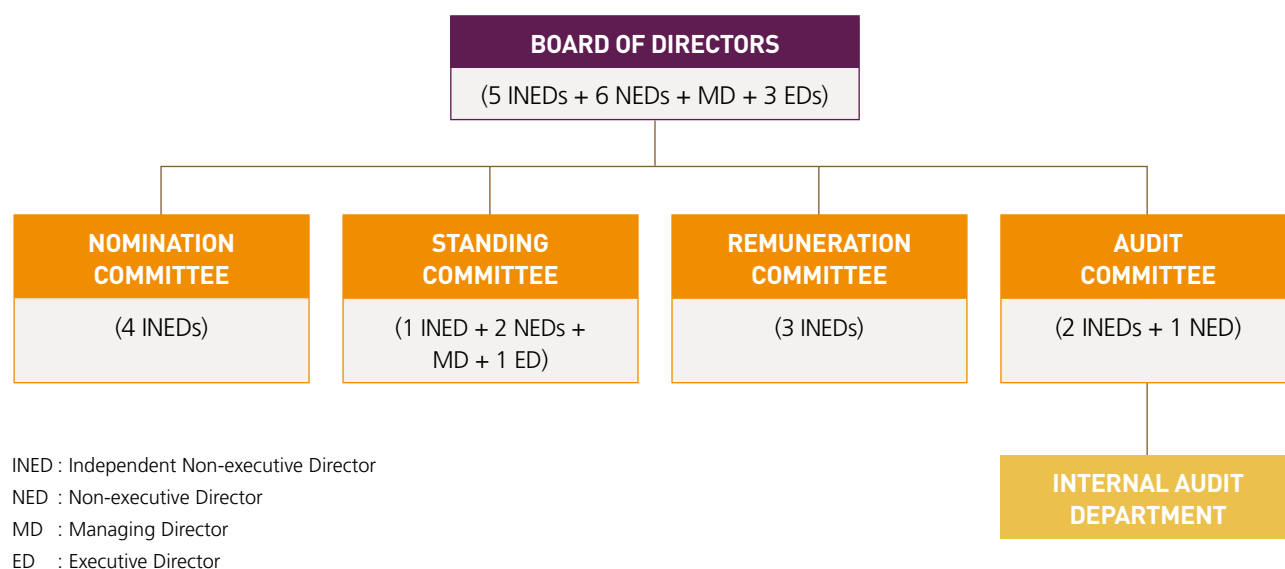


CORPORATE GOVERNANCE REPORT

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

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



COMMITTED TO
TRANSPARENCY

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

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

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

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

BOARD OF DIRECTORS

(1) Composition of the Board of Directors

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

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

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

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

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

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

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

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

(2) Responsibilities of Directors

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

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

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

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

(3) Board Committees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Board Meetings

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

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

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

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

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

Notes:

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

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

DELEGATION BY THE BOARD OF DIRECTORS

(1) Delegation of responsibilities to Senior Management

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

(2) Standing Committee

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

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

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

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

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

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

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

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

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

(2) Audit Committee

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

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

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

Attendance of individual members at Audit Committee Meetings in 2007

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

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

(3) Internal Controls

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

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

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

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

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

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

(4) External Audit

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

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

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

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

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

COMMUNICATION WITH STAKEHOLDERS

(1) Communication with Shareholders

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

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

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

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

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

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

Matters resolved at the 2007 Annual General Meeting

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

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

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

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

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

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

(2) Communication with the General Public

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

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

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

(3) Communication with Employees

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