

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and jointly controlled entities.

The purchase method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill (see note 1(e)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments in securities (see note 1(f)), derivative financial instruments (see note 1(g)) and employee benefit assets (see note 1(x)(ii)) are stated at their fair value.

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

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

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

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

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

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

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

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

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

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)(ii)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(m)).

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

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

(f) Other investments in debt and equity securities

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

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

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

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the income statement. Dividend income from these investments is recognised in the income statement in accordance with the policy set out in note 1(u)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement in accordance with the policy set out in note 1(u)(iv). When these investments are derecognised or impaired (see note 1(m)(i)), the cumulative gain or loss is reclassified from equity to the income statement.

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

(g) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash flow hedges

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

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

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

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

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

(i) Investment property

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

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

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

(j) Other property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

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

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Other property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Buildings situated on leasehold land	– the shorter of 40 years and the unexpired terms of the leases
Buses	– 14 years
Other motor vehicles	– 5 to 14 years
Vessels	– 25 years
Others	– 2 to 7 years

No depreciation is provided for buses and vessels under construction.

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

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the period of the lease term.

(l) Intangible assets (other than goodwill)

Media assets represent advertising rights which are the costs of acquiring operating rights for the placement of advertisements in advertising display panels in the PRC and include any directly attributable costs of bringing advertising display panels to their present condition and location for their intended use. Advertising rights are stated at cost less accumulated amortisation and impairment losses (see note 1(m)(ii)).

Advertising rights are amortised to the income statement on a straight-line basis over 5 to 10 years, being the agreed periods of use of the advertising rights.

Passenger service licences acquired by the Group are regarded to have indefinite useful lives and are stated in the balance sheet at cost less impairment losses (see note 1(m)(ii)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to the income statement on a straight-line basis over the asset's estimated remaining useful life.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries: see note 1(m)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates and jointly controlled entities recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

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

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

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

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

(ii) Impairment of other assets

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

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

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

- Calculation of the recoverable amount

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(n) Completed property held for sale

Inventories in respect of completed property held for sale are carried at the lower of cost and net realisable value. Cost of completed property developed by the Group is determined by apportionment of the total development costs for that development project attributable to the unsold property. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(o) Spare parts and stores

Spare parts and stores are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Company issues a financial guarantee for borrowings of a subsidiary, the fair value of the guarantee is initially recognised as deferred income within accounts payable and accruals, and a corresponding increase in the Company's investment in the subsidiary is recognised on initial recognition of the deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(iii) if and when it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and the amount of that claim on the Company is expected to exceed the amount currently carried in accounts payable and accruals in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(t)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(t)(iii).

(iii) Other provisions and contingent liabilities

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Other provisions and contingent liabilities (continued)

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.
- (ii) Revenue arising from the sale of completed property held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on property sold prior to the date of revenue recognition are included in accounts payable and accruals.

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

- (iii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.
- (iv) Interest income is recognised as it accrues using the effective interest method.
- (v) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (vi) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that assets. Other borrowing costs are expensed in the period in which they are incurred.

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

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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

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

(x) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(y) Income tax

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

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

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

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax (continued)

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(aa) Segment reporting

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

Notes to the Financial Statements

2 CHANGES IN ACCOUNTING POLICIES (continued)

The adoption of the Improvements to HKFRSs (2008) and the amendments to HKAS 23 and HKAS 27 does not have a material impact on the Group's financial statements. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision makers ("CODM") regard and manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group's CODM for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 13). Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 36(g) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

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

	2009 HK\$'000	2008 HK\$'000
Fare revenue from franchised public bus services	6,146,454	6,137,548
Revenue from non-franchised transport services	295,373	399,983
Revenue from sales of properties	156,176	619,032
Media sales revenue	236,525	196,523
Gross rentals from investment property	7,667	–
	6,842,195	7,353,086

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

4 OTHER NET INCOME

	2009 HK\$'000	2008 HK\$'000
Write-back of impairment loss on instalments receivable	80,285	–
Net movement in balance of passenger rewards (see note below)	(58,100)	–
Net (loss)/income recognised in respect of defined benefit retirement plans (note 23(e))	(39,442)	153,207
Interest income on instalments receivable from sales of properties	852	34,627
Interest income on other financial assets not at fair value through profit or loss	36,380	86,542
Claims received	29,298	30,565
Impairment loss on unlisted equity securities	(9,801)	–
Dividend income from unlisted equity securities	8,680	4,960
Net miscellaneous business receipts	6,004	8,922
Net exchange (loss)/gain	(2,801)	9,624
Gain on disposal of jointly controlled entity (note 21)	1,287	–
Net gain on disposal of fixed assets	400	1,191
Available-for-sale debt securities: reclassified from equity		
– on disposal	(125)	(101)
– on impairment	–	(1,100)
Gain on deemed disposal of partial interest in associate (note 20)	177	–
Gain on disposal of associate (note 20)	–	64,626
Sundry revenue	27,644	11,532
	80,738	404,595

Note: Under the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net fixed assets is required to be set aside and accumulated in a balance of passenger rewards which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2009 and 2008 was 9.7% per annum. The balance of passenger rewards of the Group as at 31 December 2009, included in accounts payable and accruals, was HK\$58,100,000 (2008: Nil) (see note 28).

5 PROFIT BEFORE TAXATION

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

	2009 HK\$'000	2008 HK\$'000
(a) Staff costs:		
Contributions to defined contribution retirement plans	65,557	61,484
Movements in provision for long service payments (note 31)	2,887	133
Salaries, wages and other benefits	2,988,750	2,985,583
	3,057,194	3,047,200

Notes to the Financial Statements

5 PROFIT BEFORE TAXATION (continued)

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

	2009 HK\$'000	2008 HK\$'000
(b) Finance costs:		
Interest on bank loans and overdrafts not at fair value through profit or loss	12,143	32,614

	2009 HK\$'000	2008 HK\$'000
(c) Other items:		
Auditors' remuneration		
– audit services	4,107	4,720
– other services	1,465	1,739
Operating lease charges on properties, temporary bus depots, buses, ferries and terminal shelters	29,551	37,927
Depreciation	898,457	913,985
Amortisation of land lease premium	2,079	2,079
Amortisation of media assets	406	406
Impairment loss on accounts receivable	296	80,990
Write-back of impairment loss on instalments receivable	(80,285)	–
Write-down of spare parts and stores	2,843	2,683
Rentals receivable from investment property less direct outgoings of HK\$5,796,000 (2008: Nil) (note)	(1,871)	–

Note: Included contingent rental income of HK\$177,000 (2008: Nil).

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 HK\$'000	2008 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	138,813	119,519
Additional provision for prior years upon resolution of tax disputes	–	58,095
Under/(over)-provision in respect of prior years	357	(226)
	139,170	177,388
Current tax – PRC Income Tax		
Provision for the year	247	7,039
Under-provision in respect of prior years	–	200
	247	7,239
Deferred tax		
Origination and reversal of temporary differences	(21,675)	(69,657)
Effect of decrease in tax rate on deferred tax balances at 1 January	–	(39,038)
Effect of resolution of tax disputes	–	(58,095)
	(21,675)	(166,790)
	117,742	17,837

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

In prior years, there were discussions between a subsidiary and the Hong Kong Inland Revenue Department (the “IRD”) on the subsidiary’s treatment of defined benefit assets and calculations of depreciation allowances in its Hong Kong Profits Tax computation. During the year ended 31 December 2008, the subsidiary and the IRD have finalised the related tax treatments. The subsidiary has revised its Hong Kong Profits Tax computations for prior years accordingly, resulting in additional current taxation payable of HK\$58,095,000 and a corresponding reduction in the deferred tax liabilities of the same amount. This has no material impact on the Group’s net assets as at 31 December 2008 and its profit for the year then ended.

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

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	799,798	693,671
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	135,541	111,567
Tax effect of non-deductible expenses	11,091	7,205
Tax effect of non-taxable income	(29,422)	(62,776)
Tax effect of unused tax losses not recognised	1,077	2,517
Tax effect of prior years’ unrecognised deferred tax assets recognised during the year	–	(457)
Under/(over)-provision in prior years	357	(26)
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	–	(39,038)
Others	(902)	(1,155)
Actual tax expense	117,742	17,837

Notes to the Financial Statements

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

For the year ended 31 December 2009	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Charles Lui Chung Yuen	360	600	67	–	1,027 ⁽¹⁾
Edmond Ho Tat Man	415	3,901	1,000	468	5,784 ⁽¹⁾
Non-executive Directors					
Kwok Ping-luen, Raymond	360	–	–	–	360
Dr Kwok Ping-sheung, Walter	360	–	–	–	360
Ng Siu Chan	360	–	–	–	360
William Louey Lai Kuen	360	–	–	–	360
Dr John Chan Cho Chak	456	–	–	–	456 ⁽¹⁾
Winnie Ng	460	–	–	–	460 ⁽¹⁾
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	415	–	–	–	415 ⁽¹⁾
Yung Wing Chung ⁽²⁾	108	–	–	–	108
Independent Non-executive Directors					
The Hon Sir Sze-yuen Chung	504	–	–	–	504
Dr Norman Leung Nai Pang	402	–	–	–	402
Dr Kung Ziang Mien, James	450	–	–	–	450
Dr Eric Li Ka Cheung	592	–	–	–	592 ⁽¹⁾
Siu Kwing-chue, Gordon	377	–	–	–	377
	6,399	4,501	1,067	468	12,435

7 DIRECTORS' REMUNERATION (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows: (continued)

For the year ended 31 December 2008	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
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
Dr Kwok Ping-sheung, Walter	360	–	–	–	360
Ng Siu Chan	360	–	–	–	360
William Louey Lai Kuen	360	–	–	–	360
Dr John Chan Cho Chak ⁽³⁾	448	1,750	–	288	2,486 ⁽¹⁾
Winnie Ng ⁽⁴⁾	421	2,799	434	–	3,654 ⁽¹⁾
George Chien Yuan Hwei	420	–	–	–	420
John Anthony Miller	344	–	–	–	344 ⁽¹⁾
Yung Wing Chung ⁽²⁾	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

Notes:

- (1) The amounts included emoluments from the Company and certain of its subsidiaries.
- (2) Mr Yung Wing Chung, Alternate Director to Mr Kwok Ping-luen, Raymond, has been appointed as a Non-executive Director of RoadShow Holdings Limited ("RoadShow") with effect from 20 November 2008. His emolument was solely in respect of his services as a director of RoadShow.
- (3) Dr John Chan Cho Chak has been re-designated as a Non-executive Director of the Company with effect from 8 April 2008.
- (4) Ms Winnie Ng has been re-designated as a Non-executive Director of the Company with effect from 13 October 2008.

Notes to the Financial Statements

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2008: three) is a Director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2009 HK\$'000	2008 HK\$'000
Fees	415	1,241
Salaries, allowances and benefits in kind	12,353	11,962
Discretionary bonuses	2,808	2,184
Retirement scheme contributions	685	794
	16,261	16,181

The emoluments of the five (2008: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	3	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$362,106,000 (2008: HK\$1,106,880,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 HK\$'000	2008 HK\$'000
Amount of consolidated profit attributable to equity shareholders of the Company dealt with in the Company's financial statements	362,106	1,106,880
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	109,061	109,058
Company's profit for the year (note 32(a))	471,167	1,215,938

10 OTHER COMPREHENSIVE INCOME

	2009 HK\$'000	2008 HK\$'000
Available-for-sale debt securities:		
Changes in fair value recognised during the year	(1,809)	484
Reclassification adjustment for amount transferred to profit or loss:		
– on disposal	125	101
– impairment loss	–	1,100
Net movement in the fair value reserve during the year recognised in other comprehensive income	(1,684)	1,685
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	–	(595)
Amount transferred to initial carrying amount of hedged items	595	–
Net movement in the hedging reserve during the year recognised in other comprehensive income	595	(595)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$673,504,000 (2008: HK\$658,670,000) and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008. The calculation of basic earnings per share arising from sales of properties and the Group's other operations is based on profits arising from the respective operations of HK\$186,099,000 (2008: HK\$366,154,000) and HK\$487,405,000 (2008: HK\$292,516,000) respectively and 403,639,413 shares in issue during the years ended 31 December 2009 and 2008.

(b) Diluted earnings per share

The diluted earnings per share for the current and previous years are not presented as there are no dilutive potential ordinary shares during the years.

12 DIVIDENDS

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

	2009		2008	
	Per share HK\$	Total HK\$'000	Per share HK\$	Total HK\$'000
Interim dividend declared and paid	0.30	121,092	0.30	121,092
Ordinary final dividend proposed after the balance sheet date	1.05	423,821	1.05	423,821
Special dividend proposed after the balance sheet date	1.00	403,639	–	–
	2.35	948,552	1.35	544,913

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

Notes to the Financial Statements

12 DIVIDENDS (continued)

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

	2009		2008	
	Per share HK\$	Total HK\$'000	Per share HK\$	Total HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year	1.05	423,821	1.58	637,750
Special final dividend in respect of the previous financial year, approved and paid during the year	–	–	2.00	807,279
	1.05	423,821	3.58	1,445,029

13 SEGMENT REPORTING

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

Franchised bus operation: The provision of franchised public transport services in Hong Kong.

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

Property development: The development of residential properties for sale.

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

(a) Segment results, assets and liabilities

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

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

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

13 SEGMENT REPORTING (continued)

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

Information regarding the Group's reportable segments for the years ended 31 December 2009 and 2008 is set out below.

	Franchised bus operation		Media sales business		Property development		All other segments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	6,200,046	6,201,551	183,022	132,794	156,176	619,032	302,951	399,709	6,842,195	7,353,086
Inter-segment revenue	54,371	32,567	13,339	15,619	–	–	19,837	19,440	87,547	67,626
Reportable segment revenue	6,254,417	6,234,118	196,361	148,413	156,176	619,032	322,788	419,149	6,929,742	7,420,712
Reportable segment profit	387,897	87,391	18,220	51,472	185,252	364,311	59,682	121,891	651,051	625,065
Interest income	3,109	4,151	13,648	24,411	–	32,501	852	2,702	17,609	63,765
Interest expense	(9,930)	(25,547)	–	(300)	–	–	(2,213)	(6,767)	(12,143)	(32,614)
Depreciation and amortisation for the year	(854,498)	(862,720)	(9,875)	(14,638)	–	–	(36,569)	(39,112)	(900,942)	(916,470)
(Provision)/write-back of impairment losses on receivables	–	–	(10)	(414)	80,285	(80,285)	(286)	(291)	79,989	(80,990)
Impairment loss on unlisted equity securities	–	–	(9,801)	–	–	–	–	–	(9,801)	–
Staff costs	(2,903,030)	(2,886,806)	(39,975)	(28,726)	–	–	(106,691)	(124,455)	(3,049,696)	(3,039,987)
Reportable segment assets	5,055,096	5,286,692	852,081	888,083	198,217	342,733	1,072,698	1,470,807	7,178,092	7,988,315
– including interest in jointly controlled entities	–	–	–	–	–	–	–	20,422	–	20,422
– including interest in associates	–	–	–	256,926	–	–	612,007	576,754	612,007	833,680
Additions to non-current segment assets during the year	605,984	336,419	11,021	403	–	–	36,569	87,112	653,574	423,934
Reportable segment liabilities	2,433,116	2,665,537	47,987	34,538	187,252	245,785	247,777	389,852	2,916,132	3,335,712

Notes to the Financial Statements

13 SEGMENT REPORTING (continued)

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

	2009 HK\$'000	2008 HK\$'000
Revenue		
Reportable segment revenue	6,606,954	7,001,563
Revenue from all other segments	322,788	419,149
Elimination of inter-segment revenue	(87,547)	(67,626)
Consolidated turnover	6,842,195	7,353,086
	2009 HK\$'000	2008 HK\$'000
Profit		
Reportable segment profit	591,369	503,174
Profit from all other segments	59,682	121,891
Unallocated profits	31,005	50,769
Consolidated profit after taxation	682,056	675,834
	2009 HK\$'000	2008 HK\$'000
Assets		
Reportable segment assets	6,105,394	6,517,508
Assets from all other segments	1,072,698	1,470,807
Unallocated assets	2,794,011	2,298,712
Consolidated total assets	9,972,103	10,287,027

13 SEGMENT REPORTING (continued)

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

	2009 HK\$'000	2008 HK\$'000
Liabilities		
Reportable segment liabilities	2,668,355	2,945,860
Liabilities from all other segments	247,777	389,852
Unallocated liabilities	38,271	37,412
Consolidated total liabilities	2,954,403	3,373,124

(c) Geographic information

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

	Specified non-current assets	
	2009 HK\$'000	2008 HK\$'000
Hong Kong (place of domicile)	4,169,731	4,528,453
The PRC	627,617	870,236
	4,797,348	5,398,689

Notes to the Financial Statements

14 FIXED ASSETS

(a) The Group:

	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Vessels HK\$'000	Buses under construction HK\$'000	Tools and others HK\$'000	Sub-total HK\$'000	Investment property under development HK\$'000	Investment property HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
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	–	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	–	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

14 FIXED ASSETS (continued)

(a) The Group: (continued)

	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Vessels HK\$'000	Buses under construction HK\$'000	Tools and others HK\$'000	Sub-total HK\$'000	Investment property under development HK\$'000	Investment property HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
Cost:										
At 1 January 2009	1,429,913	9,156,710	122,885	43,088	2,559,066	13,311,662	120,375	–	126,120	13,558,157
Additions	7,840	30,386	–	229,507	326,576	594,309	–	584	–	594,893
Acquisition of subsidiary (note 33(a))	–	1,800	–	–	–	1,800	–	–	–	1,800
Disposals	(13,056)	(158,321)	–	–	(46,056)	(217,433)	–	–	–	(217,433)
Disposal of subsidiary (note 33(b))	(955)	(39,462)	(122,885)	–	(4,906)	(168,208)	–	–	–	(168,208)
Transfers	–	142,665	–	(142,665)	–	–	(120,375)	120,375	–	–
At 31 December 2009	1,423,742	9,133,778	–	129,930	2,834,680	13,522,130	–	120,959	126,120	13,769,209
Accumulated depreciation, amortisation and impairment losses:										
At 1 January 2009	856,047	6,003,539	34,547	–	2,167,801	9,061,934	–	–	46,095	9,108,029
Charge for the year	32,106	573,816	1,925	–	285,576	893,423	–	5,034	2,079	900,536
Acquisition of subsidiary (note 33(a))	–	1,200	–	–	–	1,200	–	–	–	1,200
Written back on disposal	(13,056)	(155,265)	–	–	(45,860)	(214,181)	–	–	–	(214,181)
Disposal of subsidiary (note 33(b))	(918)	(18,203)	(36,472)	–	(3,989)	(59,582)	–	–	–	(59,582)
At 31 December 2009	874,179	6,405,087	–	–	2,403,528	9,682,794	–	5,034	48,174	9,736,002
Net book value:										
At 31 December 2009	549,563	2,728,691	–	129,930	431,152	3,839,336	–	115,925	77,946	4,033,207
Add: Deposits paid in respect of buses on order						66,911	–	–	–	66,911
						3,906,247	–	115,925	77,946	4,100,118

Notes to the Financial Statements

14 FIXED ASSETS (continued)

(b) The Company:

	Other fixed assets	
	2009 HK\$'000	2008 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, investment property under development and interest in leasehold land held for own use under operating leases are held in Hong Kong. The analysis of the net book value of properties is as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Medium-term leases	478,884	494,856
Short-term leases	264,550	279,410
	743,434	774,266

	The Group	
	2009 HK\$'000	2008 HK\$'000
Representing:		
Buildings held for own use	549,563	573,866
Interest in leasehold land held for own use under operating leases	77,946	80,025
Investment property	115,925	–
Investment property under development	–	120,375
	743,434	774,266

- (d) Investment property is stated at cost less accumulated depreciation and impairment loss. The fair value of the investment property was HK\$432,000,000 as at 31 December 2009. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuation was performed on an open market value basis.

14 FIXED ASSETS (continued)

- (e) The Group leased out investment property under operating leases during the year ended 31 December 2009. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. The leases include contingent rentals being the excess of a percentage of the monthly turnover generated by the lessees over the monthly minimum lease rentals.

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	10,436	–
After 1 year but within 5 years	12,746	–
	23,182	–

15 PASSENGER SERVICE LICENCES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Cost and net book value:		
At 1 January	15,036	13,936
Acquisition of subsidiary (note 33(a))	1,000	700
Additions	5,500	400
At 31 December	21,536	15,036

Passenger service licences of the Group are regarded to have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Passenger service licences have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 16 to the financial statements.

Notes to the Financial Statements

16 GOODWILL

	The Group	
	2009 HK\$'000	2008 HK\$'000
Cost:		
At 1 January	75,372	64,065
Acquisition of subsidiary (note 33(a))	430	11,307
At 31 December	75,802	75,372
Accumulated impairment losses:		
At 1 January and 31 December	12,487	12,487
Carrying amount:		
At 31 December	63,315	62,885

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

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

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below.

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

	2009 %	2008 %
Growth rate	2.0	2.5
Discount rate	8.7	6.0

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

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

17 MEDIA ASSETS

	The Group	
	2009 HK\$'000	2008 HK\$'000
Cost:		
At 1 January	2,030	1,923
Exchange adjustments	–	107
At 31 December	2,030	2,030
Accumulated amortisation and impairment losses:		
At 1 January	1,252	801
Amortisation for the year	406	406
Exchange adjustments	–	45
At 31 December	1,658	1,252
Carrying amount:		
At 31 December	372	778

18 NON-CURRENT PREPAYMENTS

Non-current prepayments consist of advanced payments for concession and rights for advertising and media programme placement on transit vehicles and transit network furniture.

19 INTEREST IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	1,188,423	1,188,423

(b) Amounts due from/(to) subsidiaries

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

Notes to the Financial Statements

19 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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

19 INTEREST IN SUBSIDIARIES (continued)

(c) Particulars of principal subsidiaries (continued)

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

The market value of the Group's interest in a listed subsidiary, RoadShow Holdings Limited, at 31 December 2009 amounted to HK\$531,533,000 (2008: HK\$364,088,000).

Notes to the Financial Statements

20 INTEREST IN ASSOCIATES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	555,453	655,950
Goodwill	61,476	75,870
Loans to associate	–	95,714
Amounts due from associate	–	11,068
Amounts due to associate	(4,922)	(4,922)
	612,007	833,680

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of settlement/repayment. Loans to associate and amounts due from associates at 31 December 2008 were neither past due nor impaired.

At 31 December 2008, the loans to associate are unsecured, bearing interest ranging from 5.58% p.a. to 7.47% p.a. and were not expected to be settled within one year.

At 31 December 2008, the Group provided a loan of RMB22,858,000, equivalent to HK\$25,830,000, to an associate. The loan was made through a designated deposit/loan arrangement where a subsidiary of the Group placed a pledged deposit of RMB22,858,000, equivalent to HK\$25,830,000, with a bank in the PRC and the bank provided a loan to the associate of the same amount. The bank had no obligation to repay any principal or interest in case of default by the associate. The loan was repaid in November 2009.

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

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by subsidiaries	
Beijing Beiqi Kowloon Taxi Company Limited	Sino-foreign joint stock company	The PRC	RMB 166,600,000	31.4	–	31.4	Provision of taxi hire and car rental services
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB 951,430,306	35	–	35	Provision of bus and taxi hire services

20 INTEREST IN ASSOCIATES (continued)

During the year ended 31 December 2009, one of the joint venture partners of AdSociety Daye Advertising Company Limited subscribed for an additional 16.8% equity interest in the enlarged registered capital of the associate. The transaction was completed on 28 September 2009 and the Group's effective equity interest in the associate has been diluted from 29.9% to 23.9%, resulting in gain on deemed disposal of partial interest in associate of HK\$177,000, included in other net income (see note 4). Following the further dilution of the equity interest in the associate and a change in the composition of the board of directors of the associate, the Group was no longer in a position to exercise any significant influence over the associate. Since the date on which significant influence ceased, equity accounting has not been adopted and the carrying value of the investment in associate is reclassified as unlisted equity securities.

During the year ended 31 December 2008, the Group and another shareholder of Wuxi Kowloon Public Transport Company Limited entered into a share transfer agreement under which the Group disposed of its entire 45% equity interest in the associate. The transaction was completed on 9 December 2008 and Wuxi Kowloon Public Transport Company Limited ceased to be an associate of the Group. The transaction resulted in a gain on disposal of HK\$64,626,000 and related PRC income tax of HK\$4,949,000.

Summary financial information on associates

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenues HK\$'000	Net profit HK\$'000
2009					
100 per cent	3,025,850	(1,480,168)	1,545,682	2,541,619	87,017
Group's effective interest	1,093,632	(538,179)	555,453	890,675	29,568
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

21 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	–	20,772
Amount due to jointly controlled entity	–	(350)
	–	20,422

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

Notes to the Financial Statements

21 INTEREST IN JOINTLY CONTROLLED ENTITIES (continued)

Interest in jointly controlled entities as at 31 December 2008 represents mainly interest in a co-operative joint venture, Dalian HK Macau Motor Bus Services Limited ("Dalian HK Macau"), which was formed between HK Macau Ltd. ("HK Macau"), a 60% owned subsidiary of the Group, and Dalian Public Transportation Group Co., Ltd. (大連公交客運集團有限公司), formerly known as Dalian City No.1 Bus Company (大連市第一公共汽車公司), a PRC entity. The joint venture was for a period of 15 years commencing from 31 July 1997. The profits and losses of Dalian HK Macau were shared equally by HK Macau and Dalian Public Transportation Group Co., Ltd.

During the year ended 31 December 2009, the Group and Dalian Public Transportation Group Co., Ltd. entered into a share transfer agreement under which the Group disposed of its entire interest in Dalian HK Macau at a net cash consideration of HK\$21,945,000. The transaction was completed on 28 October 2009 and Dalian HK Macau ceased to be a jointly controlled entity of the Group. The transaction resulted in a gain on disposal of HK\$1,287,000 and related PRC income tax of HK\$170,000.

22 OTHER FINANCIAL ASSETS

	The Group	
	2009 HK\$'000	2008 HK\$'000
Instalments receivable from sales of properties	9,267	29,799
Unlisted equity securities, at cost	148,925	15,355
Loans to investee	69,884	—
Amounts due from investee	12,167	—
Available-for-sale debt securities		
– listed outside Hong Kong	55,283	—
– unlisted	38,022	90,386
	333,548	135,540

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

During the year ended 31 December 2009, interest in associate with a carrying amount of HK\$143,371,000 was reclassified as unlisted equity securities on the date the Group ceased to have significant influence over the associate. At 31 December 2009, such unlisted equity securities were individually determined to be impaired due to an adverse change in the market in which the investee operates which indicated that the Group's investment in the investee may not be fully recovered. Impairment loss on unlisted equity securities of HK\$9,801,000 (2008: Nil) was recognised in the consolidated income statement in accordance with the policy set out in note 1(m) (see note 4).

22 OTHER FINANCIAL ASSETS (continued)

Loans to investee are unsecured, bearing interest ranging from 5.31% p.a. to 7.47% p.a. and are not expected to be settled within one year. Amounts due from investee are unsecured, interest free and has no fixed repayment terms. The amount is not expected to be recovered within one year. Loans to and amounts due from investee are neither past due nor impaired.

Debt securities are issued by corporate entities with credit rating ranging from A- to AA+. As at 31 December 2009, the Group's available-for-sale debt securities were neither past due nor impaired. At 31 December 2008, debt securities of HK\$38,666,000 were individually determined to be impaired as a result of declines in their fair values below cost and management considered it probable that the cost of investment would not be fully recovered. Impairment losses on these investments of HK\$1,100,000 were recognised in the consolidated income statement for the year ended 31 December 2008 in accordance with the policy set out in note 1(m)(i) (see note 4).

23 EMPLOYEE RETIREMENT BENEFITS

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits to eligible employees of the Group. The schemes are administered by an independent trustee and the assets are held separately from those of the Group.

The latest independent actuarial valuations of the plans were at 31 December 2009 and were prepared by Watson Wyatt Hong Kong Limited, a Towers Watson Company, which has among its staff fellow members of the Canadian Institute of Actuaries and the Society of Actuaries, using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 132% (2008: 90%) covered by the plan assets held by the trustee.

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Present value of funded obligations	(2,886,274)	(3,443,631)
Fair value of plan assets	3,816,704	3,110,517
Net unrecognised actuarial (gains)/losses	(214,437)	1,088,549
	715,993	755,435

A portion of the above asset/liability is expected to be recovered/paid after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable/payable in the next twelve months, as future refund or reduction of contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement plans for 2010 is Nil.

Notes to the Financial Statements

23 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Plan assets consist of the following:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Equity securities	2,774,886	2,118,273
Bonds	862,291	846,046
Cash and others	179,527	146,198
	3,816,704	3,110,517

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	3,443,631	2,755,991
Benefits paid by the plans	(168,950)	(178,909)
Current service cost	168,753	151,711
Past service cost	–	(77,672)
Interest cost	40,925	102,911
Actuarial (gains)/losses	(598,085)	689,599
At 31 December	2,886,274	3,443,631

(d) Movements in plan assets:

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	3,110,517	4,782,207
Benefits paid by the plans	(168,950)	(178,909)
Actuarial expected return on plan assets	230,798	354,066
Actuarial gains/(losses)	644,339	(1,846,847)
At 31 December	3,816,704	3,110,517

23 EMPLOYEE RETIREMENT BENEFITS (continued)

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Current service cost	168,753	151,711
Past service cost recognised	–	35,987
Interest cost	40,925	102,911
Actuarial expected return on plan assets	(230,798)	(354,066)
Net actuarial losses/(gains) recognised	60,562	(89,750)
	39,442	(153,207)

The above net loss/(income) is included in other net income in the consolidated income statement. The actual return on plan assets (taking into account all changes in the fair value of the plan assets excluding contributions received and benefits paid) was net gain of HK\$875,137,000 (2008: net loss of HK\$1,492,781,000).

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

	The Group	
	2009 %	2008 %
Discount rate	2.6	1.2
Expected rate of return on plan assets	7.5	7.5
Future salary increases	4.5	4.5

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(g) Historical information

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

Disclosure of historical information has been made prospectively from the year ended 31 December 2006 in accordance with the transitional provisions of Amendment to HKAS 19, Employee benefits – actuarial gains and losses, group plans and disclosures.

Notes to the Financial Statements

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

RoadShow operates a share option scheme ("the Scheme") which was adopted on 7 June 2001 whereby the directors of RoadShow are authorised, at their discretion, to offer any employee (including any director) of RoadShow or any of its wholly-owned subsidiaries options to subscribe for shares in RoadShow to recognise their contributions to the growth of RoadShow. The options vest immediately from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share of RoadShow. The Scheme is valid and effective for a period of ten years ending on 6 June 2011.

No option was granted during the year and there were no outstanding options at 31 December 2009 and 2008.

25 ACCOUNTS RECEIVABLE

	The Group	
	2009 HK\$'000	2008 HK\$'000
Trade and other receivables	236,159	493,385
Instalments receivable from sale of properties	143,571	299,860
Interest receivable	9,378	9,106
Less: Allowance for doubtful debts (note 25(b))	(4,529)	(84,528)
	384,579	717,823

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

(a) Ageing analysis

Included in accounts receivable are trade receivables and instalments receivable from sale of properties (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Current	148,726	342,229
1 to 3 months past due	17,872	15,810
More than 3 months past due	93,708	19,008
	260,306	377,047

The Group's credit policy is set out in note 36(a) to the financial statements.

25 ACCOUNTS RECEIVABLE (continued)

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

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

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	84,528	3,952
Impairment loss recognised	296	80,990
Write-back of impairment loss	(80,285)	–
Uncollectible amounts written off	(10)	(414)
At 31 December	4,529	84,528

At 31 December 2009, the Group's trade and other receivables of HK\$16,048,000 (2008: trade and other receivables and instalments receivable from sale of properties of HK\$310,673,000) were individually determined to be impaired. The individually impaired receivables related to customers that have defaulted on repayment and management assessed that only a portion of the receivables is expected to be recovered. At 31 December 2008, instalments receivable from sale of properties of HK\$292,964,000 were due from customers who have defaulted on completion. Although the Group held the property as collateral over these balances, management assessed that only a portion of the receivables as at 31 December 2008 was expected to be recovered due to the fall in market value of the related properties in 2008. Consequently, specific allowances for doubtful debts of HK\$80,285,000 have been recognised for such instalments receivable as at 31 December 2008. Management has reassessed specific allowances for doubtful debts as at 31 December 2009 based on prevailing property prices and considered that the amount of impairment loss has decreased. Impairment loss previously recognised of HK\$80,285,000 (2008: Nil) has thus been written back during the year ended 31 December 2009.

Notes to the Financial Statements

25 ACCOUNTS RECEIVABLE (continued)

(c) Accounts receivable that is not impaired

The ageing analysis of accounts receivable that is neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Neither past due nor impaired	263,502	461,405
1 to 3 months past due	17,254	12,790
More than 3 months past due	92,304	17,483
	109,558	30,273
	373,060	491,678

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

Receivables that were past due but not impaired include mainly instalments receivable from sale of properties of HK\$83,987,000 (2008: HK\$6,897,000) which are due from customers who have defaulted in completion. The Group holds the property as collateral over these balances, and management assessed that the receivables are recoverable in full based on the prevailing market value of the related properties.

The remaining receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and in hand	335,505	179,489	28,417	27,289
Bank deposits	3,217,556	2,854,642	–	–
	3,553,061	3,034,131	28,417	27,289
Less: Pledged bank deposit (note)	(51,200)	–	–	–
Cash and cash equivalents in the balance sheets	3,501,861	3,034,131	28,417	27,289
Less: Bank deposits with original maturities of over three months	(2,827,447)	(644,105)		
Bank overdrafts	(2,760)	(12,134)		
Cash and cash equivalents in the consolidated cash flow statement	671,654	2,377,892		

Note: Pursuant to certain licence agreements between certain subsidiaries of the Group and certain subsidiaries of RoadShow, the subsidiaries of RoadShow have provided bank guarantees issued in favour of the subsidiaries of the Group regarding their due performance and payment under the respective licence agreements. Bank deposit of HK\$51,200,000 (2008: Nil) has been pledged to the bank for the bank guarantees.

26 CASH AND CASH EQUIVALENTS (continued)

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

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	799,798	693,671
Adjustments for:		
– dividend income from unlisted equity securities	(8,680)	(4,960)
– interest income	(37,232)	(121,169)
– finance costs	12,143	32,614
– reclassification from equity on disposal of available-for-sale debt securities	125	101
– impairment loss on available-for-sale debt securities	–	1,100
– impairment loss on unlisted equity securities	9,801	–
– depreciation and amortisation	900,942	916,470
– net gain on disposal of fixed assets	(400)	(1,191)
– gain on disposal of jointly controlled entity	(1,287)	–
– gain on deemed disposal of partial interest in associate	(177)	–
– gain on disposal of associate	–	(64,626)
– share of profits less losses of associates	(29,568)	(59,759)
– share of profits less losses of jointly controlled entities	(3,021)	3,363
Effect of foreign exchange rate	(2,386)	3,728
Operating profit before changes in working capital	1,640,058	1,399,342
Decrease in non-current prepayments	9,580	9,581
(Increase)/decrease in spare parts and stores	(597)	540
Decrease/(increase) in trade and other receivables	244,881	(19,397)
(Increase)/decrease in deposits and prepayments	(12,886)	1,860
Decrease in completed property held for sale	36,387	127,819
Increase/(decrease) in accounts payable and accruals	61,018	(301,058)
Decrease in amount due to jointly controlled entity	(350)	–
Decrease in instalments receivable from sale of properties	96,536	1,238,455
Decrease in third party claims payable	(15,142)	(1,067)
(Decrease)/increase in contingency provision – insurance	(31,845)	41,747
Decrease in provision for long service payments	(4,241)	(8,701)
Decrease/(increase) in employee benefit assets	39,442	(153,207)
Cash generated from operations	2,062,841	2,335,914

Notes to the Financial Statements

27 BANK LOANS AND OVERDRAFTS

At 31 December 2009, the bank loans and overdrafts were repayable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year or on demand	401,930	725,384
After 1 year but within 2 years	200,000	300,000
After 2 years but within 5 years	269,832	289,748
	469,832	589,748
	871,762	1,315,132

28 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade payables	206,375	139,924	–	–
Balance of passenger rewards (see note 4)	58,100	–	–	–
Other payables and accruals	805,027	848,568	37,451	35,962
Financial liabilities measured at amortised cost	1,069,502	988,492	37,451	35,962
Financial guarantees issued	–	–	3,600	8,528
Derivative financial instruments	–	595	–	–
	1,069,502	989,087	41,051	44,490

Financial guarantees issued by the Company of HK\$1,809,000 (2008: HK\$4,039,000) are expected to be recognised as income after more than one year. All other accounts payable and accruals at 31 December 2009 and 2008 are expected to be settled within one year.

28 ACCOUNTS PAYABLE AND ACCRUALS (continued)

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Due within 1 month or on demand	188,291	122,979
Due after 1 month but within 3 months	16,686	15,312
Due after more than 3 months	1,398	1,633
	206,375	139,924

29 CONTINGENCY PROVISION – INSURANCE

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	479,596	438,916
Provision charged to the consolidated income statement	12,862	86,464
Payments made during the year	(59,849)	(45,784)
At 31 December	432,609	479,596

	The Group	
	2009 HK\$'000	2008 HK\$'000
Representing:		
Current portion	127,542	142,684
Non-current portion	305,067	336,912
	432,609	479,596

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

Notes to the Financial Statements

30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Provision for Hong Kong Profits Tax for the year	138,813	119,519
Provisional Profits Tax paid	(99,955)	(125,794)
	38,858	(6,275)
Balance of Profits Tax (recoverable)/payable relating to prior years	(23)	574
	38,835	(5,701)
PRC Income Tax payable	401	551
	39,236	(5,150)

	The Group	
	2009 HK\$'000	2008 HK\$'000
Representing:		
Current taxation recoverable	(7,868)	(24,608)
Current taxation payable	47,104	19,458
	39,236	(5,150)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	The Group				
	Depreciation allowances in excess of the related depreciation HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Defined benefit assets HK\$'000	Total HK\$'000
At 1 January 2008	679,006	(41,327)	(53,443)	105,391	689,627
(Credited)/charged to the consolidated income statement	(109,152)	(4,914)	10,288	(63,012)	(166,790)
At 31 December 2008	569,854	(46,241)	(43,155)	42,379	522,837
At 1 January 2009	569,854	(46,241)	(43,155)	42,379	522,837
Disposal of subsidiary (note 33(b))	(15,442)	–	7,413	–	(8,029)
(Credited)/charged to the consolidated income statement	(34,144)	9,061	3,910	(502)	(21,675)
At 31 December 2009	520,268	(37,180)	(31,832)	41,877	493,133

30 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

	The Group	
	2009 HK\$'000	2008 HK\$'000
Amounts recognised in the consolidated balance sheet:		
Net deferred tax assets	(6,013)	(8,493)
Net deferred tax liabilities	499,146	531,330
	493,133	522,837

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of HK\$28,307,000 (2008: HK\$27,230,000) in respect of tax losses of HK\$170,463,000 (2008: HK\$165,030,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for tax losses of HK\$2,127,000 (2008: Nil) which will expire in five years, the tax losses do not expire under the current tax legislation.

31 PROVISION FOR LONG SERVICE PAYMENTS

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January	38,521	47,222
Provision charged to the consolidated income statement (note 5(a))	2,887	133
Payments made during the year	(7,128)	(8,834)
At 31 December	34,280	38,521

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

Notes to the Financial Statements

32 CAPITAL AND RESERVES

(a) Movements in components of equity

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

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

	Note	Share capital HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2008		403,639	1,300,000	428,008	2,131,647
Changes in equity for 2008:					
Dividends approved in respect of the previous year	12(b)	–	–	(1,445,029)	(1,445,029)
Total comprehensive income for the year		–	–	1,215,938	1,215,938
Dividend approved in respect of the current year	12(a)	–	–	(121,092)	(121,092)
At 31 December 2008		403,639	1,300,000	77,825	1,781,464
At 1 January 2009		403,639	1,300,000	77,825	1,781,464
Changes in equity for 2009:					
Dividend approved in respect of the previous year	12(b)	–	–	(423,821)	(423,821)
Total comprehensive income for the year		–	–	471,167	471,167
Dividend approved in respect of the current year	12(a)	–	–	(121,092)	(121,092)
At 31 December 2009		403,639	1,300,000	4,079	1,707,718

The Company's reserves available for distribution to shareholders at 31 December 2009 amounted to HK\$1,304,079,000 (2008: HK\$1,377,825,000). After the balance sheet date, the Directors proposed an ordinary final dividend of HK\$1.05 per share (2008: HK\$1.05 per share) and a special dividend of HK\$1.00 per share (2008: Nil), amounting to HK\$423,821,000 (2008: HK\$423,821,000) and HK\$403,639,000 (2008: Nil) respectively, totalling HK\$827,460,000 (2008: HK\$423,821,000). The ordinary final dividend and the special dividend proposed have not been recognised as liabilities at the balance sheet date.

32 CAPITAL AND RESERVES (continued)

(b) Share capital

Authorised and issued share capital

	2009 HK\$'000	2008 HK\$'000
Authorised:		
600,000,000 ordinary shares of HK\$1 each	600,000	600,000
Issued and fully paid:		
403,639,413 ordinary shares of HK\$1 each	403,639	403,639

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

(c) Nature and purpose of reserves:

(i) Exchange reserve

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

(ii) Hedging reserve

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

(iii) Fair value reserve

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

(d) Capital management

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

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

Notes to the Financial Statements

32 CAPITAL AND RESERVES (continued)

(d) Capital management (continued)

The Group monitors capital structure on the basis of the level of net cash/debt compared to the amount of capital. For this purpose the Group defines net cash/debt as interest-bearing loans and borrowings less cash and cash equivalents and pledged bank deposit. Capital comprises all components of equity.

Net cash/debt and equity at 31 December 2009 and 2008 were as follows:

	Note	The Group		The Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bank loans and overdrafts	27	871,762	1,315,132	–	–
Less: Cash and cash equivalents	26(a)	(3,501,861)	(3,034,131)	(28,417)	(27,289)
Pledged bank deposit	26(a)	(51,200)	–	–	–
Net cash		(2,681,299)	(1,718,999)	(28,417)	(27,289)
Total equity		7,017,700	6,913,903	1,707,718	1,781,464

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

33 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiary

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

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

Details of net assets acquired and goodwill are as follows:

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

33 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiary

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

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

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

As SHKTC is a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, the disposal of PITC constitutes a related party transaction (see note 37(a)).

34 COMMITMENTS

- (a) At 31 December 2009, the Group had the following capital commitments in relation to the purchase of property, plant and equipment not provided for in the financial statements:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Contracted for	767,739	153,717
Authorised but not contracted for	173,000	173,000
	940,739	326,717

Notes to the Financial Statements

34 COMMITMENTS (continued)

- (b) At 31 December 2009, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	4,409	4,497
After 1 year but within 5 years	2,506	3,197
	6,915	7,694

The Group leases a number of properties under operating leases. The leases typically run for a period of one to five years. The leases do not include contingent rentals.

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

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within 1 year	11,504	10,504
After 1 year but within 5 years	19,451	30,955
	30,955	41,459

35 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2009, the Company has undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$340,000,000 (2008: HK\$490,000,000).

As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the outstanding amount of the loans advanced by the banks to the subsidiaries totalling HK\$270,000,000 (2008: HK\$405,000,000).

Deferred income in respect of the guarantees issued is disclosed in note 28 to the financial statements.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

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

(a) Credit risk

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

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year.

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

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

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables are set out in notes 22 and 25.

(b) Liquidity risk

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

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	The Company									
	2009					2008				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Balance sheet carrying amount HK\$'000
Amounts due to subsidiaries	6,788,653	–	–	6,788,653	6,788,653	6,340,317	–	–	6,340,317	6,340,317
Other payables and accruals	37,451	–	–	37,451	37,451	35,962	–	–	35,962	35,962
	6,826,104	–	–	6,826,104	6,826,104	6,376,279	–	–	6,376,279	6,376,279
Financial guarantees issued:										
Maximum amount guaranteed (note 35)	270,000	–	–	270,000	3,600	405,000	–	–	405,000	8,528

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2009 and 2008, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing assets and liabilities at the balance sheet date.

	The Group			
	2009		2008	
	Effective interest rate p.a. %	HK\$'000	Effective interest rate p.a. %	HK\$'000
Fixed rate assets:				
Bank deposits	0.5	3,217,556	1.4	2,854,642
Loans to associate	–	–	7.5	95,714
Loans to investee	5.8	69,884	–	–
Available-for-sale debt securities	5.0	93,305	4.6	90,386
		3,380,745		3,040,742
Variable rate assets/(liabilities):				
Cash at bank	0.3	65,955	0.1	49,908
Instalments receivable	5.0	10,159	5.0	40,334
Bank overdrafts	5.0	(2,760)	5.0	(12,134)
Bank loans	0.7	(869,002)	0.5	(1,302,998)
		(795,648)		(1,224,890)

Notes to the Financial Statements

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK\$6,535,000 (2008: HK\$10,233,000). Other components of consolidated equity would have decreased/increased by approximately HK\$2,824,000 (2008: HK\$2,634,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of buses that are denominated in a currency other than the functional currency of the entity to which they relate. The currency giving rise to this risk is primarily British Pound Sterling. The Group hedges approximately 27% of its estimated foreign currency exposure in respect of highly probable forecast purchases. The Group uses forward exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 31 December 2008, fair value of these forward exchange contracts of HK\$595,000 was recognised as derivative financial liabilities. The forward exchange contracts were for the purchases of British Pound Sterling totalling GBP2,388,000 and had maturities of less than one year after the balance sheet date. At 31 December 2009, the Group had no forward exchange contracts outstanding.

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

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

The Group						
Exposure to foreign currencies (expressed in Hong Kong dollars)						
	2009			2008		
	Renminbi HK\$'000	British Pound Sterling HK\$'000	United States Dollars HK\$'000	Renminbi HK\$'000	British Pound Sterling HK\$'000	United States Dollars HK\$'000
Cash and cash equivalents	–	21,515	309,614	–	19,173	365,578
Accounts payable and accruals	–	(18,860)	(5,165)	–	(12,681)	(3,102)
Available-for-sale debt securities	–	–	55,283	–	–	38,690
Amounts due from associate	–	–	–	–	–	11,068
Amounts due from investee	–	–	12,167	–	–	–
Loans to associate	–	–	–	25,830	–	69,884
Loans to investee	–	–	69,884	–	–	–
Notional amounts of forward exchange contracts used as economic hedges	–	–	–	–	26,720	–
Overall net exposure	–	2,655	441,783	25,830	33,212	482,118

In addition, the Group is exposed to currency risk arising from inter-company receivables denominated in Renminbi which is not the functional currency of the lender. Such inter-company receivables amounted to RMB124,557,000 as at 31 December 2009, equivalent to HK\$141,460,000 (2008: RMB124,971,000, equivalent to HK\$141,692,000).

Notes to the Financial Statements

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	The Group					
	2009			2008		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) HK\$'000	Effect on other components of equity (increase/ (decrease)) HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits (increase/ (decrease)) HK\$'000	Effect on other components of equity (increase/ (decrease)) HK\$'000
Renminbi	3%	4,245	–	3%	4,236	775
	(3%)	(4,245)	–	(3%)	(4,236)	(775)
British Pound Sterling	11%	634	–	4%	343	1,068
	(11%)	(634)	–	(4%)	(343)	(1,068)
United States dollars	1%	3,874	553	1%	3,630	1,200
	(1%)	(3,874)	(553)	(1%)	(3,630)	(1,200)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2008.

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

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Equity price risk

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

(f) Fuel price risk

It is the Group's policy to closely monitor the fuel oil price movements and enter into fuel oil swap contracts in a strategic manner when opportunities arise to hedge against fuel oil price fluctuations. There was no outstanding fuel oil swap contract as at 31 December 2009 and 2008.

(g) Fair values

(i) Financial instruments carried at fair value

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2009

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

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

Notes to the Financial Statements

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair values (continued)

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

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

- (1) Amounts due from/to subsidiaries, associates, jointly controlled entities and investee of the Group and the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.
- (2) Unlisted equity securities of HK\$148,925,000 (2008: HK\$15,355,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are stated at cost less impairment losses at the balance sheet date.

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale debt securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Forward exchange contracts

The fair values of forward exchange contracts are marked to market using quoted market prices.

(iii) Interest-bearing loans and borrowings

Fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates can be made.

37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Transactions with related companies

	Note	2009 HK\$'000	2008 HK\$'000
Service fees for provision of coach services	(i)	32,568	32,384
Insurance premium paid	(ii)	63,094	67,385
Amount paid and accrued for management contractor services for property under development	(iii)	–	–
Amount paid and accrued for letting and sales agency agreement	(iv)	1,899	4,704
Amount paid and accrued for management agreement	(v)	5,323	5,885
Amount paid and accrued for property project management services	(vi)	–	–
Estimated Entitled Net Return for provision of transport services	(vii)	2,730	7,807
Proceeds received from disposal of a subsidiary	33(b)	110,626	–
Amount paid and accrued for management contractor services for investment property under development	(viii)	–	34,510
Amount paid and accrued for project management and design services for investment property under development	(ix)	–	2,670
Amount paid for purchase of unsecured fixed rate notes	(x)	15,000	–
Interest income received and receivable from unsecured fixed rate notes	(x)	327	–

Notes:

- (i) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP") under the same terms as those available to other customers in the ordinary course of business. Amounts due from these companies at 31 December 2009 amounted to HK\$6,826,000 (2008: HK\$13,496,000).
- (ii) During the year, the Group entered into a contract with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of insurance services to the Group (the "2009 Insurance Arrangements"). SHKPI entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. The amount paid and payable under the 2009 Insurance Arrangements amounted to HK\$67,798,000. In addition, experience refunds of HK\$4,704,000 were received by the Group during the year. Outstanding balance due to SHKPI at 31 December 2009 amounted to HK\$22,000 (2008: HK\$65,000).
- (iii) In 2003, Lai Chi Kok Properties Investment Limited ("LCKPI"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost contract ("the Prime Cost Contract") with Chun Fai Construction Co. Ltd. ("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 2009 amounted to HK\$106,623,000 (2008: HK\$117,304,000).
- (iv) LCKPI entered into a Letting and Sales Agency Agreement (the "Original Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), a subsidiary of SHKP, on 17 July 2003 to appoint SHKRE for the provision of letting and sales agency and marketing services for the residential units, commercial units and the car parking spaces of Manhattan Hill. On 15 August 2007, the Original Agreement was terminated and replaced by a letter agreement (the "Letter Agreement") pursuant to which LCKPI continues to appoint SHKRE as the letting and sales agent of Manhattan Hill under the same terms and conditions of the Original Agreement except that the maximum amount of the agency fees payable under the Original Agreement and the Letter Agreement shall, altogether, not exceed HK\$65,000,000. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$3,732,000 (2008: HK\$1,833,000).

Notes to the Financial Statements

37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

- (v) In 2003, LCKPI entered into the Management Agreement with Hong Yip Service Company Limited ("Hong Yip"), a subsidiary of SHKP, to agree to appoint Hong Yip as the manager of Manhattan Hill and to engage its services in relation to the terms and conditions set out in deed(s) of mutual covenant and management agreement(s) of Manhattan Hill to be entered into by LCKPI, Hong Yip and the first purchaser of a completed unit of the property.
- In 2007, a supplemental deed had been entered into between LCKPI, Hong Yip and Royal Elite Service Company Limited ("Royal Elite"), a fellow subsidiary of Hong Yip, to amend and supplement the management agreement (the "Supplemental Deed"). It is agreed among the three parties that Royal Elite will replace Hong Yip as the Manager and to perform and discharge the duties and obligations as the manager under the deed(s) of mutual covenant. All terms defined in the Management Agreement are adopted in the Supplemental Deed. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$1,078,000 (2008: HK\$562,000).
- (vi) The Group entered into a contract with a subsidiary of SHKP for the provision of project management services relating to Manhattan Hill. The contract sum of the project management services is HK\$15,000,000, or the lower of 1% of the project costs and HK\$20,000,000, whichever is higher. Management service fees payable for this contract at 31 December 2009 amounted to HK\$3,800,000 (2008: HK\$3,800,000).
- (vii) On 23 May 2001, an indirectly wholly-owned subsidiary of the Company, Park Island Transport Company Limited ("PITC"), entered into a contract with Sun Hung Kai (Ma Wan) Transport Company Limited ("SHKMW"), a wholly-owned subsidiary of SHKP ("the Transport Agreement"), for the provision of transport services for Ma Wan Island in Hong Kong. The Transport Agreement was subsequently amended and supplemented by six supplemental letters dated 4 December 2002, 1 August 2003, 29 February 2004, 6 December 2005, 28 November 2006 and 6 December 2007 (collectively, the "Supplemental Agreements") with the operating term extended to 13 December 2008.
- Under the terms of the Transport Agreement, PITC shall be entitled to a return lying within the range of 7% and 14% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of PITC's fixed assets with respect to the accounting year concerned ("the Entitled Net Return").
- On 25 November 2008, PITC entered into another Supplemental Letter to amend certain terms and conditions of the Transport Agreement whereby the operating term of the Transport Agreement was extended for a period of one year from 14 December 2008 to 13 December 2009 and the Entitled Net Return of the Transport Agreement was changed to lie within the range of 6% and 15% per annum.
- The amount receivable from SHKMW at 31 December 2009 under this contract was Nil (2008: HK\$55,486,000).
- (viii) On 16 April 2008, LCK Commercial Properties Limited ("LCKCP"), an indirectly wholly-owned subsidiary of the Company, entered into a prime cost agreement ("the Prime Cost Agreement") with CFCL for the provision of management contractor services involving the alteration and addition works to the retail podium of Manhattan Hill ("the Retail Podium"). Pursuant to the Prime Cost Agreement, the aggregate consideration payable to CFCL should not exceed HK\$37,400,000. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$4,390,000 (2008: HK\$17,478,000).
- (ix) On 16 April 2008, LCKCP entered into a project management and design services agreement ("the Project Management and Design Services Agreement") with Sun Hung Kai Architects and Engineers Limited ("SHKAE"), a subsidiary of SHKP, for the provision of project management, statutory submission and interior design services in relation to the Retail Podium. Pursuant to the Project Management and Design Services Agreement, a lump sum service fee of HK\$2,670,000 is payable to SHKAE in accordance with the progress of the alteration and addition works to the Retail Podium. Outstanding balance payable for this contract at 31 December 2009 amounted to HK\$370,000 (2008: HK\$1,870,000).
- (x) On 6 March 2009, KMB Financial Services Limited ("KMBFS"), a wholly-owned subsidiary of the Company, purchased certain unsecured fixed rate notes (the "Fixed Rate Notes") issued by Sun Hung Kai Properties (Capital Market) Limited ("SHKPCM"), a wholly-owned subsidiary of SHKP, with a total nominal value of HK\$15,000,000 from a bank in an open secondary market, at a cost of HK\$15,000,000. The Fixed Rate Notes are interest bearing at 2.64% per annum. The principal amount of the Fixed Rate Notes will be repaid by SHKPCM on the maturity date on 12 February 2012 and the interest on the Fixed Rate Notes is payable quarterly. At 31 December 2009, the Fixed Rate Notes held by KMBFS were carried at a fair value of HK\$15,251,000 and there was no material outstanding interest receivable.

37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

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

(c) Financing arrangements

Loans to associate are unsecured and have no fixed terms of repayment. Interest income from loans to associate during the year was HK\$3,376,000 (2008: HK\$4,999,000) and the interest receivable at the year end was Nil (2008: HK\$11,059,000). The interest receivable previously included in interest in associates was reclassified to amounts due from investee included in other financial assets at the date on which the Group ceased to have significant influence over the associate as detailed in notes 20 and 22.

38 NON-ADJUSTING POST BALANCE SHEET EVENTS

- (a) After the balance sheet date, the Directors proposed an ordinary final dividend and a special dividend for the year. Further details are disclosed in note 12(a) to the financial statements.
- (b) At the special general meeting of the Company held on 21 January 2010, the independent shareholders of the Company approved the disposal of 50% of the Group's interest in building and leasehold land at an industrial site at Kwun Tong to a subsidiary of SHKP at a consideration of HK\$490,000,000, which was arrived at after arm's length negotiations by reference to a valuation performed by Knight Frank Petty Limited, an independent property valuer. The disposal was completed on 25 January 2010 and the Group will record a gain on disposal of about HK\$489,000,000 in the consolidated income statement for the year ending 31 December 2010.

39 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Notes to the Financial Statements

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 16, 23(f) and 36(h) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 29, is based on past claims experience and recent claims development. As the ultimate claim amount will be affected by future external events, for example the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

(b) Depreciation/amortisation

Fixed assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Impairment of assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(d) Net realisable value of completed property held for sale

Management determines the net realisable value of completed property held for sale with reference to recent sale transactions of the property and those in nearby areas. Estimated costs to be incurred in selling the property are taken into account in estimating net realisable value. These estimates require management judgement as to the anticipated future selling prices, rate of new property sales, marketing costs and general market conditions. Changes in market conditions affect the actual selling price when the property is sold and may affect profit or loss in future years.

(e) Recognition of deferred tax assets

At 31 December 2009, the Group has recognised deferred tax assets which arose from unused tax losses and deductible temporary differences as set out in note 30(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in the consolidated income statement for the period in which such a reversal takes place.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

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

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
HK(IFRIC) 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
Revised HKAS 24, Related party disclosures	1 January 2011
Amendments to HK(IFRIC) 14, The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2011
HKFRS 9, Financial instruments	1 January 2013