

(f) On 28 June 2001, further 240,000,000 new shares of HK\$0.1 each were issued and offered for subscription at a price of HK\$2.25 per share upon the listing of the Company's shares on the Main Board of the Stock Exchange. The Group raised approximately HK\$489,246,000 net of related expenses from the issue.

(g) On 18 July 2001, the underwriters of the Global Offering exercised the over-allotment option for the issuance of 21,694,000 ordinary shares of the Company at HK\$2.25 per share in accordance with the International Placing Agreement dated 18 June 2001. The total consideration amounted to HK\$48,811,500, of which HK\$2,169,400 was credited to the share capital and the balance of HK\$46,642,100 was credited to the share premium account.

At 31 December 2001, the outstanding options were as follows:

Date option granted	Period during which options exercisable	Exercise price	Number of options outstanding	
			2001	2000
26 June 2001	28 December 2001 to 27 December 2003	HK\$1.8	28,058,000	–

A total of 521,000 options had been cancelled as a result of staff resignation. Save as aforesaid, no option has been exercised, cancelled or lapsed during the period from the date of grant to 31 December 2001.

21 RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Group				
At 1 January 2000	–	–	36,341	36,341
Profit attributable to shareholders	–	–	30,695	30,695
Dividend declared in respect of the current year (note 10)	–	–	(10,000)	(10,000)
At 31 December 2000	–	–	57,036	57,036
At 1 January 2001	–	–	57,036	57,036
Reorganisation adjustment	–	(200)	–	(200)
Profit attributable to shareholders	–	–	175,108	175,108
Capital contribution by KMB Resources	85,500	–	–	85,500
Proceeds from Global Offering	516,000	–	–	516,000
Capitalisation issue	(62,300)	–	–	(62,300)
Global Offering expenses	(50,754)	–	–	(50,754)
Proceeds from the over-allotment option	46,642	–	–	46,642
At 31 December 2001	535,088	(200)	232,144	767,032

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Company				
At 1 January 2001	–	–	–	–
Reorganisation adjustment	–	62,635	–	62,635
Profit attributable to shareholders	–	–	5,855	5,855
Capital contribution by KMB				
Resources	85,500	–	–	85,500
Proceeds from Global Offering	516,000	–	–	516,000
Capitalisation issue	(62,300)	–	–	(62,300)
Global Offering expenses	(50,754)	–	–	(50,754)
Proceeds from the over-allotment option	46,642	–	–	46,642
At 31 December 2001	535,088	62,635	5,855	603,578

(a) The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

(b) Pursuant to a group reorganisation during the year, the Company was incorporated on 8 December 2000 and on 1 April 2001 the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation during the year was transferred to contributed surplus. Under the Companies Act of Bermuda, contributed surplus is available for distribution to shareholders.

(c) At 31 December 2001, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK\$193,355,000 (2000: HK\$Nil).

The Company was incorporated on 8 December 2000 and has not carried out any business since the date of its incorporation save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to shareholders as at 31 December 2000.

22 Notes on the consolidated cash flow statements

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

	2001 HK\$'000	2000 HK\$'000
Profit from ordinary activities before taxation	201,835	36,497
Interest income	(11,735)	(523)
Depreciation	18,682	222
Provision for doubtful debts	7,500	–
Loss on disposal of fixed assets	81	–
Increase in inventories	(59)	(591)
Increase in amount due from ultimate holding company	(3,169)	(6,472)
Increase in accounts receivable	(175,345)	(10,784)
Increase in other receivables, prepayments and deposits	(641)	(1,949)
Increase in accounts payable	323	1,569
Decrease in advertising deposits received	(1,229)	(903)
Increase in other payables and accruals	12,256	254
Net cash inflow from operating activities	48,499	17,320

(b) Major non-cash transactions

– The following receipts/payments were received/made by the ultimate holding company on the Group's behalf and were recorded as movements in the current account with the ultimate holding company:

	2001 HK\$'000	2000 HK\$'000
Interest income	–	514
Hong Kong Profits Tax paid	(2,564)	(1,813)
Purchase of fixed assets	–	(717)
	(2,564)	(2,016)

(c) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000
At 1 January 2001	–
Cash inflows from financing	633,057
Shares issued in exchange of shares in a subsidiary	200
At 31 December 2001	633,257

In preparation for the listing of the Company's shares, on 15 January 2001, the Company issued 1,000,000 shares at HK\$0.1 each and together with the 1,000,000 shares issued on 4 June 2001 at HK\$0.1 each and credited as fully paid at par in exchange and as consideration for the acquisition by the Company of the entire issued share capital of RoadShow Resources Limited.

(d) Analysis of the balances of cash and cash equivalents

	2001 HK\$'000	2000 HK\$'000
Cash at bank and in hand	4,964	917
Deposits with banks maturity within three months of the balance sheet date	557,382	16,200
	562,346	17,117

23 COMMITMENTS**(a) Capital commitments**

At 31 December 2001, the Group had the following capital commitments in relation to the purchase of audio and visual equipment not provided for:

	2001 HK\$'000	2000 HK\$'000
Contracted for	–	100,378
Authorised but not contracted for	173,000	–

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2001 HK\$'000	2000 HK\$'000
Within 1 year	1,080	–

(c) Other commitments

An exclusive licence to conduct the media sales and management in relation to bus shelters for a term up to 31 July 2007 has been granted to the Group to carry on the media sales services. The Group has committed to pay a royalty fee on a pre-determined percentage of the net advertising rental received.

An exclusive right to conduct the media sales and management in relation to the exterior panels of bus body and bus shelters for a term up to 31 May 2003 has been granted to the Group to carry on the media sales services. The Group has committed to pay a licence fee on a pre-determined percentage of the net advertising rental received.

24 RETIREMENT BENEFITS SCHEME The Group operates a Mandatory Provident Fund Scheme (“the MPF Scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinances for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000.

25 MATERIAL RELATED PARTY TRANSACTIONS The Group is part of a larger group of companies under KMB and has significant transactions and relationships with members of the KMB Group. Related parties refer to enterprises over which KMB is able to exercise significant influence.

In connection with the Reorganisation, the Company and the KMB Group entered into a number of agreements under which the Group provides media sales management services to the KMB Group, and the KMB Group grants exclusive rights to the Group to carry out certain businesses. The Group’s consolidated income statement and cash flow statement for

the current and prior years and the Group’s consolidated balance sheet at 31 December 2001 and 2000 had been prepared as if these agreements had been in effect throughout the years.

The principal recurring related party transactions with the KMB Group during the year, which were carried out in the ordinary course of business, are as follows:

	Note	2001 HK\$’000	2000 HK\$’000
Management and administration fee income	(i)	19,930	17,094
Licence and royalty fees paid for the right to sell advertising spaces on transit vehicle exteriors and shelters	(ii)	5,806	3,471
Rental expenses	(iii)	1,275	336
Management fee expense paid to the KMB Group	(iv)	–	56

Notes:

(i) Fee income was earned for the provision of media sales management and administrative services to the KMB Group.

(ii) Licence and royalty fees were paid for selling advertising spaces on certain transit vehicle exteriors and certain transit vehicle shelters owned by the KMB Group.

(iii) The Group paid rental expense to the KMB Group for leasing properties, computer equipment and software system, furniture and fixtures.

(iv) Management fee expense for office and administration services provided by the KMB Group is charged based on either the cost of providing such services or a percentage of the annual turnover of the Group.

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

26 ULTIMATE HOLDING COMPANY The Directors consider the ultimate holding company at 31 December 2001 to be The Kowloon Motor Bus Holdings Limited, which is incorporated in Bermuda and listed in Hong Kong.