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. The adoption of the new and revised HKFRSs has no material impact on the financial statements for the years presented.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 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(w)(ii)) are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 38.

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 as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(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 and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 1(e) and (l)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in an associate or a jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(l)(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.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated income statement.

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

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the income statement. Dividend income from these investments is recognised in the income statement in accordance with the policy set out in note 1(t)(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(t)(iv). When these investments are derecognised or impaired (see note 1(l)(i)), the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

(h) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in equity. 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 removed from equity and 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 removed from equity and recognised in 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 removed from equity and recognised in 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 and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)(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(u)).

Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost, including borrowing costs capitalised (see note 1(u)), aggregate cost of development, materials and supplies, direct labour and other direct expenses, less any impairment losses (see note 1(l)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of 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 and investment property under development.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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(l)(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(l)(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 useful life.

(l) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 1(l)(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under operating leases;
- intangible assets;
- investments in subsidiaries, associates and jointly controlled entities; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, goodwill and intangible assets that have indefinite useful lives are tested for impairment annually even when there is no indication of impairment.

- Calculation of the recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(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.

(m) 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.

(n) 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.

(o) 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(l)(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.

(p) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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(s)(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.

(r) 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.

(s) 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(s)(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(s)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(s)(iii).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.

(ii) Revenue arising from the sale of completed property held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on property sold prior to the date of revenue recognition are included in accounts payable and accruals.

Where property is sold under deferred terms with part of the sale proceeds being receivable after an interest-free period, that portion of the differences between the sale prices with and without such terms representing finance income is allocated to the income statement on a basis that takes into account the effective yield on the amounts of the sale proceeds receivable over the interest-free period.

(iii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(u) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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 foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of 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 recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

(w) 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 net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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 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.

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 17 to the financial statements.

Turnover comprises fare revenue from the operation of franchised public bus and non-franchised transport services, revenue from sales of properties and media sales revenue recognised during the year and is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Fare revenue from franchised public bus services	**6,137,548**	6,070,232
Revenue from non–franchised transport services	**399,983**	380,180
Revenue from sales of properties	**619,032**	5,382,928
Media sales revenue	**196,523**	180,139
	7,353,086	12,013,479

3 OTHER NET INCOME

	2008 HK$'000	2007 HK$'000
Net income recognised in respect of defined benefit retirement plans (note 21(e))	**153,207**	65,278
Interest income on financial assets not at fair value through profit or loss	**121,169**	203,607
Gain on disposal of associate (note 18)	**64,626**	–
Claims received	**30,565**	23,355
Net exchange gain	**9,624**	8,308
Net miscellaneous business receipts	**8,922**	6,118
Dividend income from unlisted securities	**4,960**	–
Net gain on disposal of fixed assets	**1,191**	5,389
Gain on deemed disposal of partial interest in associate	**–**	10,243
Available-for-sale securities: transfer from equity		
– on disposal	**(101)**	–
– on impairment	**(1,100)**	–
Sundry revenue	**11,532**	10,382
	404,595	332,680

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2008 HK$'000	2007 HK$'000
(a) Staff costs:		
Contributions to defined contribution retirement plans	**61,484**	56,972
Movements in provision for long service payments (note 29)	**133**	5,929
Salaries, wages and other benefits	**2,985,583**	2,948,077
	3,047,200	3,010,978

	2008 HK$'000	2007 HK$'000
(b) Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	**32,614**	118,756

4 PROFIT BEFORE TAXATION (continued)

Profit before taxation is arrived at after charging: (continued)

		2008 HK$'000	2007 HK$'000
(c)	**Other items:**		
	Auditors' remuneration		
	– audit services	**4,720**	4,396
	– other services	**1,739**	1,730
	Operating lease charges on properties, temporary bus depots, buses, ferries and terminal shelters	**37,927**	36,705
	Depreciation	**913,985**	931,594
	Amortisation of land lease premium	**2,079**	2,079
	Amortisation of media assets	**406**	370
	Impairment losses		
	– fixed assets	**–**	3,000
	– trade and other receivables	**80,990**	289
	Write-down of spare parts and stores	**2,683**	7,163

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**119,519**	258,445
Additional provision for prior years upon resolution of tax disputes	**58,095**	–
(Over)/under-provision in respect of prior years	**(226)**	942
	177,388	259,387
Current tax – PRC Income Tax		
Provision for the year	**7,039**	997
Under-provision in respect of prior years	**200**	–
	7,239	997
Deferred tax		
Origination and reversal of temporary differences	**(69,657)**	(54,803)
Effect of decrease in tax rate on deferred tax balances at 1 January	**(39,038)**	–
Effect of resolution of tax disputes	**(58,095)**	–
	(166,790)	(54,803)
Income tax expense	**17,837**	205,581

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(a) Taxation in the consolidated income statement represents: (continued)

The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

In February 2008, the Hong Kong Government announced a reduction in the Hong Kong Profits Tax rate from 17.5% to 16.5% which has been applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. As a result, the opening balance of deferred tax has been re-estimated accordingly.

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 computations. 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 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:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**693,671**	4,073,937
Notional tax on profit before taxation,calculated at the rates applicable to profits in the tax jurisdictions concerned	**111,567**	719,772
Tax effect of non-deductible expenses	**7,205**	8,759
Tax effect of non-taxable income	**(62,776)**	(525,479)
Tax effect of unused tax losses not recognised	**2,517**	1,216
Tax effect of prior years' unrecognised tax losses utilised during the year	**–**	(139)
Tax effect of prior years' unrecognised deferred tax assets recognised during the year	**(457)**	–
(Over)/under-provision in prior years	**(26)**	942
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	**(39,038)**	–
Others	**(1,155)**	510
Actual tax expense	**17,837**	205,581

6 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 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
Executive Directors					
Charles Lui Chung Yuen	360	600	141	–	1,101 [1]
Edmond Ho Tat Man	372	3,596	800	408	5,176 [1]
Non-executive Directors					
Kwok Ping-luen, Raymond	360	–	–	–	360
Kwok Ping-sheung, Walter	360	–	–	–	360
Ng Siu Chan	360	–	–	–	360
William Louey Lai Kuen	360	–	–	–	360
John Chan Cho Chak [2]	448	1,750	–	288	2,486 [1]
Winnie Ng [3]	421	2,799	434	–	3,654 [1]
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	344	–	–	–	344 [1]
Yung Wing Chung [4]	19	–	–	–	19
Independent Non-executive Directors					
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 [1]
Siu Kwing-chue, Gordon	360	–	–	–	360
	6,092	8,745	1,375	696	16,908

6 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 2007	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
John Chan Cho Chak [2]	354	4,356	1,500	1,101	7,311[1]
Charles Lui Chung Yuen	288	600	27	–	915[1]
Winnie Ng [3]	343	3,159	1,035	–	4,537[1]
Lui Pochiu [5]	108	1,144	–	–	1,252
Edmond Ho Tat Man	288	2,964	1,380	434	5,066[1]
Non-executive Directors					
Kwok Ping-luen, Raymond	288	–	–	–	288
Kwok Ping-sheung, Walter	288	–	–	–	288
Ng Siu Chan	288	–	–	–	288
William Louey Lai Kuen	288	–	–	–	288
George Chien Yuan Hwei	336	–	–	–	336
Independent Non-executive Directors					
The Hon Sir Sze-yuen Chung	403	–	–	–	403
Dr Norman Leung Nai Pang	322	–	–	–	322
Dr Kung Ziang Mien, James	360	–	–	–	360
Dr Eric Li Ka Cheung	457	–	–	–	457[1]
Siu Kwing-chue, Gordon	288	–	–	–	288
	4,699	12,223	3,942	1,535	22,399

Notes:

1 Mr Charles Lui Chung Yuen, Mr Edmond Ho Tat Man, Mr John Chan Cho Chak, Ms Winnie Ng, Mr John Anthony Miller and Dr Eric Li Ka Cheung have also served as directors of certain subsidiary(ies) of the Company. The corresponding amounts of Directors' remuneration disclosed above include emoluments received or receivable from such subsidiary(ies).

2 Mr John Chan Cho Chak has been re-designated as a Non-executive Director of the Company with effect from 8 April 2008.

3 Ms Winnie Ng has been re-designated as a Non-executive Director of the Company with effect from 13 October 2008.

4 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 remuneration disclosed above was in respect of his service as a director of RoadShow for the period from 20 November 2008 to 31 December 2008.

5 Mr Lui Pochiu retired as Executive Director on 18 May 2007.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2008 HK$'000	2007 HK$'000
Fees	**1,241**	985
Salaries, allowances and benefits in kind	**11,962**	14,518
Discretionary bonuses	**2,184**	4,887
Retirement scheme contributions	**794**	1,634
	16,181	22,024

The emoluments of the five (2007: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2008	2007
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	1
HK$7,000,001 – HK$7,500,000	**–**	1

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$1,106,880,000 (2007: HK$1,331,462,000) 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:

	2008 HK$'000	2007 HK$'000
Amount of consolidated profit attributable to equity shareholders of the Company dealt with in the Company's financial statements	**1,106,880**	1,331,462
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**109,058**	58,827
Company's profit for the year (note 30(b))	**1,215,938**	1,390,289

9 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$658,670,000 (2007: HK$3,847,678,000) and 403,639,413 shares in issue during the years ended 31 December 2008 and 2007. 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$366,154,000 (2007: HK$3,507,741,000) and HK$292,516,000 (2007: HK$339,937,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2008 and 2007.

(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.

10 DIVIDENDS

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

	2008		2007	
	Per Share HK$	**Total HK$'000**	Per Share HK$	Total HK$'000
Ordinary interim dividend declared and paid	**0.30**	**121,092**	0.45	181,638
Special interim dividend declared and paid	**–**	**–**	1.50	605,459
Ordinary final dividend proposed after the balance sheet date	**1.05**	**423,821**	1.58	637,750
Special final dividend proposed after the balance sheet date	**–**	**–**	2.00	807,279
	1.35	**544,913**	5.53	2,232,126

The ordinary final dividend and special final dividend proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

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

	2008		2007	
	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	**1.58**	**637,750**	1.58	637,750
Special final dividend in respect of the previous financial year, approved and paid during the year	**2.00**	**807,279**	–	–
	3.58	**1,445,029**	1.58	637,750

11 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Transport operations: The provision of franchised and non-franchised public transport services.

Media sales business: The provision of audio-video programming through a multi-media on-board system and marketing of exterior advertising spaces on transit vehicles exteriors, shelters and outdoor signages.

Property holdings and development: The development of residential and commercial properties for sale and long term investment.

	Transport operations		Media sales business		Property holdings and development		Inter-segment elimination		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Revenue from external customers	**6,537,531**	6,450,412	**196,523**	180,139	**619,032**	5,382,928	**–**	–	**7,353,086**	12,013,479
Inter-segment revenue	**–**	–	**47,185**	30,491	**–**	–	**(47,185)**	(30,491)	**–**	–
Other revenue from external customers	**46,157**	36,227	**744**	2,321	**393**	–	**–**	–	**47,294**	38,548
Total	**6,583,688**	6,486,639	**244,452**	212,951	**619,425**	5,382,928	**(47,185)**	(30,491)	**7,400,380**	12,052,027
Segment result	**29,464**	333,119	**103,184**	68,959	**363,683**	3,557,087			**496,331**	3,959,165
Unallocated net operating income									**173,558**	204,792
Profit from operations									**669,889**	4,163,957
Finance costs									**(32,614)**	(118,756)
Share of profits less losses of associates and jointly controlled entities	**42,255**	16,198	**14,141**	12,538	**–**	–			**56,396**	28,736
Income tax									**(17,837)**	(205,581)
Profit after taxation									**675,834**	3,868,356
Depreciation and amortisation for the year	**901,832**	910,920	**14,638**	23,123	**–**	–				
Impairment losses										
– fixed assets	**–**	–	**–**	3,000	**–**	–				
– trade and other receivables	**291**	234	**414**	55	**80,285**	–				
Segment assets	**5,664,100**	5,825,002	**92,659**	105,471	**461,908**	1,728,469			**6,218,667**	7,658,942
Interests in associates and jointly controlled entities	**597,176**	702,223	**256,926**	232,623	**–**	–			**854,102**	934,846
Unallocated assets									**3,214,258**	3,340,026
Total assets									**10,287,027**	11,933,814
Segment liabilities	**1,172,431**	1,218,958	**32,426**	64,091	**265,718**	455,652			**1,470,575**	1,738,701
Unallocated liabilities									**1,902,549**	2,396,557
Total liabilities									**3,373,124**	4,135,258
Capital expenditure incurred during the year	**368,864**	444,087	**2,803**	124	**37,846**	7,962				

Geographical segments

The Group's turnover and profit from operations derived from activities outside Hong Kong were insignificant. Accordingly, no analysis by geographical segment is presented.

12 FIXED ASSETS

(a) The Group:

	Buildings HK$'000	Buses and other motor vehicles HK$'000	Vessels HK$'000	Buses under construction HK$'000	Tools and others HK$'000	Sub-total HK$'000	Investment property under development HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost:									
At 1 January 2007	1,421,105	9,043,181	122,922	115,076	2,072,448	12,774,732	74,567	126,120	12,975,419
Exchange adjustments	–	142	–	–	–	142	–	–	142
Additions	4,797	40,277	–	147,994	263,718	456,786	7,962	–	464,748
Acquisition of subsidiary	–	13,028	–	–	–	13,028	–	–	13,028
Disposals	–	(74,559)	–	–	(8,192)	(82,751)	–	–	(82,751)
Transfer of buses	–	191,068	–	(191,068)	–	–	–	–	–
At 31 December 2007	1,425,902	9,213,137	122,922	72,002	2,327,974	13,161,937	82,529	126,120	13,370,586
Accumulated depreciation, amortisation and impairment losses:									
At 1 January 2007	782,392	5,002,183	23,781	–	1,675,777	7,484,133	–	41,937	7,526,070
Exchange adjustments	–	89	–	–	–	89	–	–	89
Charge for the year	42,196	617,826	6,150	–	265,422	931,594	–	2,079	933,673
Impairment loss for the year (note)	–	–	–	–	3,000	3,000	–	–	3,000
Acquisition of subsidiary	–	8,877	–	–	–	8,877	–	–	8,877
Written back on disposal	–	(74,416)	–	–	(8,030)	(82,446)	–	–	(82,446)
At 31 December 2007	824,588	5,554,559	29,931	–	1,936,169	8,345,247	–	44,016	8,389,263
Net book value:									
At 31 December 2007	601,314	3,658,578	92,991	72,002	391,805	4,816,690	82,529	82,104	4,981,323
Cost:									
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 (note 31)	**–**	**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**
Accumulated depreciation, amortisation and impairment losses:									
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 (note 31)	**–**	**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**
Net book value:									
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**

12 FIXED ASSETS (continued)

(a) The Group: (continued)

Note on impairment loss on fixed assets:

During the year ended 31 December 2007, management carried out an assessment of the recoverable amount of certain fixed assets of the Group. Based on their assessment, carrying amount of these fixed assets was written down by HK$3,000,000. The estimated recoverable amount was determined based on the future cash flows generated from these fixed assets. The impairment loss is included in other operating expenses in the consolidated income statement. No additional impairment loss is required based on management's assessment for the year ended 31 December 2008.

(b) The Company:

	Other fixed assets	
	2008 **HK$'000**	2007 HK$'000
Cost:		
At 1 January and 31 December	**201**	201
Accumulated depreciation:		
At 1 January and 31 December	**201**	201
Net book value:		
At 31 December	**–**	–

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

	The Group	
	2008 **HK$'000**	2007 HK$'000
Medium-term leases	**494,856**	473,307
Short-term leases	**279,410**	292,640
	774,266	765,947

	The Group	
	2008 **HK$'000**	2007 HK$'000
Representing:		
Buildings held for own use	**573,866**	601,314
Interest in leasehold land held for own use under operating leases	**80,025**	82,104
Investment property under development	**120,375**	82,529
	774,266	765,947

13 PASSENGER SERVICE LICENCES

	The Group	
	2008	2007
	HK$'000	HK$'000
Cost and net book value:		
At 1 January	**13,936**	7,576
Acquisition of subsidiary (note 31)	**700**	5,250
Additions	**400**	1,110
At 31 December	**15,036**	13,936

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 14 to the financial statements.

14 GOODWILL

	The Group	
	2008	2007
	HK$'000	HK$'000
Cost:		
At 1 January	**64,065**	61,691
Acquisition of subsidiary (note 31)	**11,307**	2,374
At 31 December	**75,372**	64,065
Accumulated impairment losses:		
At 1 January and 31 December	**12,487**	12,487
Carrying amount:		
At 31 December	**62,885**	51,578

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit ("CGU").

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

14 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives (continued)

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

	2008 %	2007 %
Gross margin	**10.5**	11.8
Growth rate	**2.5**	3.0
Discount rate	**6.0**	7.5

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the segment.

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

15 MEDIA ASSETS

	The Group	
	2008 HK$'000	2007 HK$'000
Cost:		
At 1 January	**1,923**	1,797
Exchange adjustments	**107**	126
At 31 December	**2,030**	1,923
Accumulated amortisation and impairment losses:		
At 1 January	**801**	389
Amortisation for the year	**406**	370
Exchange adjustments	**45**	42
At 31 December	**1,252**	801
Carrying amount:		
At 31 December	**778**	1,122

16 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.

17 INTEREST IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**1,188,423**	1,187,986

17 INTEREST IN SUBSIDIARIES (continued)

(b) Amounts due from/(to) subsidiaries

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

(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.

			Percentage of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particulars of issued/ registered and paid-up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activity**
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares of HK$1 each	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares of HK$1 each	100	–	100	Provision of franchised public bus services for North Lantau and Hong Kong International Airport
Sun Bus Limited	Hong Kong	2 shares of HK$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares of HK$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares of HK$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares of HK$1 each	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares of HK$1 each	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
Park Island Transport Company Limited	Hong Kong	10,000 shares of HK$1 each	100	–	100	Provision of non-franchised bus and ferry services in Hong Kong
RoadShow Holdings Limited	Incorporated in Bermuda and operates in Hong Kong	997,365,332 shares of HK$0.1 each	73	–	73	Investment holding
CityVision Limited	Hong Kong	10,000 shares of HK$1 each	65.7	–	90	Operation of multi-media on-board business on transit vehicles
RoadShow Creations Limited	Hong Kong	2 shares of HK$1 each	73	–	100	Trading of bus souvenirs

17 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest: Group's effective interest	Percentage of ownership interest: Held by the Company	Percentage of ownership interest: Held by subsidiaries	Principal activity
RoadShow Media Limited	Hong Kong	2 shares of HK$1 each	73	–	100	Provision of media sales and management services for advertising on transit vehicle exteriors and shelters and for the multi-media on-board business
RoadShow Productions Limited	Hong Kong	2 shares of HK$1 each	73	–	100	Production of content for multi-media on-board systems
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property development
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property holding
LCK Commercial Properties Limited	Hong Kong	1 share of HK$1	100	–	100	Property holding
TIH Financial Services Limited	Hong Kong	2 shares of HK$1 each	100	–	100	Provision of second mortgage loan services
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
HK Macau Ltd.	Incorporated in the British Virgin Islands and operates in Hong Kong	1,200 shares of US$1 each	60	–	60	Investment holding
Shanghai Yafei Advertising Company Limited (Limited liability company)	The PRC	RMB600,000	37.2	–	51	Provision of media advertising agency and design and production of advertisements
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares of HK$100 each	100	–	100	Provision of non-franchised bus services in Hong Kong and the PRC

The market value of the Group's interest in a listed subsidiary, RoadShow, at 31 December 2008 amounted to HK$364,088,000 (2007: HK$524,215,000).

18 INTEREST IN ASSOCIATES

	The Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**655,950**	739,317
Goodwill	**75,870**	72,298
Loans to associate	**95,714**	94,793
Amounts due from associates	**11,068**	10,401
Amounts due to associates	**(4,922)**	(4,922)
	833,680	911,887

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. Loans to associate and amounts due from associates are neither past due nor impaired.

The loans to associate are unsecured, bearing interest ranging from 5.58% p.a. to 7.47% p.a. (2007: 6.12% p.a. to 7.29% p.a.) and due within one year.

The Group has provided a loan of RMB22,858,000 (2007: RMB22,858,000), equivalent to HK$25,830,000 (2007: HK$24,408,000), to an associate. The loan was made through a designated deposit/loan arrangement where a subsidiary of the Group placed a pledged deposit of RMB22,858,000 (2007: RMB22,858,000), equivalent to HK$25,830,000 (2007: HK$24,408,000), with a bank in the PRC and the bank provided a loan to the associate of the same amount.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
AdSociety Daye Advertising Company Limited	Sino-foreign equity joint venture	The PRC	RMB74,380,984	29.9	–	40.9	Provision of full range of advertising services
Beijing Beiqi Kowloon Taxi Company Limited	Sino-foreign joint stock company	The PRC	RMB166,600,000	31.4	–	31.4	Provision of taxi hiring and car rental services
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB995,630,000	35	–	35	Provision of bus services

During the year, the Group and 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.

18 INTEREST IN ASSOCIATES (continued)

(a) Goodwill on acquisition of associates

Goodwill arising from acquisition of associates is allocated to the Group's share of net assets in the respective associates as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
Shenzhen Bus Group Company Limited ("SBG")	**61,374**	57,802
AdSociety Daye Advertising Company Limited ("ADA")	**14,496**	14,496
	75,870	72,298

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rates do not exceed the respective long-term average growth rates for the businesses in which the CGUs operate.

Key assumptions used for value-in-use calculations:

	SBG		ADA	
	2008 %	2007 %	**2008 %**	2007 %
Gross margin	**12.5**	14.1	**16.8**	18.5
Growth rate	**3.0**	10.0	**3.0**	3.0
Discount rate	**5.3**	7.4	**5.6**	4.4

Management determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The recoverable amounts of the CGUs are higher than their carrying amounts based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

(b) Summary financial information on associates

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Net profit HK$'000
2008					
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**
2007					
100 per cent	3,830,618	(1,856,441)	1,974,177	2,920,522	95,792
Group's effective interest	1,420,189	(680,872)	739,317	1,016,817	29,380

19 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2008 **HK$'000**	2007 HK$'000
Share of net assets	**20,772**	23,309
Amount due to jointly controlled entity	**(350)**	(350)
	20,422	22,959

The amount due to jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

The following list contains only the particulars of the jointly controlled entity which principally affected the results or assets of the Group:

				Proportion of ownership interest			
Name of joint venture	**Form of business structure**	**Place of establishment and operation**	**Particulars of registered and paid-up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Dalian HK Macau Motor Bus Services Limited	Co-operative joint venture	The PRC	RMB37,000,000	(Note)	–	(Note)	Provision of bus services in Dalian, the PRC

Note: The co-operative joint venture, Dalian HK Macau Motor Bus Services Limited ("Dalian HK Macau"), was formed between HK Macau Ltd. ("HK Macau"), a 60% owned subsidiary of the Group, and 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 is for a period of 15 years commencing from 31 July 1997. The profits and losses of Dalian HK Macau are shared equally by HK Macau and Dalian Public Transportation Group Co., Ltd.

20 OTHER FINANCIAL ASSETS

	The Group	
	2008 **HK$'000**	2007 HK$'000
Instalments receivable from sales of properties	**29,799**	54,078
Unlisted equity securities, at cost	**15,355**	15,355
Available-for-sale unlisted debt securities	**90,386**	50,035
Loan to investee	**–**	18,592
	135,540	138,060

The loan to investee was unsecured and interest bearing at 5.5% per annum. The loan was repaid in full in 2008.

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.

Unlisted debt securities are issued by corporate entities with credit rating ranging from Aa3 to Aaa. As at 31 December 2008, the Group's available-for-sale debt securities of HK$38,666,000 (2007: Nil) were individually determined to be impaired as a result of declines in their fair values below costs and management considers it probable that the cost of investment will not be fully recovered. Impairment losses on these investments of HK$1,100,000 (2007: Nil) were recognised in the income statement in accordance with the policy set out in note 1(l)(i) (see note 3). The remaining available-for-sale debt security of HK$51,720,000 (2007: HK$ 50,035,000) was neither past due nor impaired.

21 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 2008 and were prepared by Watson Wyatt Hong Kong Limited, which has among its staff fellow members of the Canadian Institute of Actuaries and the Society of Actuaries, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 90% (2007: 174%) covered by the plan assets held by the trustee.

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

	The Group	
	2008 HK$'000	2007 HK$'000
Present value of funded obligations	**(3,443,631)**	(2,755,991)
Fair value of plan assets	**3,110,517**	4,782,207
Unrecognised past service cost	**–**	113,659
Net unrecognised actuarial losses/(gains)	**1,088,549**	(1,537,647)
	755,435	602,228

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future refund or reduction of contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement plans for 2009 is HK$20,859,000.

(b) Plan assets consist of the following:

	The Group	
	2008 HK$'000	2007 HK$'000
Equity securities	**2,118,273**	3,491,011
Bonds	**846,046**	963,913
Cash and others	**146,198**	327,283
	3,110,517	4,782,207

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

	The Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**2,755,991**	2,661,069
Benefits paid by the plans	**(178,909)**	(232,644)
Current service cost	**151,711**	142,001
Past service cost	**(77,672)**	–
Interest cost	**102,911**	101,256
Actuarial losses	**689,599**	84,309
At 31 December	**3,443,631**	2,755,991

21 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Movements in plan assets:

	The Group	
	2008 **HK$'000**	2007 HK$'000
At 1 January	**4,782,207**	3,864,006
Benefits paid by the plans	**(178,909)**	(232,644)
Actuarial expected return on plan assets	**354,066**	284,273
Actuarial (losses)/gains	**(1,846,847)**	866,572
At 31 December	**3,110,517**	4,782,207

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

	The Group	
	2008 **HK$'000**	2007 HK$'000
Current service cost	**151,711**	142,001
Past service cost recognised	**35,987**	10,881
Interest cost	**102,911**	101,256
Actuarial expected return on plan assets	**(354,066)**	(284,273)
Net actuarial gains recognised	**(89,750)**	(35,143)
	(153,207)	(65,278)

An enhancement to scheme benefits made in 2006 for early retiring eligible employees was no longer offered by the Group. Unrecognised past service costs to the extent incurred by the Group as a result of the enhancement of HK$35,987,000 was recognised in the consolidated income statement.

The above net 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 loss of HK$1,492,781,000 (2007: net income of HK$1,150,845,000).

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

	The Group	
	2008 **%**	2007 %
Discount rate	**1.2**	3.5
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.

21 EMPLOYEE RETIREMENT BENEFITS (continued)

(g) Historical information

	The Group		
	2008 **HK$'000**	2007 HK$'000	2006 HK$'000
Fair value of plan assets	**3,110,517**	4,782,207	3,864,006
Present value of the defined benefit obligations	**(3,443,631)**	(2,755,991)	(2,661,069)
(Deficit)/surplus in the plans	**(333,114)**	2,026,216	1,202,937
Experience (losses)/gains arising on plan liabilities	**(47,681)**	84,445	41,439
Experience (losses)/gains arising on plan assets	**(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.

22 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 2008 and 2007.

23 ACCOUNTS RECEIVABLE

	The Group	
	2008 **HK$'000**	2007 HK$'000
Trade and other receivables	**493,385**	266,086
Instalments receivable from sale of properties	**299,860**	1,433,751
Interest receivable	**9,106**	11,714
Less: Allowance for doubtful debts (note 23(b))	**(84,528)**	(3,952)
Financial assets measured at amortised cost	**717,823**	1,707,599

All of the accounts receivable are expected to be recovered within one year.

23 ACCOUNTS RECEIVABLE (continued)

(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	
	2008	2007
	HK$'000	HK$'000
Current	**342,229**	1,644,599
1 to 3 months past due	**15,810**	12,291
More than 3 months past due	**19,008**	6,474
	377,047	1,663,364

The Group's credit policy is set out in note 34(a) to the financial statements.

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

Impairment losses in respect of trade and other receivables and instalments receivable from sale of properties are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables and instalments receivable from sale of properties directly (see note 1(l)(i)).

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

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**3,952**	3,718
Impairment loss recognised	**80,990**	289
Uncollectible amounts written off	**(414)**	(55)
At 31 December	**84,528**	3,952

At 31 December 2008, the Group's trade and other receivables and instalments receivable from sale of properties of HK$310,673,000 (2007: HK$13,890,000) 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. Included in this amount are instalments receivable from sales of properties of HK$292,964,000 (2007: Nil) which are due from customers who have defaulted on completion. Although the Group holds the property as collateral over these balances, management assessed that only a portion of the receivables is expected to be recovered due to the fall in market value of the related properties. Consequently, specific allowances for doubtful debts of HK$84,528,000 (2007: HK$3,952,000) were recognised.

23 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	
	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**461,405**	1,681,014
1 to 3 months past due	**12,790**	10,775
More than 3 months past due	**17,483**	5,872
	30,273	16,647
	491,678	1,697,661

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 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.

24 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and in hand	**179,489**	134,545	**27,289**	30,804
Bank deposits	**2,854,642**	2,960,875	**–**	–
Cash and cash equivalents in the balance sheets	**3,034,131**	3,095,420	**27,289**	30,804
Less: Bank deposits with original maturities of over three months	**(644,105)**	(1,261,500)		
Bank overdrafts	**(12,134)**	(31,435)		
Cash and cash equivalents in the consolidated cash flow statement	**2,377,892**	1,802,485		

25 BANK LOANS AND OVERDRAFTS

At 31 December 2008, the bank loans and overdrafts were repayable as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
Within 1 year or on demand	**725,384**	436,936
After 1 year but within 2 years	**300,000**	550,000
After 2 years but within 5 years	**289,748**	604,664
	589,748	1,154,664
	1,315,132	1,591,600

Except for the bank loan of HK$38,000,000 as at 31 December 2007 which was secured by a pledged bank deposit of HK$38,000,000, all bank loans and overdrafts are unsecured.

26 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Trade payables	**139,924**	201,005	**–**	–
Other payables and accruals	**848,568**	1,080,704	**35,962**	37,431
Financial liabilities measured at amortised cost	**988,492**	1,281,709	**35,962**	37,431
Financial guarantees issued	**–**	–	**8,528**	15,536
Derivative financial instruments	**595**	–	**–**	–
	989,087	1,281,709	**44,490**	52,967

Financial guarantees issued by the Company of HK$4,039,000 (2007: HK$8,547,000) are expected to be recognised as income after more than one year. All other accounts payable and accruals at 31 December 2008 and 2007 are expected to be settled within one year.

Included in accounts payable and accruals are trade payables with the following ageing analysis as of the balance sheet date:

	The Group	
	2008 HK$'000	2007 HK$'000
Due within 1 month or on demand	**122,979**	116,044
Due after 1 month but within 3 months	**15,312**	84,961
Due after more than 3 months	**1,633**	–
	139,924	201,005

27 CONTINGENCY PROVISION – INSURANCE

	The Group	
	2008 **HK$'000**	2007 HK$'000
At 1 January	**438,916**	397,432
Provision charged to the consolidated income statement	**86,464**	77,328
Payments made during the year	**(45,784)**	(35,844)
At 31 December	**479,596**	438,916

	The Group	
	2008 **HK$'000**	2007 HK$'000
Representing:		
Current portion	**142,684**	143,751
Non-current portion	**336,912**	295,165
	479,596	438,916

The Group is involved from time to time in litigations and claims in connection with its bus operations. Contingency provisions – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the balance sheet date in connection with the Group's bus operations.

28 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2008 **HK$'000**	2007 HK$'000
Provision for Hong Kong Profits Tax for the year	**119,519**	258,445
Provisional Profits Tax paid	**(125,794)**	(169,136)
	(6,275)	89,309
Balance of Profits Tax payable/(recoverable) relating to prior years	**574**	(21,564)
	(5,701)	67,745
PRC Income Tax payable	**551**	645
	(5,150)	68,390

	The Group	
	2008 **HK$'000**	2007 HK$'000
Representing:		
Current taxation recoverable	**(24,608)**	(5,917)
Current taxation payable	**19,458**	74,307
	(5,150)	68,390

28 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group				
Deferred tax arising from:	**Depreciation allowances in excess of related depreciation HK$'000**	**Provisions HK$'000**	**Tax losses HK$'000**	**Defined benefit assets HK$'000**	**Total HK$'000**
At 1 January 2007	736,154	(27,243)	(58,448)	93,967	744,430
(Credited)/charged to consolidated income statement	(57,148)	(14,084)	5,005	11,424	(54,803)
At 31 December 2007	679,006	(41,327)	(53,443)	105,391	689,627
At 1 January 2008	**679,006**	**(41,327)**	**(53,443)**	**105,391**	**689,627**
(Credited)/charged to 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**

	The Group	
	2008 HK$'000	2007 HK$'000
Net deferred tax assets recognised in the consolidated balance sheet	**(8,493)**	(11,877)
Net deferred tax liabilities recognised in the consolidated balance sheet	**531,330**	701,504
	522,837	689,627

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of HK$27,230,000 (2007: HK$26,940,000) in respect of tax losses of HK$165,030,000 (2007: HK$153,944,000) 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. The tax losses do not expire under the current tax legislation.

29 PROVISION FOR LONG SERVICE PAYMENTS

Details of the provision for long service payments of the Group are as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**47,222**	49,290
Provision charged to the consolidated income statement (note 4(a))	**133**	5,929
Payments made during the year	**(8,834)**	(7,997)
At 31 December	**38,521**	47,222

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.

30 CAPITAL AND RESERVES

(a) The Group

		Attributable to equity shareholders of the Company								
	Note	Share capital HK$'000	Other reserves HK$'000	Exchange reserve HK$'000 (note (i))	Hedging reserve HK$'000 (note (ii))	Fair value reserve HK$'000 (note (iii))	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		403,639	1,102,851	40,498	–	–	3,527,202	5,074,190	244,689	5,318,879
Dividend approved in respect of the previous year	10(b)	–	–	–	–	–	(637,750)	(637,750)	–	(637,750)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(16,021)	(16,021)
Exchange differences on translation of financial statements of entities outside Hong Kong		–	–	53,684	–	–	–	53,684	282	53,966
Deemed disposal of partial interest in associate		–	–	(1,782)	–	–	–	(1,782)	–	(1,782)
Available-for-sale securities: change in fair value		–	–	–	–	5	–	5	–	5
Profit for the year		–	–	–	–	–	3,847,678	3,847,678	20,678	3,868,356
Dividends approved in respect of the current year	10(a)	–	–	–	–	–	(787,097)	(787,097)	–	(787,097)
At 31 December 2007		403,639	1,102,851	92,400	–	5	5,950,033	7,548,928	249,628	7,798,556
At 1 January 2008		**403,639**	**1,102,851**	**92,400**	**–**	**5**	**5,950,033**	**7,548,928**	**249,628**	**7,798,556**
Dividends approved in respect of the previous year	10(b)	**–**	**–**	**–**	**–**	**–**	**(1,445,029)**	**(1,445,029)**	**–**	**(1,445,029)**
Dividends paid to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,908)**	**(23,908)**
Exchange differences on translation of financial statements of entities outside Hong Kong		**–**	**–**	**45,771**	**–**	**–**	**–**	**45,771**	**10,196**	**55,967**
Disposal of interest in associate		**–**	**–**	**(27,515)**	**–**	**–**	**–**	**(27,515)**	**–**	**(27,515)**
Cash flow hedge: effective portion of changes in fair value		**–**	**–**	**–**	**(595)**	**–**	**–**	**(595)**	**–**	**(595)**
Available-for-sale securities:										
– changes in fair value		**–**	**–**	**–**	**–**	**484**	**–**	**484**	**–**	**484**
– transfer to profit or loss on disposal		**–**	**–**	**–**	**–**	**101**	**–**	**101**	**–**	**101**
– transfer to profit or loss on impairment		**–**	**–**	**–**	**–**	**1,100**	**–**	**1,100**	**–**	**1,100**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**658,670**	**658,670**	**17,164**	**675,834**
Dividend approved in respect of the current year	10(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**

Included in retained profits is an amount of HK$89,468,000 (2007: HK$71,229,000) being the retained profits attributable to associates, and an amount of HK$2,486,000 (2007: retained profits of HK$877,000) being the accumulated losses attributable to jointly controlled entities.

30 CAPITAL AND RESERVES (continued)

(a) The Group (continued)

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(v).

(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 securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 1(f).

(b) The Company

	Note	Share capital HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2007		403,639	1,300,000	462,566	2,166,205
Dividend approved in respect of the previous year	10(b)	–	–	(637,750)	(637,750)
Profit for the year		–	–	1,390,289	1,390,289
Dividends approved in respect of the current year	10(a)	–	–	(787,097)	(787,097)
At 31 December 2007		403,639	1,300,000	428,008	2,131,647
At 1 January 2008		**403,639**	**1,300,000**	**428,008**	**2,131,647**
Dividends approved in respect of the previous year	10(b)	**–**	**–**	**(1,445,029)**	**(1,445,029)**
Profit for the year		**–**	**–**	**1,215,938**	**1,215,938**
Dividend approved in respect of the current year	10(a)	**–**	**–**	**(121,092)**	**(121,092)**
At 31 December 2008		**403,639**	**1,300,000**	**77,825**	**1,781,464**

The Company's reserves available for distribution to shareholders at 31 December 2008 amounted to HK$1,377,825,000 (2007: HK$1,728,008,000). After the balance sheet date, the Directors proposed an ordinary final dividend of HK$1.05 per share (2007: ordinary final dividend of HK$1.58 per share and special final dividend of HK$2.00 per share), amounting to HK$423,821,000 (2007: ordinary final dividend of HK$637,750,000 and special final dividend of HK$807,279,000). The dividends have not been recognised as liabilities at the balance sheet date.

30 CAPITAL AND RESERVES (continued)

(c) Share capital

(i) Authorised and issued share capital

	2008 HK$'000	2007 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$1 each	**600,000**	600,000
Issued and fully paid:		
403,639,413 ordinary shares of HK$1 each	**403,639**	403,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital structure on the basis of the level of net cash/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. Capital comprises all components of equity.

Net cash/debt and equity at 31 December 2008 and 2007 were as follows:

		The Group		The Company	
	Note	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Bank loans and overdrafts	25	**1,315,312**	1,591,600	**–**	–
Less: Cash and cash equivalents	24	**(3,034,131)**	(3,095,420)	**(27,289)**	(30,804)
Pledged deposit		**–**	(38,000)	**–**	–
Net cash		**(1,718,819)**	(1,541,820)	**(27,289)**	(30,804)
Total equity		**6,913,903**	7,798,556	**1,781,464**	2,131,647

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

31 ACQUISITION OF SUBSIDIARY

On 25 April 2008, the Company, via a wholly-owned subsidiary, acquired the entire equity interest in Hong Kong Campbell Transportation Co., Limited ("Campbell") for HK$12,196,000, satisfied in cash.

The principal activity of Campbell is the provision of non-franchised bus services between Hong Kong and the PRC. The contribution to the Group's revenue and profit for the year from Campbell since the date of acquisition is immaterial.

Details of net assets acquired and goodwill are as follows:

Net assets acquired:	Carrying amount HK$'000	Fair value HK$'000
Fixed assets	2,414	2,414
Passenger service licences	–	700
Deposits and prepayments	200	200
Accounts payable and accruals	(2,425)	(2,425)
Net assets acquired		889
Goodwill arising from the acquisition (note 14)		11,307
Total purchase price paid, satisfied in cash		12,196

Goodwill represents expected future profitability of the acquired business and synergies with the Group which are not attributable to any separately identifiable intangible asset.

32 COMMITMENTS

(a) At 31 December 2008, 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	
	2008 HK$'000	2007 HK$'000
Contracted for	153,717	122,108
Authorised but not contracted for	173,000	239,780
	326,717	361,888

(b) At 31 December 2008, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
Within 1 year	4,497	3,043
After 1 year but within 5 years	3,197	1,380
	7,694	4,423

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.

33 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2008, the Company has undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK$490,000,000 (2007: HK$540,000,000).

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$405,000,000 (2007: HK$410,000,000).

Deferred income in respect of the guarantees issued is disclosed in note 26 to the financial statements.

34 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, instalments receivable from sale of properties, loans to associate and unlisted debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and 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 sales 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.

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 20 and 23.

34 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities 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									
	2008					2007				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Bank loans	**1,302,998**	**1,312,654**	**720,230**	**301,683**	**290,741**	1,560,165	1,667,259	459,311	580,525	627,423
Accounts payable and accruals	**988,492**	**988,492**	**988,492**	**–**	**–**	1,281,709	1,281,709	1,281,709	–	–
Bank overdrafts	**12,134**	**12,134**	**12,134**	**–**	**–**	31,435	31,435	31,435	–	–
	2,303,624	**2,313,280**	**1,720,856**	**301,683**	**290,741**	2,873,309	2,980,403	1,772,455	580,525	627,423
Derivatives settled gross:										
Forward foreign exchange contracts held as cash flow hedging instruments										
– outflow		**27,315**	**27,315**	**–**	**–**		–	–	–	–
– inflow		**(26,721)**	**(26,721)**	**–**	**–**		–	–	–	–

	The Company									
	2008					2007				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Amounts due to subsidiaries	**6,340,317**	**6,340,317**	**6,340,317**	**–**	**–**	2,466,765	2,466,765	2,466,765	–	–
Other payables and accruals	**35,962**	**35,962**	**35,962**	**–**	**–**	37,431	37,431	37,431	–	–
	6,376,279	**6,376,279**	**6,376,279**	**–**	**–**	2,504,196	2,504,196	2,504,196	–	–

34 FINANCIAL INSTRUMENTS (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 2008 and 2007, 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 conditions.

(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			
	2008		2007	
	Effective interest rate p.a. %	**HK$'000**	Effective interest rate p.a. %	HK$'000
Fixed rate assets:				
Bank deposits	**1.4**	**2,854,642**	3.8	2,960,875
Instalments receivable	**–**	**–**	4.4	1,433,751
Loan to investee	**–**	**–**	5.5	18,592
Loans to associate	**7.5**	**95,714**	6.5	94,793
Available-for-sale unlisted debt securities	**4.6**	**90,386**	4.1	50,035
		3,040,742		4,558,046
Variable rate assets/(liabilities):				
Cash at bank	**0.1**	**49,908**	0.6	68,602
Instalments receivable	**5.0**	**40,334**	6.8	54,078
Bank overdrafts	**5.0**	**(12,134)**	6.8	(31,435)
Bank loans	**0.5**	**(1,302,998)**	3.9	(1,560,165)
		(1,224,890)		(1,468,920)

(ii) Sensitivity analysis

At 31 December 2008, 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$10,233,000 (2007: HK$11,999,000). Other components of consolidated equity would have decreased/increased by approximately HK$2,634,000 (2007: HK$1,815,000) 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, retained profits and other components of consolidated equity that would arise assuming that the change in the interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments held by the Group at the balance sheet date. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2007.

34 FINANCIAL INSTRUMENTS (continued)

(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 Group. The currency giving rise to this risk is primarily British Pound Sterling. In 2008, the Group hedged no more than 30% 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. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

At 31 December 2008, the Group had forward exchange contracts hedging forecast transactions with a net fair value of $595,000 (2007: Nil) recognised as derivative financial instruments. The forward exchange contracts are for the purchases of British Pound Sterling totalling GBP2,388,000 (2007: GBP Nil).

(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.

	The Group					
	2008			2007		
	Renminbi '000	British Pound Sterling '000	United States Dollars '000	Renminbi '000	British Pound Sterling '000	United States Dollars '000
Cash and cash equivalents	–	1,713	47,141	–	1,636	54,018
Accounts payable and accruals	–	(1,133)	(400)	–	(1,706)	(433)
Loans to associate	22,858	–	9,017	22,858	–	8,894
Notional amounts of forward exchange contracts used as economic hedges	–	2,388	–	–	–	–
Overall net exposure	22,858	2,968	55,758	22,858	(70)	62,479

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 RMB124,971,000 as at 31 December 2008 (2007: RMB121,066,000).

(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.

34 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

	The Group					
	2008			2007		
	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%**	**4,236**	**775**	3%	3,885	731
	(3%)	**(4,236)**	**(775)**	(3%)	(3,885)	(731)
British Pound Sterling	**4%**	**343**	**1,068**	4%	142	–
	(4%)	**(343)**	**(1,068)**	(4%)	(142)	–
United States Dollars	**1%**	**3,630**	**1,089**	1%	4,185	645
	(1%)	**(3,630)**	**(1,089)**	(1%)	(4,185)	(645)

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 is performed on the same basis for 2007.

Renminbi is not a fully convertible currency. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

(e) Equity price risk

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

(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 2008 and 2007.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 except as follows:

(i) Amounts due from/to subsidiaries, associates and jointly controlled entities of the Group and the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(ii) Unlisted equity securities of HK$15,355,000 (2007: 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.

34 FINANCIAL INSTRUMENTS (continued)

(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 unlisted 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.

35 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	**2008 HK$'000**	2007 HK$'000
Service fees for provision of coach services	(i)	**32,384**	26,105
Insurance premium paid	(ii)	**67,385**	65,029
Amount paid and accrued for management contractor services for property under development	(iii)	**–**	37,238
Amount paid and accrued for letting and sales agency agreement	(iv)	**4,704**	44,085
Amount paid and accrued for management agreement	(v)	**5,885**	10,271
Amount paid and accrued for property project management services	(vi)	**–**	–
Estimated Entitled Net Return for provision of transport services	(vii)	**7,807**	8,054
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**	–

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

(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 2008 amounted to HK$13,496,000 (2007: HK$7,480,000).

(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. SHKPI entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. Outstanding balance due to SHKPI for this contract at 31 December 2008 amounted to HK$65,000 (2007: Nil).

(iii) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract ("the Prime Cost Contract") with Chun Fai Construction Co. Ltd. ("CFCCL"), a subsidiary of SHKP, for the provision of management contractor services relating to the property under development of the Group ("Manhattan Hill"). In 2004, a supplementary agreement to the Prime Cost Contract ("the Supplementary Agreement") was entered into between LCKPI and CFCCL for the purposes of upgrading the design, materials and quality of the workmanship of Manhattan Hill. Pursuant to the Prime Cost Contract, as supplemented by the Supplementary Agreement, the aggregate consideration payable to CFCCL should not exceed HK$1,617,743,000. Outstanding balance payable for this contract at 31 December 2008 amounted to HK$117,304,000 (2007: HK$163,925,000).

(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 2008 amounted to HK$1,833,000 (2007: Nil).

(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 2008 amounted to HK$562,000 (2007: HK$2,111,000).

(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 2008 amounted to HK$3,800,000 (2007: HK$3,800,000).

35 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

(vii) On 23 May 2001, an indirectly wholly-owned subsidiary of the Company, Park Island Transport Company Limited ("PITC"), entered into a contract with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW"), a wholly-owned subsidiary of SHKP ("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 2008 under this contract was HK$55,486,000 (2007: HK$59,384,000).

(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 CFCCL 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 CFCCL should not exceed HK$37,400,000. Outstanding balance payable for this contract at 31 December 2008 amounted to HK$17,478,000 (2007: Nil).

(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 2008 amounted to HK$1,870,000 (2007: Nil).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 6.

(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$4,999,000 (2007: HK$3,735,000) and the interest receivable at the year end amounted to HK$11,139,000 (2007: HK$8,896,000).

36 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

37 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date, the Directors proposed a final dividend for the year. Further details are disclosed in note 10(a) to the financial statements.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 14, 18, 21(f) and 34(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 27, 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 2008, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 28(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in the consolidated income statement for the period in which such a reversal takes place.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that it is unlikely to have a material impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009