

## 1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- provision of bus services
- provision of coach hiring services
- provision of travel and related services
- provision of other transportation services
- tour services
- hotel services
- power generation

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and short term investments, as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Goodwill or capital reserve**

The goodwill or capital reserve arising on the consolidation of subsidiaries and on the acquisition of jointly-controlled entities and associates represents the excess or shortfall, respectively, of the purchase consideration paid over the fair values ascribed to the net underlying assets acquired, and is respectively eliminated against or credited directly to reserves in the year of acquisition.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Goodwill or capital reserve** *(continued)*

On disposal of subsidiaries, jointly-controlled entities or associates, the relevant portion of attributable goodwill or capital reserve previously eliminated against or credited directly to reserves is released and included in the calculation of the gain or loss on disposal.

### **Subsidiaries**

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

### **Jointly-controlled entities**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's jointly-controlled entities are Sino-foreign co-operative joint ventures in respect of which the partners' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. The Group's interests in jointly-controlled entities are carried at cost plus its share of the post-acquisition results of the joint ventures, in accordance with the defined profit sharing ratios, less accumulated amortisation.

Amortisation is calculated on a straight-line basis to write off the shortfall of the payback of investment upon the expiry of the joint venture period over the life of the jointly-controlled entity.

### **Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Associates** *(continued)*

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### **Fixed assets and depreciation**

Fixed assets, other than hotel properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

For leasehold land and buildings, any surplus arising on revaluation is credited to the fixed assets revaluation reserve. A decrease in the net carrying amount arising on revaluation of an asset is charged to the profit and loss account to the extent that it exceeds the surplus, if any, held in the respective revaluation reserve relating to a previous revaluation of that particular asset. On subsequent disposal of assets, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits as a movement in reserves.

For motor buses and vehicles, the Group has adopted the transitional provisions set out in paragraph 73 of Statement of Standard Accounting Practice No. 2.117 "Property, plant and equipment" issued by the Hong Kong Society of Accountants of not making regular revaluations of those assets stated at revalued amounts which were reflected in the financial statements in periods ended before 30 June 1996.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Fixed assets and depreciation** *(continued)*

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Land use rights	Over the period of the rights
Leasehold land	Over the terms of the lease
Buildings	30 years
Bus terminal structure	8 years
Garage improvements	5 years
Motor buses and vehicles	5 to 12 years
Dock and ferries	15 to 30 years
Power plants	10 years
Furniture, fixtures and office machinery	5 to 8 years
Equipment and tools	6 to 8 years

Hotel properties represent interests in leasehold land and buildings and their integral fixed plant which are collectively used in the operation of hotels and are stated at cost. It is the Group's policy to maintain the hotel properties in such condition that their residual values are not currently diminished by the passage of time and, therefore, any element of depreciation is insignificant. Accordingly, the directors consider that depreciation need not be charged in respect of the hotel properties. The related maintenance and repairs is charged to the profit and loss account in the period in which it is incurred and the costs of significant improvements are capitalised.

Construction in progress represents a building under construction and is stated at cost and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The carrying amounts of fixed assets are reviewed periodically in order to assess whether their recoverable amounts have declined below their carrying amount. Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their estimated recoverable amounts. Reductions of recoverable amounts are charged to the profit and loss account.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Leased assets**

Leases and hire purchase contracts that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases and hire purchase contracts are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets in the case of finance leases and over the estimated useful lives in the case of hire purchase contracts. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

### **Bus route operating rights and advertising rights**

Bus route operating rights and advertising rights are stated at cost, which comprises the purchase price thereof, less accumulated amortisation.

Amortisation is calculated on the straight-line basis to write off the cost of each right over a period of 15 to 30 years.

### **Long term investments**

Long term investments are non-trading investments in unlisted equity securities intended to be held on a strategic long term basis.

Long term investments are stated at cost less provisions for any diminutions in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis.

### **Short term investments**

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Short term investments** *(continued)*

The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on the estimated replacement cost.

### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### **Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

### **Retirement pension scheme**

The Group operates a defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme the Group's employer contributions vest fully with the employees when contributed into the scheme.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) transportation services, in the period in which the related services are rendered;
- (ii) tour services, when the tours arrive at their destinations;
- (lii) hotel services, when the related services are rendered;
- (iv) sale of electricity, based on the consumption by meters read;
- (v) rental income, on a time proportion basis over the lease terms;
- (vi) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (vii) dividends, when the shareholders' right to receive payment is established.

**Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## Notes to Financial Statements

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### 3. TURNOVER

Turnover represents bus fares and the invoiced value of coach hire and travel related services, tour and hotel services and the sale of electricity.

Revenue from the following activities has been included in turnover:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Designated bus routes services	<b>490,858</b>	442,682
Non-franchised bus and coach services	<b>340,683</b>	347,388
Franchised bus services	<b>61,816</b>	60,670
Other transportation services	<b>4,172</b>	2,510
Tour services	<b>22,415</b>	–
Hotel services	<b>14,748</b>	–
Power generation	<b>817</b>	–
	<b>935,509</b>	853,250



**4. PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	1,330	1,200
Depreciation ( <i>Note (i)</i> ):		
Owned fixed assets	107,860	82,873
Leased fixed assets	3,785	7,502
Amortisation	574	145
Operating lease rentals ( <i>Note (i)</i> ):		
Land and buildings	3,726	5,687
Bus depots, terminals and car parks	17,928	17,330
Motor buses and coaches	17,228	12,230
Staff costs ( <i>Note (i)</i> ) (including directors' remuneration – note 6):		
Wages and salaries	374,653	273,345
Other welfare	13,366	52,390
Pension scheme contributions ( <i>Note (i)</i> )	7,185	5,512
Less: Forfeited contributions ( <i>Note (ii)</i> )	(797)	(277)
Net pension contributions	6,388	5,235
	<b>394,407</b>	<b>330,970</b>
Gains on short term investments:		
Realised gains, net	(1,868)	–
Holding gains, net	(571)	–
Loss on disposal of fixed assets, net	10,511	18,844
Loss on disposal of a jointly-controlled entity	3,928	–
Loss on disposal of long term investments	140	–
Provisions against diminutions in value of long term investments	1,590	–
Exchange losses, net	92	54
Loss/(gain) on deemed disposal of a subsidiary	(571)	204
Bank interest income	(6,664)	(6,066)
Interest income from jointly-controlled entities	(2,169)	(1,419)
Interest income from investments in government bonds	–	(1,128)
Dividend income from an unlisted investment	(556)	(675)
Gain on waived bank borrowings ( <i>Note (iii)</i> )	(22,131)	–

# Notes to Financial Statements

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## 4. PROFIT FROM OPERATING ACTIVITIES (continued)

Notes:

- (i) The cost of services rendered for the year amounted to HK\$784,965,000 (2000: HK\$682,437,000) and included depreciation charges of HK\$92,113,000 (2000: HK\$82,121,000), operating lease rentals of HK\$35,156,000 (2000: HK\$19,777,000) and staff costs of HK\$315,841,000 (2000: HK\$261,466,000).
- (ii) As at 31 March 2001, there were no material forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years.
- (iii) During the year, the Group entered into a debt repayment arrangement with one of its bankers to settle outstanding bank loans of HK\$36,231,000 by cash payment of HK\$14,100,000, with a gain on the waiver of HK\$22,131,000.

## 5. FINANCE COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	16,768	14,459
Other loans	–	182
Finance leases and hire purchase contracts	772	1,931
	<b>17,540</b>	16,572

**6. DIRECTORS' REMUNERATION**

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	100	100
Other emoluments:		
Salaries and other benefits	11,767	9,629
Pension scheme contributions	944	1,595
	<b>12,711</b>	11,224
	<b>12,811</b>	11,324

Fees represent HK\$100,000 (2000: HK\$100,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	10	11
HK\$1,000,001 - HK\$1,500,000	1	–
HK\$1,500,001 - HK\$2,000,000	–	–
HK\$2,000,001 - HK\$2,500,000	–	2
HK\$2,500,001 - HK\$3,000,000	3	1
	<b>14</b>	14

## 6. DIRECTORS' REMUNERATION *(continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

In last year, share options to subscribe for ordinary shares in the Company were granted to certain directors. No value was included in the directors' remuneration in respect of the share options granted in last year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of these share options. Details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of Directors.

## 7. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during each of the two years ended 31 March 2001 were directors, details of whose remuneration are set out in note 6 above.

## 8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<i>HK\$'000</i>
Group:		
Hong Kong	<b>108</b>	165
Elsewhere	<b>6,250</b>	2,140
Underprovision in prior year	–	27
	<b>6,358</b>	2,332

**9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$9,610,000 (2000: HK\$29,882,000).

**10. DIVIDENDS**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim		
– HK1 cent (2000: HK3 cents) per ordinary share	<b>3,939</b>	11,817
Proposed final		
– HK1 cent (2000: HK4 cents) per ordinary share	<b>3,939</b>	15,756
	<b>7,878</b>	27,573

**11. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$20,424,000 (2000: HK\$50,098,000) and on the weighted average of 393,906,000 (2000: 359,120,754) ordinary shares in issue during the year.

The calculations of basic and diluted earnings per share are based on:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Net profit attributable to shareholders, for the purpose of basic and diluted earnings per share calculation	<b>20,424</b>	50,098

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## 11. EARNINGS PER SHARE (continued)

	Number of shares	
	2001	2000
Shares:		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share calculation	<b>393,906,000</b>	359,120,754
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	<b>11,251</b>	1,048,411
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<b>393,917,251</b>	360,169,165

## 12. FIXED ASSETS

## Group

	Land use rights	Leasehold land and buildings	Hotel properties	Bus terminal structure	Garage improvements	Motor buses and vehicles	Dock and ferries	Power plants	Furniture, fixtures and office machinery	Equipment and tools	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost or valuation:												
At beginning of year	50,505	70,281	-	2,843	7,024	1,096,534	20,084	-	27,631	22,915	4,181	1,301,998
Additions	-	6,056	21	1	602	84,015	445	35	7,953	4,515	13,964	117,607
Disposals	(7,879)	(6,442)	-	-	(933)	(42,572)	(262)	-	(579)	(192)	(546)	(59,405)
Acquisition of subsidiaries	34,313	5,229	56,031	-	170	3,000	-	2,508	9,218	525	538	111,532
Disposal of a subsidiary	(176)	-	-	-	-	-	(20,267)	-	-	(3,325)	-	(23,768)
<b>At 31 March 2001</b>	<b>76,763</b>	<b>75,124</b>	<b>56,052</b>	<b>2,844</b>	<b>6,863</b>	<b>1,140,977</b>	<b>-</b>	<b>2,543</b>	<b>44,223</b>	<b>24,438</b>	<b>18,137</b>	<b>1,447,964</b>
Accumulated depreciation:												
At beginning of year	2,275	8,664	-	1,721	4,298	299,016	259	-	13,664	11,491	-	341,388
Provided during the year	2,683	3,199	-	264	770	94,380	594	219	5,170	4,366	-	111,645
Disposals	(334)	(1,713)	-	-	(394)	(28,409)	(7)	-	(430)	(101)	-	(31,388)
Disposal of a subsidiary	(92)	-	-	-	-	-	(846)	-	-	(1,377)	-	(2,315)
<b>At 31 March 2001</b>	<b>4,532</b>	<b>10,150</b>	<b>-</b>	<b>1,985</b>	<b>4,674</b>	<b>364,987</b>	<b>-</b>	<b>219</b>	<b>18,404</b>	<b>14,379</b>	<b>-</b>	<b>419,330</b>
Net book value:												
<b>At 31 March 2001</b>	<b>72,231</b>	<b>64,974</b>	<b>56,052</b>	<b>859</b>	<b>2,189</b>	<b>775,990</b>	<b>-</b>	<b>2,324</b>	<b>25,819</b>	<b>10,059</b>	<b>18,137</b>	<b>1,028,634</b>
At 31 March 2000	48,230	61,617	-	1,122	2,726	797,518	19,825	-	13,967	11,424	4,181	960,610
Analysis of cost and valuation:												
At cost	76,763	42,501	56,052	2,844	6,863	1,137,487	-	2,543	44,223	24,438	18,137	1,411,851
At 1991 directors' valuation	-	-	-	-	-	3,490	-	-	-	-	-	3,490
At 30 June 1996 professional valuation	-	32,623	-	-	-	-	-	-	-	-	-	32,623
	76,763	75,124	56,052	2,844	6,863	1,140,977	-	2,543	44,223	24,438	18,137	1,447,964

## Notes to Financial Statements

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### 12. FIXED ASSETS (continued)

The Group's leasehold land and buildings are held under medium term leases in the following locations:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong	45,038	43,710
Elsewhere	30,086	26,571
	<b>75,124</b>	70,281

The net book value of the Group's fixed assets held under finance leases and hire purchase contracts included in the total amount of fixed assets at 31 March 2001 amounted to HK\$18,505,000 (2000: HK\$38,702,000).

Certain of the Group's leasehold land and buildings in Hong Kong were revalued at 30 June 1996 by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional valuer, on an open market value and existing use basis. In the opinion of the directors, the fair values of these revalued leasehold land and buildings were approximately the same as the carrying values of the respective assets at 31 March 2001.

Had all of the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$64,720,000 (2000: HK\$61,416,000) at 31 March 2001.

Had all of the motor buses and vehicles been stated at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$775,990,000 (2000: HK\$797,518,000) at 31 March 2001.

Certain of the Group's fixed assets with a net book value of HK\$226,102,000 (2000: HK\$229,478,000) were pledged to secure banking facilities granted to the Group as set out in note 28 to the financial statements (note 37).



## 13. INTANGIBLE ASSETS

## Group

	Bus route operating rights <i>HK\$'000</i>	Advertising rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
<b>At beginning of year and at 31 March 2001</b>	<b>8,260</b>	<b>7,848</b>	<b>16,108</b>
Accumulated amortisation:			
<b>At beginning of year</b>	<b>8</b>	<b>137</b>	<b>145</b>
<b>Provided during the year</b>	<b>275</b>	<b>299</b>	<b>574</b>
<b>At 31 March 2001</b>	<b>283</b>	<b>436</b>	<b>719</b>
Net book value:			
<b>At 31 March 2001</b>	<b>7,977</b>	<b>7,412</b>	<b>15,389</b>
At 31 March 2000	8,252	7,711	15,963

## 14. INTERESTS IN SUBSIDIARIES

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	71,070	71,070
Due from subsidiaries	544,772	468,048
	<b>615,842</b>	<b>539,118</b>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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### 14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
<b>Directly held</b>						
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	2 January 1996	Ordinary US\$6,000	<b>100%</b>	100%	Investment holding
<b>Indirectly held</b>						
Chongqing Everbright International Travel Co., Ltd. *	Mainland China	11 January 2000	RMB5,000,000	<b>60%</b>	–	Tour operations
Chongqing Grand Hotel Co., Ltd. *	Mainland China	13 October 1986	RMB35,000,000	<b>60%</b>	–	Hotel operations
Chongqing Kwoon Chung Ferry Co., Ltd. ("Chongqing Ferry") #	Mainland China	1 March 2000	RMB20,000,000	–	33%	Provision of ferry and travel related services
Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.	Mainland China	14 March 2000	RMB62,672,087	<b>42.15%</b>	42.15%	Provision of bus and travel related services
Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.	Mainland China	23 December 1998	RMB90,000,000	<b>30.25%</b>	30.25%	Provision of bus and travel related services

## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
<b>Indirectly held (continued)</b>						
Chongqing Pengshui Dongguaxi Hydropower Station Co., Ltd. *	Mainland China	16 June 1998	RMB4,000,000	60%	–	Power generation
Chongqing Tourism Coach Co., Ltd. *	Mainland China	17 October 2000	RMB8,000,000	60%	–	Provision of coach hire services
Chongqing Tourism (Group) Co., Ltd. *	Mainland China	6 May 1998	RMB56,600,000	60%	–	Investment holding
Gallic Limited	Hong Kong	3 April 1990	Ordinary HK\$900	100%	100%	Property holding
Good Funds Services Limited	Hong Kong	6 November 1984	Ordinary HK\$75 Non-voting deferred HK\$500,025	100%	100%	Provision of coach hire and travel related services
HK Kwoon Chung (Anshan) Bus Investment Limited	Hong Kong	25 June 1997	Ordinary HK\$2	100%	100%	Investment holding
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	21 January 1998	Ordinary HK\$46,261,682	55%	55%	Investment holding

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## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
<b>Indirectly held (continued)</b>						
HK Kwoon Chung (Dalian) Bus Investment Limited	Hong Kong	19 August 1983	Ordinary HK\$1,000	100%	100%	Investment holding
HK Kwoon Chung (Harbin) Bus Investment Limited	Hong Kong	19 September 1996	Ordinary HK\$2	100%	100%	Investment holding
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	23 August 1999	Ordinary HK\$2	100%	100%	Investment holding
HK Kwoon Chung (Jieyang) Bus Investment Limited	Hong Kong	17 September 1996	Ordinary HK\$2	100%	100%	Investment holding
King Chau Keung Tat Transportation Co., Ltd.	Mainland China	13 November 1993	RMB5,113,397	51%	51%	Provision of bus and travel related services
Kwoon Chung Cyber Limited	Hong Kong	10 March 2000	HK\$2	100%	100%	Provision of internet related services

## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
<b>Indirectly held (continued)</b>						
Kwoon Chung Motors Company, Limited	Hong Kong	15 May 1979	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	<b>100%</b>	100%	Provision of bus, coach hire and travel related services
Kwoon Chung Travel Company Limited	Hong Kong	7 March 1996	Ordinary HK\$2	<b>100%</b>	100%	Investment holding
Kwoon Chung (China) Development Company Limited	Hong Kong	12 September 1991	Ordinary HK\$1,000,000	<b>100%</b>	100%	Investment holding
Jieyang Guanyun Transportation Company Limited ("Jieyang Guanyun")	Mainland China	24 June 1997	RMB15,700,000	<b>70%</b>	70%	Provision of bus and travel related services
Lantau Tours Limited	Hong Kong	14 March 1972	Ordinary HK\$500,000	<b>100%</b>	100%	Provision of coach hire and tour services
New Lantao Bus Company (1973) Limited	Hong Kong	11 May 1973	Ordinary HK\$14,116,665	<b>99.99%</b>	99.99%	Provision of bus and travel related services

# Notes to Financial Statements

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## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Date of incorporation/ registration	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2001	2000	
<b>Indirectly held (continued)</b>						
Shanghai Pudong Kwoon Chung Public Transport Co., Ltd.	Mainland China	3 June 1992	RMB100,000,000	<b>51.5%</b>	51.5%	Provision of bus and travel related services
Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.	Mainland China	16 June 1998	RMB120,000,000	<b>50.09%</b>	50.09%	Provision of bus and travel related services
Tai Fung Coach Company Limited	Hong Kong	15 May 1981	Ordinary HK\$1,000,000	<b>100%</b>	100%	Provision of coach hire and travel related services
Trade Travel (Hong Kong) Limited	Hong Kong	22 August 1975	Ordinary HK\$500,000	<b>100%</b>	100%	Provision of hiring services of limousines, minibuses and coaches
Wealth Crown Investment Limited	Hong Kong	5 November 1999	HK\$1,000,000	<b>56.25%</b>	56.25%	Investment holding

\* Newly acquired during the year

# During the year, the Group disposed of 8.25% of its equity interest in Chongqing Ferry which became an 24.75%-owned associate of the Group thereafter (note 16).

## 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted investments, at cost	<b>131,004</b>	139,471
Share of post-acquisition results	<b>10,481</b>	5,196
<i>Less: Accumulated amortisation</i>	<b>(41,690)</b>	(35,270)
	<b>99,795</b>	109,397
Due from jointly-controlled entities	<b>64,969</b>	67,281
Loans to jointly-controlled entities	<b>14,642</b>	19,393
Loan from a jointly-controlled entity	<b>(2,679)</b>	(5,010)
	<b>176,727</b>	191,061

The loans to jointly-controlled entities are unsecured, bear interest at various rates ranging from 8% to 13% per annum and are repayable within periods from 5 to 8 years in accordance with the respective loan agreements.

The loan from a jointly-controlled entity is unsecured, interest-free and repayable within one year in accordance with the loan agreement.

The other balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

## Notes to Financial Statements

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### 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Registered capital	Tenure	Percentage of		Principal activities
					Voting power	Ownership interest and profit sharing	
Anshan Kwoon Chung Public Transport Co., Ltd.	Corporate	Mainland China	RMB16,408,615	15 years expiring on 31 March 2013	60%	50%	Provision of bus services
Dalian Kwoon Chung Public Transport Co., Ltd.	Corporate	Mainland China	RMB\$18,100,000	15 years expiring on 12 June 2011	57%	50%	Provision of bus services
Guangzhou Kwoon Chung Bus Co., Ltd.	Corporate	Mainland China	HK\$76,000,000	17 years expiring on 8 October 2011	50%	50%	Provision of bus services
Harbin Kwoon Chung Public Transport Co., Ltd.	Corporate	Mainland China	RMB\$11,106,025	15 years expiring on 23 December 2011	57%	50%	Provision of bus services
Jieyang Kwoon Chung Public Transport Co., Ltd. ("Jieyang Kwoon Chung") (Note (i))	Corporate	Mainland China	HK\$12,000,000	20 years expiring on 25 November 2015	50%	70%	Provision of bus services
Shantou Kwoon Chung Bus Co., Ltd.	Corporate	Mainland China	HK\$20,460,000	12 years expiring on 10 October 2007	50%	50% Note (ii)	Provision of bus services



**15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES** *(continued)*

In accordance with the joint venture agreements, the title to all assets of the jointly-controlled entities will revert to the partners of Mainland China at the end of the contractual period.

Notes:

- (i) During the year, the Group entered into an agreement with the joint venturer to Jieyang Kwoon Chung to terminate the joint venture and transferred all of its share of assets in Jieyang Kwoon Chung to Jieyang Guanyun, a 70%-owned subsidiary of the Company.
- (ii) 55% for the first 3 years and 50% from the fourth year onwards.

**16. INTERESTS IN ASSOCIATES**

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	5,697	–
Due from an associate	613	–
	<b>6,310</b>	–

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

## Notes to Financial Statements

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### 16. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
Chongqing Kwoon Chung Ferry Co., Ltd. *	Corporate	Mainland China	24.75%	33%	Provision of ferry and travel related services
CLK Bus Company Limited	Corporate	Hong Kong	50%	50%	Provision of bus and coach hire services
L&K Technology Co., Limited	Corporate	Hong Kong	50%	50%	Provision of smart cards system services

\* During the year, the Group disposed of its 8.25% equity interest in Chongqing Ferry, a then 33%-owned subsidiary of the Company (note 14), which became an associate of the Group.

## 17. INVESTMENTS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Long term investments		
Unlisted equity investments in Hong Kong, at cost	7,427	7,427
Due from an investee company	–	59
	<b>7,427</b>	7,486
Less: Provisions for diminutions in values	<b>(1,590)</b>	–
	<b>5,837</b>	7,486
Unlisted equity investments in Mainland China, at cost	<b>3,283</b>	2,923
Less: Provisions for diminutions in values	<b>(470)</b>	(470)
	<b>2,813</b>	2,453
	<b>8,650</b>	9,939
Short term investments		
Listed equity investments in Mainland China, at market value	<b>1,098</b>	–

The unlisted long term investments mainly represent effective equity interests of 46% in Shanghai Xin Da Traffic Co., Ltd., 20% in Chongqing Yuchang High-speed Transportation Co., Ltd., 18% in Asia Auto Body Engineering Limited, 10% in Chongqing Public Transport Advertising Co., Ltd. and 2% in Shanghai Eastern Transportation Card Holding Ltd., in which the Group is not in a position to exercise significant influence.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$1,152,000 (2000: Nil).

## 18. DEPOSIT FOR A LONG TERM INVESTMENT

The balance represents deposit paid for the acquisition of 20% equity interest in Shanghai Shington Coach Hire Services Co., Ltd., which then became a subsidiary of the Company after the balance sheet date.

## 19. LONG TERM RECEIVABLES

The balance represents the long term portion of proceeds receivable from the disposal of leasehold land and buildings and respective land use rights pursuant to the repayment terms stipulated in the sales and purchase agreement.

## 20. BALANCES WITH JOINT VENTURERS

The balances with joint venturers are unsecured and interest-free.

Except for an amount due from a joint venturer of HK\$2,350,000 (2000: Nil) and amounts due to joint venturers of HK\$45,746,000 (2000: HK\$90,936,000) which are repayable after one year, the other balances with joint venturers have no fixed terms of repayment.

## 21. INVENTORIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Spare parts and other consumables	<b>14,505</b>	12,693

**22. TRADE RECEIVABLES**

The Group allows an average credit period ranging from 30 to 60 days to its trade debtors. The aged analysis of the Group's trade receivables is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current to 30 days	20,855	17,282
31 to 60 days	9,746	14,742
61 to 90 days	4,175	564
Over 90 days	2,377	9,920
	<b>37,153</b>	42,508

**23. OTHER RECEIVABLES**

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Prepayments	9,716	9,112	171	179
Deposits and other debtors	56,738	51,260	12	437
Due from a joint venturer – <i>note 20</i>	17,959	–	–	–
Dividend receivable	–	–	3,939	15,756
	<b>84,413</b>	60,372	<b>4,122</b>	16,372

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### 24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	52,200	47,611	303	297
Time deposits	79,354	143,217	21,189	95,385
	131,554	190,828	21,492	95,682

### 25. TRADE PAYABLES

The aged analysis of the Group's trade payables is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 30 days	21,015	15,394
31 to 60 days	4,038	2,088
61 to 90 days	2,134	960
Over 90 days	5,712	1,914
	32,899	20,356

## 26. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accruals	64,112	24,707	–	20
Other liabilities	55,979	131,736	421	32
Due to joint venturers – note 20	52,149	23,876	–	–
Proposed final dividend – note 10	3,939	15,756	3,939	15,756
	<b>176,179</b>	196,075	<b>4,360</b>	15,808

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2001 HK\$'000	2000 HK\$'000
Current portion of bank loans – note 28	154,349	78,513
Current portion of finance lease payables – note 29	4,791	9,847
	<b>159,140</b>	88,360

## Notes to Financial Statements

31 March 2001

### 28. INTEREST-BEARING BANK LOANS

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Secured bank loans repayable:		
Within one year	<b>154,349</b>	78,513
In the second year	<b>44,517</b>	51,588
In the third to fifth years, inclusive	<b>84,095</b>	33,660
	<b>282,961</b>	163,761
Portion classified as current liabilities – note 27	<b>(154,349)</b>	(78,513)
Long term portion	<b>128,612</b>	85,248

The Group's bank loans are secured by certain fixed assets with a net book value of HK\$226,102,000 (2000: HK\$229,478,000) as at 31 March 2001 and time deposits of HK\$65,588,000 (2000: HK\$1,552,000).



**29. FINANCE LEASE PAYABLES**

There were obligations under finance leases and hire purchase contracts at the balance sheet date as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Amounts payable:		
Within one year	4,998	10,599
In the second year	237	5,033
In the third to fifth years, inclusive	–	230
Total minimum lease payments	5,235	15,862
Future finance charges	(210)	(938)
Total net lease payables	5,025	14,924
Portion classified as current liabilities – <i>note 27</i>	(4,791)	(9,847)
Long term portion	234	5,077

Certain of the Group's finance lease obligations are secured by time deposits of HK\$3,401,000 (2000: HK\$1,543,000) pledged to the respective lessors.

**30. DUE TO DIRECTORS**

The amounts due to directors are unsecured, interest-free and repayable after one year.

## Notes to Financial Statements

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### 31. DEFERRED TAX

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At beginning of year and 31 March	<b>7,662</b>	7,662

The principal components of the Group's deferred tax provided and not provided for are as follows:

	<b>Provided</b>		<b>Not provided</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Accelerated depreciation allowances	<b>21,850</b>	8,184	<b>56,612</b>	64,680
Tax losses	<b>(14,188)</b>	(522)	<b>(24,266)</b>	(15,582)
	<b>7,662</b>	7,662	<b>32,346</b>	49,098

The revaluation of certain of the Group's fixed assets does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

**32. SHARE CAPITAL****Share capital**

	<b>Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Authorised:		
600,000,000 ordinary shares of HK\$0.10 each	<b>60,000</b>	60,000
Issued and fully paid:		
393,906,000 ordinary shares of HK\$0.10 each	<b>39,391</b>	39,391

**Share options**

On 6 September 1996, the Company approved a share option scheme under which the directors may, at their discretion, invite any full-time employee or executive director of the Company to take up options at HK\$1.00 per grant to subscribe for shares of the Company at any time during the ten years from 6 September 1996. The subscription price is determinable by the directors and is notified to each grantee and will be the higher of a price being not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the option granted and the nominal value. The share options are exercisable at any time during the five-year period commencing six months after the date of grant and expiring on the last day of the said five-year period or 5 September 2006, whichever is earlier. The maximum number of shares on which options may be granted may not exceed 10% of the issued ordinary share capital from time to time. The scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 25 September 1996.

## 32. SHARE CAPITAL (continued)

### Share options (continued)

There were no movements in the number of ordinary shares under the share option scheme during the year and the number of share options outstanding were set out as follows:

Exercise price per share	Exercise period	Number of ordinary shares under options at beginning of year and 31 March 2001
HK\$1.5216	From 8 April 1997 to 7 April 2002	2,060,000
HK\$2.1000	From 1 August 1997 to 31 July 2002	500,000
HK\$2.5800	From 10 September 1997 to 9 September 2002	300,000
HK\$2.8120	From 26 October 1997 to 25 October 2002	2,500,000
HK\$3.3120	From 2 December 1997 to 1 December 2002	2,640,000
HK\$4.1520	From 25 February 1998 to 24 February 2003	900,000
HK\$1.5656	From 22 June 1998 to 21 June 2003	3,900,000
HK\$1.0112	From 17 September 1999 to 16 September 2004	780,000
HK\$1.7880	From 15 March 2000 to 14 March 2005	6,300,000
		<b>19,880,000</b>

At the balance sheet date, the Company had 19,880,000 outstanding option shares which entitle the grantees to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at various subscription prices ranging from HK\$1.0112 to HK\$4.1520 per share. The option shares are exercisable on or before 14 March 2005. The exercise in full of such option shares would, under the present capital structure of the Company, result in the issue of 19,880,000 additional ordinary shares of HK\$0.10 each at a total consideration of approximately HK\$42,628,000.

## 33. RESERVES

## Group

	Share Contributed		Fixed assets		Enterprise	Exchange		Retained	Total
	premium	surplus	Capital reserves	revaluation reserve	expansion fund	Reserve fund	equalisation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (i))				(Note (ii))				
At 1 April 1999	363,824	10,648	–	4,161	672	–	794	163,391	543,490
Issue of shares	158,730	–	–	–	–	–	–	–	158,730
Share issue expenses	(443)	–	–	–	–	–	–	–	(443)
Capital reserve on acquisition	–	–	4,042	–	–	–	–	–	4,042
Net profit for the year	–	–	–	–	–	–	–	50,098	50,098
Transfer of reserves	–	–	–	–	237	80	–	(317)	–
Dividends – note 10	–	–	–	–	–	–	–	(27,573)	(27,573)
Exchange realignments	–	–	–	–	–	–	111	–	111
At 31 March 2000 and beginning of year	522,111	10,648	4,042	4,161	909	80	905	185,599	728,455
Goodwill on acquisition	–	–	(1,855)	–	–	–	–	–	(1,855)
Net profit for the year	–	–	–	–	–	–	–	20,424	20,424
Transfer of reserves	–	–	–	–	208	521	–	(729)	–
Dividends – note 10	–	–	–	–	–	–	–	(7,878)	(7,878)
Exchange realignments	–	–	–	–	–	–	1	–	1
<b>At 31 March 2001</b>	<b>522,111</b>	<b>10,648</b>	<b>2,187</b>	<b>4,161</b>	<b>1,117</b>	<b>601</b>	<b>906</b>	<b>197,416</b>	<b>739,147</b>

## Notes to Financial Statements

31 March 2001

### 33. RESERVES (continued)

#### Group (continued)

	Share premium	Contributed surplus	Capital reserves	Fixed assets revaluation reserve	Enterprise expansion fund	Reserve fund	Exchange equalisation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note (i))			(Note (ii))				
Reserves retained by:									
Company and subsidiaries	522,111	10,648	2,187	4,161	1,117	601	906	188,259	729,990
Jointly-controlled entities	-	-	-	-	-	-	-	10,481	10,481
Associates	-	-	-	-	-	-	-	(1,324)	(1,324)
<b>At 31 March 2001</b>	<b>522,111</b>	<b>10,648</b>	<b>2,187</b>	<b>4,161</b>	<b>1,117</b>	<b>601</b>	<b>906</b>	<b>197,416</b>	<b>739,147</b>
Company and subsidiaries	522,111	10,648	4,042	4,161	909	80	905	180,672	723,528
Jointly-controlled entities	-	-	-	-	-	-	-	5,196	5,196
Associates	-	-	-	-	-	-	-	(269)	(269)
<b>At 31 March 2000</b>	<b>522,111</b>	<b>10,648</b>	<b>4,042</b>	<b>4,161</b>	<b>909</b>	<b>80</b>	<b>905</b>	<b>185,599</b>	<b>728,455</b>

## 33. RESERVES (continued)

## Company

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (i))	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	363,824	70,770	783	435,377
Issue of shares	158,730	–	–	158,730
Share issue expenses	(443)	–	–	(443)
Net profit for the year	–	–	29,882	29,882
Dividends - note 10	–	–	(27,573)	(27,573)
At 31 March 2000 and beginning of year	522,111	70,770	3,092	595,973
Net profit for the year	–	–	9,610	9,610
Dividends - note 10	–	–	(7,878)	(7,878)
<b>At 31 March 2001</b>	<b>522,111</b>	<b>70,770</b>	<b>4,824</b>	<b>597,705</b>

## Notes:

- (i) The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in August 1996 over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in August 1996 over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

- (ii) In accordance with the accounting standards and regulations applicable in Mainland China and the joint venture agreements, the subsidiaries in Mainland China are required to transfer part of their net profit after tax to the enterprise expansion fund, which is non-distributable, before profit sharing by joint venture partners. The amounts of the transfer are subject to the approval of the board of directors of these subsidiaries in accordance with their respective joint venture agreements.

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### 34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	42,888	62,664
Interest income	(6,664)	(6,066)
Interest income from jointly-controlled entities	(2,169)	(1,419)
Interest income from investments in government bonds	–	(1,128)
Dividend income from an unlisted investment	(556)	(675)
Holding gains on short term investments	(571)	–
Gain on waived bank borrowings	(22,131)	–
Depreciation	111,645	90,375
Amortisation	574	145
Loss on disposal of fixed assets	10,511	18,844
Loss/(gain) on deemed disposal of a subsidiary	(571)	204
Loss on disposal of a jointly-controlled entity	3,928	–
Loss on disposal of long term investment	140	–
Provisions for diminutions in values of long term investments	1,590	–
Increase/(decrease) in amounts due from jointly-controlled entities	7,063	(1,419)
Increase in amounts due from joint venturers	(20,309)	–
Increase in an amount due from an associate	(613)	–
Increase in inventories	(1,371)	(1,693)
Decrease in trade receivables	5,958	1,126
Decrease/(increase) in prepayments	(604)	8,336
Decrease in deposits and other debtors	14,491	1,216
Increase in trade payables	9,715	7,558
Increase in accruals	39,405	4,911
Decrease in other liabilities	(61,066)	(7,471)
Increase/(decrease) in deposits received	1,183	(485)
Increase in amounts due to directors	13	24
Exchange realignments	1	133
<b>Net cash inflow from operating activities</b>	<b>132,480</b>	<b>175,180</b>



## 34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

## (b) Analysis of changes in financing during the year

	Share capital and premium <i>HK\$'000</i>	Bank loans and finance lease obligations <i>HK\$'000</i>	Loans from a jointly- controlled entity <i>HK\$'000</i>	Due to joint venturers <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 1999	395,499	228,548	–	90,628	151,259
Cash inflow/(outflow) from financing activities, net	166,003	(52,213)	5,010	5,932	22,411
Arising on acquisition of subsidiaries	–	2,350	–	–	19,429
Contribution of assets from minority shareholders	–	–	–	–	7,957
Purchases of assets through joint venturers	–	–	–	18,252	–
Dividends paid to minority shareholders	–	–	–	–	(1,649)
Share of gain on deemed acquisition	–	–	–	–	204
Share of profit for the year	–	–	–	–	16,964
Share of exchange realignments	–	–	–	–	22
Balance at 31 March 2000 and beginning of year	561,502	178,685	5,010	114,812	216,597
Cash inflow/(outflow) from financing activities, net	–	111,044	(2,331)	(8,770)	2,820
Arising on acquisition of subsidiaries	–	28,848	–	–	20,331
Deemed disposal of a subsidiary	–	(8,460)	–	(8,147)	(8,821)
Waived bank borrowings	–	(22,131)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	(993)
Share of profit for the year	–	–	–	–	12,968
<b>Balance at 31 March 2001</b>	<b>561,502</b>	<b>287,986</b>	<b>2,679</b>	<b>97,895</b>	<b>242,902</b>

## Notes to Financial Statements

31 March 2001

### 34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	111,532	56,768
Intangible assets	–	12,724
Long term investments	–	47
Inventories	1,212	711
Trade receivables	744	–
Deposits and other debtors	6,947	4,737
Cash and bank balances	5,426	4,368
Trade payables	(2,828)	(113)
Tax payable	–	(270)
Accruals	–	(259)
Other liabilities	(43,358)	(12,634)
Bank loans	(28,848)	(2,350)
Minority interests	(20,331)	(19,429)
	<b>30,496</b>	<b>44,300</b>
Goodwill/(capital reserve) on acquisition	<b>1,855</b>	<b>(4,042)</b>
	<b>32,351</b>	<b>40,258</b>
Satisfied by:		
Cash	32,351	17,924
Other liabilities	–	22,334
	<b>32,351</b>	<b>40,258</b>

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*(c) **Acquisition of subsidiaries** *(continued)*

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration	<b>(32,351)</b>	(17,924)
Cash and bank balances acquired	<b>5,426</b>	4,368
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(26,925)</b>	(13,556)

## Notes to Financial Statements

31 March 2001

### 34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (d) Deemed disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	21,453	–
Inventories	771	–
Trade receivables	141	–
Deposits and other debtors	314	–
Cash and bank balances	9,707	–
Other liabilities	(777)	–
Due to a joint venturer	(8,147)	–
Bank loans	(8,460)	–
Minority interests	(8,821)	–
	6,181	–
Gain on deemed disposal of a subsidiary	571	–
	6,752	–
Satisfied by:		
Reclassification to interest in an associate from interest in a subsidiary	6,752	–

**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(continued)***(d) Deemed disposal of a subsidiary** *(continued)*

Analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<b>(9,707)</b>	–

**(e) Major non-cash transactions**

- (i) Included in prior year's amounts due to joint venturers was an outstanding amount of approximately HK\$18,252,000 in respect of the purchase of fixed assets on behalf of certain subsidiaries of the Group.
- (ii) Included in the long term receivables and other receivables are amounts of approximately HK\$7,896,000 (2000: Nil) and HK\$5,264,000 (2000: Nil) in respect of the disposal of fixed assets, respectively.
- (iii) Included in the other liabilities are amounts of approximately HK\$27,490,000 (2000: HK\$62,428,000) and nil (2000: HK\$22,334,000) in respect of the purchase of fixed assets and acquisition of subsidiaries, respectively.

**35. CONTINGENT LIABILITIES**

The Company has given a guarantee amounting to HK\$339,640,000 (2000: HK\$310,000,000) in favour of a bank for facilities granted to its subsidiaries and a jointly-controlled entity.

# Notes to Financial Statements

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## 36. COMMITMENTS

### (a) Commitments under operating leases

At 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year in respect of:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	513	–
In the second to fifth years, inclusive	–	264
After five years	256	257
	<b>769</b>	521
Bus depots, terminals and car parks expiring:		
Within one year	790	954
In the second to fifth years, inclusive	7,616	6,182
After five years	2,424	2,424
	<b>10,830</b>	9,560
	<b>11,599</b>	10,081

## 36. COMMITMENTS (continued)

## (b) Capital commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Capital commitments in respect of acquisition of fixed assets contracted, but not provided for	36,709	16,802	–	–
Commitments in respect of capital contribution for a subsidiary, a jointly-controlled entity and long term investments:				
Contracted, but not provided for	–	7,707	–	–
Authorised, but not contracted for	–	59,220	–	59,220
	–	66,927	–	59,220

## Notes to Financial Statements

31 March 2001

### 37. PLEDGE OF ASSETS

At 31 March 2001, the following assets of the Group were pledged in favour of banks as security for banking facilities and finance lease facilities granted:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fixed assets:		
Leasehold land and buildings, net book value	27,323	34,684
Motor buses and vehicles, net book value	198,779	194,794
	<b>226,102</b>	229,478
Time deposits	<b>68,989</b>	3,095
	<b>295,091</b>	232,573

In addition, all of the issued shares of New Lantao Bus Company (1973) Limited held by the Group were pledged in favour of a bank as security for banking facilities granted to the Group.

### 38. RELATED PARTY TRANSACTIONS

In addition to the related party transactions noted elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
	Notes	2001	2000
		HK\$'000	HK\$'000
Rental expenses paid to joint venturers	(i), (ii)	2,681	2,643
Interest income from jointly-controlled entities	(iii)	2,169	1,419
Purchase of fixed assets from a joint venturer	(iv)	–	9,193



**38. RELATED PARTY TRANSACTIONS** *(continued)*

- (i) In 1999, Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Wu Qi KC"), in which the Group has an effective equity interest of 50.09% (2000: 50.09%), entered into an agreement with Shanghai Wu Qi Bus Company ("Shanghai Wu Qi"), a wholly-owned subsidiary of Shanghai Public Transport Holding Co., Ltd. ("Shanghai Public Transport"), for the leasing of offices and bus depots for a term of 30 years starting from 1998 at an annual rental of approximately HK\$1,880,000 (RMB2,000,000), which was determined between both parties by reference to open market rentals at the time when the lease agreement was entered into. Wu Qi KC is owned as to 47% by Shanghai Public Transport. Pursuant to the agreement, Wu Qi KC paid rental expenses amounting to approximately HK\$1,880,000 (RMB2,000,000) (2000: HK\$1,880,000 (RMB2,000,000)) to Shanghai Wu Qi for the year.
- (ii) In 1999, Chongqing Kwoon Chung (No.3) Public Transport Co., Ltd. ("Chongqing KC No.3"), in which the Group has an effective interest of 30.25% (2000: 30.25%), entered into agreements with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport") for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately HK\$801,000 (RMB852,000), which were determined between both parties by reference to open market rentals at the time when the lease agreements were entered into. Chongqing KC No. 3 is owned as to 45% by Chongqing Public Transport. Pursuant to the agreements, Chongqing KC No. 3 paid rental expenses amounting to approximately HK\$801,000 (RMB852,000) (2000: HK\$763,000 (RMB812,000)) to Chongqing Public Transport for the year.
- (iii) The loans to jointly-controlled entities are unsecured, bear interest at various rates ranging from 8% to 13% per annum and are repayable within periods from 5 to 8 years in accordance with the respective loan agreements.
- (iv) In the prior year, Wu Qi KC entered into an agreement with Shanghai Wu Qi for the purchase of buses. Pursuant to the agreement, the buses were charged at a price agreed by both parties with reference to open market prices.

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business.

**39. POST BALANCE SHEET EVENT**

On 5 July 2001, certain subsidiaries of the Company announced proposals to terminate employment in respect of approximately 450 staff of the Group. The total severance payment in connection therewith is estimated to be approximately HK\$15 million. Certain subsidiaries have taken steps to recruit new drivers for their operations.

**40. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 26 July 2001.