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
- provision of tour services
- provision of hotel services
- power generation

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustments arising from the adoption of this revised SSAP are detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 30 and 37 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in prior year adjustments, further details of which are included in notes 11 and 34 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment and the required new additional disclosures are included in note 16 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

3. 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 periodic 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 2002. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary, if the Company has unilateral control over the joint venture company;

(ii) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(iii) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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 of the investment costs and any impairment losses.

Amortisation of the investment costs 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.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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.

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 impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful live of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill *(continued)*

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than hotel properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 fixed assets have been put into operation, such as repairs and maintenance, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

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 80 of SSAP 17 “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 September 1995.

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost and valuation 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
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 plants which are collectively used in the operation of hotels and are stated at cost less any impairment losses. 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 hotel properties. The related maintenance and repair costs are charged to the profit and loss account in the period in which they are incurred and the costs of significant improvements are capitalised.

Construction in progress represents a building under construction and is stated at cost less any impairment losses, 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.

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 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets *(continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Intangible assets

Intangible assets comprising bus route operating rights, taxi operating rights and advertising rights and are stated at cost, which comprises the purchase prices thereof, less accumulated amortisation and any impairment losses.

Since the above rights are essential to the operation of the joint ventures and it is expected to bring enduring economic benefits to the joint ventures continuously, amortisation is calculated on the straight-line basis to write off the cost of each right over the joint venture period of 15 to 30 years, which is longer than the presumed period of 20 years prescribed by SSAP 29. The carrying amount of each right is reviewed annually and written down for impairment when it is considered necessary.

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 any impairment losses.

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. 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1 December 2000. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the “Prior Scheme”) for those employees who were eligible to participate in this Scheme. This Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group’s employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions.

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) from the provision of transportation services, in the period in which the related services are rendered;

(ii) from the provision of tour services, when the tours arrive at their destinations;

(iii) from the provision of hotel services, when the related services are rendered;

(iv) from the sale of electricity, based on the consumption by meter readings;

(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) dividend income, when the shareholders’ right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised) have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 34 to the financial statements.

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.

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.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the designated bus routes segment includes the provision of bus services by designated routes as approved by the local governments/transport authorities in Mainland China;

(b) the non-franchised bus segment includes the provision of non-franchised bus, hire and travel related services;

(c) the franchised bus segment includes the provision of franchised bus services in Lantau Island in Hong Kong;

4. SEGMENT INFORMATION *(continued)*

(d) the tour segment engages in travel agency and tour service business in Hong Kong and Mainland China;

(e) the hotel segment includes the provision of hotel services in Mainland China; and

(f) the corporate and other segment comprises the sale of electricity and the provision of other transportation services, together with corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	2002							
	Designated bus routes	Non-franchised bus	Franchised bus	Tour	Hotel	Corporate and other	Inter-segment eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
External sales	526,287	336,254	68,329	28,377	17,278	5,702	–	982,227
Intersegment sales	–	6,968	631	–	–	–	(7,599)	–
Other revenue	19,596	7,279	366	–	31	5,874	(2,913)	30,233
Total	545,883	350,501	69,326	28,377	17,309	11,576	(10,512)	1,012,460
Segment results	33,052	9,928	1,668	(793)	(3,250)	(7,704)	–	32,901
Bank interest and dividend income								6,013
Profit from operating activities								38,914
Finance costs								(14,681)
Share of profits and losses of:								
Jointly-controlled entities	3,415	–	–	–	–	–	–	3,415
Associates	–	–	–	–	–	(1,034)	–	(1,034)
Profit before tax								26,614
Tax								(7,116)
Profit before minority interests								19,498
Minority interests								(11,462)
Net profit from ordinary activities attributable to shareholders								8,036

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	2001							
	Designated bus routes	**Non-franchised bus**	**Franchised bus**	**Tour**	**Hotel**	**Corporate and other**	**Inter-segment eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
External sales	490,858	340,683	61,816	22,415	14,748	4,989	–	935,509
Intersegment sales	–	7,001	205	–	–	–	(7,206)	–
Other revenue	24,391	5,654	431	37	22,203	1,955	(3,461)	51,210
Total	515,249	353,338	62,452	22,452	36,951	6,944	(10,667)	986,719
Segment results	14,142	9,752	(463)	497	20,175	(8,435)	–	35,668
Bank interest and dividend income								7,220
Profit from operating activities								42,888
Finance costs								(17,540)
Share of profits and losses of:								
Jointly-controlled entities	15,457	–	–	–	–	–	–	15,457
Associates	–	–	–	–	–	(1,055)	–	(1,055)
Profit before tax								39,750
Tax								(6,358)
Profit before minority interests								33,392
Minority interests								(12,968)
Net profit from ordinary activities attributable to shareholders								20,424

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	2002							
	Designated bus routes	Non-franchised bus	Franchised bus	Tour	Hotel	Corporate and other	Inter-segment eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	770,479	432,175	62,558	12,360	111,586	25,849	–	1,415,007
Interests in associates	–	–	–	–	–	125	–	125
Interests in jointly-controlled entities	177,553	–	–	–	–	–	–	177,553
Total assets								1,592,685
Segment liabilities	293,089	155,366	16,109	2,716	79,492	1,687	–	548,459
Unallocated liabilities								16,339
Total liabilities								564,798
Other information:								
Capital expenditure	120,029	51,499	1,008	183	8,931	5,202	–	186,852
Amortisation	930	–	–	–	–	–	–	930
Negative goodwill recognised as income	(81)	–	–	–	–	–	–	(81)
Depreciation	57,166	43,037	6,575	809	1,839	859	–	110,285
Impairment in values of long term investments	890	–	–	–	–	–	–	890

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	2001							
	Designated bus routes	**Non-franchised bus**	**Franchised bus**	**Tour**	**Hotel**	**Corporate and other**	**Inter-segment eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	733,897	423,540	70,840	10,870	127,572	38,294	–	1,405,013
Interests in associates	–	–	–	–	–	6,310	–	6,310
Interests in jointly-controlled entities	176,727	–	–	–	–	–	–	176,727
Total assets								1,588,050
Segment liabilities	268,320	167,869	22,818	2,758	86,742	290	–	548,797
Unallocated liabilities								13,874
Total liabilities								562,671
Other information:								
Capital expenditure	99,601	30,383	5,491	1,954	83,351	8,359	–	229,139
Amortisation	574	–	–	–	–	–	–	574
Depreciation	57,409	44,708	6,548	769	1,543	668	–	111,645
Impairment in values of long term investments	1,590	–	–	–	–	–	–	1,590

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	2002 **Hong Kong** *HK$'000*	**Mainland China** *HK$'000*	**Total** *HK$'000*
Revenue	**410,071**	**572,156**	**982,227**
Segment results	**5,513**	**27,388**	**32,901**
Segment assets	**518,850**	**896,157**	**1,415,007**
Interests in associates	**125**	**–**	**125**
Interests in jointly-controlled entities	**–**	**177,553**	**177,553**
Total assets	**518,975**	**1,073,710**	**1,592,685**
Capital expenditure	**52,536**	**134,316**	**186,852**

	2001 **Hong Kong** HK$'000	**Mainland China** HK$'000	**Total** HK$'000
Revenue	408,002	527,507	935,509
Segment results	548	35,120	35,668
Segment assets	532,933	872,080	1,405,013
Interests in associates	125	6,185	6,310
Interests in jointly-controlled entities	–	176,727	176,727
Total assets	533,058	1,054,992	1,588,050
Capital expenditure	38,169	190,970	229,139

5. 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:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision of designated bus route services	**526,287**	490,858
Provision of non-franchised bus services	**336,254**	340,683
Provision of franchised bus services	**68,329**	61,816
Provision of other transportation services	**4,950**	4,172
Provision of tour services	**28,377**	22,415
Provision of hotel services	**17,278**	14,748
Power generation	**752**	817
	982,227	935,509

6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2002 **HK$'000**	2001 *HK$'000*
Auditors' remuneration	**1,280**	1,330
Depreciation (Note (i))	**110,285**	111,645
Minimum lease payments under operating leases (Note (i)):		
Land and buildings	**3,377**	3,726
Bus depots, terminals and car parks	**19,607**	17,928
Motor buses and coaches	**19,200**	17,228
Staff costs (Note (i)) (including directors' remuneration – note 8):		
Wages and salaries	**392,521**	374,653
Other welfare benefits	**6,527**	13,366
Pension scheme contributions (Note (i))	**11,440**	7,185
Less: Forfeited contributions (Note (ii))	**(199)**	(797)
Net pension contributions	**11,241**	6,388
	410,289	394,407
Amortisation:		
Intangible assets (Note (iii))	**894**	574
Goodwill (Note (iii))	**36**	–
Gains on disposal of short term listed investments	**(750)**	(1,868)
Net unrealised holding gains on short term listed investments	**–**	(571)
Loss on disposal of fixed assets, net	**19,668**	10,511
Loss on disposal of an associate	**4,951**	–
Loss on disposal of a jointly-controlled entity	**–**	3,928
Loss on disposal of long term investments	**–**	140
Impairment in values of long term investments	**890**	1,590
Negative goodwill recognised as income during the year (Note (iv))	**(81)**	–
Exchange (gains)/losses, net	**(1)**	92
Gain on deemed disposal of a subsidiary	**–**	(571)
Net rental income	**(4,637)**	(2,707)
Bank interest income	**(4,929)**	(6,664)
Dividend income from unlisted investments	**(1,084)**	(556)
Gain on waived bank borrowings (Note (v))	**–**	(22,131)
Gain on waived bank loan interest (Note (vi))	**(2,378)**	–

6. PROFIT FROM OPERATING ACTIVITIES *(continued)*

Notes:

(i) The cost of services rendered for the year amounted to HK$797,564,000 (2001: HK$784,965,000) and included depreciation charges of HK$93,843,000 (2001: HK$92,113,000), operating lease rentals of HK$38,807,000 (2001: HK$35,156,000) and staff costs of HK$326,800,000 (2001: HK$315,841,000).

(ii) As at 31 March 2002, there were no material forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years.

(iii) The amortisation of intangible assets and goodwill for the year are included in “Other operating expenses” on the face of the consolidated profit and loss account.

(iv) The movements in negative goodwill recognised in the consolidated profit and loss account for the year are included in “Other revenue and gains” on the face of the consolidated profit and loss account.

(v) In the prior 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.

(vi) During the year, the Group had entered into a debt repayment arrangement with two of its bankers to settle the outstanding bank loans and related interests with aggregate amount of approximately HK$5,386,000 by cash payment of approximately HK$3 million, resulting in a gain on the waiver of interests of HK$2,378,000.

7. FINANCE COSTS

	Group	
	2002 **HK$’000**	2001 *HK$’000*
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**14,451**	16,768
Finance leases	**230**	772
	14,681	17,540

8. DIRECTORS' REMUNERATION

Details of the 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, are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees*	**100**	100
Other emoluments:		
Salaries and other benefits	**11,571**	11,767
Pension scheme contributions	**942**	944
	12,513	12,711
	12,613	12,811

* Fees represent HK$100,000 (2001: 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 (2001: Nil).

The number of directors whose remuneration fell within the following bands is as set out below:

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**11**	10
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**2**	3
	15	14

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

9. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during each of the two years ended 31 March 2002 were directors, details of whose remuneration are set out in note 8 above.

10. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year. Hong Kong profits tax in the prior year had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that 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.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision for profits tax:		
Hong Kong	**–**	108
Elsewhere	**7,116**	6,250
Tax charge for the year	**7,116**	6,358

No provision for tax is required in respect of associates and jointly-controlled entities because no assessable profits were earned by the associates and jointly-controlled entities during the year (2001: Nil).

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company is HK$5,570,000 (2001: HK$21,427,000 as restated).

The comparative amount for 2001 has been restated by prior year adjustments resulting in a net credit of HK$11,817,000 to the Company's net profit for that year, a credit of HK$3,939,000 to the other receivables in the Company's balance sheet, and a debit of HK$15,756,000 to the Company's retained profits as at 1 April 2000. The prior year adjustments relate to: (i) recognition of a dividend of HK$15,756,000 from a subsidiary which was declared and approved by the subsidiary during the year ended 31 March 2001, but which was recorded by the Company as revenue in its financial statements for the year ended 31 March 2000; and (ii) reversal of a dividend of HK$3,939,000 from a subsidiary which was declared and approved by the subsidiary after the prior year's balance sheet date, but which was recognised by the Company as revenue in its financial statements for the year ended 31 March 2001. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 34 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year was to increase the net profit by HK$3,939,000 to HK$5,570,000, as disclosed above, representing the effect of the prior year adjustment of HK$3,939,000.

12. DIVIDENDS

	Group	
	2002 **HK$'000**	2001 *HK$'000*
Interim:		
HK0.5 cent (2001: HK1 cent) per ordinary share	**1,969**	3,939
Proposed final:		
HK2 cents (2001: HK1 cent) per ordinary share	**7,878**	3,939
	9,847	7,878

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK$3,939,000, which was recognised as a current liability at the prior year end, to the proposed final reserve account within the capital and reserves section of the balance sheet. The effect of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK$3,939,000.

The effect of this change in accounting policy as at 31 March 2002 is that the current year's proposed final dividend of HK$7,878,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

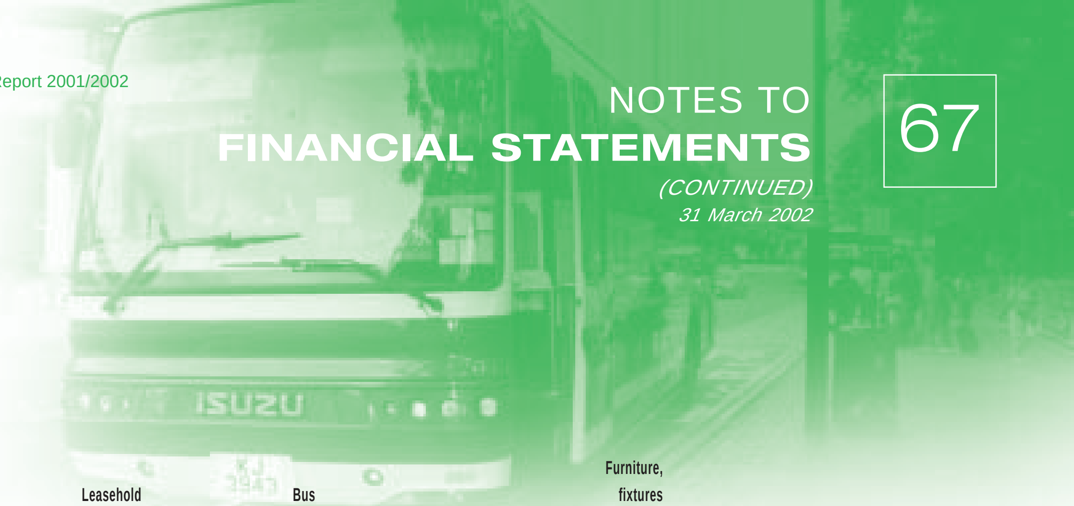
13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$8,036,000 (2001: HK$20,424,000) and on the weighted average of 393,906,000 (2001: 393,906,000) ordinary shares in issue during the year.

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

	2002 **HK$'000**	2001 *HK$'000*
Earnings:		
Net profit attributable to shareholders, for the purpose of basic and diluted earnings per share calculation	**8,036**	20,424

	Number of shares	
	2002	2001
Shares:		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share calculation	**393,906,000**	393,906,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	**71,467**	11,251
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**393,977,467**	393,917,251



14. FIXED ASSETS

Group

	Land use rights	Leasehold land and buildings	Hotel properties	Bus terminal structure	Garage improvements	Motor buses and vehicles	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*
At cost or valuation:											
At beginning of year	76,763	75,124	56,052	2,844	6,863	1,140,977	2,543	44,223	24,438	18,137	1,447,964
Additions	–	32	608	272	308	161,805	–	2,476	2,087	10,505	178,093
Reclassification	–	15,923	955	–	–	–	–	–	–	(16,878)	–
Disposals	–	(1,505)	(101)	(8)	(130)	(107,205)	–	(264)	(2,121)	–	(111,334)
Acquisition of a subsidiary	–	–	–	–	–	2,414	–	23	–	–	2,437
At 31 March 2002	**76,763**	**89,574**	**57,514**	**3,108**	**7,041**	**1,197,991**	**2,543**	**46,458**	**24,404**	**11,764**	**1,517,160**
Accumulated depreciation:											
At beginning of year	4,532	10,150	–	1,985	4,674	364,987	219	18,404	14,379	–	419,330
Provided during the year	2,005	2,736	–	238	647	96,099	266	5,819	2,475	–	110,285
Disposals	–	(550)	–	(8)	(58)	(69,192)	–	(256)	(1,597)	–	(71,661)
At 31 March 2002	**6,537**	**12,336**	**–**	**2,215**	**5,263**	**391,894**	**485**	**23,967**	**15,257**	**–**	**457,954**
Net book value:											
At 31 March 2002	**70,226**	**77,238**	**57,514**	**893**	**1,778**	**806,097**	**2,058**	**22,491**	**9,147**	**11,764**	**1,059,206**
At 31 March 2001	72,231	64,974	56,052	859	2,189	775,990	2,324	25,819	10,059	18,137	1,028,634
Analysis of cost and valuation:											
At cost	76,763	56,951	57,514	3,108	7,041	1,194,501	2,543	46,458	24,404	11,764	1,481,047
At 1991 directors' valuation	–	–	–	–	–	3,490	–	–	–	–	3,490
At 30 June 1996 professional valuation	–	32,623	–	–	–	–	–	–	–	–	32,623
	76,763	89,574	57,514	3,108	7,041	1,197,991	2,543	46,458	24,404	11,764	1,517,160

14. FIXED ASSETS *(continued)*

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

	2002	2001
	HK$'000	*HK$'000*
Hong Kong	**57,137**	45,038
Elsewhere	**32,437**	30,086
	89,574	75,124

The net book value of the Group's fixed assets held under finance leases and hire purchase contracts included in the total amount of motor buses and vehicles at 31 March 2002 amounted to HK$1,990,000 (2001: HK$18,505,000).

Certain of the Group's leasehold land and buildings in Hong Kong were revalued at 30 June 1996 by the former C.Y. Leung & Company Limited (currently known as DTZ Debenham Tie Leung Limited), a firm of independent professional valuers, 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 2002.

Had all of the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$76,250,000 (2001: HK$64,720,000) at 31 March 2002.

Had all of the motor buses and vehicles been stated at historical cost less accumulated depreciation, their carrying value would have been approximately HK$806,097,000 (2001: HK$775,990,000) at 31 March 2002.

Certain of the Group's fixed assets with a net book value of HK$296,342,000 (2001: HK$282,154,000) were pledged to secure banking facilities granted to the Group as set out in notes 29 and 39 to the financial statements.

Certain of the Group's shop units in the hotel properties and certain of the Group's motor vehicles are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

15. INTANGIBLE ASSETS

Group

	Taxi operating rights *HK$'000*	Bus route operating rights *HK$'000*	Advertising rights *HK$'000*	Total *HK$'000*
Cost:				
At beginning of year	–	8,260	7,848	16,108
Additions	–	1,222	–	1,222
Acquisition of a subsidiary	5,100	–	–	5,100
At 31 March 2002	**5,100**	**9,482**	**7,848**	**22,430**
Accumulated amortisation:				
At beginning of year	–	283	436	719
Provided during the year	234	426	234	894
At 31 March 2002	**234**	**709**	**670**	**1,613**
Net book value:				
At 31 March 2002	**4,866**	**8,773**	**7,178**	**20,817**
At 31 March 2001	–	7,977	7,412	15,389

16. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill *HK$'000*	**Negative goodwill** *HK$'000*
Cost:		
Acquisition of a subsidiary	–	(1,213)
Acquisition of additional interest in a subsidiary	1,251	–
At 31 March 2002	**1,251**	**(1,213)**
Accumulated amortisation/(recognition as income):		
Amortisation provided/(recognition as income) during the year and at 31 March 2002	36	(81)
Net book value:		
At 31 March 2002	**1,215**	**(1,132)**

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The amounts of goodwill and negative goodwill remaining in reserves, arising from the acquisition of subsidiaries, are HK$1,855,000 and HK$4,042,000, respectively, as at 1 April 2001 and 31 March 2002. The amount of goodwill is stated at its cost which arose in the prior year.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**553,790**	544,772
	624,860	615,842

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

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal 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# 2002	2001	Principal activities
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	2 January 1996	Ordinary US$6,000	**100**	100	Investment holding
Chongqing Everbright International Travel Co., Ltd.	Mainland China	11 January 2000	RMB5,000,000	**60**	60	Tour operations
Chongqing Grand Hotel Co., Ltd.	Mainland China	13 October 1986	RMB35,000,000	**60**	60	Hotel operations
Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.	Mainland China	14 March 2000	RMB62,672,087	**42.15***	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	**30.25***	30.25*	Provision of bus and travel related services
Chongqing Pengshui Dongguaxi Hydropower Station Co., Ltd.	Mainland China	16 June 1998	RMB4,000,000	**60**	60	Power generation
Chongqing Tourism Coach Co., Ltd.	Mainland China	17 October 2000	RMB8,000,000	**60**	60	Provision of coach hire services
Chongqing Tourism (Group) Co., Ltd.	Mainland China	6 May 1998	RMB56,600,000	**60**	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 bus hire and travel related services

17. 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# 2002	2001	Principal activities
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
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 Motors Company, Limited	Hong Kong	15 May 1979	Ordinary HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus hire and travel related services
Kwoon Chung Travel Company Limited	Hong Kong	7 March 1996	Ordinary HK$2	**100**	100	Investment holding
Kwoon Chung (China) Development Company Limited	Hong Kong	12 September 1991	Ordinary HK$1,000,000	**100**	100	Investment holding
Jieyang Guanyun Transportation Company Limited	Mainland China	24 June 1997	RMB15,700,000	**91.5**	70	Provision of bus and travel related services

17. 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# 2002	2001	Principal activities
Lantau Tours Limited	Hong Kong	14 March 1972	Ordinary HK$500,000	**100**	100	Provision of bus hire and tour services
New Lantao Bus Company (1973) Limited	Hong Kong	11 May 1973	Ordinary HK$14,116,665	**99.99**	99.99	Provision of bus and travel related services
Shanghai Pudong Kwoon Chung Public Transport Co., Ltd.	Mainland China	3 June 1992	RMB100,000,000	**61**	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	**50.66**	50.09	Provision of bus and travel related services
Tai Fung Coach Company Limited	Hong Kong	15 May 1981	Ordinary HK$1,000,000	**100**	100	Provision of bus hire and travel related services
Trade Travel (Hong Kong) Limited	Hong Kong	22 August 1975	Ordinary HK$500,000	**100**	100	Provision of hiring services of limousines, minibuses and coaches
Wealth Crown Investment Limited	Hong Kong	5 November 1999	HK$1,000,000	**56.25**	56.25	Investment holding
Shanghai Shington Taxi Co., Ltd. ("Shington")	Mainland China	11 March 1995	RMB1,000,000	**60.39**	–	Provision of taxi services

Represents the effective holding of the Group after minority interests therein.

* Subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

Except for Kwoon Chung Buses Investment Limited, all principal subsidiaries are indirectly held by the Company.

During the year, the Group acquired Shington and further details of this acquisition are included in note 35(c) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Unlisted investments, at cost	**131,004**	131,004
Share of post-acquisition results	**12,458**	10,481
Less: Accumulated amortisation	**(50,758)**	(41,690)
	92,704	99,795
Due from jointly-controlled entities	**74,250**	64,969
Due to jointly-controlled entities	**(3,385)**	–
Loans to jointly-controlled entities	**13,984**	14,642
Loan from a jointly-controlled entity	**–**	(2,679)
	177,553	176,727

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 five to eight years in accordance with the respective loan agreements.

The loan from a jointly-controlled entity was unsecured, interest-free and was fully settled during the year.

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

18. 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 Voting power	Percentage of Ownership interest and profit sharing	Principal activities
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	RMB18,100,000	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	RMB11,106,025	15 years expiring on 23 December 2011	57	50	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*	Provision of bus services

* 55% for the first three years and 50% from the fourth year onwards.

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.

19. INTERESTS IN ASSOCIATES

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	–	5,697
Due from associates	125	613
	125	6,310

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

19. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group 2002	2001	Principal activities
L&K Technology Co., Limited	Corporate	Hong Kong	**50**	50	Provision of smart cards system services
CLK Bus Company Limited	Corporate	Hong Kong	**50**	50	Provision of bus hire services

20. INVESTMENTS

	Group 2002 HK$'000	2001 HK$'000
Long term investments		
Unlisted equity investments in Hong Kong, at cost	**7,497**	7,427
Less: Provision for impairment	**(2,480)**	(1,590)
	5,017	5,837
Unlisted equity investments in Mainland China, at cost	**3,557**	3,283
Less: Provision for impairment	**(470)**	(470)
	3,087	2,813
	8,104	8,650
Short term investments		
Listed equity investments in Mainland China, at market value	**28**	1,098

21. 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.

22. BALANCES WITH JOINT VENTURERS

The balances with joint venturers are unsecured and interest-free. Except for amounts due to joint venturers of HK$53,842,000 (2001: HK$45,746,000) which are not repayable within the next twelve months from the balance sheet date, the other balances with joint venturers have no fixed terms of repayment.

23. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Spare parts and other consumables	**15,271**	14,505

24. TRADE RECEIVABLES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	**33,564**	20,855
31 to 60 days	**2,934**	9,746
61 to 90 days	**1,681**	4,175
Over 90 days	**1,822**	2,377
	40,001	37,153

25. OTHER RECEIVABLES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Prepayments	**9,896**	9,716	**171**	171
Deposits and other debtors	**64,992**	56,738	**11**	12
Due from a joint venturer – note 22	**8,600**	17,959	**–**	–
	83,488	84,413	**182**	183

The dividend receivable of the Company in the prior year has been adjusted for the effect of the prior year adjustment of HK$3,939,000 in respect of the dividend proposed after the prior year's balance sheet date, as further explained in note 11 to the financial statements.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**61,377**	52,200	**304**	303
Time deposits	**55,974**	79,354	**4,394**	21,189
	117,351	131,554	**4,698**	21,492

27. TRADE PAYABLES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	**26,276**	21,015
31 to 60 days	**3,929**	4,038
61 to 90 days	**2,375**	2,134
Over 90 days	**2,608**	5,712
	35,188	32,899

28. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Accruals	**72,705**	64,112	**–**	–
Other liabilities	**69,947**	55,979	**130**	421
Due to joint venturers – note 22	**32,179**	52,149	**–**	–
	174,831	172,240	**130**	421

The dividend payable of the Group and the Company have been adjusted for the effect of the prior year adjustment of HK$3,939,000 in respect of the dividend proposed after the prior year's balance sheet date, as further explained in note 12 to the financial statements.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Secured bank loans repayable:		
Within one year	**154,033**	154,349
In the second year	**41,593**	44,517
In the third to fifth years, inclusive	**42,982**	52,135
	238,608	251,001
Unsecured other loans repayable:		
Within one year	**3,844**	–
In the second year	**31,960**	–
In the third to fifth years, inclusive	**–**	31,960
	35,804	31,960
	274,412	282,961
Portion classified as current liabilities	**(157,877)**	(154,349)
Long term portion	**116,535**	128,612

The Group's bank loans are secured by certain fixed assets with a net book value of HK$294,352,000 (2001: HK$282,154,000) as at 31 March 2002, time deposits of HK$53,816,000 (2001: HK$65,588,000) and all of the issued shares of New Lantao Bus Company (1973) Limited, a subsidiary, held by the Group (see note 39).

Other loans of HK$3,844,000 (2001: Nil) are unsecured, bear interest at 8.5% per annum and have no fixed terms of repayment. Other loan of HK$31,960,000 (2001: HK$31,960,000) is unsecured, bears interest at 5.94% per annum and is repayable in October 2003.

30. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its bus operations. These leases are classified as finance leases and have remaining lease terms of two years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2002 **HK$'000**	2001 *HK$'000*	**2002** **HK$'000**	2001 *HK$'000*
Amounts payable:				
Within one year	**748**	4,998	**705**	4,791
In the second year	**190**	237	**180**	234
Total minimum finance lease payments	**938**	5,235	**885**	5,025
Future finance charges	**(53)**	(210)		
Total net finance lease payables	**885**	5,025		
Portion classified as current liabilities	**(705)**	(4,791)		
Non-current portion	**180**	234		

Certain of the Group's finance lease obligations are secured by certain fixed assets with a net book value of HK$1,990,000 (2001: time deposits of HK$3,401,000) pledged to the respective lessors.

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

31. DUE TO THE DIRECTORS

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

32. DEFERRED TAX

	Group	
	2002 **HK$'000**	2001 *HK$'000*
At beginning and end of year	**7,662**	7,662

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

	Provided		Not provided	
	2002 **HK$'000**	2001 *HK$'000*	**2002** **HK$'000**	2001 *HK$'000*
Accelerated depreciation allowances	**28,405**	21,850	**60,754**	56,612
Tax losses	**(20,743)**	(14,188)	**(17,109)**	(24,266)
	7,662	7,662	**43,645**	32,346

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.

33. SHARE CAPITAL

Share capital

	2002 **HK$'000**	2001 *HK$'000*
Authorised: 600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid: 393,906,000 ordinary shares of HK$0.10 each	**39,391**	39,391

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 33 to 36.

At the beginning of year, 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. During the year, 50,000 option shares with an exercise price of HK$3.3120 each which were outstanding under the Scheme lapsed upon the cessation of employment of an option holder.

33. SHARE CAPITAL *(continued)*

Share options *(continued)*

At the balance sheet date, the Company had 19,830,000 outstanding option shares. 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 additional ordinary shares of HK$0.10 each at a total consideration of approximately HK$42,462,400.

No option shares have been granted and exercised under the Scheme during the year and up to the date of approval of these financial statements.

In compliance with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Board considers that it is in the interests of the Company to terminate the Scheme and to adopt a new share option scheme, further details of which are set out under the heading "New share option scheme" in the Report of the Directors on page 36.

34. RESERVES

Group

	Share premium account *HK$'000*	Contributed surplus *HK$'000* *(Note (i))*	Capital reserve *HK$'000*	Fixed assets revaluation reserve *HK$'000*	Enterprise expansion fund *HK$'000* *(Note (ii))*	Reserve fund *HK$'000*	Exchange equalisation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2000	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 12	–	–	–	–	–	–	–	(7,878)	(7,878)
Exchange realignments	–	–	–	–	–	–	1	–	1
At 31 March 2001 and beginning of year	522,111	10,648	2,187	4,161	1,117	601	906	197,416	739,147
Net profit for the year	–	–	–	–	–	–	–	8,036	8,036
Transfer of reserves	–	–	–	–	1,045	510	–	(1,555)	–
Dividends – note 12	–	–	–	–	–	–	–	(9,847)	(9,847)
Exchange realignments	–	–	–	–	–	–	(116)	–	(116)
At 31 March 2002	**522,111**	**10,648**	**2,187**	**4,161**	**2,162**	**1,111**	**790**	**194,050**	**737,220**
Reserves retained by:									
Company and subsidiaries	522,111	10,648	2,187	4,161	2,162	1,111	790	180,154	723,324
Jointly-controlled entities	–	–	–	–	–	–	–	13,896	13,896
Associates	–	–	–	–	–	–	–	–	–
At 31 March 2002	**522,111**	**10,648**	**2,187**	**4,161**	**2,162**	**1,111**	**790**	**194,050**	**737,220**
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)
At 31 March 2001	522,111	10,648	2,187	4,161	1,117	601	906	197,416	739,147

34. RESERVES *(continued)*

Company

	Share premium account HK$'000	Contributed surplus HK$'000 (Note (i))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2000:				
As previously reported	522,111	70,770	3,092	595,973
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year *(notes 2 and 11)*	–	–	(15,756)	(15,756)
As restated	522,111	70,770	(12,664)	580,217
Net profit for the year (as restated)	–	–	21,427	21,427
Interim 2001 dividend	–	–	(3,939)	(3,939)
Proposed 2001 final dividend	–	–	(3,939)	(3,939)
	522,111	70,770	885	593,766
At 31 March 2001 and beginning of year:				
As previously reported	522,111	70,770	4,824	597,705
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year *(notes 2 and 11)*	–	–	(3,939)	(3,939)
As restated	522,111	70,770	885	593,766
Net profit for the year	–	–	5,570	5,570
Interim 2002 dividend	–	–	(1,969)	(1,969)
Proposed 2002 final dividend	–	–	(7,878)	(7,878)
At 31 March 2002	**522,111**	**70,770**	**(3,392)**	**589,489**

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.

34. RESERVES *(continued)*

(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 the joint venture partners. The amounts of the transfer are subject to the approval of the board of directors of these subsidiaries in accordance with the respective joint venture agreements.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

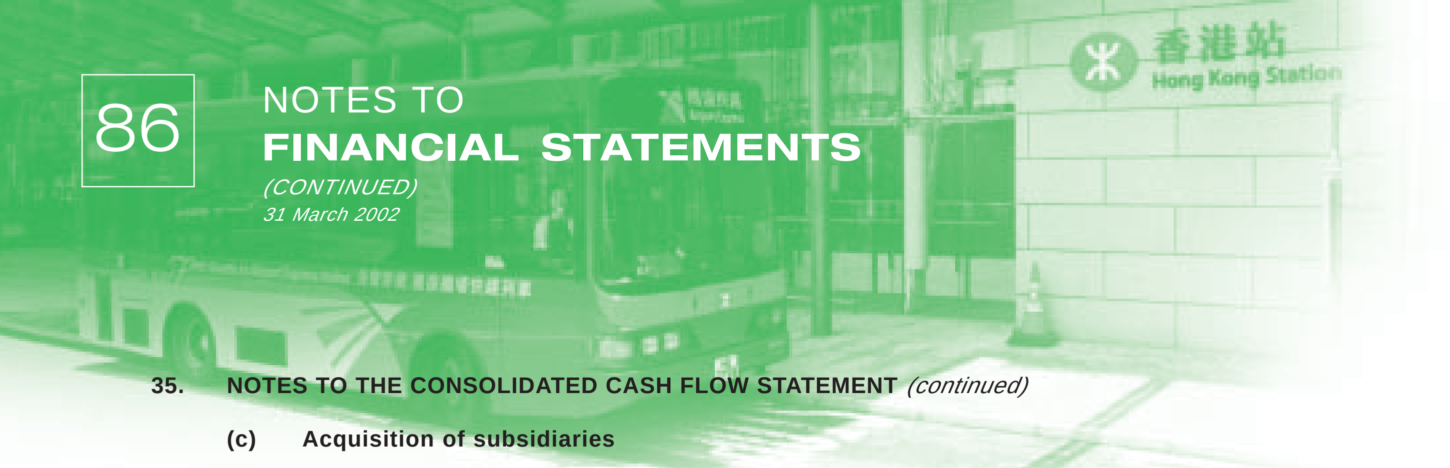
(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002 **HK$'000**	2001 *HK$'000*
Profit from operating activities	**38,914**	42,888
Bank interest income	**(4,929)**	(6,664)
Dividend income from unlisted investments	**(1,084)**	(556)
Gain on waived bank loan interest	**(2,378)**	–
Gain on waived bank borrowings	**–**	(22,131)
Depreciation	**110,285**	111,645
Amortisation of intangible assets	**894**	574
Amortisation of goodwill	**36**	–
Negative goodwill recognised as income during the year	**(81)**	–
Loss on disposal of fixed assets, net	**19,668**	10,511
Gain on deemed disposal of a subsidiary	**–**	(571)
Loss on disposal of a jointly-controlled entity	**–**	3,928
Loss on disposal of a long term investment	**–**	140
Loss on disposal of an associate	**4,951**	–
Impairment in values of long term investments	**890**	1,590
Decrease/(increase) in balances with jointly-controlled entities	**(5,896)**	4,894
Decrease/(increase) in amounts due from joint venturers	**2,350**	(20,309)
Increase in an amount due from associates	**–**	(613)
Decrease/(increase) in short term listed investments	**1,070**	(1,098)
Increase in inventories	**(766)**	(1,371)
Decrease/(increase) in trade receivables	**(2,848)**	5,958
Increase in prepayments	**(180)**	(604)
Decrease/(increase) in deposits and other debtors	**(5,057)**	14,491
Increase in trade payables	**2,289**	9,715
Increase in accruals	**10,971**	39,405
Increase/(decrease) in other liabilities	**5,999**	(61,066)
Increase/(decrease) in deposits received	**(612)**	1,183
Increase/(decrease) in amounts due to the directors	**(13)**	13
Exchange realignments	**(116)**	1
Net cash inflow fom operating activities	**174,357**	131,953

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

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

	Issued capital and share premium account HK$'000	Bank loans HK$'000	Finance lease obligations HK$'000	Other loans HK$'000	Loan from a jointly-controlled entity HK$'000	Due to joint venturers HK$'000	Minority interests HK$'000
Balance at 1 April 2000	561,502	131,801	14,924	31,960	5,010	114,812	216,597
Cash inflow/(outflow) from financing activities, net	–	120,943	(9,899)	–	(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)	–	–	–	–	–
Share of dividends	–	–	–	–	–	–	(993)
Share of profit for the year	–	–	–	–	–	–	12,968
Balance at 31 March 2001 and beginning of year	561,502	251,001	5,025	31,960	2,679	97,895	242,902
Cash inflow/(outflow) from financing activities, net	–	(12,393)	(5,550)	3,844	(2,679)	(11,874)	1,765
Acquisition of subsidiaries	–	–	–	–	–	–	67
Decrease of interests in subsidiaries	–	–	–	–	–	–	(12,798)
Inception of finance lease contracts	–	–	1,410	–	–	–	–
Share of profit for the year	–	–	–	–	–	–	11,462
Balance at 31 March 2002	**561,502**	**238,608**	**885**	**35,804**	**–**	**86,021**	**243,398**



35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries

	2002 **HK$'000**	2001 *HK$'000*
Net assets acquired:		
Fixed assets	**2,437**	111,532
Intangible assets	**5,100**	–
Inventories	**–**	1,212
Trade receivables	**–**	744
Deposits and other debtors	**565**	6,947
Cash and bank balances	**–**	5,426
Trade payables	**–**	(2,828)
Other liabilities	**(1,953)**	(43,358)
Bank loans	**–**	(28,848)
Minority interests	**(67)**	(20,331)
	6,082	30,496
Goodwill/(negative goodwill) on acquisition	**(1,213)**	1,855
	4,869	32,351
Satisfied by:		
Cash	**4,869**	32,351

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2002 **HK$'000**	2001 *HK$'000*
Cash paid	**(4,869)**	(32,351)
Deposits paid in the prior year	**4,382**	–
Cash and bank balances acquired	**–**	5,426
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(487)**	(26,925)

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries *(continued)*

In May 2001, the Group acquired a 100% interest in Shanghai Shington Taxi Co., Ltd. ("Shington"). The purchase consideration for the acquisition was in the form of cash, with HK$4,382,000 paid as a deposit in prior years and HK$487,000 being paid at the acquisition date. Since its acquisition, Shington contributed HK$1,491,000 to the Group's turnover and HK$187,000 to the consolidated net profit from ordinary activities for the year ended 31 March 2002.

For the year ended 31 March 2002, Shington contributed HK$371,000 to the Group's net operating cash inflows, and had no significant impact in respect of the Group's cash flows for net returns on investments and servicing of financing, financing and investing activities or the payment of tax.

(d) Deemed disposal of a subsidiary

	2002 ***HK$'000***	2001 *HK$'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

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary is as follows:

	2002 ***HK$'000***	2001 *HK$'000*
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary	–	(9,707)

(e) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,410,000.

36. CONTINGENT LIABILITIES

The Company has given a guarantee amounting to HK$339,640,000 (2001: HK$339,640,000) in favour of banks for facilities granted to its subsidiaries and a jointly-controlled entity.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in hotel properties and certain of its motor vehicles (note 14 to the financial statements) under operating lease agreements, with leases negotiated for terms ranging from one to five years.

At 31 March 2002, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**4,284**	2,430
In the second to fifth years, inclusive	**11,342**	9,290
	15,626	11,720

(b) As lessee

The Group leases certain of its office properties, bus depots, terminals and car parks under operating lease agreements that are non-cancellable. Leases for office properties are negotiated for terms ranging from 1 to 29 years and those for bus depots, terminals and car parks for terms ranging from 1 to 30 years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000* (restated)
Within one year	**11,247**	12,761
In the second to fifth years, inclusive	**26,251**	13,860
After five years	**20,568**	21,557
	58,066	48,178

At the balance sheet date, the Company had no outstanding operating lease commitments.

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments in respect of acquisition of fixed assets: Contracted, but not provided for	**39,132**	36,709	**–**	–
Commitments in respect of capital contribution for a long term investment: Authorised, but not contracted for	**6,604**	–	**6,604**	–

39. PLEDGE OF ASSETS

At 31 March 2002, the following assets of the Group were pledged in favour of banks as security for banking facilities and finance lease facilities granted:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fixed assets:		
Leasehold land and buildings, net book value	**41,123**	27,323
Hotel properties	**57,514**	56,052
Motor buses and vehicles, net book value	**197,705**	198,779
	296,342	282,154
Time deposits	**53,816**	68,989
	350,158	351,143

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

40. RELATED PARTY TRANSACTIONS

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

		Group	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Rental expenses paid to joint venturers	*(i), (ii)*	**2,686**	2,681
Interest income from jointly-controlled entities	*(iii)*	**1,302**	2,169

40. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(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 50.66% (2001: 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 (equivalent to approximately 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 (equivalent to approximately RMB2,000,000) (2001: HK$1,880,000 (equivalent to approximately 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% (2001: 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$806,000 (equivalent to approximately RMB857,000), 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$806,000 (equivalent to approximately RMB857,000) (2001: HK$801,000 (equivalent to approximately RMB852,000)) 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 five to eight years in accordance with the respective loan agreements.

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

41. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2002.