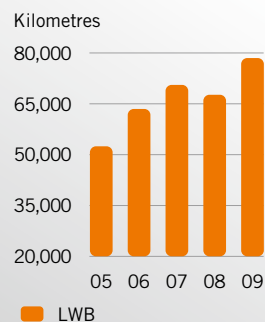


Start your trip in comfort with Long Win

is committed to providing a more efficient and direct mode of transport to and from the North Lantau area.

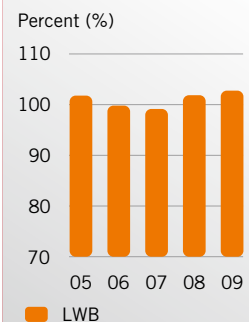
**“ With its comprehensive network, LWB is well positioned to serve growing travel demand to and from North Lantau. ”**

#### Mechanical reliability



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

#### Operational capability



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

## Non-franchised Transport Operations

The SBH Group's fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools, as well as providing chartered hire services to the general public.



*Sun Bus leads the way in Hong Kong's non-franchised bus services*

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

The SBH Group is one of Hong Kong's leading non-franchised bus operators, providing tailor-made high quality transport services to a wide range of customers, from those seeking premium services to those looking for value-for-money services.



Led by Sun Bus Limited (“SBL”), its flagship subsidiary, the SBH Group offers a range of bus services in specific market segments. Its fleet serves large residential estates, shopping malls, major employers, theme parks, deluxe hotels, travel agents and schools. The SBH Group also provides chartered hire services to the general public.

In line with its policy of purchasing the latest environment-friendly buses available on the market, the SBH Group introduced two Euro V minibuses in December 2009. At the end of 2009, the SBH Group had a

**“ The SBH Group continues to introduce new buses equipped with Euro V engines for its tailor-made transport services. ”**

fleet of 377 buses, an increase of ten buses compared to 2008. The SBH Group will continue to introduce new buses equipped with Euro V engines as part of its ongoing fleet upgrade programme.

In November 2008, SBL became the first commercial non-franchised bus company in Hong Kong to achieve ISO 9001:2000 certification from

the Hong Kong Quality Assurance Agency (“HKQAA”). In 2009, ISO 9001:2008 certification was further awarded to SBL by the HKQAA on completion of the upgrading audit, confirming the quality of SBL’s management systems. We believe SBL is the first commercial non-franchised bus company in Hong Kong to have received such accreditation.

### **NEW HONG KONG BUS COMPANY LIMITED (“NHKB”)**

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



*The Huang Bus service is the popular option for cross-boundary travel*

**“ NHKB’s convenient and quality services make it a popular choice for cross-boundary travellers. ”**



● NHKB's bus termini

In 2009, NHKB operated a fleet of 15 air-conditioned super-low floor single-deck buses on its 24-hour cross-boundary shuttle bus service between Lok Ma Chau and Huanggang. Its terminus facilities at San Tin Public Transport Interchange include four air-conditioned waiting lounges and an integrated information display system.

Since the opening of the Lok Ma Chau Spur Line, the Lok Ma Chau Public Transport Interchange and the Hong Kong – Shenzhen Western Corridor in 2007 and the launch of direct charter flights between Taiwan and China Mainland in 2008, NHKB has faced keen competition from railway and public minibus

services. As a result, the demand for its cross-boundary bus services has decreased. In 2009, the demand for NHKB's service decreased further due to the economic downturn and the outbreak of human swine flu.

Despite the short term negative impact, it is expected that the extension of the Individual Visit Scheme to more cities in China Mainland, the introduction of multi-entry visas for Shenzhen residents and the increase in economic activity between Hong Kong and China Mainland as a result of the Closer Economic Partnership Agreement (CEPA) will continue to stimulate new demand for cross-boundary transport. By offering convenient

and quality services, NHKB aims to position its shuttle bus service as the preferred means of transport for cross-boundary travellers.

### **PARK ISLAND TRANSPORT COMPANY LIMITED (“PITC”)**

PITC runs the ferry and shuttle bus operations that serve the transport needs of Park Island's residents and visitors. On 1 June 2009, the Group disposed of its entire interest in PITC to Sun Hung Kai Transport Company Limited, a subsidiary of Sun Hung Kai Properties Limited. The details of the transaction were published in TIH's announcement dated 25 May 2009.

## Property Holdings and Development

The Group's successful business diversification strategy is exemplified by its development of Manhattan Hill, a high-end complex of residential towers and shopping mall in West Kowloon.



*Manhattan Mid-town provides Manhattan Hill residents and other shoppers with high quality retail facilities*

### LAI CHI KOK PROPERTIES INVESTMENT LIMITED (“LCKPI”)

LCKPI, a wholly-owned subsidiary of TIH, is the developer of Manhattan Hill, an upscale luxurious residential complex located in Lai Chi Kok, West Kowloon.

Consisting of five high-rise residential towers with a height ranging from 41 to 43 storeys above podium level, Manhattan Hill has 1,115 luxury residential units, with sizes varying from 668 square feet to 5,008 square feet. The five-storey podium contains a clubhouse, landscaped gardens, public open spaces and 390 car parking spaces for residents, tenants and visitors.

The sales campaign for the residential units of Manhattan Hill was launched in November 2006 and the handover of residential units to new owners began in July 2007. Up to the end of 2008, 1,107 residential units with a total saleable gross floor area (“saleable GFA”) of about 1,173,600 square feet, representing 98.2% of the total





saleable GFA, had been sold. In 2009, a further five residential units with a total saleable GFA of about 13,300 square feet, representing 1.1% of the total saleable GFA, were sold.

### **MANHATTAN HILL – LUXURIOUS LIFESTYLE**

With views of the Central and Wan Chai waterfronts on Hong Kong Island, Manhattan Hill is easily accessible by rail via the Tsuen Wan Line, the West Rail Line and the Airport Express, by bus via KMB services in Mei Foo, and by road, with connections to Route 3 and Route 8 providing highway access to Hong Kong Island and

Hong Kong International Airport. In December 2009, the construction of a dedicated elevated footbridge with escalators and lifts that connects the residential towers to key public transport locations was completed.

Every aspect of Manhattan Hill has been designed with environmental preservation in mind. Each apartment has a high ceiling and wide window openings that provide plentiful natural light to its residents. Energy-efficient glazing and natural cross ventilation reduce the need for constant mechanical ventilation and cooling. The gleaming stone entrance lobbies, the landscaped podium and the contemporary interior finishing use the finest natural materials, providing

residents with an exclusive and high quality lifestyle. At the mid-point of each tower, a double-height sky garden provides residents with a quiet place to relax and enjoy the stunning views over Victoria Harbour. These landscaped gardens double as a green lung for the surrounding areas. Manhattan Hill has two luxurious private clubhouses that offer the most comprehensive facilities for its residents.

The management and security services of Manhattan Hill are provided by Sun Hung Kai Properties Limited's subsidiary, Royal Elite Service Company Limited, some of whose staff have received management services training at Hong Kong's Four Seasons Hotel.

### **LCK COMMERCIAL PROPERTIES LIMITED (“LCKCP”)**

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

LCKCP owns the prestigious Manhattan Mid-town shopping mall, the two-level retail podium at Manhattan Hill. The shopping mall opened in March 2009 and provides Manhattan Hill residents and other shoppers with high quality retail facilities. Positioned as a high-end

retail complex to complement the image of Manhattan Hill, Manhattan Mid-town’s mix of shops and restaurants covers a total floor area of around 50,000 square feet. At the end of 2009, about 95% of the lettable area of the shopping mall had been leased out, generating recurring rental income for the Group.

### **LCK REAL ESTATE LIMITED (“LCKRE”)**

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



*A variety of retail outlets in Manhattan Mid-town*

LCKRE owns the 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, with a total gross floor area of about 156,700 square feet. The building is situated next to the Manhattan Hill development. About 148,470 square feet is currently used by the Group for headquarters office and administrative purposes.

The remaining gross floor area of around 8,230 square feet has been set aside for the provision of shops and restaurants. At the end of 2009, about 73% of this gross floor area had been leased out to generate additional rental income for the Group.

**“ Opened in March 2009, Manhattan Mid-town offers a great shopping experience with its mix of retail outlets and restaurants. As at the end of 2009, about 95% of the lettable area of the shopping mall had been leased out, generating recurring rental income for the Group. ”**



*Manhattan Mid-town's stylish look complements the Group's headquarters*

## Media Sales Business

As a leading media sales company in the Greater China region, RoadShow provides advertisers with an effective means for marketing their products and services to a mass audience. Expansion to bus interior advertising together with integration of the bus exterior advertising business has put the RoadShow Group in an even stronger position to create an integrated media platform on the road.



*RoadShow's infotainment programmes keep passengers up to speed on all the latest trends*

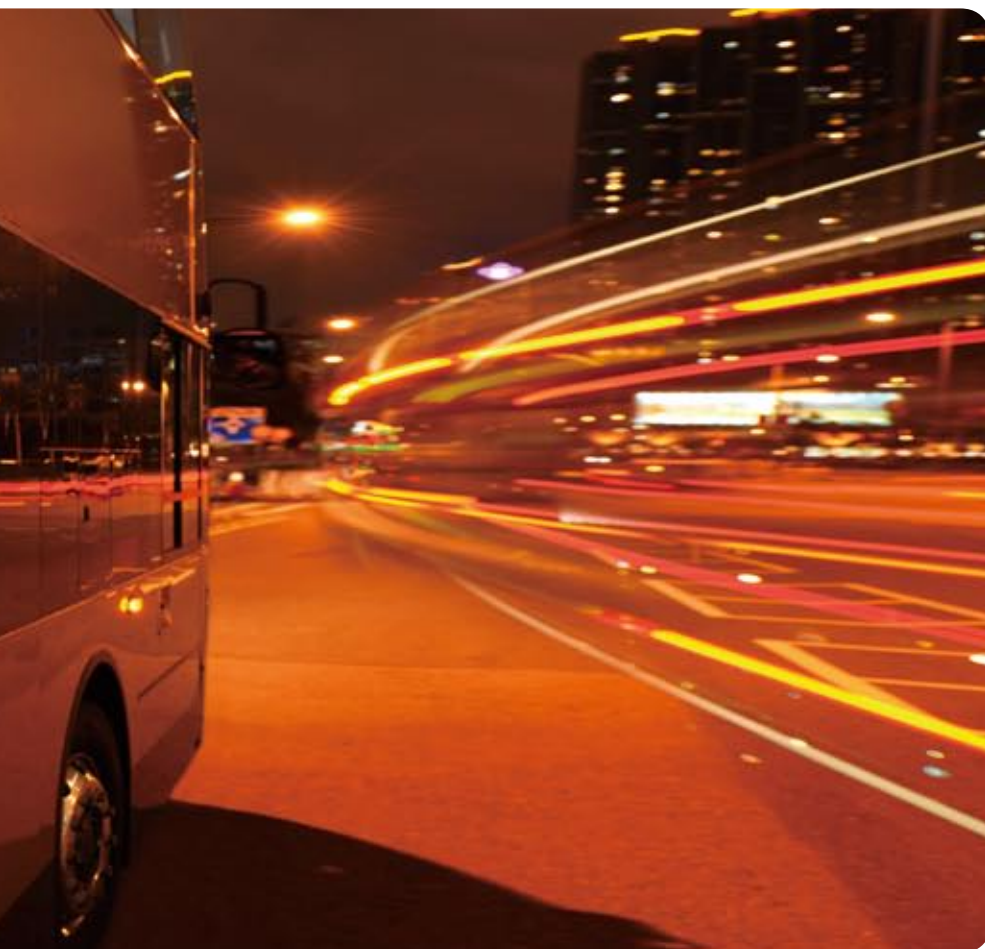


## ROADSHOW HOLDINGS LIMITED AND ITS SUBSIDIARIES ("ROADSHOW GROUP")

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

As one of the leading media sales companies in the Greater China region, the RoadShow Group capitalises on a vibrant advertising market consisting of bus passengers and pedestrians on transit vehicle

routes. From the outset, RoadShow has sold and marketed business advertising on its proprietary Multi-media On-board ("MMOB") system in Hong Kong. Since 1 February 2009 and 1 November 2009 respectively,



the RoadShow Group has operated the bus interior and bus exterior advertising business. Additionally, the RoadShow Group runs a television programme syndication and media sales network in China Mainland.

### HONG KONG

With the integration of the bus exterior advertising business together with the expansion to the bus interior advertising business, the RoadShow Group is in a better position to create an integrated media platform on the road with the MMOB system

spearheading penetration of the market. Starting in 2008, the RoadShow Group began to upgrade the liquid crystal display (LCD) units on buses with a view to enhancing the MMOB system, which is an attractive medium for advertisers because of its ability to reach such a large audience every day in a highly effective way.

RoadShow's customers comprise the major advertisers in Hong Kong, including advertising agencies, as well as companies in the cosmetics, pharmaceutical, electronics, telecommunications, food and

beverage, jewellery, leisure, media, finance, banking, insurance, retail, education, household, clothing, skincare, health food, fitness and real estate sectors.

In addition to offering tailor-made sales packages to suit advertisers with different campaign objectives and budgets, the RoadShow Group provides value-added services with marketing integration. These services include the organisation of events and functions and the creation of branded content as well as the production of television commercials. As a way of increasing media sales, various incentives are offered to encourage customers to commit to advertising bookings, including discounts, bonus spots and special advertising packages for long-term commitments.

### CHINA MAINLAND

On the Mainland, a slowing of advertising spend caused by the global economic downturn resulted in brands' reluctance to risk budgets on TV series with long payback periods and impacted RoadShow's performance. With the consent of its various PRC joint venture partners, RoadShow scaled back large-scale TV drama production, and redirected resources to the localisation of reputable international programme titles owned by its German media partner, Bertelsmann. This initiative is yet another example of the gradual way the RoadShow Group is transforming its Mainland operation's business model in line with constantly evolving market dynamics.

## Operational Review

# CHINA MAINLAND

### Overview and Strategy

The Group continues to target the potential of the transport related markets in China Mainland as part of its strategy to achieve business growth. Building on its reputation as a world class public transport operator, the Group seeks to develop its Mainland business portfolio on its solid record of safety, quality, environmental awareness, productivity and efficiency.

In view of the Mainland's steady economic growth, we are confident that our targeted businesses, including the existing public bus, taxi and car rental operations, will continue to take significant strides forward.



Beijing





Shenzhen

## China Mainland Transport Operations

The Group remains well positioned in China Mainland to meet the demand from its increasingly sophisticated customer base for quality transport services in its public bus, taxi and car rental services.



*The Shenzhen Bus Group provides quality bus services for local residents as well as tourists*

### CHINA MAINLAND TRANSPORT OPERATIONS

In 2009, the Group operated a portfolio of transport businesses in Shenzhen (深圳), Beijing (北京) and Dalian (大連). We will continue to explore transport related business opportunities in China Mainland in line with our investment strategy aiming for reasonable returns.

#### **SHENZHEN BUS GROUP COMPANY LIMITED (深圳巴士集團股份有限公司) (“SBG”)**

SBG is a Sino-foreign joint stock company founded by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限

公司), a wholly-owned subsidiary of the Group, with four other Mainland investors. The Group has invested RMB387 million (HK\$364 million), representing a 35% stake, in SBG.

Commencing operations on 1 January 2005, SBG mainly provides public bus, minibus and





taxi services in Shenzhen City (深圳市), including the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) districts. At the end of 2009, SBG had 4,951 vehicles operating on 222 routes. In 2009, it continued to make strong progress, serving 862.8 million passenger trips, an increase of 13.6% compared to 759.2 million passenger trips in 2008.

In 2009, in view of the effect of the competition from Shenzhen's underground railway, SBG strengthened its cost control measures and improved its operational efficiency without

compromising its service quality. To stay competitive in the public transport market, various measures were taken by SBG to increase productivity, including the upgrading of its fleet and the rationalisation of its bus route network. SBG also implemented stringent budgetary control measures to mitigate the adverse impact of rising operating costs. During the year, SBG introduced a number of new feeder bus routes linking with Shenzhen underground railway stations, and expanded its bus route network to nearby districts, thus enlarging its customer base.

Since 2007, SBG has been ISO 9001:2000 certified for the provision of transport services, transit designs and support services in Shenzhen City. For improved environmental performance, SBG has adopted the use of environment-friendly fuel and engines in its bus fleet meeting Euro III emission standards. In 2009, SBG introduced a number of buses using new clean energy sources such as liquefied natural gas (LNG) and electricity on a trial basis. SBG will continue to upgrade its services, enhance its competitiveness and enlarge its market share in Shenzhen and other markets.

**“ BBKT is consistently ranked one of Beijing’s leading taxi operators in customer satisfaction surveys. ”**

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

Established in Beijing in 2003, BBKT was the first Sino-foreign joint stock company to enter China Mainland’s taxi hire and car rental business sectors. TIH has invested RMB80 million (HK\$76 million) in BBKT, representing an equity interest of 31.38%. BBKT shareholders comprise KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other Mainland investors.

With a fleet of 4,346 vehicles, BBKT is one of the leading operators in the taxi hire and car rental business sectors in Beijing. BBKT is dedicated to providing its customers with high levels of service in a market that is marked by robust growth and constant pursuit of quality living standards. Having successfully achieved ISO 9001:2000 certification for its quality management systems in taxi services in 2006, BBKT is well placed to capture additional business opportunities afforded by national and international events, conferences and exhibitions that are held regularly in Beijing.

In 2009, BBKT opened a new representative office in the Binhai New District of Tianjin (天津市濱海新區), which is set to be a new market with good potential for BBKT’s taxi and car leasing businesses.

The municipal authorities in Beijing have carried out quarterly customer satisfaction surveys on the quality of the city’s taxi services since the second quarter of 2007. BBKT has been consistently ranked in the top three among more than 130 taxi operators in these surveys – a reflection of BBKT’s continuous efforts to establish itself as one of Beijing’s leading taxi service providers.

### **DALIAN CO-OPERATIVE JOINT VENTURE (大連合作合營企業) (“DCJV”)**

DCJV was the Group’s first co-operative PRC joint venture, formed in Dalian City, Liaoning Province (遼寧省大連市), in 1997 between a 60% owned subsidiary of the Group and Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as “Dalian City No. 1 Bus Company (大連市第一公共汽車公司)”. In 2009, DCJV operated a fleet of 84 single-deck buses on three routes serving Dalian City.

In view of changes in Dalian municipal government public transport policy and the fact that DCJV’s operation was relatively small with limited growth prospects, the Group disposed of its entire interest in DCJV in 2009.



*BBKT's taxi livery is an eye-catching icon in the capital*



Professional



Reliable



# DELIVERING QUALITY SERVICES AND DEVELOPING OUR PEOPLE

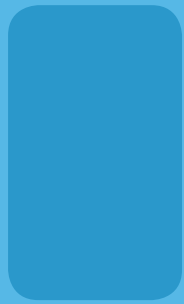


## Overview and Strategy

All our people are dedicated to providing service of the highest possible quality. We endeavour not only to operate efficient transportation but contribute to the quality of life for the communities we serve. The key to delivering such quality service is a sustainable approach that embraces the economic, social and environmental aspects of doing business.



客  
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Sincere



# Delivering Quality Services and Developing Our People

## Quality Services

The continued excellence of the customer service we provide depends greatly on the feedback we receive from our patrons. It is through understanding the needs and aspirations of our customers and the communities we serve that we can best hope to continue offering the services they require.



*Three generations enjoy the ride aboard KMB*

### **OCTOPUS BUS-BUS INTERCHANGE SCHEMES (“OCTOPUS BBI SCHEMES”)**

At the end of 2009, KMB operated 75 Octopus BBI Schemes covering 263 routes, while LWB had six Octopus BBI Schemes covering 12 routes, including those serving Hong Kong Disneyland and AsiaWorld-Expo. The Octopus BBI Schemes are welcomed by our passengers, who benefit from extensive fare discounts on the second leg of journeys and improved network coverage. The Octopus BBI Schemes also improve the utilisation of buses and reduce

traffic congestion on busy roads, thereby contributing to an improved environment. We will continue to look at ways of enhancing our Octopus BBI coverage, both across the KMB and LWB networks and through inter-modal schemes jointly operated with other public transport operators.

### **BUS FARE DISCOUNT SCHEMES**

KMB and LWB operate a number of fare discounts and concessions to passengers who pay by Octopus cards. In 2009, both KMB and LWB extended the Sunday and public holiday fare discount for the elderly to 31 January 2011.



“ In 2009, around 89% of our franchised bus fare revenue was collected via the convenient and popular Octopus card. ”

### THE OCTOPUS SMART CARD

The electronic Octopus Smart Card System has proven to be the preferred fare payment method with public transport users since it was introduced in Hong Kong in 1997. Now the world's leading contactless smart card system, it has the highest penetration, the highest transaction volume and the widest range of applications. The Group is one of the largest corporate users of Octopus cards in Hong Kong in terms of the value and number of transactions. In 2009, around 89% of our franchised bus fare revenue was collected via Octopus cards, which bring convenience for passengers and cost savings for the Group in respect of cash collection and administration.

### LUMINOUS CRYSTAL BUS STOP POLES

In December 2009, KMB introduced the pioneering luminous crystal bus stop pole for trial in Hong Kong. The newly designed, environment-friendly pole is a fusion of the modern and the traditional, adding a sparkle to Hong Kong's night scene. The rectangular crystal bus stop sign at the top of the pole retains the traditional red circular pattern within it for displaying bus route numbers. A multi-sided, rotating route information panel allows passengers to obtain route information conveniently. The panel is illuminated at night by environment-friendly LED lighting, which has treble the lifespan and six times the electricity-saving capacity of fluorescent tubes.

	Discount rates	Exceptions	Effective period
(1) Passengers aged 65 and over <sup>(i)</sup>	A flat fare of HK\$2.00 or half fare (whichever is the lower) on Sundays and public holidays	Airport "A" and racecourse routes	28 January 2006 to 31 January 2010 and further extended to 31 January 2011 (both dates inclusive)
(2) Jointly-operated cross-harbour routes with fares at or above HK\$15 <sup>(ii)</sup>	20% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)
(3) Jointly-operated cross-harbour routes with fares between HK\$10 and HK\$14.9 <sup>(ii)</sup>	10% fare discount for the return trip of the same route or route group on the same day	Racecourse and recreation routes	1 July 2006 to 30 June 2009 (both dates inclusive)

(i) Applicable to KMB and LWB

(ii) Applicable to KMB

# Delivering Quality Services and Developing Our People



*Comfort for passengers begins at our environment-friendly bus shelters*

## BUS SHELTERS

We aim to make the bus waiting environment more pleasant for passengers through our bus shelter improvement programme. In 2009, KMB added 20 new bus shelters, raising the total to 2,402, while LWB maintained its number at 30. With 2,720 advertising panels installed, the bus shelters not only provide convenience to our passengers but also generate advertising revenue for our franchised bus operations.

## CUSTOMER SERVICE CENTRES

KMB's eight customer service centres, situated at the public transport interchange hubs of Tsim Sha Tsui, Hung Hom, Lam Tin, Mei Foo, Tsuen Wan, Sha Tin, Tuen Mun and Tin Shui Wai, provide a convenient one-stop service to our customers. Our customer service ambassadors provide route and timetable information, collect

opinions on KMB's services and assist customers who want to buy KMB souvenirs and obtain Octopus card services. The Digital Map Passenger Enquiry System in the centres' multimedia kiosks allows customers to make route searches and view landmarks on their chosen routes on a three-dimensional map. Customers may also use the multimedia kiosks for browsing our KMB website.

In 2009, a KMB customer service centre representative won the Gold Award in the Counter Service Individual category of the Customer Service Excellence Award 2008 organised by the Hong Kong Association for Customer Service Excellence.

LWB's customer service and ticketing office at Hong Kong International Airport provides a one-stop centre for ticketing, customer enquiries and lost property services.

## CUSTOMER SERVICE HOTLINES

For many years KMB's award-winning customer service hotline (2745 4466) has been a popular and effective communication channel with our passengers. During the year, the hotline handled around 3.8 million calls, an average of about 320,000 calls a month. Our hotline operator service is available daily from 7:00 a.m. to 11:00 p.m., while the 24-hour hotline system, operating in Cantonese, English and Putonghua, provides on-demand bus route information, service updates, traffic news and a voicemail service, as well as bus route information via SMS. A total of 13,445 calls were handled in 2009 by LWB's customer service helpline (2261 2791) – an average of approximately 1,120 calls a month. Besides answering passengers' enquiries, the helpline gathers and processes customer feedback and handles lost and found enquiries.

## SAFETY CULTURE

In providing public transport services, safety is the Group's top priority. We operate an in-house Bus Captain Training School at our Sha Tin Depot which is equipped with an advanced driving simulator studio. The training emphasises safe driving at every stage of all training, both initial and in-service. Various safety awards and competitions are organised to promote the concept of excellence in driving to our bus captains. Technological measures adopted on board buses to enhance safety include speed limiters (which limit the speed of buses to 70 km/h) and electronic tachographs, which record vehicle speed and other



relevant operational information. At the end of 2009, 3,632 KMB buses were equipped with electronic tachographs. In 2009, KMB and LWB established a special cross-departmental Safety Taskforce to review a series of measures to further enhance the culture of safe driving of buses. It has come up with numerous new measures, for example, upgrading the database of potentially hazardous areas of bus routes, launching standardised safety briefings for our bus captains during duty dispatch and strengthening the monitoring of frontline operations. An updated "Safe Driving Card" was prepared and distributed to bus captains, and posters with key

messages were placed at bus termini to reinforce safe driving briefings. The canteen and washroom facilities at bus termini were also reviewed with a view to enabling bus captains to make fuller use of their rest time.

## BUS DESIGN AND MAINTENANCE

KMB engineers work with major bus manufacturers to design new bus types that thrive in Hong Kong's unique operating environment and provide passengers with reliability, safety and comfort. New KMB buses are equipped with the three-in-one integrated monitoring system. This system enables bus captains to

monitor the upper deck, keep an eye on any objects behind the bus when reversing and observe passengers as they get off the bus. Speed limiting devices and electronic tachographs that record detailed bus operational data are also employed to enhance safety.

All KMB and LWB buses are subject to our ISO-certified maintenance regime, comprising daily, monthly, half-yearly and annual professional inspections at our depots. Our franchised buses are also subject to regular random checks by Motor Vehicle Examiners (MVEs) from the Transport Department.



*A rigorous maintenance regime is the key to our safe and reliable bus services*

# Delivering Quality Services and Developing Our People

## People Development

As a caring employer, the Group is attentive to our 13,000 employees and is truly committed to “developing our people” so that we can deliver the highest quality service. A comprehensive training and recognition programme is in place to help engender a workplace where excellent performance is valued and rewarded.



*Bus captains share their experiences during the “Service from the Heart” training programme*

The Group continues to invest heavily in improving the safety of its bus operations. This is done in a number of ways: by providing intensive training to our bus captains, by strengthening performance monitoring procedures, by improving bus designs, and by maintaining our

buses to the highest standards. Our culture of training and recognition also motivates staff to maintain service levels of the highest order.

The following table gives a breakdown of the workforce of the Group by division at the end of 2009 and at the end of 2008:

Division	2009	2008
Franchised Public Bus Operations		
• KMB	<b>11,870</b>	11,947
• LWB	<b>457</b>	451
Non-franchised Transport Operations	<b>635</b>	838
Media Sales Business <sup>#</sup>	<b>105</b>	78
Mainland Transport Operations <sup>*</sup>	<b>7</b>	7
<b>Total</b>	<b>13,074</b>	13,321

<sup>#</sup> including the employees of the Group’s subsidiary companies on the Mainland

<sup>\*</sup> excluding the employees of the Group’s joint venture companies on the Mainland



## STAFF COMMUNICATIONS

The Group operates six Joint Consultative Committees for KMB and LWB, providing a two-way channel for management and staff representatives to meet and discuss in depth those matters that affect daily operations. Meeting monthly at KMB and bi-monthly at LWB, matters addressed include safety and operating procedures, the work environment and staff welfare.

KMB and LWB employees can log onto our staff website to access staff-related information, such as company announcements, annual leave balances, weather reports,

reports on staff events and details of upcoming activities.

The monthly corporate magazine KMB Today and in-house VCDs are other effective means to keep all our staff informed of company developments. Additionally, a library at KMB headquarters offers staff at all levels a wide selection of books for self-study or leisure reading. For their greater convenience, readers are able to reserve library materials on the staff website.

## STAFF TRAINING

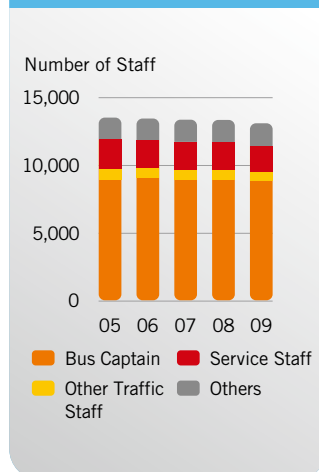
The Group sees staff training as a significant investment in its present and future human capital. Training and development courses are arranged for staff at all levels.

In November 2009, senior management of KMB and LWB attended a leadership development programme conducted by the Richard Ivey School of Business, the University of Western Ontario to enhance their leadership and people management skills. Areas

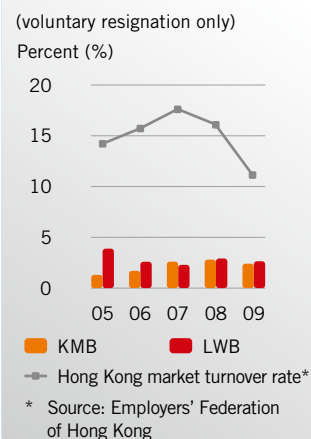
covered included identifying and developing talent, engaging employees, managing performance, developing collaborative teamwork and maximising team performance.

KMB and LWB also organised a large scale training programme for all operations and maintenance staff, leveraging the expertise of a renowned training consultancy firm that specialises in customer service training. Named "Service from the Heart", the programme was tailor-made to cultivate a positive service mindset among staff and raise their awareness of customers' expectations of quality service. In the first phase of the programme, 52 seminars were held for more than 10,000 staff members in the fourth quarter of 2009. From January to April 2010, the second phase of the programme, comprising more than 300 workshops with a focus on experiential learning for small groups of about 30 frontline staff in each session, is being organised to equip them with the skills required to handle challenging customer service situations.

Number of staff in the Group at 31 December



Staff turnover rate



# Delivering Quality Services and Developing Our People

To upgrade the skills of our Performance Management Team, which comprises Driving Instructors and Bus Captain Performance Assessors, training was also provided during the year to sharpen their communication skills, and their presentation and counselling techniques.

In 2009, 369 of our staff members attended courses organised by the Labour Department and the Occupational Safety and Health Council. Following the implementation of the Race Discrimination Ordinance in July 2009, the Equal Opportunity Commission was invited to conduct a series of seminars for our management staff and frontline operations staff.

For the fourth successive year, we invited a renowned Harvard Business School professor who specialises in business strategies to update our KMB and LWB management team on the latest trends and developments in the business world.

## REWARDING SERVICE EXCELLENCE

KMB continued its Outstanding Service Award programme during the year, with 65 employees rewarded for their performance excellence. To promote teamwork and give recognition to groups of staff who have attained achievements beyond their normal scope of work, in 2009 the Outstanding Service Award Programme was extended to teams. The following awards were also presented to KMB and LWB staff in recognition of their committed performance:

### 2009 Good Service and Safe Driving Annual Award for Bus Captains

Number of Bus Captains	KMB	LWB	Total
Good Service Annual Award	5,683	260	<b>5,943</b>
Safe Driving Annual Award	4,039	212	<b>4,251</b>

### 2009 Good Service and Attendance Award for Terminus Supervisors/Assistant Terminus Supervisors/Customer Service Assistants

Number of Employees	KMB	LWB	Total
Good Service Award	338	21	<b>359</b>
Attendance Award	169	5	<b>174</b>

The operating companies of the Group's Non-franchised Transport Operations Division also ran good service and safe driving award programmes in 2009 to recognise their drivers' outstanding performance.

KMB's voluntary turnover rate for 2009 was 2.4%, again significantly lower than the market average. Such a low staff turnover rate not only helps sustain service excellence, it also attests to the success of the Group's approach to staff training and management.

## BUS CAPTAIN TRAINING

Operating out of Sha Tin Depot, the KMB Bus Captain Training School provides new and existing bus captains with comprehensive training and improvement courses to ensure the continued provision of safe, comfortable and reliable bus services. In 2009, more than 30 Driving Instructors and some 30 training buses were employed at our Training School.

New recruits take our training course that includes on-road training and theory lessons where the focus is on

driving safety and customer service. In addition to passing Government driving examinations, all our new bus captains need to undergo stringent internal assessments to ensure they are capable of handling the responsibilities of their position. Experienced bus captains receive training aimed at reinforcing their safety awareness and sensitivity to passenger comfort. All our bus captains receive training in "eco-driving", which promotes good practices such as switching off idling engines.

By recreating real-world driving environments and vehicle behaviours, the Training School's state-of-the-art Driving Simulator Studio is geared towards improving driving performance and driver response to different situations. Each of the four simulator stations feature an authentic driving cabin, with driving seat, steering wheel, accelerator, brake and instrument panel, and are equipped with multiple 42-inch plasma displays broadcasting high-resolution three-dimensional images. Further authenticity is provided by simulation of the vehicle's interaction with the road surface

and of the sounds that are typically generated both inside and outside the cabin. The system can generate a report for each training participant covering areas such as speed, trip duration and passenger comfort. KMB Instructors provide feedback to each participant after the training session.

## BUS CAPTAIN PERFORMANCE

We ensure that the performance of our bus captains is maintained at a high level by means of a systematic performance assessment mechanism that provides constant monitoring. If a bus captain falls below these high standards, we provide remedial training, with a Performance Management Team helping bus captains identify their strengths and weaknesses. In the event of continued under-performance or misconduct, disciplinary action will be taken. On the other hand, outstanding performance is rewarded by multiple awards and bonus schemes. The performance of the Group's non-franchised bus captains is monitored in a similar way.

Our Safe Driving Award was introduced in 1990 to promote road safety. In 2009, a total of 827 KMB and LWB bus captains received the Safe Driving Award in recognition of their outstanding safety records.

## TECHNICAL AND APPRENTICE TRAINING

Since its establishment in 1973, the KMB Technical Training School has been training our maintenance staff in the newest bus transport technologies. During the year, 233 in-house training sessions were



*KMB's Driving Simulator Studio is a state-of-the-art training facility for our bus captains*

organised for 1,730 skilled workers and 18 sessions were run for 277 engineers, supervisors and foremen in collaboration with our bus manufacturers.

The Technical Training School runs a four-year apprenticeship training scheme for school leavers to ensure an adequate supply of skilled maintenance workers. 2009 witnessed the graduation of 29 apprentices, bringing the total since the School's establishment to 2,160. At the end of the year, School enrolment stood at 236 apprentices.

The quality of KMB's apprentice training programme was once again recognised in 2009. Two of our apprentices were First Runner-up and Third Runner-up in the Best Apprentice Competition in the Automobile Trade, organised by the

Vocational Training Council, and were invited to visit the Toyota Plant in Japan. Another KMB apprentice won the Outstanding Apprentice Award in the Automobile Trade, organised by the Vocational Training Council, and was invited on a study trip to Singapore.

## ONLINE APPRECIATION COLUMN

To promote an appreciation culture among staff, an appreciation column was developed on our staff website in 2009. Members of staff can choose from a range of e-cards and festive greetings to show their appreciation of their colleagues' assistance.



Care  
for the  
Environment



Effective  
Communication



# CORPORATE SOCIAL RESPONSIBILITY

## Overview and Strategy

As a responsible leader in the public transport industry, TIH is committed to contributing to sustainable economic development. We have invested and will continue to invest in efforts that positively impact our community, via working with our customers, our staff and the other stakeholders. We believe the cornerstone of our continued success depends on how we can responsibly manage the impact of our business on the environment, while sustaining positive contributions to the communities we serve. We aim to achieve results by working and communicating openly with our stakeholders in a timely manner and partnering with leading organisations that embrace these objectives.



Community  
Outreach



## Care for the Environment

As a major provider of essential public transport services, the Group recognises its responsibility towards the environment in which it operates. Our environmental initiatives fall under four main areas: environment-friendly buses, green use of consumables, environmental waste treatment and green premises. Our efforts have been recognised by the Hong Kong Q-Mark Council, from whom KMB has received Green Mark Certification.



*The introduction of the first Euro V double-decker in Hong Kong represents KMB's commitment to environmental protection*

### Q-MARK COUNCIL RECOGNITION FOR KMB'S ENVIRONMENTAL MANAGEMENT

KMB has been awarded Green Mark Certification by the Q-Mark Council of the Federation of Hong Kong Industries, the first public transport organisation to be thus recognised. The certification pays tribute to the fact that KMB's delivery of franchised bus services and the repair and maintenance of buses at its four major operating depots, namely, Kowloon Bay

Depot, Lai Chi Kok Depot, Sha Tin Depot and Tuen Mun Depot, meet the prescribed Hong Kong Green Mark Standard under the Hong Kong Green Mark Certification Scheme. The Scheme is aimed at helping businesses identify, control and monitor the environmental aspects of their operations. KMB is subject to surveillance audits on a quarterly basis to ensure that stringent environmental management standards are maintained throughout the certification period from 4 May 2007 to 30 April 2010.





## ENVIRONMENT-FRIENDLY BUSES

The KMB and LWB bus fleets are continuously being upgraded to ensure that they comply with applicable environmental standards. Indeed, the new buses we introduce typically have environmental performances far exceeding the requirements in Hong Kong. The Group is pleased to fulfill its role as industry leader by introducing innovative technologies and equipment that improve our environmental performance.

“ KMB has been awarded Green Mark Certification by the Q-Mark Council of the Federation of Hong Kong Industries, the first public transport organisation to be thus recognised. The certification pays tribute to the fact that KMB’s delivery of franchised bus services and the repair and maintenance of buses at its four major depots meet the prescribed Hong Kong Green Mark Standard under the Hong Kong Green Mark Certification Scheme. ”

### Euro IV and Euro V Engines

Proud of its status as a pioneer of the latest green engines, KMB between 2006 and 2008 introduced two types of Euro IV engines with different emission control technologies in order to evaluate and assess their environmental effectiveness and performance. Compared to Euro III engines, Euro IV engines can reduce emissions of nitrogen oxides and particulates. The two types of Euro IV engine technologies are the Selective Catalytic Reduction (SCR) and Exhaust Gas Recirculation (EGR) technologies, which are set to become the basic specification for KMB’s newly purchased buses. In early 2009, as a result of KMB’s initiative, one of the Euro IV prototypes was re-powered to be Euro V compliant, making this bus the first double-decker in Asia to be equipped with the newest generation of green engine. Additionally, we began to order new buses equipped with Euro V engines in 2009.

### Green Fleet

KMB is installing Diesel Particulate Filters (DPFs) on 1,670 Euro II

and Euro III buses to upgrade their exhaust emission levels to Euro IV/ Euro V standards in terms of particulate matter. The project is scheduled for completion in 2010, when the average particulate emission levels of the entire KMB bus fleet will be reduced by 90.5% compared with particulate emission levels in 1992.

At the end of 2009, KMB had a total of 3,880 buses, the majority of which meet the strict exhaust emission standards of the European Council of Environmental Ministers. Diesel Particulate Filters and/or Exhaust Gas Recirculation devices had been fitted on a total of 1,500 Euro II and Euro III buses, resulting in the Euro IV/Euro V particulate emission standard. In addition, there were 54 Euro IV buses in the fleet. The number of buses achieving the Euro III particulate emission standard was 433. Also, by the end of 2009, catalytic converters had been installed on 938 Euro I buses and 300 pre-Euro buses, bringing their exhaust emission standards close to Euro II and Euro I standards respectively in terms of particulate matter.

# Corporate Social Responsibility

As at 31 December 2009, the number of KMB and LWB buses that met the respective emission standards was as follows:

Emission Level (in terms of particulate matter)	Number of buses meeting such level		
	KMB	LWB	Total
Euro I	300	2	<b>302</b>
Euro II	1,582	136	<b>1,718</b>
Euro III	443	18	<b>461</b>
Euro IV	1,554	11	<b>1,565</b>
Euro V	1	–	<b>1</b>
<b>Total</b>	<b>3,880</b>	<b>167</b>	<b>4,047</b>

Over 70% of the bus fleets of the Group's Non-franchised Transport Operations Division, namely the SBH Group and New Hong Kong Bus Company Limited, are also equipped with environment-friendly Euro III, Euro IV or Euro V engines.

## GREEN USE OF CONSUMABLES

### Ultra-Low Sulphur Diesel

The entire KMB and LWB bus fleets have been using ultra-low sulphur diesel ("ULSD") since 2001. ULSD contains only 0.005% sulphur and significantly reduces the exhaust emission levels of sulphur oxides, nitrous oxides and particulates. In 2008, the KMB bus fleet started adopting the more environment-friendly Near Zero Sulphur Diesel ("NZSD"), which contains only 0.001% sulphur. In 2009, NZSD was adopted fleetwise in both KMB and LWB fleets.

### Synthetic Gearbox Oil

First introduced in 2001, the use of synthetic gearbox oil was extended to all KMB and LWB double-deck buses in 2005.

As a result, we have achieved an 80% reduction in waste oil, with the oil drain interval substantially increased from 30,000 kilometres to 150,000 kilometres.

### Eco-Driveline System

Pioneered in 2003 and a standard feature on all new buses thereafter, the Eco-Driveline system can reduce fuel consumption by fully integrating a high-torque engine, a six-speed double-overdrive automatic gearbox controlled by a sophisticated gear-shift programme and an optimised final drive. A 6-10% improvement in fuel economy and emissions compared with conventional drivelines is achieved by use of this system.

### Foam-element Air Filters

KMB and LWB are progressively adopting high performance foam-element air filters as an alternative to traditional paper-element air filters. After extensive testing, the foam-element air filters have been proved to have an average life span of about 12 months, which is six times longer than that of conventional paper

filters. Besides significant reduction in the amount of solid waste disposal, the operating performance of our buses has been maintained.

### Variable Capacity Air-conditioning Compressor

The variable capacity compressor adopted by KMB has undergone extensive road testing since 2005. The system provides better adaptive and refined thermal control over the bus saloon environment in a fuel-efficient manner and can cope with the dynamic urban operating environment in all seasons. Buses ordered after 2008 come equipped with this type of power-saving compressor as a standard feature.

### Tyre Retreading and Recycling

Extending the life of a bus tyre through retreading is not only environmentally friendly, by reducing the amount of industrial waste, but also cost effective. KMB's tyre retreading plant retreaded 32,500 tyres in 2009, bringing the total number of tyres retreaded since the retreading workshop began operating in 1972 to over 660,000 tyres. In addition, more than 18,000 scrapped tyres, which would previously have been disposed of at Government landfills, and over 210 tons of tyre chips are collected annually by a recycling agent and recycled into various rubber products.

## ENVIRONMENTAL WASTE TREATMENT

### WasteWi\$e Scheme

In recognition of its efforts in environmental preservation, KMB was once again granted the "Class of Excellence" WasteWi\$e Label by the

Environmental Campaign Committee in 2009. The Group will continue to develop and implement green initiatives to reduce the impact of its operations as part of its commitment to environmental protection.

To minimise the amount of solid waste requiring disposal, KMB has adopted a company-wide waste reduction programme. Starting in 2009, around 637 kilograms of print circuit boards, which would formerly have been disposed of at Government landfills, are collected for recycling by a recycling agent. Excellent results were recorded in waste reduction and recycling in daily operations, especially in waste paper, plastic cartridges used in fax machines and printers, rechargeable batteries and fluorescent tubes.

### Waste Oil and Chemical Waste

In the course of 2009, a registered waste oil recycling agent collected around 850,000 litres of waste oil from our bus maintenance sites and handled the subsequent recycling or disposal processes in accordance with statutory standards. During the year, around 307,000 kilograms of solid chemical waste was disposed of by a registered chemical waste collector at authorised landfills following treatment at the Government's Chemical Waste Treatment Centre.

### Waste Water

Eleven automatic waste water treatment systems with a daily treatment capacity of 670 cubic metres are installed at KMB depots. Waste water produced during daily operations of the depots is treated

by these systems in compliance with statutory standards before being discharged into the public drainage system.

### Self-developed Filter Compressing Machine

Developed in-house by KMB, the Filter Compressing Machine has been used to process disposed fuel and oil filters since 2005. Besides reducing the volume of solid chemical waste by 60% and thereby saving landfill space, the machine allows for the waste oil squeezed from the filters during the compressing process to be recycled. The machine won the Certificate of Merit in Green Innovative Practice in the 2006 Hong Kong Eco-Business Awards.

### Fluorescent Tubes

In early 2009, KMB conducted a pilot scheme at Sha Tin Depot, replacing high bay lamps with long-life energy-saving fluorescent tubes. This has resulted in a 12% saving in electricity consumption. KMB plans to extend this scheme to other premises, while continuing to explore other environment-friendly opportunities. In 2006, KMB became the first enterprise in Hong Kong to participate in the fluorescent tube recycling campaign – a measure that further reduces the solid waste impact of our operations on the environment. In 2009, approximately 82,000 used fluorescent tubes were sent to the Government's Chemical Waste Treatment Centre for recycling, bringing the total number of used tubes collected by KMB since it started to participate in the recycling campaign to around 290,000.

## GREEN PREMISES

The twin values of energy conservation and environmental protection underpin the design, construction and operation of our bus depots. All KMB and LWB depots are equipped with dedicated green facilities, including waste water treatment systems, water recycling facilities and environment-friendly fire service systems. Energy-saving features are also built into our lighting, air-conditioning and ventilation systems to conserve energy. Air sampling is conducted regularly in depot areas to ensure a healthy work environment.

At the Group's Lai Chi Kok headquarters, the Green Office concept drove both the design and renovation of the premises. As well as the installation of pre-set timers to turn lights off when they are not needed or when natural light is sufficient, air-conditioning thermostats are set to 25.5°C to conserve energy and reduce air quality impact in support of the Government's Action Blue Sky Campaign.

## Effective Communication

The Group understands the importance of maintaining effective communication through a variety of channels with its key stakeholders, including passengers and business partners, as well as with the wider community.



*KMB's Passenger Liaison Group meetings provide valuable feedback from our customers*

### PASSENGER LIAISON GROUP MEETINGS

Serving a combined total of around 2.7 million passenger trips every day, KMB and LWB recognise the importance of listening to their passengers and understanding their needs and expectations in order to provide even higher levels of service. In 2009, six KMB Passenger Liaison Group (PLG) meetings were held in the presence of Transport Department observers to collect the views and gauge the expectations of passengers. Appropriate improvements and adjustments to our bus operations have been made

in response to the suggestions received. The 2009 KMB PLG Report was published and uploaded to the KMB website. LWB likewise held six PLG meetings in 2009 and proceeded to adopt a number of suggestions made by meeting participants.

The high standards of KMB's customer service won recognition in 2009 when the company was named Bronze winner of the Grand Award category of the Customer Service Excellence Award 2008 organised by Hong Kong Association for Customer Service Excellence.



“ In November 2009, KMB launched a revamped corporate website to match the changing times and the changing needs of its stakeholders. The new website boasts the first map-based point-to-point bus route search function for a Hong Kong public bus company, allowing a user to obtain details of relevant bus routes by clicking the desired origin and destination on a map. ”

## CORPORATE SOCIAL RESPONSIBILITY CHARTER

In 2009, the KMB Corporate Social Responsibility (CSR) Charter was published with reference to the Global Reporting Initiative (GRI) G3 Guidelines and the GRI sector supplement for Logistics and Transportation. KMB's CSR performance was presented in an open manner, highlighting details of the company's corporate values, including caring for people, contribution to the community, adherence to business ethics and

promotion of economic development. Sections were also devoted to KMB's service charter, customer communications, employee engagement and environmental performance.

## CORPORATE WEBSITES

The TIH website ([www.tih.hk](http://www.tih.hk)) keeps the public up to date on the activities of the Group and its various businesses. In November 2009, KMB launched a revamped corporate website ([www.kmb.hk](http://www.kmb.hk)) to match the changing times and the changing needs of its stakeholders.

In addition to a more contemporary look and user-friendly interface, the new website offers barrier-free access to the visually impaired and boasts the first map-based point-to-point bus route search function for a Hong Kong public bus company, allowing a user to obtain details of relevant bus routes by clicking the desired origin and destination on a map. A number of other new website items, such as “Corporate Citizen”, “KMB World” and “Leisure”, have also been added.

# Corporate Social Responsibility

“ To further enhance passengers’ knowledge of the bus services we operate, an updated edition of KMB’s Bus Guide, which provides detailed information on all KMB and LWB bus routes as well as on sight-seeing spots in Hong Kong, was published in 2009. All proceeds from the sale of the Bus Guide were donated to The Community Chest of Hong Kong. ”

## KMB BUS GUIDE

To further enhance passengers’ knowledge of the bus services we operate, an updated edition of KMB’s Bus Guide, which provides detailed information on all KMB and LWB bus routes as well as on sight-seeing spots in Hong Kong, was published in 2009. The Bus Guide was available for charity sale to the public at newsstands, major bookstores, convenience stores and at KMB’s eight Customer Service Centres. All proceeds from the sale of the Bus Guide were donated to The Community Chest of Hong Kong.

## INFORMATION PUBLICATIONS

In 2009, KMB published its booklet “Efforts in Environmental Protection”, which focuses on the environment-friendly measures the company has adopted on buses, in depots and at the corporate level. Additional features in the booklet highlight KMB’s contributions to the economic and social development of Hong Kong. The travel guide “Summer Tours with KMB” was also published to encourage passengers to use KMB’s extensive network to enjoy outdoor activities in Hong Kong.

During the year, LWB distributed about 12,000 copies of various information leaflets, including Airbus Cards, which provide route and departure information for LWB’s Airport routes, and the “LWB Bus Services for North Lantau and the Airport” leaflet.

## CIVIC EDUCATION CAMPAIGNS

KMB’s award-winning Civic Education campaign, centred on a series of five 10-second civic education television programmes focusing on passenger safety, was broadcast between July and October 2009. The importance of passenger safety and courtesy while travelling on buses was reinforced by a series of 15-second television programmes, which began airing on RoadShow in August 2009. The campaign was supported by a range of related posters which were displayed inside bus compartments and at bus shelters.

A “Good Hong Kong” campaign was launched in 2009 through the use of bus body decorations and bus shelter posters, together with year-planners and calendar posters. The campaign aimed to boost the morale of Hong Kong people and demonstrate KMB’s confidence in Hong Kong in the midst of the global economic downturn. To enhance the effectiveness of KMB’s ongoing Environmental Protection campaign, a series of “Good Environment for a Good Hong Kong” posters was also launched and displayed on buses and at bus shelters.

## MEDIA OUTREACH

During 2009, monthly press sessions and briefings promoting various new green initiatives launched by KMB and LWB were held to increase public awareness of our work in

environmental protection. The sessions covered the introduction of the first double-deck bus with Euro V engine, the full network coverage of the Electronic Terminus Management System and the water leakage test programme for bus windows in advance of the rainy season.

KMB also held press sessions to highlight the company-wide commitment to teamwork and to providing safe and quality services. Staff featured in such sessions included our award-winning apprentices, Safe Driving and Long

Service Award recipients, and the first batch of female bus captains to reach 20 years of service with KMB. Other initiatives introduced through press briefings included the revamped KMB website, the Lost Property Management System, the enhanced Bus Stop Announcement System, the new design of the emergency exit on the lower deck of buses, the “Service from the Heart” training programme for our frontline staff and the innovative luminous crystal bus stop pole with LED lighting.



*KMB has pioneered a new map-based route search function on its revamped website*

## Community Outreach

With a proud tradition of community service in support of the young, the elderly, the handicapped and others in need, the Group sponsors events organised by the Government and various charities, as well as encourages staff to participate in different voluntary activities. This commitment was once again recognised in 2009, when the Group was named a Caring Company by the Hong Kong Council of Social Service and KMB was presented with an Award of Distinction by The Community Chest of Hong Kong.



*FRIENDS OF KMB volunteers take part in the Walk for Millions*

### COMMUNITY SPONSORSHIP

As a responsible corporate citizen, the Group has a proud tradition of participation in community sponsorship programmes such as the Corporate Challenge Half Marathon, Dress Special Day and the New Territories Walk for Millions organised by The Community Chest of Hong Kong, and in other events and activities organised by the Government, charities and professional groups.

In addition to industry-improvement campaigns and social awareness initiatives, the Group sponsored

various sporting and cultural events again in 2009. Beneficiaries included the Hong Kong 2009 East Asian Games, the Hong Kong Sports Stars Awards, the Hong Kong Management Association Quality Award, the Hong Kong Awards for Industries, the Outward Bound Hong Kong Corporate Challenge, the Green Power Hike and the Volunteer Movement of the Social Welfare Department.

KMB's role as a responsible corporate citizen received recognition when it won the Tai Po District Civic Education Outstanding Enterprise Award for 2008-2009.





The Group's subsidiary, RoadShow Holdings Limited ("RoadShow"), received the "5 Years Plus Logo" in the Caring Company Award, organised by the Hong Kong Council of Social Service, in recognition of its ongoing commitment to outstanding corporate citizenship. RoadShow continues to support a host of charitable organisations by broadcasting community service messages and charity appeals on its Multi-media On-board systems installed on public buses.

### FRIENDS OF KMB

KMB's volunteer club, FRIENDS OF KMB, has been active in social

**“ KMB's volunteer club, FRIENDS OF KMB, has been active in social service, environmental protection and civic education promotion since its establishment in 1995. In 2009, its 3,100 members voluntarily contributed over 13,000 hours of their time to community service. ”**

service, environmental protection and civic education promotion since its establishment in 1995. In 2009, its 3,100 members voluntarily contributed over 13,000 hours of their time to community service. Besides volunteering at children's homes and centres for the elderly and participating in various charity and environmental protection initiatives, FRIENDS OF KMB extended its service beyond Hong Kong for the first time in 2009 by organising a visit to Hong Kong for some 30 disadvantaged children from China Mainland in conjunction with the Christian Zheng Sheng Association. 2009 also witnessed the launch of new service programmes in partnership with The Boys' and Girls' Clubs Association of Hong Kong to promote civic education and with International Social Service – Hong Kong Branch to assist new arrivals in Hong Kong. In the 14 years since its inception, FRIENDS OF KMB has recorded close to 90,000 hours of voluntary service, and received further recognition when it was named first runner-up in the Highest Service Hour Award 2008 (Private Organisation – Best Customer

Participation) by the Social Welfare Department.

### REACHING OUT TO PASSENGERS WITH SPECIAL NEEDS

During the year, the Group continued to provide support for events organised for passengers with special needs. On Senior Citizens' Day, 15 November 2009, free rides were offered on both KMB and LWB to passengers aged 65 and over. To mark International Day of Disabled Persons, KMB and LWB provided disabled people and their escorts with free bus services on 6 December 2009.

In 2009, to help raise public acceptance of intellectually disabled people, KMB joined with the Hong Kong Joint Council for Parents of the Mentally Handicapped in the production of an educational promotional video featuring an interview with an intellectually disabled KMB bus cleaner.

# Financial Review

## THE GROUP

### REVIEW OF 2009 FINANCIAL PERFORMANCE

#### The Group's Results for the Year

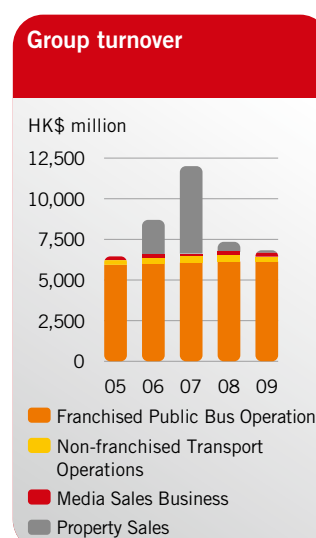
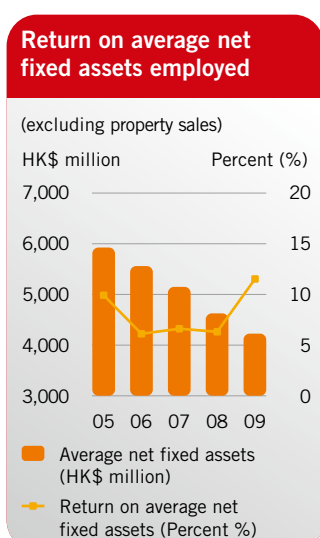
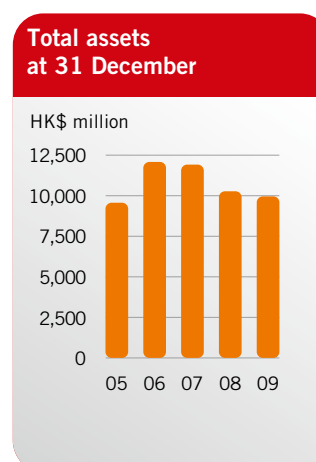
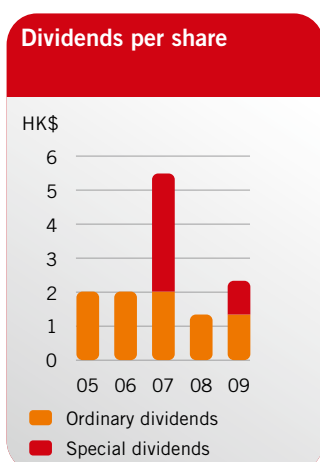
The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2009 was HK\$673.5 million, an increase of HK\$14.8 million compared to HK\$658.7 million for 2008. Earnings per share increased from HK\$1.63 for 2008 to HK\$1.67 for 2009. The profit included the non-recurrent after-tax profit of HK\$186.1 million (2008: HK\$366.2 million) arising from the further sales of a number of the remaining residential units and car parking spaces of Manhattan Hill by Lai Chi Kok Properties Investment Limited, a wholly-owned subsidiary of the Company. If such non-recurrent after-tax profits for 2009 and 2008 were excluded, the profit attributable to equity shareholders for 2009 would have been HK\$487.4 million, representing an increase of 66.6% compared to HK\$292.5 million for 2008.

The turnover and profit generated from the Group's six Divisions for the year ended 31 December 2009 are shown below:

For the year ended 31 December 2009, the Group's turnover amounted to HK\$6,842.2 million (2008: HK\$7,353.1 million), a decrease of HK\$510.9 million or 6.9% compared to 2008. The decrease was mainly due to the fact that only five (2008: 27) residential units and 13 (2008: 23) car parking spaces were sold in 2009, resulting in a total sales revenue of HK\$156.2 million was recognised in 2009 compared to HK\$619.0 million in 2008. Furthermore, fare revenue and other income generated from the Group's transport operations and other businesses decreased by HK\$48.1 million from HK\$6,734.1 million for 2008 to HK\$6,686.0 million for 2009, due mainly to the adverse impact arising from the economic downturn and the outbreak of human swine influenza in 2009.

The Group's total operating expenses for the year amounted to HK\$6,143.6 million (2008: HK\$7,087.8 million), a decrease of HK\$944.2 million or 13.3% compared to 2008. The decrease was mainly attributable to the decrease in fuel and oil costs of HK\$683.7 million as a result of lower fuel oil prices, particularly in the first half of 2009, and the decrease in the cost of properties sold of HK\$106.4 million in line with fewer Manhattan Hill

HK\$ million	Turnover		Profit before taxation	
	2009	2008	2009	2008
Franchised Public Bus Operations Division	6,200.0	6,201.6	474.3	82.5
Non-franchised Transport Operations Division	295.3	399.7	22.1	23.0
Property Holdings and Development Division	163.9	619.0	230.1	415.2
Media Sales Business Division	183.0	132.8	22.7	57.1
Financial Services Division	–	–	21.8	50.2
Mainland Transport Operations Division	–	–	38.4	106.9
	<b>6,842.2</b>	<b>7,353.1</b>	<b>809.4</b>	<b>734.9</b>
Finance costs			(12.1)	(32.6)
Unallocated net operating income/(expenses)			2.5	(8.6)
Profit before taxation and minority interests			<b>799.8</b>	693.7
Income tax			(117.7)	(17.8)
Minority interests			(8.6)	(17.2)
Profit attributable to equity shareholders of the Company			<b>673.5</b>	658.7



residential units sold in 2009. More detailed information in respect of the Group's individual business units is set out on pages 102 to 107 of this Annual Report.

The Group's share of profits of associates in 2009 amounted to HK\$29.6 million (2008: HK\$59.8 million), a decrease of HK\$30.2 million compared to 2008. The decrease was mainly due to the fact that the Group's entire 45% equity interest in Wuxi Kowloon Public Transport Company Limited ("WKPT"), a Sino-foreign joint stock company, was disposed of in December 2008 and there was no profit contribution from WKPT in 2009, and a share of loss of the RoadShow Group's interest in AdSociety Daye Advertising Company Limited was incurred in 2009.

Income tax expense for the year amounted to HK\$117.7 million (2008: HK\$17.8 million). The breakdown of the income tax expense is set out in note 6(a) to the financial statements on page 155 of this Annual Report.

Segment information on the Group's main businesses is set out in note 13 to the financial statements on pages 160 to 163 of this Annual Report.

### Dividend Policy

The Group's dividend policy aims to maintain steady ordinary dividends which can be supported by the earnings performance of the business, after taking into account the need to retain sufficient funds to keep the Group's total debt at a reasonable level, and to fund the growth of existing

# Financial Review

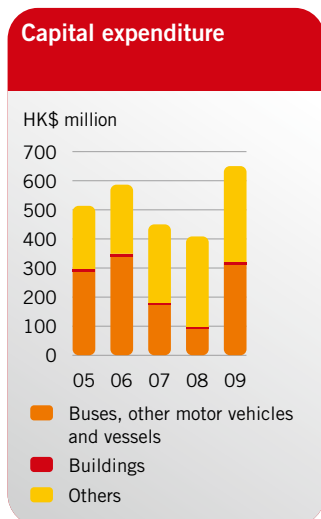
business operations as well as the potential investments for future business expansion. Generally speaking, special dividends are only considered and proposed when there are non-recurrent earnings arising from special projects such as the sales of the Manhattan Hill residential units.

The Board has recommended an ordinary final dividend of HK\$1.05 per share (2008: HK\$1.05 per share), and a special dividend of HK\$1.00 per share (2008: Nil) to be paid out of the profits from the Manhattan Hill redevelopment. Subject to the approval of the shareholders at the 2010 Annual General Meeting, these proposed dividends, together with the interim dividend of HK\$0.30 per share (2008: HK\$0.30 per share) paid in October 2009, would result in a total dividend of HK\$2.35 per share for 2009 (2008: HK\$1.35 per share).

## KEY CHANGES TO FINANCIAL POSITION

### Fixed Assets and Capital Expenditure

The Group's fixed assets in the consolidated balance sheet mainly comprise buildings, buses and other motor vehicles, buses under construction, tools and others, investment property, and interest in leasehold land held for own use under operating leases. None of the Group's fixed assets was pledged or charged as at 31 December 2009.



During 2009, the Group incurred capital expenditure of HK\$651.5 million (2008: HK\$409.5 million). The increase was mainly attributable to the purchase of new buses for the franchised public bus operations. The breakdown of the capital expenditure is shown in

note 14(a) to the financial statements on pages 164 and 165 of this Annual Report.

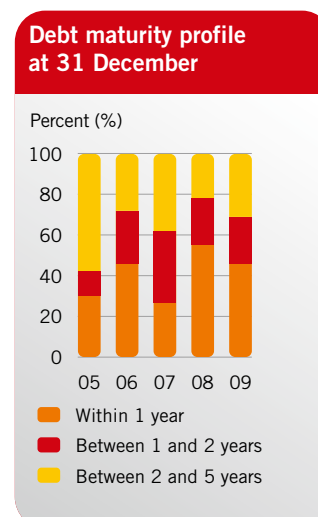
### Current Assets and Liabilities

At the end of 2009, the Group's total current assets amounted to HK\$4,100.0 million (2008: HK\$3,960.1 million), which mainly comprised completed property held for sale of HK\$42.1 million (2008: HK\$78.5 million), accounts receivable of HK\$384.6 million (2008: HK\$717.8 million) and liquid funds of HK\$3,553.1 million (2008: HK\$3,034.1 million). Completed property held for sale represents the cost of the unsold residential units and car parking spaces of Manhattan Hill held at the balance sheet date. Accounts receivable included instalments receivable of HK\$143.6 million (2008: HK\$299.9 million) arising from the property sales in respect of Manhattan Hill. The Group's liquid funds at the end of 2009 were mainly denominated in Hong Kong Dollars, United States Dollars, Renminbi and British Pound Sterling ("GBP").

Total current liabilities at 31 December 2009 amounted to HK\$1,646.1 million (2008: HK\$1,876.6 million), which principally included the current portion of bank loans, bank overdrafts, accounts payable and other accruals. The decrease was mainly due to the repayment of bank loans.

### Bank Loans and Overdrafts

At 31 December 2009, bank loans and overdrafts, all unsecured, was HK\$871.8 million (2008: HK\$1,315.1 million). The maturity profile of bank loans and overdrafts of the Group at 31 December 2009 and 31 December 2008 is shown in the chart below:



## Net Cash

At 31 December 2009, the Group's net cash (i.e. cash and deposits at banks less total borrowings) amounted to HK\$2,681.3 million (2008: HK\$1,719.0 million). The details of the Group's net cash by currency at 31 December 2009 are given below:

Currency	2009		2008	
	Net cash in foreign currency million	Net cash in HK\$ million	Net cash in foreign currency million	Net cash in HK\$ million
Hong Kong Dollars		2,200.3		1,207.3
United States Dollars	39.9	309.4	47.1	365.3
British Pound Sterling	1.7	21.5	1.7	19.2
Renminbi	132.8	150.1	112.5	127.2
Total		2,681.3		1,719.0

## Capital Commitments

Capital commitments outstanding and not provided for in the financial statements of the Group as at 31 December 2009 amounted to HK\$940.7 million (2008: HK\$326.7 million). These commitments are to be financed by borrowings and working capital of the Group. A summary of the capital commitments is set out below:

HK\$ million	2009	2008
Purchase of buses and other motor vehicles	582.5	68.1
Purchase of other fixed assets	356.7	257.3
Construction of depots and other depot facilities	1.5	1.3
Total	940.7	326.7

As at 31 December 2009, the Group had 333 (2008: 44) new buses on order for delivery in 2010 and 2011.

## FUNDING AND FINANCING

### Liquidity and Financial Resources

Under the principle of prudent financial management, the Group closely monitored 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 demands for daily operational needs, loan repayments, capital expenditure and potential business expansion and development. The Group's operations are mainly financed by shareholders' funds, bank loans and overdrafts. In general, the Group's major operating companies arrange for their own financing to meet their operational and investment needs. The Group's other subsidiaries are mainly financed by the holding company from its capital base. The Group's funding strategy is regularly reviewed by management to ensure that cost-efficient and flexible funding is available to cater for the unique operating environment of each subsidiary. As at 31 December 2009, the Group had unutilised banking facilities totalling HK\$720.0 million (2008: HK\$535.0 million).

### Gearing Ratio and Liquidity Ratio

The Group was in a net cash position as at 31 December 2009 and 31 December 2008. Its liquidity ratios at the year end of 2009 and 2008 are set out below:

	2009	2008
Liquidity ratio at 31 December <i>(the ratio of current assets to current liabilities)</i>	2.49	2.11

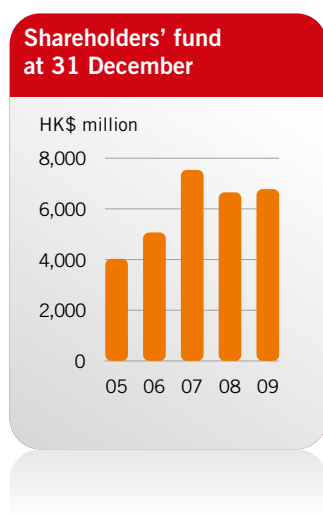
The Group's net cash as at 31 December 2009 amounted to HK\$2,681.3 million (2008: HK\$1,719.0 million). This increase was mainly attributable to the increase in liquid funds arising from the receipt of proceeds from the sales of Manhattan Hill residential units and the disposal of the Group's interests in WKPT and Park Island Transport Company Limited, a portion of which had been utilised as working capital and for the repayment of bank loans.

### Finance Costs and Interest Cover

For the year ended 31 December 2009, the finance costs incurred by the Group decreased to HK\$12.1 million from HK\$32.6 million for 2008. The decrease was mainly due to the decreases in interest rates and average bank borrowings during the year. The average interest rate in respect of the Group's borrowings for 2009 was 0.89%, a decrease of 126 basis points compared to 2.15% for 2008.

For the year ended 31 December 2009, the Group's interest income exceeded the total finance costs by HK\$25.1 million (i.e. a net interest income position) (2008: HK\$88.6 million).

# Financial Review



## Net Cash Flow

During the year, the net cash flow generated from the operations of the franchised public bus business and the further sales of the residential units of Manhattan Hill was the principal sources of our liquidity. For the year ended 31 December 2009, there was a net decrease in cash and cash equivalents of HK\$1,708.7 million (2008: increase of HK\$577.6 million) and the sources are set out below:

HK\$ million	2009	2008
Net cash generated from/ (used in):		
• Operating activities	<b>1,990.6</b>	2,167.3
• Investing activities	<b>(2,690.6)</b>	257.6
• Financing activities	<b>(1,008.7)</b>	(1,847.3)
Total	<b>(1,708.7)</b>	577.6

In 2009, the net cash outflow generated from the operating and investing activities of the Group was HK\$700.0 million (2008: cash inflow of HK\$2,424.9 million). The main components included: (i) net cash generated from the operating activities of the franchised public bus operations of HK\$1,346.8 million (2008: HK\$631.0 million); (ii) cash proceeds received from the sales of Manhattan Hill residential units of HK\$328.1 million (2008: HK\$1,782.1 million); (iii) payment of capital expenditure of HK\$618.9 million (2008: HK\$402.1 million); and (iv) an increase in bank deposits placements with original maturities of over three months of HK\$2,183.3 million (2008: a decrease of HK\$617.4 million).

During the year, the bank loans decreased by HK\$434.0 million (2008: HK\$257.2 million). Before the payment of dividends to equity shareholders in 2009, the net cash outflow for 2009 was HK\$1,163.7 million, compared to net cash inflow of HK\$2,143.7 million for 2008.

Details of the Group's cash flow movement for the year ended 31 December 2009 are set out in the consolidated cash flow statement on page 137 of this Annual Report.

## Treasury Policies

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

## Credit Risk

The Group's credit risk is mainly attributable to trade and other receivables, instalments receivable from sale of properties, loans to investee and debt investments. The Group 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. For instalments receivable from sale of properties, the properties sold serve as the collateral. Debt investments are only made with counterparties of high credit ratings. The Group regularly reviews the recoverability status of the receivables and carries out appropriate follow up measures to minimise its exposure to credit risk. 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 and does not provide any guarantee to third parties that would expose the Group to credit risk.

## Cash Flow and Liquidity Risk Management

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

The Group has not been exposed to significant cash flow and liquidity risks since it has maintained an adequate level of cash reserve on hand resulting from the sales of the Manhattan Hill residential units. Under normal

circumstances and barring unforeseen drastic upsurge in fuel oil prices, the cash flow and liquidity risk of the Group's major subsidiary, KMB, which arranges its own financing, would also be low as its revenue is essentially received on a cash basis. Through proper planning and close monitoring of the level of debts, the Group is able to effectively meet its funding and investment requirements.

### Interest Rate Risk Management

The Group manages its exposure to interest rate risk in a prudent manner with a variety of techniques and instruments, including natural hedges achieved by spreading loans over different rollover and maturity dates. Derivative financial instruments such as interest rate swaps are used, as and when appropriate. As at 31 December 2009, all of the Group's borrowings were denominated in Hong Kong Dollars and on a floating interest rate basis. This enabled the Group to take advantage of the very low interest rates in 2009. The Group constantly reviews its strategy on interest rate risk management in the light of prevailing market conditions and devises suitable strategies to cope with the risk exposure. The Group's major subsidiary, KMB, has been continuously granted a good and stable "A" credit rating by Standard & Poor's since 14 January 2002. With this credit rating, KMB has been able to obtain the required funding at favourable borrowing rates from financial institutions.

### Foreign Currency Risk Management

Foreign currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments and transactions denominated in foreign currencies. The Group's foreign currency exposure mainly arises from the payments for new buses and overseas motor vehicle components, which are mainly denominated in GBP. Although foreign currency exposure does not pose a significant risk to the Group as the levels of foreign currency assets and liabilities are relatively low compared to its total asset base, the Group will continue to closely monitor foreign exchange movements and enter into forward exchange contracts in a strategic manner when opportunities arise to hedge foreign currency fluctuations. The Group entered into a number of forward foreign exchange contracts to hedge approximately 27% (2008: 30%) of the total GBP requirement for the year of 2009.

### Equity Price Risk

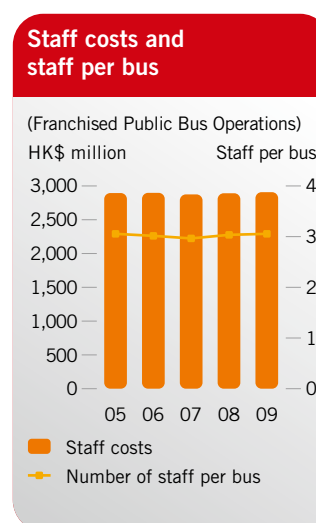
The Group is exposed to equity price changes arising from investment in equity securities. As the carrying amount of such investments is insignificant compared to the total assets of the Group, management considers the exposure to equity price risk to be insignificant.

### Fuel Price Risk

Fuel price movements can have a significant impact on the results of the Group's core franchised public bus businesses. The Group has carefully considered the pros and cons of entering into fuel price hedging arrangements, and has concluded that fuel price hedging would be equally risky as not hedging, and would not necessarily result in a better financial position for the Group in the long run. As a result, the Group has not entered into any fuel oil hedging contracts during 2009. To address the fuel price risk effectively, the Group's two major subsidiaries, KMB and LWB, will consider applying for fare increases when the impact of the surge in fuel oil prices is significant and will rigorously explore with the HKSAR Government other measures to mitigate this impact. The Group will continue to closely monitor the fuel price movements and constantly review its strategy on fuel price risk management.

### EMPLOYEES AND REMUNERATION POLICIES

Transport operations are labour intensive and staff costs accounted for a substantial portion of the total cost of the Group. The Group closely monitors the number and remuneration of its employees against productivity and market trends. For the year ended 31 December 2009, total remuneration of employees of the Group (including employees of the Group's subsidiary companies on the Mainland) amounted to HK\$2,988.8 million (2008: HK\$2,985.6 million). The number of employees of the Group at the year end of 2009 decreased by 1.8% to 13,074 (2008: 13,321). The decrease was due mainly to natural attrition and strict control of headcount.



# Financial Review

## INDIVIDUAL BUSINESS UNITS FRANCHISED PUBLIC BUS OPERATIONS

### The Kowloon Motor Bus Company (1933) Limited (“KMB”)

	Unit	2009	2008
Turnover	HK\$ million	<b>5,928.6</b>	5,910.4
Gain on disposal of building and interest in leasehold land	HK\$ million	<b>980.0</b>	–
Other net income	HK\$ million	<b>19.3</b>	100.9
Deemed (loss)/income recognised in respect of defined benefit retirement plans	HK\$ million	<b>(36.4)</b>	152.0
Total operating expenses	HK\$ million	<b>(5,465.6)</b>	(6,096.5)
Finance costs	HK\$ million	<b>(9.5)</b>	(23.7)
Profit before taxation	HK\$ million	<b>1,416.4</b>	43.1
Income tax (expense)/credit	HK\$ million	<b>(71.9)</b>	32.6
Profit after taxation (including gain on disposal of building and interest in leasehold land)	HK\$ million	<b>1,344.5</b>	75.7
Profit after taxation (excluding gain on disposal of building and interest in leasehold land)	HK\$ million	<b>364.5</b>	75.7
Net profit margin (including gain on disposal of building and interest in leasehold land)		<b>22.7%</b>	1.3%
Net profit margin (excluding gain on disposal of building and interest in leasehold land)		<b>6.1%</b>	1.3%
Passenger volume	Million passenger trips	<b>965.2</b>	986.5
Kilometres travelled	Million km	<b>320.8</b>	325.4
Staff number at year-end	Number of staff	<b>11,870</b>	11,947
Fleet size at year-end	Number of buses	<b>3,880</b>	3,933
Total assets value	HK\$ million	<b>4,801.4</b>	5,054.8

The profit after taxation of KMB for the year amounted to HK\$1,344.5 million, which comprised HK\$364.5 million (2008: HK\$75.7 million) derived from franchised public bus operations and a one-off non-cash capital gain of HK\$980.0 million (2008: Nil) arising from the transfer of an industrial site at Kwun Tong to two fellow subsidiaries under the Group’s Property Holdings and Development Division.

KMB’s fare revenue and ridership for the year amounted to HK\$5,821.3 million (2008: HK\$5,816.3 million) and 965.2 million passenger trips (2008: 986.5 million passenger trips) respectively. The increase in fare revenue was due mainly to the fare increase of 4.5% which took effect from 8 June 2008, but was partly offset by a decrease in total ridership of 2.2% for 2009 due to intensified competition from the railways and the decreased travel demand resulting from the economic downturn and higher unemployment rate. Advertising revenue for the year amounted to HK\$105.0 million, an increase of 15.8% compared to HK\$90.7 million for the previous year. The

increase was mainly due to the introduction of bus interior advertising since February 2009.

Total operating expenses for the year amounted to HK\$5,465.6 million (2008: HK\$6,096.5 million), representing a decrease of HK\$630.9 million. The decrease was mainly due to the decrease in fuel costs by HK\$595.8 million or 41.4% compared to 2008 as a result of the fall in the price of Singapore 0.5% Sulphur Gas Oil, on which the price of the ultra-low sulphur diesel used by our franchised public bus fleets is based. The decrease in fuel costs was, however, partly offset by the increase in staff costs and toll charges, as well as the increase in costs incurred for the defined benefit retirement plans, totalling HK\$222.3 million.

Since 14 January 2002, KMB has continually been assigned a single “A” corporate rating (outlook: stable) by Standard & Poor’s in recognition of its prudence in financial management.



## Long Win Bus Company Limited (“LWB”)

	Unit	2009	2008
Turnover	HK\$ million	326.9	323.1
Other net (losses)/income	HK\$ million	(3.5)	3.6
Deemed (loss)/income recognised in respect of defined benefit retirement plans	HK\$ million	(3.0)	1.2
Total operating expenses	HK\$ million	(292.1)	(312.1)
Finance costs	HK\$ million	(0.4)	(1.9)
Profit before taxation	HK\$ million	27.9	13.9
Income tax expense	HK\$ million	(4.5)	(2.2)
Profit after taxation	HK\$ million	23.4	11.7
Net profit margin		7.2%	3.6%
Passenger volume	Million passenger trips	28.2	28.9
Kilometres travelled	Million km	25.8	25.6
Staff number at year-end	Number of staff	457	451
Fleet size at year-end	Number of buses	167	157
Total assets value	HK\$ million	299.2	231.2

The profit after taxation of LWB for the year amounted to HK\$23.4 million (2008: HK\$11.7 million), representing an increase of HK\$11.7 million or 100.0% compared to the previous year.

LWB's fare revenue for the year amounted to HK\$325.1 million, representing an increase of 1.2% compared to HK\$321.3 million for 2008. During the year, LWB recorded a total ridership of 28.2 million (a daily average of 77,151) passenger trips, a decrease of 2.4% compared to 28.9 million (a daily average of 78,890) passenger trips in 2008. The increase in fare revenue was mainly due to the fare increase of 4.5% which took effect from 8 June 2008. The decrease in ridership was mainly due to the adverse impact of the economic downturn, which affected both recreational and business demand. In addition, the widespread incidence of human swine influenza had a negative impact on air travel demand, as reflected in the decline in passenger throughput at Hong Kong International Airport in 2009. The advertising revenue of LWB for the year amounted to HK\$1.5 million (2008: HK\$1.8 million).

LWB's total operating expenses for the year amounted to HK\$292.1 million (2008: HK\$312.1 million), a decrease of HK\$20.0 million compared to 2008. The decrease was mainly due to the decrease in fuel costs of HK\$30.8

million during the year as compared to 2008, but was partly offset by increases in other operating expenses such as staff costs, tunnel tolls and depreciation charges due to service enhancement. Finance costs for 2009 decreased by HK\$1.5 million to HK\$0.4 million (2008: HK\$1.9 million) due mainly to the decrease in market interest rates compared to the previous year.

## NON-FRANCHISED TRANSPORT OPERATIONS

The Group's Non-franchised Transport Operations Division reported a profit after taxation of HK\$18.9 million for 2009 (2008: HK\$19.3 million), representing a decrease of 2.1% compared to 2008. Turnover decreased by 26.1% to HK\$295.3 million for 2009 from HK\$399.7 million for 2008. A review of the operations of the principal business units in this Division is set out as follows:

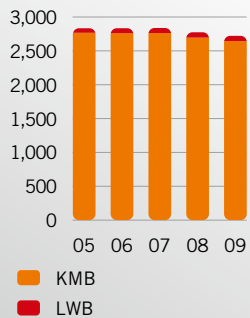
### Sun Bus Holdings Limited and its subsidiaries (the “SBH Group”)

The SBH Group is a leading non-franchised bus operator in Hong Kong. It provides customised high quality transport services to a wide range of customers, including large residential estates, shopping malls, major employers, theme parks, deluxe hotels, local travel agents and schools, as well as the general public through chartered hire services.

# Financial Review

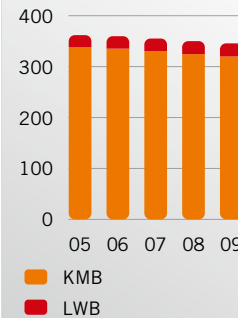
## Average number of passenger trips per day

(Franchised Public Bus Operations)  
Thousand of passenger trips per day



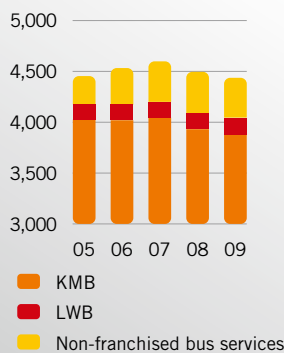
## Bus kilometres operated

(Franchised Public Bus Operations)  
Million kilometres



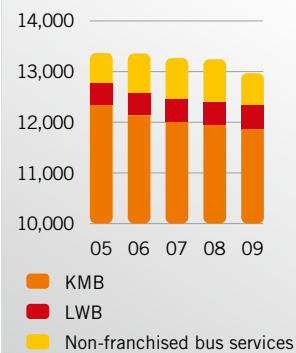
## Number of licensed buses at 31 December

Number of buses



## Number of staff at 31 December

Number of staff



Turnover of the SBH Group for the year amounted to HK\$210.8 million, a decrease of 3.7% compared to 2008. The decrease was mainly due to the negative impact of the economic downturn and the outbreak of human swine influenza in 2009.

As at 31 December 2009, the SBH Group had a fleet of 377 buses (2008: 367 buses). During the year, 38 buses (2008: 19 buses) were purchased for business expansion, service enhancement and fleet replacement.

## Park Island Transport Company Limited (“PITC”)

PITC provides quality shuttle bus and ferry services for residents of and visitors to Park Island, a prestigious development on Ma Wan Island. On 1 June 2009, the Group disposed of its entire interest in PITC to Sun Hung Kai Transport Company Limited, a subsidiary of Sun Hung Kai Properties Limited. Details of the transaction are set out on page 108 of this Annual Report.

### **New Hong Kong Bus Company Limited (“NHKB”)**

NHKB jointly operates with its Shenzhen (深圳) counterpart a direct, economical, 24-hour cross-boundary shuttle bus service (commonly known as the “Huang Bus” service) for regular commuters and holiday travellers between Lok Ma Chau in Hong Kong and Huanggang (皇崗) in Shenzhen. The opening of the Lok Ma Chau Spur Line and the Lok Ma Chau Public Transport Interchange in August 2007, the launch of direct charter flights between Taiwan and China Mainland in July 2008, and the outbreak of human swine influenza in the first half of 2009 coupled with economic downturn has resulted in NHKB’s patronage decreasing by 17.1% from 7.0 million passenger trips in 2008 to 5.8 million passenger trips in 2009. At the end of 2009, NHKB operated a total of 15 buses, the same number as at the end of 2008.

## **PROPERTY HOLDINGS AND DEVELOPMENT**

### **Lai Chi Kok Properties Investment Limited (“LCKPI”)**

LCKPI is a wholly-owned subsidiary of the Group and the developer of Manhattan Hill, an upscale luxurious residential complex in Lai Chi Kok, West Kowloon, comprising 1,115 residential units with a total gross floor area of over one million square feet.

Up to the end of 2008, 1,107 residential units of Manhattan Hill with a total saleable gross floor area (“saleable GFA”) of about 1,173,600 square feet (representing 98.6% of the total saleable GFA) and 354 car parking spaces had been sold. In 2009, a further 5 residential units with a total saleable GFA of about 13,300 square feet (representing 1.1% of the total saleable GFA) and 13 car parking spaces were sold, generating an after-tax profit of HK\$186.1 million (2008: HK\$366.2 million).

As at 31 December 2009, completed property held for sale (classified under current assets in the consolidated balance sheet) amounted to HK\$42.1 million (2008: HK\$78.5 million).

There were no outstanding bank loans in respect of the construction of Manhattan Hill as at 31 December 2009 (2008: Nil).

### **LCK Real Estate Limited (“LCKRE”)**

LCKRE, a wholly-owned subsidiary of the Group, is the owner of a 17-storey commercial office building situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, which has a total gross floor area of about 156,700 square feet. The building is currently held by the Group mainly for its own use and partially for rental purposes, and was stated at cost less accumulated depreciation in the amount of HK\$35.9 million (2008: HK\$37.5 million) on its consolidated balance sheet as at 31 December 2009.

### **LCK Commercial Properties Limited (“LCKCP”)**

LCKCP, a wholly-owned subsidiary of the Group, is the owner of the new shopping mall, “Manhattan Mid-town”, which is providing Manhattan Hill residents, as well as local householders and office staff, with high quality retail facilities. Positioned as a high-end retail complex to complement the image of Manhattan Hill, Manhattan Mid-town’s mix of shops and restaurants covers a total floor area of around 50,000 square feet. The mall was opened in March 2009 and about 95% of the lettable area of the shopping mall had been leased out as at 31 December 2009, generating additional rental income for the Group.

At 31 December, 2009, LCKCP had no capital commitment outstanding and not provided for (2008: Nil).

# Financial Review

## MEDIA SALES BUSINESS

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

HK\$ million	2009	2008
Turnover	<b>196.3</b>	148.4
Other revenue	<b>26.8</b>	35.6
Total operating expenses	<b>(186.3)</b>	(141.0)
Finance costs	–	(0.3)
Share of (loss)/profit of associate	<b>(4.4)</b>	14.1
Impairment loss on unlisted equity securities	<b>(9.8)</b>	–
Profit before taxation	<b>22.6</b>	56.8
Income tax expense	<b>(4.4)</b>	(7.1)
Profit after taxation	<b>18.2</b>	49.7
Minority interests	<b>(4.2)</b>	(7.1)
Profit attributable to equity shareholders	<b>14.0</b>	42.6

For the year ended 31 December 2009, the RoadShow Group reported a total operating revenue of HK\$223.1 million (2008: HK\$184.0 million) and a profit attributable to equity shareholders of HK\$14.0 million (2008: HK\$42.6 million).

The total operating expenses of the RoadShow Group for 2009 amounted to HK\$186.3 million, an increase of 32.1% compared to HK\$141.0 million for 2008.

Further information relating to the RoadShow Group is available in its 2009 final results announcement and annual report.

## MAINLAND TRANSPORT OPERATIONS

As at 31 December 2009, the Group's total interests in associates (2008: associates and jointly controlled entities) within the Mainland Transport Operations Division amounted to HK\$612.0 million (2008: HK\$597.2 million). Such investments are mainly related to the operation of passenger public transport services in Shenzhen (深圳), and taxi and car rental services in Beijing (北京).

For the year ended 31 December 2009, the Group's Mainland Transport Operations Division reported a profit of HK\$38.4 million (2008: HK\$106.9 million). The decrease in profit was mainly due to the fact that a one-off gain on disposal of the Group's entire 45% equity interest in Wuxi Kowloon Public Transport Company Limited (無錫九龍公共交通股份有限公司) was recognised in 2008.

## Summary of Investments in Mainland Transport Operations as at 31 December 2009

	Beijing	Shenzhen
Nature of business	Taxi and car rental services	Bus and taxi hire services
Form of business structure	Sino-foreign joint stock company	Sino-foreign joint stock company
Operation commenced	April 2003	January 2005
The Group's investment cost (RMB million)	80	387
The Group's effective interest	31.38%	35%
Fleet size at year-end 2009 (Number of vehicles)	4,346	4,951
Bus passenger volume (Million trips)	N/A	862.8
Bus kilometres travelled (Million km)	N/A	358.7
Staff number at year-end 2009	4,257	19,842

### Dalian

This co-operative joint venture ("CJV") in Dalian, Liaoning Province (遼寧省), was established in July 1997 by a 60% owned subsidiary of the Group and Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as Dalian City No.1 Bus Company (大連市第一公共汽車公司). The Dalian CJV has a fleet of about 84 single-deck buses operating on three routes serving Dalian City. In view of the fact that the scale of the Dalian CJV's operation was relatively small with limited prospects for expansion, the Group has disposed of its entire interest in the Dalian CJV in 2009 at a reasonable profit.

### Beijing

Beijing Beiqi Kowloon Taxi Company Limited (北京北汽九龍出租汽車股份有限公司) ("BBKT"), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT's shareholders include KMB (Beijing) Taxi Investment Limited (九巴(北京)出租汽車投資有限公司), a wholly-owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited (北京北汽出租汽車集團有限責任公司) and three other Mainland investors. The Group has invested RMB80.0 million (HK\$75.5 million)

in BBKT, representing an equity interest of 31.38%. BBKT principally engages in taxi hire and car rental businesses with a fleet of around 4,346 vehicles and 4,257 employees. It made steady progress and continued to record a profit in 2009.

### Shenzhen

Shenzhen Bus Group Company Limited (深圳巴士集團股份有限公司) ("SBG"), which started operating in January 2005, is a Sino-foreign joint stock company formed by KMB (Shenzhen) Transport Investment Limited (九巴(深圳)交通投資有限公司), a wholly-owned subsidiary of the Group, and four other Mainland investors. The Group has invested RMB387.1 million (HK\$363.9 million) in SBG, representing a stake of 35%. SBG principally provides public bus, minibus and taxi services in Shenzhen City, Guangdong Province (廣東省深圳市), which includes the Shenzhen Special Economic Zone and the Bao-an (寶安) and Longgang (龍崗) areas, with about 4,951 vehicles serving 222 routes. In 2009, it continued to make steady progress and recorded a ridership of 862.8 million passenger trips, representing an increase of 13.6% compared to 759.2 million passenger trips in 2008.

# Financial Review

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The particulars of the following connected transactions and continuing connected transactions of the Group are set out below in compliance with the reporting requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

### CONNECTED TRANSACTIONS

#### (a) KMB Financial Services Limited (“KMBFS”)

##### Transactions relating to the purchase of the Fixed Rate Notes issued by Sun Hung Kai Properties (Capital Market) Limited (“SHKPCM”) on open secondary market

As detailed in note 37(a)(x) to the financial statements on page 200 of this Annual Report, on 6 March 2009, KMBFS, an indirect wholly-owned subsidiary of the Company purchased certain short-term unsecured fixed rate notes (the “Fixed Rate Notes”) with a total nominal value of HK\$15,000,000 issued by Sun Hung Kai Properties (Capital Market) Limited (“SHKPCM”), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), from a bank at market price on an open secondary market under normal commercial terms. The consideration for the purchase was paid to the bank and no consideration was passed to SHKPCM in connection with the purchase. The principal amount of the Fixed Rate Notes will be repaid by SHKPCM on the maturity date of 17 February 2012 and the interest on the Fixed Rate Notes at coupon rate of 2.65% per annum will be payable on a quarterly basis by SHKPCM to KMBFS so long as KMBFS continues to hold the Fixed Rate Notes. The Fixed Rate Notes are guaranteed by SHKP. Particulars of these connected transactions were disclosed in the announcement of the Company dated 15 April 2009.

#### (b) Park Island Transport Holdings Limited (“PITH”)

##### Transactions with Sun Hung Kai Transport Company Limited (“SHKTC”)

As detailed in note 33(b) to the financial statements on page 189 of this Annual Report, on 21 May 2009, PITH, a wholly-owned subsidiary of the Company, as vendor and SHKTC, a wholly-owned subsidiary of SHKP, as purchaser entered into an agreement for the sale and purchase of 100% equity

interest in Park Island Transport Company Limited (“PITC”), a wholly-owned subsidiary of PITH, at PITC’s audited net book value as at 31 May 2009 of HK\$40,600,000 and the loan due by PITC to PITH at its face value as at 31 May 2009 of HK\$70,000,000. The transactions were completed on 1 June 2009. Particulars of these connected transactions were disclosed in the announcement of the Company dated 25 May 2009.

#### (c) The Company, KT Properties Investment Limited (“KTPI”) and KT Real Estate Limited (“KTRE”)

##### Transactions with Turbo Result Limited (“TRL”) and Sun Hung Kai Properties Limited (“SHKP”)

On 11 December 2009, KTPI, a wholly-owned subsidiary of the Company, and TRL, a wholly-owned subsidiary of SHKP, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which KTPI agreed to sell and TRL agreed to purchase 50% of the interest of Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kowloon, Hong Kong (the “KT Site”) at a consideration of HK\$490,000,000. Upon completion of the disposal, the KT Site will be owned in equal shares by KTRE, a wholly-owned subsidiary of the Company, and TRL as tenants in common.

On 11 December 2009, KTRE, TRL, the Company and SHKP entered into a development agreement (the “Development Agreement”) pursuant to which the parties agreed to jointly develop the KT Site for non-residential (excluding hotel) purpose. The costs and expenses incurred in respect of the application for planning permission, the application for the surrender and regrant of the KT Site and the construction of the KT Site are estimated to be HK\$3.6 billion and shall be borne by KTRE and TRL in equal shares.

A circular of the Company in relation to the Sale and Purchase Agreement and the Development Agreement was issued to the shareholders on 30 December 2009 (the “Circular”). The transactions contemplated under each of the aforesaid two agreements were approved by the independent shareholders of the Company at the Special General Meeting held on 21 January 2010 (the “SGM”). In view of the interest of SHKP in the Sale and Purchase Agreement and the Development Agreement as described in the Circular, SHKP and its associates were required to abstain and did abstain from voting on the transactions at the SGM.

Particulars of these connected transactions were disclosed in the announcements of the Company dated 11 December 2009 and 21 January 2010.

## **CONTINUING CONNECTED TRANSACTIONS**

### **(d) The Group**

#### **Transactions with Sun Hung Kai Properties Insurance Limited (“SHKPI”)**

As detailed in note 37(a)(ii) to the financial statements on page 199 of this Annual Report, the Group entered into various insurance arrangements with SHKPI, a wholly-owned subsidiary of SHKP, during the year pursuant to which SHKPI agreed to provide insurance coverage and services to the Group (the “2009 Insurance Arrangements”), and such insurance policies took effect from 1 January 2009 for a period of one year. The transactions under the 2009 Insurance Arrangements constitute continuing connected transactions of the Company under the Listing Rules. For the year ended 31 December 2009, the annual insurance premium paid and payable by the Group to SHKPI under the 2009 Insurance Arrangements amounted to HK\$67,798,000. On 19 November 2009, the Group further entered into various insurance arrangements (the “2010 Insurance Arrangements”) with SHKPI pursuant to which SHKPI will continue to provide insurance coverage and services to the Group. The insurance policies entered into pursuant to the 2010 Insurance Arrangements commenced on 1 January 2010 and will last for one year from the effective date of the policies. It is estimated that the annual insurance premium paid and payable by the Group to SHKPI under the 2010 Insurance Arrangements for the financial year ending 31 December 2010 will not exceed HK\$72,000,000. The transactions under the 2009 Insurance Arrangements and the 2010 Insurance Arrangements are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders’ approval requirement. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 27 November 2008 and 20 November 2009.

### **(e) Park Island Transport Company Limited (“PITC”)**

#### **Transactions with Sun Hung Kai (Ma Wan) Transport Company Limited (“SHKMW”)**

Pursuant to an agreement dated 23 May 2001 entered into between PITC, formerly a wholly-owned subsidiary of the Company, and SHKMW, a wholly-owned subsidiary of SHKP (the “Transport Agreement”), SHKMW engaged PITC to provide bus and ferry services for Ma Wan Island. 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 “Previous Supplemental Agreements”), with the operating term extended to 13 December 2009. The transactions executed under the Transport Agreement, as modified by the Previous Supplemental Agreements, constitute continuing connected transactions of the Company (only up to 1 June 2009, the completion date of the disposal of PITC) under the Listing Rules. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 25 May 2001, 5 December 2006, 10 December 2007 and 26 November 2008. As detailed in note 37(a)(vii) to the financial statements on page 200 of this Annual Report, the permitted return to which PITC was entitled for the period from 1 January 2009 to 31 May 2009 was HK\$2,730,000.

### **(f) Lai Chi Kok Properties Investment Limited (“LCKPI”)**

#### **LCK Commercial Properties Limited (“LCKCP”)**

#### **(i) Transactions with Sun Hung Kai Real Estate Agency Limited (“SHKRE”)**

LCKPI entered into a Letting and Sales Agency Agreement with SHKRE, a wholly-owned subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and car parking spaces of Manhattan Hill (the “Original Agreement”). On 15 August 2007, the Original Agreement

# Financial Review

was terminated and replaced by a letter agreement entered into between LCKPI and SHKRE (the “Letter Agreement”), pursuant to which LCKPI continues to appoint SHKRE as the exclusive letting and sales agent under the same terms and conditions of the Original Agreement except that the aggregate amount of the agency fees payable under the Original Agreement and the Letter Agreement shall not exceed HK\$65,000,000. The appointment of SHKRE under the Letter Agreement shall be for a period of three years commencing from the date of the Letter Agreement. As detailed in note 37(a)(iv) to the financial statements on page 199 of this Annual Report, the letting and sales agency fees paid and payable by LCKPI to SHKRE amounted to HK\$1,899,000 for the year ended 31 December 2009. The aggregate amount of letting and sales agency fees paid and payable under the Original Agreement and the Letter Agreement up to 31 December 2009 was HK\$64,249,000. Particulars of these continuing connected transactions were disclosed in the announcements of the Company dated 21 July 2003 and 16 August 2007.

## **(ii) Transactions with Royal Elite Service Company Limited (“Royal Elite”)**

LCKPI also entered into a Management Agreement with Hong Yip Service Company Limited (“Hong Yip”), a wholly-owned subsidiary of SHKP, on 17 July 2003 to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in the deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a unit of the completed Manhattan Hill. On 21 June 2007, LCKPI entered into a supplemental deed with Hong Yip and Royal Elite, a wholly-owned subsidiary of SHKP (the “Supplemental Deed”), pursuant to which LCKPI appointed Royal Elite as the manager of Manhattan Hill in place of Hong Yip. All terms defined in the Management Agreement are adopted in the Supplemental Deed. On 20 December 2007, the commercial accommodation of Manhattan Hill was transferred from LCKPI to LCKCP. As a result, LCKCP has to observe and comply with all the

terms and conditions contained in the deed of mutual covenant and management agreement of Manhattan Hill. For the year ended 31 December 2009, the total amount of management fee paid and payable by LCKPI and LCKCP to Royal Elite under the Management Agreement was HK\$5,323,000.

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

## **(g) Bus Focus Limited (“Bus Focus”)**

### **Service Agreement with JCDecaux Texon Limited (“JTL”)**

On 12 November 2008, Bus Focus, an indirect non-wholly owned subsidiary of the Company and RoadShow Holdings Limited (“RoadShow”), and JTL, a connected person of the Company and RoadShow within the meaning of the Listing Rules, entered into a Service Agreement pursuant to which Bus Focus agreed to appoint JTL exclusively to provide the media sales agency services and maintenance and operational services in respect of selected bus shelters owned by KMB for a term commencing from 1 August 2008 to 31 July 2012. Pursuant to the Service Agreement, the following considerations were payable/receivable by Bus Focus for the year ended 31 December 2009:

- (a) Management fee payable by Bus Focus to JTL in the amount of HK\$16,500,000; and
- (b) Shortfall of guarantee rental receivable by Bus Focus from JTL in the amount of HK\$19,774,000.

The transactions contemplated under the Service Agreement are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders’ approval requirement. Particulars of these continuing connected transactions were disclosed in the joint announcement of the Company and RoadShow dated 13 November 2008 (the “Joint Announcement”).



## Conditional Waivers

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

1. each of the foregoing continuing connected transactions with SHKPI, SHKMW, SHKRE, Royal Elite and JTL was entered into:-
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
2. the annual insurance premium paid and payable by the Group to SHKPI for the year ended 31 December 2009 did not exceed the cap amount of HK\$74,000,000 as disclosed in the announcement dated 27 November 2008;
3. the permitted return for the period from 1 January 2009 to 1 June 2009, the completion date of the disposal of PITC, to which PITC was entitled under the Transport Agreement, as modified by the supplemental agreement dated 25 November 2008, did not exceed the cap amount of HK\$16,000,000 as disclosed in the announcement dated 26 November 2008;
4. the agency fees for the year ended 31 December 2009 paid and payable by LCKPI under the Original Agreement and the Letter Agreement did not exceed the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2008;
5. the agency fees for the year ended 31 December 2009 paid and payable by LCKPI under the Letter Agreement did not exceed the cap amount of HK\$12,426,000, and the aggregate amount of the agency fees paid and payable under the Original Agreement and the Letter Agreement did not exceed the cap amount of HK\$65,000,000, as disclosed in the announcement dated 16 August 2007;
6. the annual aggregate amount for the year ended 31 December 2009 paid and payable by the Group under the Management Agreement did not exceed the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Company as at 31 December 2008; and
7. the management fee paid and payable by Bus Focus to JTL and the shortfall of guarantee rental received and receivable by Bus Focus from JTL under the Service Agreement for the year ended 31 December 2009 did not exceed the cap amount of HK\$18,000,000 and HK\$46,400,000 respectively as disclosed in the joint announcement of the Company and RoadShow dated 13 November 2008.

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

## Directors' Profiles



### **The Hon Sir Sze-yuen CHUNG** GBM, GBE, PhD, FREng, JP

Chairman and Independent Non-executive Director, aged 92. Sir Sze-yuen Chung has been the Chairman and an Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 12 August 1999. He is an Independent Non-executive Director of CLP Holdings Limited and was formerly an Independent Non-executive Director of Sun Hung Kai Properties Limited. The latter is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the Pro-Chancellor of The Hong Kong University of Science and Technology. Sir Sze-yuen Chung has contributed significantly in Hong Kong's political, industrial, social and tertiary education fields for over four decades. He was Senior Member of Hong Kong Legislative Council (1974-78), Executive Council (1980-88), and again Convenor of HKSAR Executive Council (1997-99). He was Chairman of Federation of Hong Kong Industries (1966-70), Hong Kong Productivity Council (1974-78), President of Engineering Society of Hong Kong (1960-61) and Hong Kong Academy of Engineering Sciences (1994-97). He established Hong Kong Polytechnic in 1972, City Polytechnic in 1984, The Hong Kong University of Science and Technology in 1991 and Hospital Authority in 1990. He was deeply involved in the Sino-British Negotiation on Hong Kong's future (1982-85) and the establishment of the Hong Kong Special Administrative Region (1992-97).



### **Dr Norman LEUNG Nai Pang** GBS, JP, LLD, BA

Deputy Chairman and Independent Non-executive Director, aged 69. Dr Leung has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 18 March 2000 and Deputy Chairman of the Company, KMB and LWB since 14 June 2001. Dr Leung became an Independent Non-executive Director of the Company with effect from 1 February 2006. He is also the Chairman of the Nomination Committee, Remuneration Committee and Standing Committee of the Company. He is the Executive Deputy Chairman of Television Broadcasts Limited, a company listed on the Hong Kong Stock Exchange, and he is also a Director of Wing Lung Bank Limited (a company listed on the Hong Kong Stock Exchange until its withdrawal of listing on 16 January 2009). Dr Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002 and Council Chairman of City University of Hong Kong from 1997 to 2003. He is now the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.



**KWOK Ping-luen, Raymond** JP, MA(Cantab), MBA, Hon DBA, Hon LLD

Non-executive Director, aged 56. Mr Kwok has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He is also a member of the Standing Committee of the Company. He has been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 1 September 1981 and 8 May 1997 respectively. Mr Kwok holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the Chairman of SUNeVision Holdings Ltd., the Chairman of SmarTone Telecommunications Holdings Limited, a Non-executive Director of USI Holdings Limited and an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited.

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



**Dr KWOK Ping-sheung, Walter** JP, D.Sc., MSc(Lond), DIC, MICE

Non-executive Director, aged 59. Dr Kwok has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 15 November 1990 and 8 May 1997 respectively. He holds an Honorary Doctor of Science degree and a Master of Science degree in Civil Engineering from The Imperial College of Science and Technology, University of London, and is a Member of the Institution of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is currently a Non-executive Director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, an Executive Director of SUNeVision Holdings Ltd., and a Director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd. Dr Kwok is also a Director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners.

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

## Directors' Profiles



### **NG Siu Chan**

Non-executive Director, aged 79. Mr Ng has been a Director of Transport International Holdings Limited (the "Company") since 4 September 1997. He is also a Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 3 March 1983 and 8 May 1997 respectively. Mr Ng is also an Independent Non-executive Director of Century City International Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited, and was formerly an Independent Non-executive Director of Wing Lung Bank Limited.

Mr Ng is the father of Ms Winnie Ng, who is a Director of the Company, KMB and LWB, and also Founder and Deputy Chairman and Non-executive Director of RoadShow Holdings Limited.



### **William LOUEY Lai Kuen** BSc(Econ)

Non-executive Director, aged 50. Mr Louey has been a Director of Transport International Holdings Limited since 4 September 1997. He has been acting as Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 14 January 1993 and 8 May 1997 respectively. Mr Louey has previously worked for an international merchant bank in the United Kingdom for five years and an international accounting firm in the United Kingdom for three years. In 1995, he set up the William S D Louey Educational Foundation in memory of his grandfather, Mr William S D Louey, to finance outstanding students from China and Hong Kong to further their education abroad. Having aware of the success of the Foundation, Mr Louey was invited to become a committee member of the Hong Kong Oxford Scholarship Fund in 1999. Mr Louey has also served as an Executive Committee Member of The Friends of Cambridge University in Hong Kong since 2003. The Friends of Cambridge University is the sponsor of the Prince Philip Scholarship.



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

Non-executive Director, aged 66. Dr Chan was the Managing Director of Transport International Holdings Limited (the "Company") from 4 September 1997 to 7 April 2008; the Managing Director of The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") from 1 November 1993 to 31 December 2006 and from 8 May 1997 to 31 December 2006 respectively; and the Senior Executive Director of KMB and LWB from 1 January 2007 to 7 April 2008. He has been a Non-executive Director of the Company, KMB and LWB since 8 April 2008 as well as a member of the Remuneration Committee and Standing Committee of the Company. He is also the Chairman and Non-executive Director of RoadShow Holdings Limited, an indirect subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited and an Independent Non-executive Director of Hang Seng Bank Limited and Guangdong Investment Limited. He was formerly an Independent Non-executive Director of the Hong Kong Exchanges and Clearing Limited, 2000-03 and a member of the Hong Kong Civil Service, 1964-78 and 1980-93. Key posts held in Government included Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. Also former Executive Director and General Manager of Sun Hung Kai Finance Company Limited, 1978-80. Chairman of the Hong Kong Jockey Club, Vice Patron of The Community Chest, Chairman of the Court of The Hong Kong University of Science and Technology and Member of the Exchange Fund Advisory Committee. In December 2000, Dr Chan won the Executive Award in the DHL/SCMP HK Business Awards 2000 and received an Honorary University Fellowship from The University of Hong Kong.



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

Executive Director, aged 75. Mr Lui has been a Director of Transport International Holdings Limited (the “Company”) since 4 September 1997. He has also been a Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited since 17 September 1993 and 24 August 1994 respectively. He is also a member of the Standing Committee of the Company. Joined KMB in 1960 as Accountant and promoted to Chief Accountant, Assistant General Manager and appointed as General Manager on 1 March 1989. Retired as General Manager on 21 July 1999 on reaching the retirement age of 65 years. Mr Lui was appointed the Deputy Managing Director of KMB (China) Holdings Limited (“KMB (China)”) on 1 September 1999. Relinquished the post of Deputy Managing Director to assume the post of Chairman of KMB (China) on 13 August 2003.



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

Non-executive Director, aged 46. Ms Ng has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited (“KMB”) and Long Win Bus Company Limited since 4 September 1997, 12 October 1995 and 8 May 1997 respectively. She is also Founder and Deputy Chairman of RoadShow Holdings Limited (“RoadShow”). Ms Ng won the Yazhou Zhoukan Young Chinese Entrepreneur Award in 2003, was named one of China’s One Hundred Outstanding Women Entrepreneurs and named a Mason Fellow of Harvard University in 2006 and was the Caring Heart Award recipient in 2009.

As Executive Director of the Company from 1995 to 2008, Ms Ng looked after various portfolios including business development, marketing and sales, customer service, procurement, insurance, facilities management, corporate relations and corporate social responsibility. She founded and spearheaded listing of RoadShow, which business model has been adopted by many companies in HK, China and over the world. Subsequent to assuming Non-executive Director on 13 October 2008, she has been appointed Member of Standing Committee on 23 October 2008 to assist and advise the Board in formulating policy, and to monitor their implementation by management.

Active in public service, she is Director of Bauhinia Foundation Research Centre; Director of HK Cyberport; Member of Equal Opportunities Commission; Member of Hong Kong Tourism Board, Director of HK Sports Institute; Council Member of Better HK Foundation; Executive Committee Member of HK Council of Social Service; Director of Agency for Volunteer Service; PR Committee Member of Community Chest; Hospital Governing Committee Member of Queen Mary Hospital and Tsan Yuk Hospital; Hospital Governing Committee Member of Queen Elizabeth Hospital, and Advisory Board Member of Habitat for Humanity China. Ms Ng is also Vice Chairman of Council of China’s Foreign Trade, China Council for the Promotion of International Trade and Vice Board Chairman of Council of World Market, Shanghai Foreign Economic Relation and Trade Commission.

Ms Ng is the daughter of Mr Ng Siu Chan, who is a Director of the Company. She also acts as an Alternate Director to Mr Ng Siu Chan. Ms Ng holds an MBA degree from the University of Chicago and an MPA degree from Harvard University.

## Directors' Profiles



### **Dr KUNG Ziang Mien, James** GBS, OBE

Independent Non-executive Director, aged 79. Dr Kung has been the Independent Non-executive Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 16 July 1998. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He retired from the Chairman and CEO of Chekiang First Bank Ltd, after 53 years of service. Dr Kung graduated from the Soochow University Law School with a degree of LLB in 1950. He was conferred Doctor of Laws, LLD (honoris causa) by The Chinese University of Hong Kong in 1990; DBA, Doctor of Business Administration (honoris causa) by Hong Kong Polytechnic in 1991 and Doctor of Laws (honoris causa) by The University of Hong Kong in 2000. Dr Kung was awarded OBE by Her Majesty the Queen in 1994. Diplomatic Service: 1989 – 2007, Honorary Consul of Luxembourg. Other awards include Grand Officer of Order of Merit of the Grand Duchy of Luxembourg in 1994, Chevalier de la Légion d’Honneur of France in 1996, Commander in the Order of Leopold II of Belgium in 1997, Officier de la Légion d’Honneur in 2000, Commandeur de la Légion d’Honneur in 2003 and Grand Officier de la Légion d’Honneur in 2007. Dr Kung is the Former Chairman of the Hong Kong Digestive Foundation, Former Member of the Exchange Fund Advisory Committee and the Land Fund Advisory Committee, Member of the Advisory Council, One Country Two Systems Research Institute, Chairman of the HKU-Pasteur Research Centre Ltd, President of the Légion d’Honneur Club Hong Kong Chapter.



### **George CHIEN Yuan Hwei** MSc(Lond), BSc(Eng), DIC, FICE, CEng, PEng, FITE

Non-executive Director, aged 72. Mr Chien has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 16 July 1998. He was the Alternate Director to Dr Kwok Ping-sheung, Walter during the period from 8 June 1995 to 13 October 1998 inclusive. He is a member of the Audit Committee of the Company. Mr Chien is the holder of “Transportation Advisor” post in Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Previously worked for the Toronto Transit Commission in Canada for more than 10 years and in the ex-Public Works Department of the Hong Kong Government for about 24 years.



### **Dr Eric LI Ka Cheung** GBS, OBE, JP, LLD, DSocSc, BA, FCPA(Practising), FCA, FCPA(Aust.), FCIS

Independent Non-executive Director, aged 56. Dr Li has been a Director of Transport International Holdings Limited (the “Company”), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited since 10 December 1998. Dr Li was appointed an Independent Non-executive Director of RoadShow Holdings Limited since 16 September 2004. He is the Senior Partner of Li, Tang, Chen & Co., Certified Public Accountants. Dr Li is an independent non-executive director of SmarTone Telecommunications Holdings Limited, Wong’s International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited, Meadville Holdings Limited and Bank of Communications Co. Ltd., all of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He was formerly an independent non-executive director of China Vanke Co., Ltd., Sinofert Holdings Limited and CATIC International Holdings Limited. He is also an independent non-executive director of Sun Hung Kai Properties Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a member of the 11th National Committee of the Chinese People’s Political Consultative Conference. He was also a former member of the Legislative Council of Hong Kong and a past president of the Hong Kong Institute of Certified Public Accountants. Dr Li is the Chairman of the Audit Committee of the Company, and a member of the Nomination Committee and Remuneration Committee of the Company.



**Edmond HO Tat Man** MA(Cantab), MBA, FCILT, MHKIoD

Managing Director, aged 48. Mr Ho has been a Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LWB") since 1 January 2001, and a Director of RoadShow Holdings Limited since 13 October 2008. He is also a member of the Standing Committee of the Company. He joined KMB in September 1998 and served as Finance and Administration Director from January 1999 to April 2003. Mr Ho was promoted to Deputy Managing Director of the Company, KMB and LWB with effect from 10 January 2002. He has been appointed Managing Director of KMB and LWB since 1 January 2007 and Managing Director of the Company with effect from 8 April 2008. Positions previously held by him included Investment Director of a merchant bank and executive director of a number of transport infrastructure management and investment companies in Hong Kong and in the Mainland of China. He was formerly also a director of four Sino-foreign joint venture companies of an international leading soft drink brand. Mr Ho holds a master's degree in engineering from Cambridge University and an MBA degree from The University of Hong Kong.



**SIU Kwing-chue, Gordon** GBS, CBE, JP, MSS(Birmingham, UK)

Independent Non-executive Director, aged 64. Mr Siu was appointed Independent Non-executive Director of Transport International Holdings Limited (the "Company"), The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited with effect from 26 October 2004. He is also a member of the Audit Committee and Nomination Committee of the Company. Mr Siu is currently an Independent Non-executive Director of China Resources Enterprise, Limited and Television Broadcasts Limited. Mr Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in July 2002 with a service of over 36 years. His recent positions in Government included Deputy Secretary for the Civil Service (1981-1985), Secretary-General of OMELCO (1985-1988), Postmaster General (1988-1989), Commissioner for Transport (1989-1992), Director, New Airport Projects Co-ordination Office (1992-1993), Secretary for Economic Services (1993-1996), Secretary for Transport (1996-1997), Head, Central Policy Unit (1997-1999) and Secretary for Planning, Environment & Lands (1999-2002). Mr Siu was awarded the honours of Commander of the Most Excellent Order of the British Empire (CBE) in 1997 and Gold Bauhinia Star (GBS) in 2002, and appointed a non-official Justice of the Peace in 2003.



**John Anthony MILLER** SBS, OBE, MPA(Harvard), BA(Lond)

Non-executive Director, aged 59. Mr Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. Mr Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization in Geneva. Key positions held over a career spanning 35 years prior to Mr Miller's retirement include Permanent Secretary for Financial Services and the Treasury 2002-2004, Director of Housing and Chief Executive of the Housing Authority 1996-2002, Director-General of Trade 1993-1996, Director of Marine 1991-1993, Information Coordinator in the Chief Secretary's Office 1989-1991 and Private Secretary to the Governor 1979-1982. Mr Miller is Chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited of which he has been a Non-executive Director. Mr Miller holds an MPA degree from Harvard University and a BA degree from London University.

# Senior Management

## **Edmond HO Tat Man** MA(Cantab), MBA, FCILT, MHKIoD

Aged 48. Managing Director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Also Managing Director of KMB (China) Holdings Limited and a Director of RoadShow Holdings Limited. Brief biography of Mr Ho is set out on page 117 of this Annual Report.

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

Aged 75. Executive Director of Transport International Holdings Limited. Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Also Chairman of KMB (China) Holdings Limited. Brief biography of Mr Lui is set out on page 115 of this Annual Report.

## **Evan AUYANG** BA, MBA

Aged 38. Deputy Managing Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”). Prior to joining KMB in 2009, Mr Auyang was an Associate Partner at McKinsey & Company. As a leader of the Transport, Infrastructure & Logistics Practice at McKinsey, Mr Auyang advised senior management of leading multinational and Chinese enterprises over a range of strategic issues. Before management consultancy, Mr Auyang held positions at two international financial institutions in Hong Kong and Singapore in the structured finance and foreign exchange areas. Mr Auyang has a BA degree in Economics and Political Science from Brown University, and an MBA degree from the Kellogg School of Management.

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

Aged 42. Finance and Administration Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”). Mr Ho is a Member of the Canadian Institute of Chartered Accountants and a Fellow of the Hong Kong Institute of Certified Public Accountants. Before joining KMB in 2003, Mr Ho held senior finance positions in two groups of companies listed on The Stock Exchange of Hong Kong Limited. He also has over nine years of experience in public accounting in Canada and Hong Kong.

## **James Conrad LOUEY** BSc

Aged 45. Commercial Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”). Mr Louey joined KMB in 1990 and was appointed Head of Human Resources Department in 1993. He was promoted to Commercial Director in March 2006. On community service, he is currently a member of the Ninth and the Tenth Session Henan provincial committee of the Chinese People’s Political Consultative Conference. Mr Louey has been appointed as a member of the Automotive Industry Training Advisory Committee of the Education Bureau from 2009 to 2011.

## **Tim IP Chung Tim** BSocSc, MSc, DIC, CMILT

Aged 56. Operations Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”). Mr Ip joined KMB in 1981 as Senior Transport Planner and was promoted to Planning, Marketing and Development Manager in 1989. After two years overseas, Mr Ip re-joined KMB in 1994 as Assistant to General Manager. He was appointed Head of Traffic Department in 1999 and assumed the post of Operations Director in May 2007. Mr Ip was a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong from 1994 to 2002 and is a member of the Management Committee of Rehabus.

## **Winnie W Y HO** BA, MIPA

Aged 40. Corporate Affairs Director of The Kowloon Motor Bus Company (1933) Limited (“KMB”). Ms Ho was a member of the Administrative Officer Grade of the Hong Kong Civil Service between 1991 and 2004 and has held directorate positions in the tourism, aviation and environment portfolios. She was Director, Government Relations of an international theme park company prior to joining KMB in 2007.



Name	Position
<b>Transport International Holdings Limited</b>	
<b>Lana WOO</b> MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
<b>The Kowloon Motor Bus Company (1933) Limited</b>	
<b>Lana WOO</b> MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
<b>Peter S H MACK</b> MBA, MSc(Finance), LLB(Peking), ACA, CPA, ACIS	Head of Accounts Department
<b>Susanne HO</b>	Head of Corporate Communications Department
<b>CHAN Pik Yin</b> BA	Head of Customer Service Department
<b>Thomas T M TONG</b> MSc, MBA, CEng, MIStructE, MHKIE, RPE, AP, RSE	Head of Facilities Management Department
<b>Doris K K LAU</b> ACA, CPA	Head of Financial Planning and Costing Department
<b>Sharon Y C CHENG</b> BA	Head of Human Resources Department
<b>Tommy H T LEUNG</b> BSc, DMS	Head of Information Technology Department
<b>Alice LUK</b> BBA, ANZIIF(Snr Assoc), MCI Arb	Head of Insurance Department
<b>Thomas M L LEUNG</b> BSc(Hons), ACA, FCCA, CPA, CGA	Head of Internal Audit Department
<b>Queenie L M YAU</b> BBA	Head of Office Administration Department
<b>Lisa L M NG</b> BA	Head of Purchasing Department
<b>LEUNG Kin Wang</b> BSc, MIMechE, CEng	Head of Service Department
<b>SHUM Yuet Hung</b> BSc(Eng), MSc, MSc(Eng), MBA, MIRTE, FIMechE, CEng, FHKIE, ACGI, MSOE, RPE, CEnv	Principal Engineer, Bus Engineering
<b>Wendy W M SIU</b> BA, CMILT	Head of Traffic Department
<b>Simon C S CHEUNG</b> MBA, BSc, CGA, ACCA, CMILT	Head of Treasury Department
<b>WAN Kin Tim</b> BSc	General Manager (Kowloon Bay Depot)
<b>Kenrick FOK</b> CMILT	General Manager (Lai Chi Kok Depot)
<b>HO Chi Man</b> MA, CMILT	General Manager (Sha Tin Depot)
<b>WOO Kin Keung</b>	General Manager (Tuen Mun Depot)
<b>Long Win Bus Company Limited</b>	
<b>George CHAN</b>	General Manager
<b>Lana WOO</b> MBA, BA, AAT, CGA, ACIS, MIFC, CFC	Company Secretary
<b>KMB (China) Holdings Limited and New Hong Kong Bus Company Limited</b>	
<b>Simon TU</b> MBA, CMILT	General Manager
<b>Sun Bus Holdings Limited</b>	
<b>Benjamin C H WONG</b> CMILT	General Manager
<b>RoadShow Holdings Limited</b>	
<b>MO Tik Sang</b>	Managing Director
<b>Jo MAN Miu Sheung</b> ACA, CPA, ACIS, ACS	Finance and Administration Director and Company Secretary
<b>Thomas LO Sui Sing</b>	Chief Programme Officer
<b>Ramond YIU Wing Hong</b> BBA	Marketing and Sales Director
<b>Ada LO Ching</b>	Operations and Planning Director

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# Report of the Directors

The Directors have pleasure in submitting their annual report and the audited financial statements for Transport International Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2009.

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services. Particulars of the Company’s principal subsidiaries are set out in note 19 to the financial statements.

The Group’s turnover and profit are mainly attributable to transport operations, property development and media sales business. The analysis of the principal activities of the Group during the financial year is set out in note 13 to the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2009 and the state of the Company’s and the Group’s affairs as at that date are set out in the financial statements on pages 131 to 203 of this Annual Report.

## TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of HK\$673,504,000 (2008: HK\$658,670,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of 30 cents per share was paid to the shareholders on 15 October 2009 (2008: 30 cents per share). The Directors now recommend that an ordinary final dividend of HK\$1.05 per share (2008: HK\$1.05 per share) and a special dividend of HK\$1.00 per share (2008: Nil) in respect of the year ended 31 December 2009 be paid to the shareholders on 24 May 2010.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$1,070,000 (2008: HK\$642,000).

## FIXED ASSETS

During the year, major additions to the fixed assets of the Group were buses under construction with a total cost of HK\$229,507,000 and tools and other fixed assets with a total cost of HK\$326,576,000. Buses with a total cost of HK\$142,665,000 were licensed and put into service during the year following the completion of construction. Other movements in fixed assets during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 32(b) to the financial statements. There were no movements during the year.

# Report of the Directors

## DIRECTORS

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

The Hon Sir Sze-yuen CHUNG*, <i>GBM, GBE, PhD, FREng, JP</i>	(Chairman)
Dr Norman LEUNG Nai Pang*, <i>GBS, JP</i>	(Deputy Chairman)
KWOK Ping-luen, Raymond, <i>JP</i>	
Dr KWOK Ping-sheung, Walter, <i>JP</i>	
NG Siu Chan	
William LOUEY Lai Kuen	
Dr John CHAN Cho Chak, <i>GBS, JP</i>	
Charles LUI Chung Yuen, <i>M.H.</i>	
Winnie NG	(Director and Alternate Director to Mr NG Siu Chan)
Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i>	
George CHIEN Yuan Hwei	
Dr Eric LI Ka Cheung*, <i>GBS, OBE, JP</i>	
Edmond HO Tat Man	(Managing Director)
SIU Kwing-chue, Gordon*, <i>GBS, CBE, JP</i>	
John Anthony MILLER, <i>SBS, OBE</i>	
KUNG Lin Cheng, Leo, <i>JP</i>	(Alternate Director to Dr KUNG Ziang Mien, James*, <i>GBS, OBE</i> )
YUNG Wing Chung	(Alternate Director to Mr KWOK Ping-luen, Raymond, <i>JP</i> )
SO Wai Kei, Godwin	(Alternate Director to Dr KWOK Ping-sheung, Walter, <i>JP</i> with effect from 25 February 2009)
WONG On Ning, Orlena	(Ceased to be Alternate Director to Dr KWOK Ping-sheung, Walter, <i>JP</i> with effect from 25 February 2009)

\* Independent Non-executive Director

In accordance with the Company's Bye-laws and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), Dr Norman Leung Nai Pang, Dr Kwok Ping-sheung, Walter, Mr William Louey Lai Kuen and Mr George Chien Yuan Hwei retire from the Board by rotation and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 112 to 117 of this Annual Report.

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

The Directors of the Company who held office at 31 December 2009 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of the SFO.

### (i) Interests in Issued Shares

#### (a) The Company

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

\* Independent Non-executive Director

Notes:

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

# Report of the Directors

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

### (i) Interests in Issued Shares (continued)

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

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

\* Independent Non-executive Director

Notes:

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

As at 31 December 2009, none of the Directors had any non-beneficial interest in the share capital of the Company.

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

### **(ii) Interests in Underlying Shares**

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

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

The total number of securities available for issue under the Scheme as at 31 December 2009 was 99,736,533 shares which represented 10% of the issued share capital of RoadShow at 31 December 2009. In respect of the maximum entitlement of each participant under the Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of RoadShow's ordinary shares in issue. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 of RoadShow.

As at 31 December 2009, no options were outstanding.

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

## **DIRECTORS' SERVICE CONTRACTS**

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

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save for the contracts as disclosed in notes 37 and 38(b) to the financial statements, in which Mr Kwok Ping-luen, Raymond and Dr Kwok Ping-sheung, Walter, who have beneficial interests in Sun Hung Kai Properties Limited ("SHKP") were interested, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

# Report of the Directors

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

At 31 December 2009, the interests or short positions of the persons, other than Directors and the chief executive of the Company, being 5% or more in the interest in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

	Ordinary shares of HK\$1 each			Percentage of total issued shares
	Registered shareholders	Corporate interests	Total number of shares held	
Sun Hung Kai Properties Limited (Notes 1 and 2)	–	133,271,012	133,271,012	33.0%
Arklake Limited (Note 1)	68,600,352	–	68,600,352	17.0%
HSBC International Trustee Limited (Note 3)	42,592,788	–	42,592,788	10.6%
HSBC Trustee (C.I.) Limited (Note 3)	134,341,973	–	134,341,973	33.3%
Kwong Tai Holdings (PTC) Limited (Note 4)	21,000,609	–	21,000,609	5.2%

Notes:

- (1) The interest disclosed by SHKP includes the 68,600,352 shares disclosed by Arklake Limited.
- (2) Under The Code on Takeovers and Mergers (“the Takeovers Code”), a person will be subject to mandatory offer obligations if such person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company. Such threshold was reduced from 35% to 30% with effect from 19 October 2001. However, transitional provisions apply where a person, or two or more persons acting in concert, holds 30% or more of the voting rights of a company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Takeovers Code shall be interpreted and applied as if the 30% trigger in Rules 26.1(a) and (b) of the Takeovers Code was 35% for such person or persons and such person or persons are not subject to the 2% creper under Rules 26.1(c) and (d) of the Takeovers Code. In this regard, SHKP has been holding 30% or more of the voting rights of the Company but less than 35% of such voting rights immediately prior to 19 October 2001, the above transitional provisions apply to SHKP for so long as its holding remains within the range of 30% and 35% for a period of 10 years after 19 October 2001.
- (3) HSBC International Trustee Limited and HSBC Trustee (C.I.) Limited are deemed to be interested in 176,934,761 shares in the Company held on trust for their clients, of which 133,271,012 shares are held for SHKP.
- (4) The interest disclosed by Kwong Tai Holdings (PTC) Limited includes 21,000,609 shares disclosed by Mr Ng Siu Chan and Ms Winnie Ng, both are Directors of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

## SENIOR MANAGEMENT

Brief particulars of the senior management of the Group are set out on page 118 of this Annual Report.



## STAFF RETIREMENT SCHEMES

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

### Defined Benefit Retirement Schemes

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

The most recent actuarial valuations of the two schemes were at 1 January 2010 which showed that there were sufficient assets in the schemes to cover both the solvency and ongoing liabilities of the schemes. Other relevant information extracted from the valuation pertaining to the two schemes is set out below:

#### The KMB Monthly Rated Employees Scheme

- (i) The scheme was established with effect from 15 February 1978.
- (ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 65.
- (iii) The market value of the scheme assets at 31 December 2009 was HK\$1,130,830,000.
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group’s contribution requirement, the Group took a contribution holiday for the year ended 31 December 2009.
- (v) The ongoing funding surplus in the scheme was HK\$426,382,000 and the solvency surplus was HK\$426,722,000 at 31 December 2009.

#### The KMB Daily Rated Employees Scheme

- (i) The scheme was established with effect from 1 July 1983.
- (ii) The actuary of the scheme is Mr Aaron Wong, Fellow of the Canadian Institute of Actuaries and Fellow of the Society of Actuaries. In the actuarial valuation, the attained age valuation method was used (see note below) for calculation of contributions paid to the scheme. Other major assumptions used in the valuation were: Investment Return at 5.5% and Salary Escalation at 4.5% per annum; Mortality Rates 2001 Hong Kong Life Tables; Nil Withdrawal Rate; and Normal Retirement Age of 60.
- (iii) The market value of the scheme assets at 31 December 2009 was HK\$2,685,874,000.
- (iv) On the basis of the assumptions made as to the future economic and demographic experience of the scheme, and assuming the past service surplus is to be utilised faster to offset the Group’s contribution requirement, the Group took a contribution holiday for the year ended 31 December 2009.
- (v) The ongoing funding surplus in the scheme was HK\$1,092,514,000 and the solvency surplus was HK\$1,181,515,000 at 31 December 2009.

Note: The obligations in respect of defined benefit retirement schemes included in the financial statements are calculated using the projected unit credit method under different actuarial assumptions (see notes 1(x)(ii) and 23 to the financial statements).

# Report of the Directors

## **STAFF RETIREMENT SCHEMES** (continued)

### **Defined Contribution Retirement Scheme**

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

The Group is also a participating member of the SHKP Scheme, which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of the relevant employees' salaries, depending on their length of service with the Group. The employees are required to make contributions to the SHKP Scheme at 5% of the employees' relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the SHKP Scheme during the year are charged to the income statement as incurred. Forfeited amounts due to resignation prior to the vesting of the benefits will be used to reduce the Group's contributions made in that corresponding financial year. The amount of forfeited contributions utilised during the year and the amount available for use as at 31 December 2009 were insignificant to the Group.

## **BANK LOANS AND OVERDRAFTS**

Particulars of bank loans and overdrafts of the Group as at 31 December 2009 are set out in note 27 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

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

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 204 of this Annual Report.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **CORPORATE GOVERNANCE**

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

## **PROPERTIES**

Particulars of the investment property and completed property held for sale of the Group are shown on page 105 of this Annual Report.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, together with management and the Company's external auditors, KPMG, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and also reviewed the financial statements for the year ended 31 December 2009.

## **CONFIRMATION OF INDEPENDENCE**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **AUDITORS**

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

By Order of the Board

## **S.Y. CHUNG**

Chairman

Hong Kong, 18 March 2010

# Independent Auditor's Report



## TO THE SHAREHOLDERS OF TRANSPORT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Transport International Holdings Limited (the "Company") set out on pages 131 to 203, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### KPMG

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

18 March 2010

# Consolidated Income Statement

for the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>	3 & 13	<b>6,842,195</b>	7,353,086
Other net income	4	<b>80,738</b>	404,595
Cost of properties sold		<b>(27,809)</b>	(134,214)
Staff costs	5(a)	<b>(3,057,194)</b>	(3,047,200)
Depreciation and amortisation		<b>(900,942)</b>	(916,470)
Fuel and oil		<b>(960,000)</b>	(1,643,709)
Spare parts and stores		<b>(236,013)</b>	(226,760)
Toll charges		<b>(372,356)</b>	(351,747)
Selling and marketing expenses for property sales		<b>(2,069)</b>	(22,633)
Other operating expenses		<b>(587,198)</b>	(745,059)
<b>Profit from operations</b>		<b>779,352</b>	669,889
Finance costs	5(b)	<b>(12,143)</b>	(32,614)
Share of profits less losses of associates		<b>29,568</b>	59,759
Share of profits less losses of jointly controlled entities		<b>3,021</b>	(3,363)
<b>Profit before taxation</b>	5	<b>799,798</b>	693,671
Income tax	6(a)	<b>(117,742)</b>	(17,837)
<b>Profit for the year</b>		<b>682,056</b>	675,834
<b>Attributable to:</b>			
Equity shareholders of the Company	9	<b>673,504</b>	658,670
Minority interests		<b>8,552</b>	17,164
<b>Profit for the year</b>		<b>682,056</b>	675,834
<b>Profit for the year attributable to equity shareholders of the Company:</b>			
Arising from sales of properties		<b>186,099</b>	366,154
Arising from the Group's other operations		<b>487,405</b>	292,516
		<b>673,504</b>	658,670
<b>Earnings per share:</b>	11		
Arising from sales of properties		<b>HK\$0.46</b>	HK\$ 0.91
Arising from the Group's other operations		<b>1.21</b>	0.72
		<b>HK\$1.67</b>	HK\$ 1.63

The notes on pages 138 to 203 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Profit for the year</b>		<b>682,056</b>	675,834
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>			
Exchange differences on translation of financial statements of entities outside Hong Kong		610	55,967
Exchange differences reclassified from equity to profit or loss upon deemed disposal and disposal of interest in associate		(2,935)	(27,515)
Exchange differences reclassified from equity to profit or loss upon disposal of interest in jointly controlled entity		(2,070)	–
Available-for-sale debt securities: net movement in the fair value reserve, net of nil tax	10	(1,684)	1,685
Cash flow hedges: net movement in the hedging reserve, net of nil tax	10	595	(595)
<b>Total comprehensive income for the year</b>		<b>676,572</b>	705,376
<b>Attributable to:</b>			
Equity shareholders of the Company		672,947	678,016
Minority interests		3,625	27,360
<b>Total comprehensive income for the year</b>		<b>676,572</b>	705,376

The notes on pages 138 to 203 form part of these financial statements.

# Consolidated Balance Sheet

at 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14(a)		
– Investment property		115,925	–
– Investment property under development		–	120,375
– Other property, plant and equipment		3,906,247	4,265,488
– Interest in leasehold land held for own use under operating leases		77,946	80,025
		<b>4,100,118</b>	4,465,888
Passenger service licences	15	21,536	15,036
Goodwill	16	63,315	62,885
Media assets	17	372	778
Non-current prepayments	18	19,161	28,741
Interest in associates	20	612,007	833,680
Interest in jointly controlled entities	21	–	20,422
Other financial assets	22	333,548	135,540
Employee benefit assets	23(a)	715,993	755,435
Deferred tax assets	30(b)	6,013	8,493
		<b>5,872,063</b>	6,326,898
<b>Current assets</b>			
Completed property held for sale		42,082	78,469
Spare parts and stores		72,376	76,240
Accounts receivable	25	384,579	717,823
Deposits and prepayments		40,074	28,858
Current taxation recoverable	30(a)	7,868	24,608
Pledged bank deposit	26(a)	51,200	–
Cash and cash equivalents	26(a)	3,501,861	3,034,131
		<b>4,100,040</b>	3,960,129
<b>Current liabilities</b>			
Bank loans and overdrafts	27	401,930	725,384
Accounts payable and accruals	28	1,069,502	989,087
Third party claims payable	29	127,542	142,684
Current taxation payable	30(a)	47,104	19,458
		<b>1,646,078</b>	1,876,613
<b>Net current assets</b>		<b>2,453,962</b>	2,083,516
<b>Total assets less current liabilities</b>		<b>8,326,025</b>	8,410,414

# Consolidated Balance Sheet (continued)

at 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	27	469,832	589,748
Contingency provision – insurance	29	305,067	336,912
Deferred tax liabilities	30(b)	499,146	531,330
Provision for long service payments	31	34,280	38,521
		<b>1,308,325</b>	1,496,511
<b>Net assets</b>			
		<b>7,017,700</b>	6,913,903
<b>Capital and reserves</b>			
Share capital	32(b)	403,639	403,639
Reserves		6,385,218	6,257,184
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>6,788,857</b>	6,660,823
<b>Minority interests</b>			
		<b>228,843</b>	253,080
<b>Total equity</b>			
		<b>7,017,700</b>	6,913,903

Approved and authorised for issue by the Board of Directors on 18 March 2010

**S.Y. CHUNG**

Chairman

**Edmond HO Tat Man**

Managing Director

The notes on pages 138 to 203 form part of these financial statements.



# Balance Sheet

at 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	14(b)	–	–
Investments in subsidiaries	19(a)	<b>1,188,423</b>	1,188,423
		<b>1,188,423</b>	1,188,423
<b>Current assets</b>			
Deposits and prepayments		<b>1,023</b>	514
Amounts due from subsidiaries	19(b)	<b>7,319,559</b>	6,950,045
Cash and cash equivalents	26(a)	<b>28,417</b>	27,289
		<b>7,348,999</b>	6,977,848
<b>Current liabilities</b>			
Accounts payable and accruals	28	<b>41,051</b>	44,490
Amounts due to subsidiaries	19(b)	<b>6,788,653</b>	6,340,317
		<b>6,829,704</b>	6,384,807
<b>Net current assets</b>			
		<b>519,295</b>	593,041
<b>Net assets</b>			
		<b>1,707,718</b>	1,781,464
<b>Capital and reserves</b>			
Share capital	32(a)	<b>403,639</b>	403,639
Reserves		<b>1,304,079</b>	1,377,825
<b>Total equity</b>			
		<b>1,707,718</b>	1,781,464

Approved and authorised for issue by the Board of Directors on 18 March 2010

## S.Y. CHUNG

Chairman

## Edmond HO Tat Man

Managing Director

The notes on pages 138 to 203 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Attributable to equity shareholders of the Company									
	Note	Share capital	Other reserves	Exchange reserve	Hedging reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
		HK\$'000	HK\$'000	HK\$'000 (note 32(c)(i))	HK\$'000 (note 32(c)(ii))	HK\$'000 (note 32(c)(iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008		403,639	1,102,851	92,400	–	5	5,950,033	7,548,928	249,628	7,798,556
<b>Changes in equity for 2008:</b>										
Dividends approved in respect of the previous year	12(b)	–	–	–	–	–	(1,445,029)	(1,445,029)	–	(1,445,029)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(23,908)	(23,908)
Total comprehensive income for the year		–	–	18,256	(595)	1,685	658,670	678,016	27,360	705,376
Dividend approved in respect of the current year	12(a)	–	–	–	–	–	(121,092)	(121,092)	–	(121,092)
At 31 December 2008		403,639	1,102,851	110,656	(595)	1,690	5,042,582	6,660,823	253,080	6,913,903
At 1 January 2009		<b>403,639</b>	<b>1,102,851</b>	<b>110,656</b>	<b>(595)</b>	<b>1,690</b>	<b>5,042,582</b>	<b>6,660,823</b>	<b>253,080</b>	<b>6,913,903</b>
<b>Changes in equity for 2009:</b>										
Dividend approved in respect of the previous year	12(b)	–	–	–	–	–	(423,821)	(423,821)	–	(423,821)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(27,862)	(27,862)
Total comprehensive income for the year		–	–	532	595	(1,684)	673,504	672,947	3,625	676,572
Dividend approved in respect of the current year	12(a)	–	–	–	–	–	(121,092)	(121,092)	–	(121,092)
At 31 December 2009		<b>403,639</b>	<b>1,102,851</b>	<b>111,188</b>	<b>–</b>	<b>6</b>	<b>5,171,173</b>	<b>6,788,857</b>	<b>228,843</b>	<b>7,017,700</b>

The notes on pages 138 to 203 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>Operating activities</b>			
Cash generated from operations	26(b)	2,062,841	2,335,914
Interest received		32,945	119,085
Interest paid		(10,131)	(34,495)
Hong Kong Profits Tax paid		(94,634)	(250,834)
The People's Republic of China ("PRC") Income Tax paid		(397)	(2,384)
<b>Net cash generated from operating activities</b>		<b>1,990,624</b>	<b>2,167,286</b>
<b>Investing activities</b>			
(Increase)/decrease in pledged bank deposit		(51,200)	38,000
(Increase)/decrease in bank deposits with original maturities of over three months		(2,183,342)	617,395
Payment for purchase of fixed assets		(613,421)	(401,733)
Payment for purchase of passenger service licences		(5,500)	(400)
Payment for purchase of available-for-sale debt securities		(93,570)	(48,455)
Proceeds from disposal of available-for-sale debt securities		88,554	7,992
Proceeds from disposal of fixed assets		3,652	12,145
Proceeds from disposal of subsidiary	33(b)	106,640	–
Proceeds from disposal of jointly controlled entity		21,945	–
Payment for acquisition of subsidiary	33(a)	(2,030)	(12,196)
Repayment of loans to associate		25,830	–
Repayment of loan to investee		–	18,592
Return of capital from jointly controlled entity		–	2,215
Interest received from associate		3,202	2,138
Dividends received from associates		–	16,949
Dividends received from unlisted equity securities		8,680	4,960
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,690,560)</b>	<b>257,602</b>
<b>Financing activities</b>			
Dividends paid to equity shareholders of the Company		(544,913)	(1,566,121)
Dividends paid to minority shareholders		(27,862)	(23,908)
Proceeds from new bank loans		400,000	99,000
Repayment of bank loans		(835,920)	(356,250)
<b>Net cash used in financing activities</b>		<b>(1,008,695)</b>	<b>(1,847,279)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,708,631)</b>	<b>577,609</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,377,892</b>	<b>1,802,485</b>
<b>Effect of foreign exchange rate changes</b>		<b>2,393</b>	<b>(2,202)</b>
<b>Cash and cash equivalents at 31 December</b>	26(a)	<b>671,654</b>	<b>2,377,892</b>

The notes on pages 138 to 203 form part of these financial statements.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

The Group has not applied any standard or interpretation that is not yet effective for the current accounting period (see note 41).

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and jointly controlled entities.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments in securities (see note 1(f)), derivative financial instruments (see note 1(g)) and employee benefit assets (see note 1(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 40.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Subsidiaries and minority interests

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

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

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

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

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

### (d) Associates and jointly controlled entities

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

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

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter 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)). The Group's share of the post-acquisition, post-tax results of the investees 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 investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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. The equity method continues to apply until significant influence or joint control ceases.

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.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill 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)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(m)).

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

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

### (f) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at 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 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)).

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (i) Investment property

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 in the balance sheet 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.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Other property, plant and equipment (continued)

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
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.

### (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.

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

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

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

### (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 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.



## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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;
- 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.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Impairment of assets (continued)

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

- 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.

#### (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 property;
- pre-paid interests in leasehold land classified as being held under operating leases;
- 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).

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Impairment of assets (continued)

#### (ii) Impairment of other assets (continued)

- 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.

#### (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.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (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 guarantees 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 acquired in business combinations

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Financial guarantees issued, provisions and contingent liabilities (continued)

#### (iii) Other provisions and contingent liabilities (continued)

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.
- (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.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Translation of foreign currencies

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

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

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

The results of 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 dollars 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.

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 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Employee benefits (continued)

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

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

#### (iv) Share-based payments

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

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Income tax (continued)

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

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.



## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 one new HKFRS, a number of amendments to HKFRSs and 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 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

# Notes to the Financial Statements

## 2 CHANGES IN ACCOUNTING POLICIES (continued)

The adoption of the Improvements to HKFRSs (2008) and the amendments to HKAS 23 and HKAS 27 does not have a material impact on the Group's financial statements. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision makers ("CODM") regard and manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group's CODM for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 13). Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 36(g) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

## 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 property recognised during the year and is analysed as follows:

	2009 HK\$'000	2008 HK\$'000
Fare revenue from franchised public bus services	6,146,454	6,137,548
Revenue from non-franchised transport services	295,373	399,983
Revenue from sales of properties	156,176	619,032
Media sales revenue	236,525	196,523
Gross rentals from investment property	7,667	–
	<b>6,842,195</b>	<b>7,353,086</b>

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

	2009 HK\$'000	2008 HK\$'000
Write-back of impairment loss on instalments receivable	80,285	–
Net movement in balance of passenger rewards (see note below)	(58,100)	–
Net (loss)/income recognised in respect of defined benefit retirement plans (note 23(e))	(39,442)	153,207
Interest income on instalments receivable from sales of properties	852	34,627
Interest income on other financial assets not at fair value through profit or loss	36,380	86,542
Claims received	29,298	30,565
Impairment loss on unlisted equity securities	(9,801)	–
Dividend income from unlisted equity securities	8,680	4,960
Net miscellaneous business receipts	6,004	8,922
Net exchange (loss)/gain	(2,801)	9,624
Gain on disposal of jointly controlled entity (note 21)	1,287	–
Net gain on disposal of fixed assets	400	1,191
Available-for-sale debt securities: reclassified from equity		
– on disposal	(125)	(101)
– on impairment	–	(1,100)
Gain on deemed disposal of partial interest in associate (note 20)	177	–
Gain on disposal of associate (note 20)	–	64,626
Sundry revenue	27,644	11,532
	<b>80,738</b>	<b>404,595</b>

Note: Under 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 2009 and 2008 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2009, included in accounts payable and accruals, was HK\$58,100,000 (2008: Nil) (see note 28).

## 5 PROFIT BEFORE TAXATION

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

	2009 HK\$'000	2008 HK\$'000
<b>(a) Staff costs:</b>		
Contributions to defined contribution retirement plans	65,557	61,484
Movements in provision for long service payments (note 31)	2,887	133
Salaries, wages and other benefits	2,988,750	2,985,583
	<b>3,057,194</b>	<b>3,047,200</b>

# Notes to the Financial Statements

## 5 PROFIT BEFORE TAXATION (continued)

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

	2009 HK\$'000	2008 HK\$'000
<b>(b) Finance costs:</b>		
Interest on bank loans and overdrafts not at fair value through profit or loss	12,143	32,614

	2009 HK\$'000	2008 HK\$'000
<b>(c) Other items:</b>		
Auditors' remuneration		
– audit services	4,107	4,720
– other services	1,465	1,739
Operating lease charges on properties, temporary bus depots, buses, ferries and terminal shelters	29,551	37,927
Depreciation	898,457	913,985
Amortisation of land lease premium	2,079	2,079
Amortisation of media assets	406	406
Impairment loss on accounts receivable	296	80,990
Write-back of impairment loss on instalments receivable	(80,285)	–
Write-down of spare parts and stores	2,843	2,683
Rentals receivable from investment property less direct outgoings of HK\$5,796,000 (2008: Nil) (note)	(1,871)	–

Note: Included contingent rental income of HK\$177,000 (2008: Nil).

## 6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Taxation in the consolidated income statement represents:

	2009 HK\$'000	2008 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	138,813	119,519
Additional provision for prior years upon resolution of tax disputes	–	58,095
Under/(over)-provision in respect of prior years	357	(226)
	<b>139,170</b>	<b>177,388</b>
<b>Current tax – PRC Income Tax</b>		
Provision for the year	247	7,039
Under-provision in respect of prior years	–	200
	<b>247</b>	<b>7,239</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(21,675)	(69,657)
Effect of decrease in tax rate on deferred tax balances at 1 January	–	(39,038)
Effect of resolution of tax disputes	–	(58,095)
	<b>(21,675)</b>	<b>(166,790)</b>
	<b>117,742</b>	<b>17,837</b>

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 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.

In prior years, there were discussions between a subsidiary and the Hong Kong Inland Revenue Department (the “IRD”) on the subsidiary’s treatment of defined benefit assets and calculations of depreciation allowances in its Hong Kong Profits Tax computation. During the year ended 31 December 2008, the subsidiary and the IRD have finalised the related tax treatments. The subsidiary has revised its Hong Kong Profits Tax computations for prior years accordingly, resulting in additional current taxation payable of HK\$58,095,000 and a corresponding reduction in the deferred tax liabilities of the same amount. This has no material impact on the Group’s net assets as at 31 December 2008 and its profit for the year then ended.

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

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	799,798	693,671
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	135,541	111,567
Tax effect of non-deductible expenses	11,091	7,205
Tax effect of non-taxable income	(29,422)	(62,776)
Tax effect of unused tax losses not recognised	1,077	2,517
Tax effect of prior years’ unrecognised deferred tax assets recognised during the year	–	(457)
Under/(over)-provision in prior years	357	(26)
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	–	(39,038)
Others	(902)	(1,155)
Actual tax expense	<b>117,742</b>	<b>17,837</b>

# Notes to the Financial Statements

## 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 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
<b>Executive Directors</b>					
Charles Lui Chung Yuen	360	600	67	–	1,027 <sup>(1)</sup>
Edmond Ho Tat Man	415	3,901	1,000	468	5,784 <sup>(1)</sup>
<b>Non-executive Directors</b>					
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 <sup>(1)</sup>
Winnie Ng	460	–	–	–	460 <sup>(1)</sup>
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	415	–	–	–	415 <sup>(1)</sup>
Yung Wing Chung <sup>(2)</sup>	108	–	–	–	108
<b>Independent Non-executive Directors</b>					
The Hon Sir Sze-yuen Chung	504	–	–	–	504
Dr Norman Leung Nai Pang	402	–	–	–	402
Dr Kung Ziang Mien, James	450	–	–	–	450
Dr Eric Li Ka Cheung	592	–	–	–	592 <sup>(1)</sup>
Siu Kwing-chue, Gordon	377	–	–	–	377
	<b>6,399</b>	<b>4,501</b>	<b>1,067</b>	<b>468</b>	<b>12,435</b>

## 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 2008	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Charles Lui Chung Yuen	360	600	141	–	1,101 <sup>(1)</sup>
Edmond Ho Tat Man	372	3,596	800	408	5,176 <sup>(1)</sup>
<b>Non-executive Directors</b>					
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 <sup>(3)</sup>	448	1,750	–	288	2,486 <sup>(1)</sup>
Winnie Ng <sup>(4)</sup>	421	2,799	434	–	3,654 <sup>(1)</sup>
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	344	–	–	–	344 <sup>(1)</sup>
Yung Wing Chung <sup>(2)</sup>	19	–	–	–	19
<b>Independent Non-executive Directors</b>					
The Hon Sir Sze-yuen Chung	504	–	–	–	504
Dr Norman Leung Nai Pang	402	–	–	–	402
Dr Kung Ziang Mien, James	450	–	–	–	450
Dr Eric Li Ka Cheung	552	–	–	–	552 <sup>(1)</sup>
Siu Kwing-chue, Gordon	360	–	–	–	360
	6,092	8,745	1,375	696	16,908

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 John Chan Cho Chak has been re-designated as a Non-executive Director of the Company with effect from 8 April 2008.
- (4) Ms Winnie Ng has been re-designated as a Non-executive Director of the Company with effect from 13 October 2008.

# Notes to the Financial Statements

## 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2008: three) is a Director 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:

	2009 HK\$'000	2008 HK\$'000
Fees	415	1,241
Salaries, allowances and benefits in kind	12,353	11,962
Discretionary bonuses	2,808	2,184
Retirement scheme contributions	685	794
	<b>16,261</b>	<b>16,181</b>

The emoluments of the five (2008: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	3	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–

## 9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$362,106,000 (2008: HK\$1,106,880,000) 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:

	2009 HK\$'000	2008 HK\$'000
Amount of consolidated profit attributable to equity shareholders of the Company dealt with in the Company's financial statements	362,106	1,106,880
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	109,061	109,058
Company's profit for the year (note 32(a))	<b>471,167</b>	<b>1,215,938</b>



## 10 OTHER COMPREHENSIVE INCOME

	2009 HK\$'000	2008 HK\$'000
<b>Available-for-sale debt securities:</b>		
Changes in fair value recognised during the year	(1,809)	484
Reclassification adjustment for amount transferred to profit or loss:		
– on disposal	125	101
– impairment loss	–	1,100
Net movement in the fair value reserve during the year recognised in other comprehensive income	(1,684)	1,685
<b>Cash flow hedges:</b>		
Effective portion of changes in fair value of hedging instruments recognised during the year	–	(595)
Amount transferred to initial carrying amount of hedged items	595	–
Net movement in the hedging reserve during the year recognised in other comprehensive income	595	(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\$673,504,000 (2008: HK\$658,670,000) and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008. The calculation of basic earnings per share arising from sales of properties and the Group's other operations is based on profits arising from the respective operations of HK\$186,099,000 (2008: HK\$366,154,000) and HK\$487,405,000 (2008: HK\$292,516,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008.

### (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

	2009		2008	
	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	–	–
	<b>2.35</b>	<b>948,552</b>	<b>1.35</b>	<b>544,913</b>

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

# Notes to the Financial Statements

## 12 DIVIDENDS (continued)

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

	2009		2008	
	Per share HK\$	Total HK\$'000	Per share HK\$	Total HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	1.05	423,821	1.58	637,750
Special final dividend in respect of the previous financial year, approved and paid during the year	–	–	2.00	807,279
	1.05	423,821	3.58	1,445,029

## 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 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 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 property 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 2009 and 2008 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue from external customers	6,200,046	6,201,551	183,022	132,794	156,176	619,032	302,951	399,709	6,842,195	7,353,086
Inter-segment revenue	54,371	32,567	13,339	15,619	–	–	19,837	19,440	87,547	67,626
<b>Reportable segment revenue</b>	<b>6,254,417</b>	<b>6,234,118</b>	<b>196,361</b>	<b>148,413</b>	<b>156,176</b>	<b>619,032</b>	<b>322,788</b>	<b>419,149</b>	<b>6,929,742</b>	<b>7,420,712</b>
<b>Reportable segment profit</b>	<b>387,897</b>	<b>87,391</b>	<b>18,220</b>	<b>51,472</b>	<b>185,252</b>	<b>364,311</b>	<b>59,682</b>	<b>121,891</b>	<b>651,051</b>	<b>625,065</b>
Interest income	3,109	4,151	13,648	24,411	–	32,501	852	2,702	17,609	63,765
Interest expense	(9,930)	(25,547)	–	(300)	–	–	(2,213)	(6,767)	(12,143)	(32,614)
Depreciation and amortisation for the year	(854,498)	(862,720)	(9,875)	(14,638)	–	–	(36,569)	(39,112)	(900,942)	(916,470)
(Provision)/write-back of impairment losses on receivables	–	–	(10)	(414)	80,285	(80,285)	(286)	(291)	79,989	(80,990)
Impairment loss on unlisted equity securities	–	–	(9,801)	–	–	–	–	–	(9,801)	–
Staff costs	(2,903,030)	(2,886,806)	(39,975)	(28,726)	–	–	(106,691)	(124,455)	(3,049,696)	(3,039,987)
<b>Reportable segment assets</b>	<b>5,055,096</b>	<b>5,286,692</b>	<b>852,081</b>	<b>888,083</b>	<b>198,217</b>	<b>342,733</b>	<b>1,072,698</b>	<b>1,470,807</b>	<b>7,178,092</b>	<b>7,988,315</b>
– including interest in jointly controlled entities	–	–	–	–	–	–	–	20,422	–	20,422
– including interest in associates	–	–	–	256,926	–	–	612,007	576,754	612,007	833,680
Additions to non-current segment assets during the year	605,984	336,419	11,021	403	–	–	36,569	87,112	653,574	423,934
<b>Reportable segment liabilities</b>	<b>2,433,116</b>	<b>2,665,537</b>	<b>47,987</b>	<b>34,538</b>	<b>187,252</b>	<b>245,785</b>	<b>247,777</b>	<b>389,852</b>	<b>2,916,132</b>	<b>3,335,712</b>

# Notes to the Financial Statements

## 13 SEGMENT REPORTING (continued)

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

	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	6,606,954	7,001,563
Revenue from all other segments	322,788	419,149
Elimination of inter-segment revenue	(87,547)	(67,626)
Consolidated turnover	<b>6,842,195</b>	7,353,086

	2009 HK\$'000	2008 HK\$'000
<b>Profit</b>		
Reportable segment profit	591,369	503,174
Profit from all other segments	59,682	121,891
Unallocated profits	31,005	50,769
Consolidated profit after taxation	<b>682,056</b>	675,834

	2009 HK\$'000	2008 HK\$'000
<b>Assets</b>		
Reportable segment assets	6,105,394	6,517,508
Assets from all other segments	1,072,698	1,470,807
Unallocated assets	2,794,011	2,298,712
Consolidated total assets	<b>9,972,103</b>	10,287,027

### 13 SEGMENT REPORTING (continued)

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

	2009 HK\$'000	2008 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	2,668,355	2,945,860
Liabilities from all other segments	247,777	389,852
Unallocated liabilities	38,271	37,412
Consolidated total liabilities	<b>2,954,403</b>	<b>3,373,124</b>

#### (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 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 and jointly controlled entities ("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 and jointly controlled entities.

	Specified non-current assets	
	2009 HK\$'000	2008 HK\$'000
Hong Kong (place of domicile)	4,169,731	4,528,453
The PRC	627,617	870,236
	<b>4,797,348</b>	<b>5,398,689</b>

# Notes to the Financial Statements

## 14 FIXED ASSETS

### (a) The Group:

	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Vessels HK\$'000	Buses under construction HK\$'000	Tools and others HK\$'000	Sub-total HK\$'000	Investment property under development HK\$'000	Investment property HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
<b>Cost:</b>										
At 1 January 2008	1,425,902	9,213,137	122,922	72,002	2,327,974	13,161,937	82,529	–	126,120	13,370,586
Exchange adjustments	–	121	–	–	8	129	–	–	–	129
Additions	6,262	32,200	–	42,666	274,379	355,507	37,846	–	–	393,353
Acquisition of subsidiary	–	2,529	–	–	–	2,529	–	–	–	2,529
Disposals	(2,251)	(162,857)	(37)	–	(43,295)	(208,440)	–	–	–	(208,440)
Transfer of buses	–	71,580	–	(71,580)	–	–	–	–	–	–
At 31 December 2008	1,429,913	9,156,710	122,885	43,088	2,559,066	13,311,662	120,375	–	126,120	13,558,157
<b>Accumulated depreciation, amortisation and impairment losses:</b>										
At 1 January 2008	824,588	5,554,559	29,931	–	1,936,169	8,345,247	–	–	44,016	8,389,263
Exchange adjustments	–	68	–	–	5	73	–	–	–	73
Charge for the year	33,710	601,295	4,622	–	274,358	913,985	–	–	2,079	916,064
Acquisition of subsidiary	–	115	–	–	–	115	–	–	–	115
Written back on disposal	(2,251)	(152,498)	(6)	–	(42,731)	(197,486)	–	–	–	(197,486)
At 31 December 2008	856,047	6,003,539	34,547	–	2,167,801	9,061,934	–	–	46,095	9,108,029
<b>Net book value:</b>										
At 31 December 2008	573,866	3,153,171	88,338	43,088	391,265	4,249,728	120,375	–	80,025	4,450,128
Add: Deposits paid in respect of buses on order						15,760	–	–	–	15,760
						4,265,488	120,375	–	80,025	4,465,888

## 14 FIXED ASSETS (continued)

### (a) The Group: (continued)

	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Vessels HK\$'000	Buses under construction HK\$'000	Tools and others HK\$'000	Sub-total HK\$'000	Investment property under development HK\$'000	Investment property HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
<b>Cost:</b>										
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 33(a))	-	1,800	-	-	-	1,800	-	-	-	1,800
Disposals	(13,056)	(158,321)	-	-	(46,056)	(217,433)	-	-	-	(217,433)
Disposal of subsidiary (note 33(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
<b>Accumulated depreciation, amortisation and impairment losses:</b>										
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 33(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 33(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
<b>Net book value:</b>										
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

# Notes to the Financial Statements

## 14 FIXED ASSETS (continued)

### (b) The Company:

	Other fixed assets	
	2009 HK\$'000	2008 HK\$'000
<b>Cost:</b>		
At 1 January and 31 December	201	201
<b>Accumulated depreciation:</b>		
At 1 January and 31 December	201	201
<b>Net book value:</b>		
At 31 December	–	–

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Medium-term leases	478,884	494,856
Short-term leases	264,550	279,410
	743,434	774,266

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Representing:</b>		
Buildings held for own use	549,563	573,866
Interest in leasehold land held for own use under operating leases	77,946	80,025
Investment property	115,925	–
Investment property under development	–	120,375
	743,434	774,266

- (d) Investment property is stated at cost less accumulated depreciation and impairment loss. The fair value of the investment property was HK\$432,000,000 as at 31 December 2009. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuation was performed on an open market value basis.



## 14 FIXED ASSETS (continued)

- (e) The Group leased out investment property under operating leases during the year ended 31 December 2009. 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 property under non-cancellable operating leases are receivable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	10,436	–
After 1 year but within 5 years	12,746	–
	<b>23,182</b>	–

## 15 PASSENGER SERVICE LICENCES

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Cost and net book value:</b>		
At 1 January	15,036	13,936
Acquisition of subsidiary (note 33(a))	1,000	700
Additions	5,500	400
At 31 December	<b>21,536</b>	15,036

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.

# Notes to the Financial Statements

## 16 GOODWILL

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Cost:</b>		
At 1 January	75,372	64,065
Acquisition of subsidiary (note 33(a))	430	11,307
At 31 December	75,802	75,372
<b>Accumulated impairment losses:</b>		
At 1 January and 31 December	12,487	12,487
<b>Carrying amount:</b>		
At 31 December	63,315	62,885

### 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:

	2009 %	2008 %
Growth rate	2.0	2.5
Discount rate	8.7	6.0

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

## 17 MEDIA ASSETS

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Cost:</b>		
At 1 January	2,030	1,923
Exchange adjustments	–	107
At 31 December	2,030	2,030
<b>Accumulated amortisation and impairment losses:</b>		
At 1 January	1,252	801
Amortisation for the year	406	406
Exchange adjustments	–	45
At 31 December	1,658	1,252
<b>Carrying amount:</b>		
At 31 December	372	778

## 18 NON-CURRENT PREPAYMENTS

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

## 19 INTEREST IN SUBSIDIARIES

### (a) Investments in subsidiaries

	The Company	
	2009 HK\$'000	2008 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.

# Notes to the Financial Statements

## 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			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares of HK\$1 each	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares of HK\$1 each	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares of HK\$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company	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)
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 vehicle, 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			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
RoadShow Productions Limited	Hong Kong	2 shares of HK\$1 each	73	–	100	Production of content for Multi-media On-board systems
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property development
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US\$1	100	–	100	Property investment
LCK Commercial Properties Limited	Hong Kong	1 share of HK\$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
HK Macau Ltd.	Incorporated in the British Virgin Islands and operates in Hong Kong	1,200 shares of US\$1 each	60	–	60	Investment holding
Shanghai Yafei Advertising Company Limited (Limited liability company)	The PRC	RMB600,000	37.2	–	51	Provision of media advertising agency and design and production of advertisements
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares of HK\$100 each	100	–	100	Provision of non-franchised bus services in Hong Kong and the PRC

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited, at 31 December 2009 amounted to HK\$531,533,000 (2008: HK\$364,088,000).

# Notes to the Financial Statements

## 20 INTEREST IN ASSOCIATES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	555,453	655,950
Goodwill	61,476	75,870
Loans to associate	–	95,714
Amounts due from associate	–	11,068
Amounts due to associate	(4,922)	(4,922)
	<b>612,007</b>	<b>833,680</b>

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. Loans to associate and amounts due from associates at 31 December 2008 were neither past due nor impaired.

At 31 December 2008, the loans to associate are unsecured, bearing interest ranging from 5.58% p.a. to 7.47% p.a. and were not expected to be settled within one year.

At 31 December 2008, the Group provided a loan of RMB22,858,000, equivalent to HK\$25,830,000, to an associate. The loan was made through a designated deposit/loan arrangement where a subsidiary of the Group placed a pledged deposit of RMB22,858,000, equivalent to HK\$25,830,000, with a bank in the PRC and the bank provided a loan to the associate of the same amount. The bank had no obligation to repay any principal or interest in case of default by the associate. The loan was repaid in November 2009.

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

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by subsidiaries	
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

## 20 INTEREST IN ASSOCIATES (continued)

During the year ended 31 December 2009, one of the joint venture partners of AdSociety Daye Advertising Company Limited subscribed for an additional 16.8% equity interest in the enlarged registered capital of the associate. The transaction was completed on 28 September 2009 and the Group's effective equity interest in the associate has been diluted from 29.9% to 23.9%, resulting in gain on deemed disposal of partial interest in associate of HK\$177,000, included in other net income (see note 4). Following the further dilution of the equity interest in the associate and a change in the composition of the board of directors of the associate, the Group was no longer in a position to exercise any significant influence over the associate. Since the date on which significant influence ceased, equity accounting has not been adopted and the carrying value of the investment in associate is reclassified as unlisted equity securities.

During the year ended 31 December 2008, the Group and another shareholder of Wuxi Kowloon Public Transport Company Limited entered into a share transfer agreement under which the Group disposed of its entire 45% equity interest in the associate. The transaction was completed on 9 December 2008 and Wuxi Kowloon Public Transport Company Limited ceased to be an associate of the Group. The transaction resulted in a gain on disposal of HK\$64,626,000 and related PRC income tax of HK\$4,949,000.

### Summary financial information on associates

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Net profit HK\$'000
<b>2009</b>					
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
<b>2008</b>					
100 per cent	3,168,593	(1,356,935)	1,811,658	2,818,450	148,439
Group's effective interest	1,144,966	(489,016)	655,950	1,017,121	59,759

## 21 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	–	20,772
Amount due to jointly controlled entity	–	(350)
	–	20,422

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

# Notes to the Financial Statements

## 21 INTEREST IN JOINTLY CONTROLLED ENTITIES (continued)

Interest in jointly controlled entities as at 31 December 2008 represents mainly interest in a co-operative joint venture, Dalian HK Macau Motor Bus Services Limited (“Dalian HK Macau”), which was formed between HK Macau Ltd. (“HK Macau”), a 60% owned subsidiary of the Group, and Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as Dalian City No.1 Bus Company (大連市第一公共汽車公司), a PRC entity. The joint venture was for a period of 15 years commencing from 31 July 1997. The profits and losses of Dalian HK Macau were shared equally by HK Macau and Dalian Public Transportation Group Co., Ltd.

During the year ended 31 December 2009, the Group and Dalian Public Transportation Group Co., Ltd. entered into a share transfer agreement under which the Group disposed of its entire interest in Dalian HK Macau at a net cash consideration of HK\$21,945,000. The transaction was completed on 28 October 2009 and Dalian HK Macau ceased to be a jointly controlled entity of the Group. The transaction resulted in a gain on disposal of HK\$1,287,000 and related PRC income tax of HK\$170,000.

## 22 OTHER FINANCIAL ASSETS

	The Group	
	2009 HK\$'000	2008 HK\$'000
Instalments receivable from sales of properties	9,267	29,799
Unlisted equity securities, at cost	148,925	15,355
Loans to investee	69,884	–
Amounts due from investee	12,167	–
Available-for-sale debt securities		
– listed outside Hong Kong	55,283	–
– unlisted	38,022	90,386
	<b>333,548</b>	<b>135,540</b>

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

During the year ended 31 December 2009, interest in associate with a carrying amount of HK\$143,371,000 was reclassified as unlisted equity securities on the date the Group ceased to have significant influence over the associate. At 31 December 2009, such unlisted equity securities were individually determined to be impaired due to an adverse change in the market in which the investee operates which indicated that the Group's investment in the investee may not be fully recovered. Impairment loss on unlisted equity securities of HK\$9,801,000 (2008: Nil) was recognised in the consolidated income statement in accordance with the policy set out in note 1(m) (see note 4).



## 22 OTHER FINANCIAL ASSETS (continued)

Loans to investee are unsecured, bearing interest ranging from 5.31% p.a. to 7.47% p.a. and are not expected to be settled within one year. Amounts due from investee are unsecured, interest free and has no fixed repayment terms. The amount is not expected to be recovered within one year. Loans to and amounts due from investee are neither past due nor impaired.

Debt securities are issued by corporate entities with credit rating ranging from A- to AA+. As at 31 December 2009, the Group's available-for-sale debt securities were neither past due nor impaired. At 31 December 2008, debt securities of HK\$38,666,000 were individually determined to be impaired as a result of declines in their fair values below cost and management considered it probable that the cost of investment would not be fully recovered. Impairment losses on these investments of HK\$1,100,000 were recognised in the consolidated income statement for the year ended 31 December 2008 in accordance with the policy set out in note 1(m)(i) (see note 4).

## 23 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 2009 and were prepared by Watson Wyatt Hong Kong Limited, a Towers Watson Company, which has among its staff fellow members of the Canadian Institute of Actuaries and the Society of Actuaries, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 132% (2008: 90%) covered by the plan assets held by the trustee.

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Present value of funded obligations	(2,886,274)	(3,443,631)
Fair value of plan assets	3,816,704	3,110,517
Net unrecognised actuarial (gains)/losses	(214,437)	1,088,549
	<b>715,993</b>	<b>755,435</b>

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 2010 is Nil.

## Notes to the Financial Statements

### 23 EMPLOYEE RETIREMENT BENEFITS (continued)

#### (b) Plan assets consist of the following:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Equity securities	2,774,886	2,118,273
Bonds	862,291	846,046
Cash and others	179,527	146,198
	<b>3,816,704</b>	<b>3,110,517</b>

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	3,443,631	2,755,991
Benefits paid by the plans	(168,950)	(178,909)
Current service cost	168,753	151,711
Past service cost	–	(77,672)
Interest cost	40,925	102,911
Actuarial (gains)/losses	(598,085)	689,599
At 31 December	<b>2,886,274</b>	<b>3,443,631</b>

#### (d) Movements in plan assets:

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	3,110,517	4,782,207
Benefits paid by the plans	(168,950)	(178,909)
Actuarial expected return on plan assets	230,798	354,066
Actuarial gains/(losses)	644,339	(1,846,847)
At 31 December	<b>3,816,704</b>	<b>3,110,517</b>

## 23 EMPLOYEE RETIREMENT BENEFITS (continued)

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Current service cost	168,753	151,711
Past service cost recognised	–	35,987
Interest cost	40,925	102,911
Actuarial expected return on plan assets	(230,798)	(354,066)
Net actuarial losses/(gains) recognised	60,562	(89,750)
	<b>39,442</b>	<b>(153,207)</b>

The above net loss/(income) 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\$875,137,000 (2008: net loss of HK\$1,492,781,000).

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

	The Group	
	2009 %	2008 %
Discount rate	2.6	1.2
Expected rate of return on plan assets	7.5	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			
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Fair value of plan assets	3,816,704	3,110,517	4,782,207	3,864,006
Present value of the defined benefit obligations	(2,886,274)	(3,443,631)	(2,755,991)	(2,661,069)
Surplus/(deficit) in the plans	930,430	(333,114)	2,026,216	1,202,937
Experience gains/(losses) arising on plan liabilities	125,284	(47,681)	84,445	41,439
Experience gains/(losses) arising on plan assets	644,339	(1,846,847)	866,572	302,284

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

# Notes to the Financial Statements

## 24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

No option was granted during the year and there were no outstanding options at 31 December 2009 and 2008.

## 25 ACCOUNTS RECEIVABLE

	The Group	
	2009 HK\$'000	2008 HK\$'000
Trade and other receivables	236,159	493,385
Instalments receivable from sale of properties	143,571	299,860
Interest receivable	9,378	9,106
Less: Allowance for doubtful debts (note 25(b))	(4,529)	(84,528)
	<b>384,579</b>	<b>717,823</b>

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	
	2009 HK\$'000	2008 HK\$'000
Current	148,726	342,229
1 to 3 months past due	17,872	15,810
More than 3 months past due	93,708	19,008
	<b>260,306</b>	<b>377,047</b>

The Group's credit policy is set out in note 36(a) to the financial statements.

## 25 ACCOUNTS RECEIVABLE (continued)

### (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	
	2009 HK\$'000	2008 HK\$'000
At 1 January	84,528	3,952
Impairment loss recognised	296	80,990
Write-back of impairment loss	(80,285)	–
Uncollectible amounts written off	(10)	(414)
At 31 December	4,529	84,528

At 31 December 2009, the Group's trade and other receivables of HK\$16,048,000 (2008: trade and other receivables and instalments receivable from sale of properties of HK\$310,673,000) 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. At 31 December 2008, instalments receivable from sale of properties of HK\$292,964,000 were due from customers who have defaulted on completion. Although the Group held the property as collateral over these balances, management assessed that only a portion of the receivables as at 31 December 2008 was expected to be recovered due to the fall in market value of the related properties in 2008. Consequently, specific allowances for doubtful debts of HK\$80,285,000 have been recognised for such instalments receivable as at 31 December 2008. Management has reassessed specific allowances for doubtful debts as at 31 December 2009 based on prevailing property prices and considered that the amount of impairment loss has decreased. Impairment loss previously recognised of HK\$80,285,000 (2008: Nil) has thus been written back during the year ended 31 December 2009.

# Notes to the Financial Statements

## 25 ACCOUNTS RECEIVABLE (continued)

### (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	
	2009 HK\$'000	2008 HK\$'000
Neither past due nor impaired	263,502	461,405
1 to 3 months past due	17,254	12,790
More than 3 months past due	92,304	17,483
	109,558	30,273
	373,060	491,678

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

Receivables that were past due but not impaired include mainly instalments receivable from sale of properties of HK\$83,987,000 (2008: HK\$6,897,000) which are due from customers who have defaulted in completion. The Group holds the property as collateral over these balances, and management assessed that the receivables are recoverable in full based on the prevailing market value of the related properties.

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.

## 26 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and in hand	335,505	179,489	28,417	27,289
Bank deposits	3,217,556	2,854,642	–	–
	3,553,061	3,034,131	28,417	27,289
Less: Pledged bank deposit (note)	(51,200)	–	–	–
Cash and cash equivalents in the balance sheets	3,501,861	3,034,131	28,417	27,289
Less: Bank deposits with original maturities of over three months	(2,827,447)	(644,105)		
Bank overdrafts	(2,760)	(12,134)		
Cash and cash equivalents in the consolidated cash flow statement	671,654	2,377,892		

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 deposit of HK\$51,200,000 (2008: Nil) has been pledged to the bank for the bank guarantees.

## 26 CASH AND CASH EQUIVALENTS (continued)

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

	2009 HK\$'000	2008 HK\$'000
<b>Profit before taxation</b>	<b>799,798</b>	693,671
Adjustments for:		
– dividend income from unlisted equity securities	<b>(8,680)</b>	(4,960)
– interest income	<b>(37,232)</b>	(121,169)
– finance costs	<b>12,143</b>	32,614
– reclassification from equity on disposal of available-for-sale debt securities	<b>125</b>	101
– impairment loss on available-for-sale debt securities	<b>–</b>	1,100
– impairment loss on unlisted equity securities	<b>9,801</b>	–
– depreciation and amortisation	<b>900,942</b>	916,470
– net gain on disposal of fixed assets	<b>(400)</b>	(1,191)
– gain on disposal of jointly controlled entity	<b>(1,287)</b>	–
– gain on deemed disposal of partial interest in associate	<b>(177)</b>	–
– gain on disposal of associate	<b>–</b>	(64,626)
– share of profits less losses of associates	<b>(29,568)</b>	(59,759)
– share of profits less losses of jointly controlled entities	<b>(3,021)</b>	3,363
Effect of foreign exchange rate	<b>(2,386)</b>	3,728
<b>Operating profit before changes in working capital</b>	<b>1,640,058</b>	1,399,342
Decrease in non-current prepayments	<b>9,580</b>	9,581
(Increase)/decrease in spare parts and stores	<b>(597)</b>	540
Decrease/(increase) in trade and other receivables	<b>244,881</b>	(19,397)
(Increase)/decrease in deposits and prepayments	<b>(12,886)</b>	1,860
Decrease in completed property held for sale	<b>36,387</b>	127,819
Increase/(decrease) in accounts payable and accruals	<b>61,018</b>	(301,058)
Decrease in amount due to jointly controlled entity	<b>(350)</b>	–
Decrease in instalments receivable from sale of properties	<b>96,536</b>	1,238,455
Decrease in third party claims payable	<b>(15,142)</b>	(1,067)
(Decrease)/increase in contingency provision – insurance	<b>(31,845)</b>	41,747
Decrease in provision for long service payments	<b>(4,241)</b>	(8,701)
Decrease/(increase) in employee benefit assets	<b>39,442</b>	(153,207)
<b>Cash generated from operations</b>	<b>2,062,841</b>	2,335,914

# Notes to the Financial Statements

## 27 BANK LOANS AND OVERDRAFTS

At 31 December 2009, the bank loans and overdrafts were repayable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year or on demand	401,930	725,384
After 1 year but within 2 years	200,000	300,000
After 2 years but within 5 years	269,832	289,748
	<b>469,832</b>	589,748
	<b>871,762</b>	1,315,132

## 28 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade payables	206,375	139,924	–	–
Balance of passenger rewards (see note 4)	58,100	–	–	–
Other payables and accruals	805,027	848,568	37,451	35,962
Financial liabilities measured at amortised cost	<b>1,069,502</b>	988,492	<b>37,451</b>	35,962
Financial guarantees issued	–	–	3,600	8,528
Derivative financial instruments	–	595	–	–
	<b>1,069,502</b>	989,087	<b>41,051</b>	44,490

Financial guarantees issued by the Company of HK\$1,809,000 (2008: HK\$4,039,000) are expected to be recognised as income after more than one year. All other accounts payable and accruals at 31 December 2009 and 2008 are expected to be settled within one year.



## 28 ACCOUNTS PAYABLE AND ACCRUALS (continued)

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Due within 1 month or on demand	188,291	122,979
Due after 1 month but within 3 months	16,686	15,312
Due after more than 3 months	1,398	1,633
	<b>206,375</b>	139,924

## 29 CONTINGENCY PROVISION – INSURANCE

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	479,596	438,916
Provision charged to the consolidated income statement	12,862	86,464
Payments made during the year	(59,849)	(45,784)
At 31 December	<b>432,609</b>	479,596

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Representing:</b>		
Current portion	127,542	142,684
Non-current portion	305,067	336,912
	<b>432,609</b>	479,596

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.

# Notes to the Financial Statements

## 30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Provision for Hong Kong Profits Tax for the year	138,813	119,519
Provisional Profits Tax paid	(99,955)	(125,794)
	38,858	(6,275)
Balance of Profits Tax (recoverable)/payable relating to prior years	(23)	574
	38,835	(5,701)
PRC Income Tax payable	401	551
	39,236	(5,150)

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Representing:</b>		
Current taxation recoverable	(7,868)	(24,608)
Current taxation payable	47,104	19,458
	39,236	(5,150)

### (b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	The Group				
	Depreciation allowances in excess of the related depreciation HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Defined benefit assets HK\$'000	Total HK\$'000
At 1 January 2008	679,006	(41,327)	(53,443)	105,391	689,627
(Credited)/charged to the consolidated income statement	(109,152)	(4,914)	10,288	(63,012)	(166,790)
At 31 December 2008	569,854	(46,241)	(43,155)	42,379	522,837
At 1 January 2009	569,854	(46,241)	(43,155)	42,379	522,837
Disposal of subsidiary (note 33(b))	(15,442)	–	7,413	–	(8,029)
(Credited)/charged to the consolidated income statement	(34,144)	9,061	3,910	(502)	(21,675)
At 31 December 2009	520,268	(37,180)	(31,832)	41,877	493,133

### 30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

#### (b) Deferred tax assets and liabilities recognised: (continued)

	The Group	
	2009 HK\$'000	2008 HK\$'000
<b>Amounts recognised in the consolidated balance sheet:</b>		
Net deferred tax assets	(6,013)	(8,493)
Net deferred tax liabilities	499,146	531,330
	<b>493,133</b>	<b>522,837</b>

#### (c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of HK\$28,307,000 (2008: HK\$27,230,000) in respect of tax losses of HK\$170,463,000 (2008: HK\$165,030,000) 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\$2,127,000 (2008: Nil) which will expire in five years, the tax losses do not expire under the current tax legislation.

### 31 PROVISION FOR LONG SERVICE PAYMENTS

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	38,521	47,222
Provision charged to the consolidated income statement (note 5(a))	2,887	133
Payments made during the year	(7,128)	(8,834)
At 31 December	<b>34,280</b>	<b>38,521</b>

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.

# Notes to the Financial Statements

## 32 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 2008		403,639	1,300,000	428,008	2,131,647
<b>Changes in equity for 2008:</b>					
Dividends approved in respect of the previous year	12(b)	–	–	(1,445,029)	(1,445,029)
Total comprehensive income for the year		–	–	1,215,938	1,215,938
Dividend approved in respect of the current year	12(a)	–	–	(121,092)	(121,092)
At 31 December 2008		403,639	1,300,000	77,825	1,781,464
At 1 January 2009		<b>403,639</b>	<b>1,300,000</b>	<b>77,825</b>	<b>1,781,464</b>
<b>Changes in equity for 2009:</b>					
Dividend approved in respect of the previous year	12(b)	–	–	(423,821)	(423,821)
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		<b>403,639</b>	<b>1,300,000</b>	<b>4,079</b>	<b>1,707,718</b>

The Company's reserves available for distribution to shareholders at 31 December 2009 amounted to HK\$1,304,079,000 (2008: HK\$1,377,825,000). After the balance sheet date, the Directors proposed an ordinary final dividend of HK\$1.05 per share (2008: HK\$1.05 per share) and a special dividend of HK\$1.00 per share (2008: Nil), amounting to HK\$423,821,000 (2008: HK\$423,821,000) and HK\$403,639,000 (2008: Nil) respectively, totalling HK\$827,460,000 (2008: HK\$423,821,000). The ordinary final dividend and the special dividend proposed have not been recognised as liabilities at the balance sheet date.

## 32 CAPITAL AND RESERVES (continued)

### (b) Share capital

Authorised and issued share capital

	2009 HK\$'000	2008 HK\$'000
<b>Authorised:</b>		
600,000,000 ordinary shares of HK\$1 each	600,000	600,000
<b>Issued and fully paid:</b>		
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.

# Notes to the Financial Statements

## 32 CAPITAL AND RESERVES (continued)

### (d) Capital management (continued)

The Group monitors capital structure on the basis of the level of net cash/debt compared to the amount of capital. For this purpose the Group defines net cash/debt as interest-bearing loans and borrowings less cash and cash equivalents and pledged bank deposit. Capital comprises all components of equity.

Net cash/debt and equity at 31 December 2009 and 2008 were as follows:

	Note	The Group		The Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bank loans and overdrafts	27	871,762	1,315,132	–	–
Less: Cash and cash equivalents	26(a)	(3,501,861)	(3,034,131)	(28,417)	(27,289)
Pledged bank deposit	26(a)	(51,200)	–	–	–
Net cash		(2,681,299)	(1,718,999)	(28,417)	(27,289)
Total equity		7,017,700	6,913,903	1,707,718	1,781,464

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

## 33 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### (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 from Hong Kong Coach since the date of acquisition is immaterial.

Details of net assets acquired and goodwill are as follows:

	Carrying amount HK\$'000	Fair value 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

### 33 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (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 is 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 37(a)).

### 34 COMMITMENTS

- (a) At 31 December 2009, 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	
	2009 HK\$'000	2008 HK\$'000
Contracted for	767,739	153,717
Authorised but not contracted for	173,000	173,000
	940,739	326,717

# Notes to the Financial Statements

## 34 COMMITMENTS (continued)

- (b) At 31 December 2009, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	4,409	4,497
After 1 year but within 5 years	2,506	3,197
	<b>6,915</b>	<b>7,694</b>

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, and the respective licences will expire in 2012. Under such licences, the Group has committed to pay licence fees at a pre-determined percentage of the net advertising rental received. The future minimum guaranteed licence fees are payable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	11,504	10,504
After 1 year but within 5 years	19,451	30,955
	<b>30,955</b>	<b>41,459</b>

## 35 CONTINGENT LIABILITIES

### Financial guarantees issued

At 31 December 2009, the Company has undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$340,000,000 (2008: HK\$490,000,000).

As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK\$270,000,000 (2008: HK\$405,000,000).

Deferred income in respect of the guarantees issued is disclosed in note 28 to the financial statements.



## 36 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, loans to and amounts due from investee 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 22 and 25.

### (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.

# Notes to the Financial Statements

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and 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									
	2009					2008				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000
Bank loans	404,228	202,636	273,307	880,171	869,002	720,230	301,683	290,741	1,312,654	1,302,998
Accounts payable and accruals	1,069,502	–	–	1,069,502	1,069,502	988,492	–	–	988,492	988,492
Bank overdrafts	2,760	–	–	2,760	2,760	12,134	–	–	12,134	12,134
	<b>1,476,490</b>	<b>202,636</b>	<b>273,307</b>	<b>1,952,433</b>	<b>1,941,264</b>	<b>1,720,856</b>	<b>301,683</b>	<b>290,741</b>	<b>2,313,280</b>	<b>2,303,624</b>
<b>Derivatives settled gross:</b>										
Forward foreign exchange contracts held as cash flow hedging instruments					–					595
– contractual undiscounted cash outflow	–	–	–	–	–	27,315	–	–	27,315	
– contractual undiscounted cash inflow	–	–	–	–	–	(26,720)	–	–	(26,720)	

	The Company									
	2009					2008				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000
Amounts due to subsidiaries	6,788,653	–	–	6,788,653	6,788,653	6,340,317	–	–	6,340,317	6,340,317
Other payables and accruals	37,451	–	–	37,451	37,451	35,962	–	–	35,962	35,962
	<b>6,826,104</b>	<b>–</b>	<b>–</b>	<b>6,826,104</b>	<b>6,826,104</b>	<b>6,376,279</b>	<b>–</b>	<b>–</b>	<b>6,376,279</b>	<b>6,376,279</b>
<b>Financial guarantees issued:</b>										
Maximum amount guaranteed (note 35)	270,000	–	–	270,000	3,600	405,000	–	–	405,000	8,528

## 36 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 2009 and 2008, all the Group's borrowings were denominated in Hong Kong dollars 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			
	2009		2008	
	Effective interest rate p.a. %	HK\$'000	Effective interest rate p.a. %	HK\$'000
<b>Fixed rate assets:</b>				
Bank deposits	0.5	3,217,556	1.4	2,854,642
Loans to associate	–	–	7.5	95,714
Loans to investee	5.8	69,884	–	–
Available-for-sale debt securities	5.0	93,305	4.6	90,386
		<b>3,380,745</b>		<b>3,040,742</b>
<b>Variable rate assets/(liabilities):</b>				
Cash at bank	0.3	65,955	0.1	49,908
Instalments receivable	5.0	10,159	5.0	40,334
Bank overdrafts	5.0	(2,760)	5.0	(12,134)
Bank loans	0.7	(869,002)	0.5	(1,302,998)
		<b>(795,648)</b>		<b>(1,224,890)</b>

# Notes to the Financial Statements

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (c) Interest rate risk (continued)

#### (ii) Sensitivity analysis

At 31 December 2009, 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\$6,535,000 (2008: HK\$10,233,000). Other components of consolidated equity would have decreased/increased by approximately HK\$2,824,000 (2008: HK\$2,634,000) 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 2008.

### (d) Currency risk

The Group is exposed to currency risk primarily through purchases of buses that are denominated in a currency other than the functional currency of the entity to which they relate. The currency giving rise to this risk is primarily British Pound Sterling. The Group hedges approximately 27% of its estimated foreign currency exposure in respect of highly probable forecast purchases. The Group uses forward exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 31 December 2008, fair value of these forward exchange contracts of HK\$595,000 was recognised as derivative financial liabilities. The forward exchange contracts were for the purchases of British Pound Sterling totalling GBP2,388,000 and had maturities of less than one year after the balance sheet date. At 31 December 2009, the Group had no forward exchange contracts outstanding.

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

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (d) Currency risk (continued)

#### (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 dollars, 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.

<b>The Group</b>						
<b>Exposure to foreign currencies (expressed in Hong Kong dollars)</b>						
	2009			2008		
	Renminbi HK\$'000	British Pound Sterling HK\$'000	United States Dollars HK\$'000	Renminbi HK\$'000	British Pound Sterling HK\$'000	United States Dollars HK\$'000
Cash and cash equivalents	–	21,515	309,614	–	19,173	365,578
Accounts payable and accruals	–	(18,860)	(5,165)	–	(12,681)	(3,102)
Available-for-sale debt securities	–	–	55,283	–	–	38,690
Amounts due from associate	–	–	–	–	–	11,068
Amounts due from investee	–	–	12,167	–	–	–
Loans to associate	–	–	–	25,830	–	69,884
Loans to investee	–	–	69,884	–	–	–
Notional amounts of forward exchange contracts used as economic hedges	–	–	–	–	26,720	–
Overall net exposure	–	2,655	441,783	25,830	33,212	482,118

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 RMB124,557,000 as at 31 December 2009, equivalent to HK\$141,460,000 (2008: RMB124,971,000, equivalent to HK\$141,692,000).

# Notes to the Financial Statements

## 36 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					
	2009			2008		
	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%	4,245	–	3%	4,236	775
	(3%)	(4,245)	–	(3%)	(4,236)	(775)
British Pound Sterling	11%	634	–	4%	343	1,068
	(11%)	(634)	–	(4%)	(343)	(1,068)
United States dollars	1%	3,874	553	1%	3,630	1,200
	(1%)	(3,874)	(553)	(1%)	(3,630)	(1,200)

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 2008.

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.

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (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.

### (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 2009 and 2008.

### (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

#### 2009

	The Group		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>Assets</b>			
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.

# Notes to the Financial Statements

## 36 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 2009 and 2008 except as follows:

- (1) Amounts due from/to subsidiaries, associates, jointly controlled entities 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\$148,925,000 (2008: HK\$15,355,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less impairment losses at the balance sheet date.

### (h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

#### (i) Available-for-sale debt securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

#### (ii) Forward exchange contracts

The fair values of forward exchange contracts are marked to market using quoted market prices.

#### (iii) Interest-bearing loans and borrowings

Fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

#### (iv) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates can be made.



### 37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

#### (a) Transactions with related companies

	Note	2009 HK\$'000	2008 HK\$'000
Service fees for provision of coach services	(i)	32,568	32,384
Insurance premium paid	(ii)	63,094	67,385
Amount paid and accrued for management contractor services for property under development	(iii)	–	–
Amount paid and accrued for letting and sales agency agreement	(iv)	1,899	4,704
Amount paid and accrued for management agreement	(v)	5,323	5,885
Amount paid and accrued for property project management services	(vi)	–	–
Estimated Entitled Net Return for provision of transport services	(vii)	2,730	7,807
Proceeds received from disposal of a subsidiary	33(b)	110,626	–
Amount paid and accrued for management contractor services for investment property under development	(viii)	–	34,510
Amount paid and accrued for project management and design services for investment property under development	(ix)	–	2,670
Amount paid for purchase of unsecured fixed rate notes	(x)	15,000	–
Interest income received and receivable from unsecured fixed rate notes	(x)	327	–

Notes:

- (i) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited (“SHKP”) under the same terms as those available to other customers in the ordinary course of business. Amounts due from these companies at 31 December 2009 amounted to HK\$6,826,000 (2008: HK\$13,496,000).
- (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 “2009 Insurance Arrangements”). SHKPI entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. The amount paid and payable under the 2009 Insurance Arrangements amounted to HK\$67,798,000. In addition, experience refunds of HK\$4,704,000 were received by the Group during the year. Outstanding balance due to SHKPI at 31 December 2009 amounted to HK\$22,000 (2008: HK\$65,000).
- (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. (“CFCCCL”), 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 CFCCCL 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 CFCCCL should not exceed HK\$1,617,743,000. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$106,623,000 (2008: HK\$117,304,000).
- (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 2009 amounted to HK\$3,732,000 (2008: HK\$1,833,000).

# Notes to the Financial Statements

## 37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related companies (continued)

Notes: (continued)

- (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. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$1,078,000 (2008: HK\$562,000).
- (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 2009 amounted to HK\$3,800,000 (2008: HK\$3,800,000).
- (vii) On 23 May 2001, an indirectly wholly-owned subsidiary of the Company, Park Island Transport Company Limited (“PITC”), entered into a contract with Sun Hung Kai (Ma Wan) Transport Company Limited (“SHKMW”), a wholly-owned subsidiary of SHKP (“the Transport Agreement”), for the provision of transport services for Ma Wan Island in Hong Kong. The Transport Agreement was subsequently amended and supplemented by six supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005, 28 November 2006 and 6 December 2007 (collectively, the “Supplemental Agreements”) with the operating term extended to 13 December 2008.
- Under the terms of the Transport Agreement, PITC shall be entitled to a return lying within the range of 7% and 14% 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 25 November 2008, PITC entered into another Supplemental Letter to amend certain terms and conditions of the Transport Agreement whereby the operating term of the Transport Agreement was extended for a period of one year from 14 December 2008 to 13 December 2009 and the Entitled Net Return of the Transport Agreement was changed to lie within the range of 6% and 15% per annum.
- The amount receivable from SHKMW at 31 December 2009 under this contract was Nil (2008: HK\$55,486,000).
- (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 CFCL for the provision of management contractor services involving the alteration and addition works to the retail podium of Manhattan Hill (“the Retail Podium”). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCL should not exceed HK\$37,400,000. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$4,390,000 (2008: HK\$17,478,000).
- (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 the Retail Podium. 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 the Retail Podium. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$370,000 (2008: HK\$1,870,000).
- (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 2.64% 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 2009, the Fixed Rate Notes held by KMBFS were carried at a fair value of HK\$15,251,000 and there was no material outstanding interest receivable.

### **37 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.

#### **(c) Financing arrangements**

Loans to associate are unsecured and have no fixed terms of repayment. Interest income from loans to associate during the year was HK\$3,376,000 (2008: HK\$4,999,000) and the interest receivable at the year end was Nil (2008: HK\$11,059,000). The interest receivable previously included in interest in associates was reclassified to amounts due from investee included in other financial assets at the date on which the Group ceased to have significant influence over the associate as detailed in notes 20 and 22.

### **38 NON-ADJUSTING POST BALANCE SHEET EVENTS**

- (a)** After the balance sheet date, the Directors proposed an ordinary final dividend and a special dividend for the year. Further details are disclosed in note 12(a) to the financial statements.
- (b)** At the 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 interest in building and leasehold land at an industrial site at Kwun Tong to a subsidiary of SHKP at a consideration of HK\$490,000,000, which was arrived at after arm's length negotiations by reference to a valuation performed by Knight Frank Petty Limited, an independent property valuer. The disposal was completed on 25 January 2010 and the Group will record a gain on disposal of about HK\$489,000,000 in the consolidated income statement for the year ending 31 December 2010.

### **39 COMPARATIVE FIGURES**

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

# Notes to the Financial Statements

## 40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 16, 23(f) and 36(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 29, 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.

### (e) Recognition of deferred tax assets

At 31 December 2009, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 30(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.

#### 41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
HK(IFRIC) 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
Revised HKAS 24, Related party disclosures	1 January 2011
Amendments to HK(IFRIC) 14, The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2011
HKFRS 9, Financial instruments	1 January 2013

# Financial Summary

for the year ended 31 December

	2009 HK\$'M	2008 HK\$'M	2007 HK\$'M	2006 HK\$'M	2005 HK\$'M	2004 HK\$'M	2003 HK\$'M	2002 HK\$'M	2001 HK\$'M	2000 HK\$'M
<b>Income statement</b>										
Turnover	6,842	7,353	12,013	8,705	6,456	6,544	6,540	6,843	6,862	6,323
Profit before taxation	800	694	4,074	2,002	691	913	857	1,142	1,810	936
Less: Income tax	118	18	206	133	96	169	259	175	237	81
Profit after taxation	682	676	3,868	1,869	595	744	598	967	1,573	855
Less: Minority interests	9	18	21	31	11	13	1	28	34	–
Profit attributable to equity shareholders of the Company	673	658	3,847	1,838	584	731	597	939	1,539	855
<b>Balance sheet</b>										
Fixed assets	4,100	4,466	4,981	5,463	5,720	6,119	6,491	6,497	6,047	5,381
Passenger service licences	22	15	14	8	–	–	–	–	–	–
Goodwill	63	63	52	49	33	30	50	53	21	22
Media assets	–	1	1	1	96	115	61	–	–	–
Non-current prepayments	19	29	38	48	63	470	105	101	–	–
Interest in associates	612	834	911	834	776	330	162	61	1	–
Interest in jointly controlled entities	–	20	23	23	16	5	1	2	6	10
Other financial assets	334	136	138	46	34	15	15	15	15	1
Employee benefit assets	716	755	602	537	485	414	339	278	–	–
Net current assets	2,455	2,083	3,224	1,426	184	253	548	465	854	926
Employment of funds	8,321	8,402	9,984	8,435	7,407	7,751	7,772	7,472	6,944	6,340
Financed by:										
Share capital	404	404	404	404	404	404	404	404	404	404
Reserves	6,385	6,257	7,145	4,670	3,628	3,847	3,935	4,157	3,776	2,341
Total equity attributable to equity shareholders of the Company	6,789	6,661	7,549	5,074	4,032	4,251	4,339	4,561	4,180	2,745
Minority interests	229	253	249	245	269	289	260	244	228	4
Total equity	7,018	6,914	7,798	5,319	4,301	4,540	4,599	4,805	4,408	2,749
Contingency provision – insurance	305	337	295	271	52	59	106	117	202	298
Long term bank loans	470	590	1,155	2,052	2,218	2,298	2,218	1,830	1,743	2,176
Other liabilities	528	561	736	793	836	854	849	720	591	1,117
Funds employed	8,321	8,402	9,984	8,435	7,407	7,751	7,772	7,472	6,944	6,340
<b>Earnings per share (HK\$)</b>	1.67	1.63	9.53	4.55	1.45	1.81	1.48	2.33	3.81	2.12
<b>Dividends per share (HK\$)</b>	2.35	1.35	5.53	2.03	2.03	2.03	2.03	2.03	1.86	1.58

## Notes:

- (1) In 2005, the Group has changed several of its accounting policies to comply with Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Figures for 2004 to 2008 have been prepared based on the new and revised policies in accordance with the transitional provisions of HKFRSs. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively.
- (2) In order to comply with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 34 “Employee benefits” (now superseded and replaced by Hong Kong Accounting Standard 19, “Employee benefits”) and SSAP 12 (revised) “Income taxes” (now superseded and replaced by Hong Kong Accounting Standard 12, “Income taxes”), the Group adopted new accounting policies for short-term employee benefits and deferred taxation in 2002. Figures for the year 2001 have been adjusted and it is not practicable to restate earlier years for comparison purposes.

# Corporate Directory

## BOARD OF DIRECTORS

### The Hon Sir Sze-yuen CHUNG\*

GBM, GBE, PhD, FREng, JP  
Chairman

### Dr Norman LEUNG Nai Pang\*

GBS, JP, LLD, BA  
Deputy Chairman

### KWOK Ping-luen, Raymond<sup>^</sup>

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

### Dr KWOK Ping-sheung, Walter<sup>^</sup>

JP, D.Sc., MSc(Lond), DIC, MICE

### NG Siu Chan<sup>^</sup>

### William LOUEY Lai Kuen<sup>^</sup>

BSc(Econ)

### Dr John CHAN Cho Chak<sup>^</sup>

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

### Charles LUI Chung Yuen

M.H., BEc, AASA, FCILT  
Executive Director

### Winnie NG<sup>^</sup>

BA, MBA(Chicago), MPA(Harvard),  
FCIM, CMILT, MHKIoD  
(Non-executive Director and Alternate  
Director to Mr NG Siu Chan<sup>^</sup>)

### Dr KUNG Ziang Mien, James\*

GBS, OBE

### George CHIEN Yuan Hwei<sup>^</sup>

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

### Dr Eric LI Ka Cheung\*

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

### Edmond HO Tat Man

MA(Cantab), MBA, FCILT, MHKIoD  
Managing Director

### SIU Kwing-chue, Gordon\*

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

### John Anthony MILLER<sup>^</sup>

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

### KUNG Lin Cheng, Leo

JP (Alternate Director to  
Dr KUNG Ziang Mien, James, GBS, OBE\*)

### YUNG Wing Chung

(Alternate Director to  
Mr KWOK Ping-luen, Raymond, JP<sup>^</sup>)

### SO Wai Kei, Godwin

(Alternate Director to  
Dr KWOK Ping-sheung, Walter, JP<sup>^</sup>)

## BOARD COMMITTEES

### Audit Committee

Dr Eric LI Ka Cheung<sup>#</sup>  
Dr KUNG Ziang Mien, James  
George CHIEN Yuan Hwei  
SIU Kwing-chue, Gordon

### Nomination Committee

Dr Norman LEUNG Nai Pang<sup>#</sup>  
Dr KUNG Ziang Mien, James  
Dr Eric LI Ka Cheung  
SIU Kwing-chue, Gordon

### Remuneration Committee

Dr Norman LEUNG Nai Pang<sup>#</sup>  
Dr KUNG Ziang Mien, James  
Dr Eric LI Ka Cheung  
Dr John CHAN Cho Chak

### Standing Committee

Dr Norman LEUNG Nai Pang<sup>#</sup>  
KWOK Ping-luen, Raymond  
Dr John CHAN Cho Chak  
Charles LUI Chung Yuen  
Edmond HO Tat Man  
Winnie NG

## COMPANY SECRETARY

### Lana WOO

MBA, BA, AAT, CGA, ACIS, MIFC, CFC

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11, Bermuda

## PRINCIPAL OFFICE

### 9 Po Lun Street, Lai Chi Kok

### Kowloon, Hong Kong

Telephone: (852) 2786 8888  
Facsimile: (852) 2745 0300  
Website: www.tih.hk  
E-mail: director@tih.hk

## AUDITOR

### KPMG

8/F, Prince's Building, 10 Chater Road  
Central, Hong Kong

## REGISTRARS

### Hong Kong

Computershare Hong Kong Investor  
Services Limited  
17/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

### Bermuda

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, HM 08  
Bermuda

## REGISTER OF MEMBERS

Book closed from 12 May 2010 to  
20 May 2010, both dates inclusive

## DIVIDENDS

### Ordinary Interim

HK\$0.30 per share,  
paid on 15 October 2009

### Ordinary Final (proposed)

HK\$1.05 per share,  
payable on 24 May 2010

### Special (proposed)

HK\$1.00 per share,  
payable on 24 May 2010

## STOCK CODE

The Stock Exchange of Hong Kong: 62  
Bloomberg: 62HK  
Reuters: 0062.HK

## CUSTOMER SERVICE HOTLINES

### The Kowloon Motor Bus Company (1933) Limited

Telephone: (852) 2745 4466  
Facsimile: (852) 2745 0600

### Long Win Bus Company Limited

Telephone: (852) 2261 2791

### Sun Bus Limited

Telephone: (852) 2371 2666

(\* Independent Non-executive Directors of the Company)

(<sup>^</sup> Non-executive Directors of the Company)

(<sup>#</sup> Committee Chairman)

This Annual Report is also available on our corporate website: www.tih.hk

# Transport International Holdings Limited

9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong

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Facsimile: (852) 2745 0300

[www.tih.hk](http://www.tih.hk)

Stock Code: 62

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