

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 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 new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

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 which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated summary statement of changes in equity is now presented on page 33 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for “Foreign currencies” in note 3 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

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## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes that have resulted from them are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no material effect on the financial statements except that disclosures are now required in respect of the Company’s share option schemes, as detailed in note 33 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

## 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 2003. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

### 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 results of subsidiaries are included in the Company’s profit and loss account to the extent of dividends received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, directly or indirectly, over the joint venture company;
- (ii) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (iii) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, 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.



## NOTES TO FINANCIAL STATEMENTS

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### 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.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provisions of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill 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.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 life 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.

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.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provisions of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill 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.



## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Impairment of assets (Continued)**

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.

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.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fixed assets and depreciation (Continued)

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost or 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 lease terms
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 the hotel properties. The related maintenance and repairs 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.

#### 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.



## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Leased assets**

Leases and hire purchase contracts that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and 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.

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 comprise 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 "Intangible assets". The carrying amount of each right is reviewed annually and written down for impairment when it is considered necessary.

#### **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.



## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provisions (Continued)

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.

#### Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the financial statements.



## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits

##### *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. 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 Scheme. The assets of the 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 Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The employees of certain of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 22% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

##### *Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under the share option schemes is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of 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.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

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

- (i) 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.

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION

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 the 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 on Lantau Island in Hong Kong;
- (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 others segment comprises, principally, 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 and revenues 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.

# NOTES TO FINANCIAL STATEMENTS

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## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments

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

#### Group

	2003							
	Designated	Non-	Franchised	Tour	Hotel	Corporate	Inter-	Consolidated
	bus routes	franchised	bus					
HK\$'000	bus	bus	HK\$'000	HK\$'000	HK\$'000	eliminations	HK\$'000	
Segment revenue:								
External sales	569,061	341,680	69,199	46,085	15,939	14,632	-	1,056,596
Intersegment sales	-	8,506	1,351	-	-	-	(9,857)	-
Other revenue	18,585	5,027	371	958	1,860	6,676	(1,085)	32,392
<b>Total</b>	<b>587,646</b>	<b>355,213</b>	<b>70,921</b>	<b>47,043</b>	<b>17,799</b>	<b>21,308</b>	<b>(10,942)</b>	<b>1,088,988</b>
Segment results	36,039	14,982	6,918	(1,073)	(261)	1,202	-	57,807
Bank interest and dividend income								3,294
Profit from operating activities								61,101
Finance costs								(14,204)
Share of profits and losses of jointly-controlled entities	(1,248)	-	-	-	-	-	-	(1,248)
Profit before tax								45,649
Tax								(5,281)
Profit before minority interests								40,368
Minority interests								(15,778)
Net profit from ordinary activities attributable to shareholders								24,590

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Group	2002							
	Designated bus routes	Non- franchised bus	Franchised bus	Tour	Hotel	Corporate and others	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
<b>Total</b>	<b>545,883</b>	<b>350,501</b>	<b>69,326</b>	<b>28,377</b>	<b>17,309</b>	<b>11,576</b>	<b>(10,512)</b>	<b>1,012,460</b>
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

# NOTES TO FINANCIAL STATEMENTS

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## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

#### Group

	2003							
	Designated	Non-	Franchised			Corporate	Inter-	Consolidated
	bus routes	franchised	bus	Tour	Hotel	and others	segment	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	eliminations	HK\$'000
Segment assets	828,292	436,025	64,033	13,822	115,667	30,218	-	1,488,057
Interests in jointly- controlled entities	166,997	-	-	-	-	-	-	166,997
Total assets								1,655,054
Segment liabilities	307,389	170,855	18,885	3,041	81,272	3,270	-	584,712
Unallocated liabilities								51,061
Total liabilities								635,773
Other information:								
Capital expenditure	121,034	50,518	8,484	101	3,956	16,092	-	200,185
Amortisation	905	-	-	-	-	928	-	1,833
Negative goodwill recognised as income	(337)	-	-	-	-	-	-	(337)
Depreciation	63,000	46,469	6,312	2,057	1,722	2,205	-	121,765

# NOTES TO FINANCIAL STATEMENTS

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## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Group	2002							
	Designated bus routes	Non- franchised bus	Franchised bus	Tour	Hotel	Corporate and others	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
Interest in an associate	–	–	–	–	–	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	696	–	–	–	–	234	–	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



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION (Continued)

#### (b) Geographical segment

The following tables present revenue and certain assets, liability and expenditure information for the Group's geographical segments.

#### Group

	Hong Kong HK\$'000	2003 Mainland China HK\$'000	Total HK\$'000
Revenue	416,589	640,007	1,056,596
Segment assets	510,623	977,434	1,488,057
Interests in jointly-controlled entities	–	166,997	166,997
Total assets	510,623	1,144,431	1,655,054
Capital expenditure	59,038	141,147	200,185

	Hong Kong HK\$'000	2002 Mainland China HK\$'000	Total HK\$'000
Revenue	410,071	572,156	982,227
Segment assets	518,850	896,157	1,415,007
Interest in an associate	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

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 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	
	2003 HK\$'000	2002 HK\$'000
Provision of designated bus route services	569,061	526,287
Provision of non-franchised bus services	341,680	336,254
Provision of franchised bus services	69,199	68,329
Provision of tour services	46,085	28,377
Provision of hotel services	15,939	17,278
Provision of other transportation services	13,800	4,950
Power generation	832	752
	<b>1,056,596</b>	982,227

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 6. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration	1,280	1,280
Depreciation ( <i>Note (i)</i> )	121,765	110,285
Minimum lease payments under operating leases ( <i>Note (i)</i> ):		
Land and buildings	5,417	3,377
Bus depots, terminals and car parks	19,018	19,607
Motor buses and coaches	24,962	19,200
Staff costs ( <i>Note (i)</i> ) (including directors' remuneration – <i>note 8</i> ):		
Wages and salaries	399,936	392,521
Other welfare benefits	6,378	6,527
Pension scheme contributions	10,599	11,440
Less: Forfeited contributions ( <i>Note (ii)</i> )	(441)	(199)
Net pension scheme contributions	10,158	11,241
	<b>416,472</b>	<b>410,289</b>
Amortisation:		
Intangible assets ( <i>Note (iii)</i> )	1,749	894
Goodwill ( <i>Note (iii)</i> )	84	36
Gains on disposal of short term listed investments	(274)	(750)
Net unrealised holding gains on short term listed investments	(97)	–
Loss on disposal of fixed assets, net	12,106	19,668
Write off of amount due from an associate	125	–
Impairment in values of long term investments	–	890
Negative goodwill recognised as income during the year ( <i>Note (iv)</i> )	(337)	(81)
Exchange gains, net	(1)	(1)
Net rental income	(8,107)	(4,637)
Bank interest income	(2,992)	(4,929)
Dividend income from unlisted investments	(302)	(1,084)
Gain on waived bank loan interest ( <i>Note (v)</i> )	–	(2,378)

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 6. PROFIT FROM OPERATING ACTIVITIES (Continued)

Notes:

- (i) The cost of services rendered for the year amounted to HK\$857,496,000 (2002: HK\$797,564,000) and included depreciation charges of HK\$106,324,000 (2002: HK\$93,843,000), operating lease rentals of HK\$45,026,000 (2002: HK\$38,807,000) and staff costs of HK\$333,352,000 (2002: HK\$326,800,000).
- (ii) As at 31 March 2003, 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 is 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 two of its banks to settle the outstanding bank loans and related interests with an aggregate amount of approximately HK\$5,386,000 by cash payment of approximately HK\$3,008,000, resulting in a gain on the waiver of interest of HK\$2,378,000.

## 7. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	14,003	14,451
Finance leases	201	230
	<b>14,204</b>	14,681

## NOTES TO FINANCIAL STATEMENTS

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### 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	
	2003 HK\$'000	2002 HK\$'000
Fees*	100	100
Other emoluments:		
Salaries and other benefits	14,146	11,571
Pension scheme contributions	1,102	942
	15,248	12,513
	15,348	12,613

\* Fees represent HK\$100,000 (2002: 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 (2002: Nil).

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

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	11	11
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	1	2
	14	15

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

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 9. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during each of the two years ended 31 March 2003 are 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 (2002: Nil). 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	
	2003 HK\$'000	2002 HK\$'000
Provision for profit tax:		
Elsewhere outside Hong Kong	6,225	7,116
Overprovision in prior years	(873)	–
Deferred – note 31	(71)	–
Tax charge for the year	<b>5,281</b>	7,116

No provision for tax is required in respect of the associate and jointly-controlled entities because no assessable profits were earned by the associate and jointly-controlled entities during the year (2002: 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 2003 dealt with in the financial statements of the Company is HK\$11,591,000 (2002: HK\$5,570,000).

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 12. DIVIDENDS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interim:		
HK1 cent (2002: HK0.5 cent) per ordinary share	3,939	1,969
Proposed final:		
HK2.5 cents (2002: HK2 cents) per ordinary share	9,848	7,878
	<b>13,787</b>	9,847

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

### 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\$24,590,000 (2002: HK\$8,036,000) and on the weighted average of 393,906,000 (2002: 393,906,000) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2003 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2002 was based on the net profit from ordinary activities attributable to shareholders for that year of HK\$8,036,000. The weighted average number of ordinary shares used in the calculation was 393,906,000 ordinary shares in issue during that year, as used in the basic earnings per share calculation; and the weighted average of 71,467 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

# NOTES TO FINANCIAL STATEMENTS

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## 14. FIXED ASSETS

### Group

	Land use rights	Leasehold land and buildings	Hotel properties	Bus terminal structure	Garage improve- ments	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	89,574	57,514	3,108	7,041	1,197,991	2,543	46,458	24,404	11,764	1,517,160
Additions	-	1,669	24	84	1,114	148,234	-	3,570	4,772	4,479	163,946
Reclassification	-	-	193	-	-	-	-	-	-	(193)	-
Disposals	(2,984)	-	-	(934)	(565)	(48,653)	-	(5,609)	(5,803)	-	(64,548)
Acquisition of subsidiaries (note 35(a))	-	-	-	-	910	16,259	-	-	270	-	17,439
<b>At 31 March 2003</b>	<b>73,779</b>	<b>91,243</b>	<b>57,731</b>	<b>2,258</b>	<b>8,500</b>	<b>1,313,831</b>	<b>2,543</b>	<b>44,419</b>	<b>23,643</b>	<b>16,050</b>	<b>1,633,997</b>
Accumulated depreciation:											
At beginning of year	6,537	12,336	-	2,215	5,263	391,894	485	23,967	15,257	-	457,954
Provided during the year	2,184	4,854	-	210	716	105,795	266	5,174	2,566	-	121,765
Disposals	(179)	-	-	(809)	(565)	(34,326)	-	(5,022)	(5,613)	-	(46,514)
<b>At 31 March 2003</b>	<b>8,542</b>	<b>17,190</b>	<b>-</b>	<b>1,616</b>	<b>5,414</b>	<b>463,363</b>	<b>751</b>	<b>24,119</b>	<b>12,210</b>	<b>-</b>	<b>533,205</b>
Net book value:											
<b>At 31 March 2003</b>	<b>65,237</b>	<b>74,053</b>	<b>57,731</b>	<b>642</b>	<b>3,086</b>	<b>850,468</b>	<b>1,792</b>	<b>20,300</b>	<b>11,433</b>	<b>16,050</b>	<b>1,100,792</b>
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
Analysis of cost and valuation:											
At cost	73,779	58,620	57,731	2,258	8,500	1,310,341	2,543	44,419	23,643	16,050	1,597,884
At 1991 directors' valuation	-	-	-	-	-	3,490	-	-	-	-	3,490
At 30 June 1996 professional valuation	-	32,623	-	-	-	-	-	-	-	-	32,623
	73,779	91,243	57,731	2,258	8,500	1,313,831	2,543	44,419	23,643	16,050	1,633,997



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 14. FIXED ASSETS (Continued)

#### Group (Continued)

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

	2003 HK\$'000	2002 HK\$'000
Hong Kong	58,189	57,137
Elsewhere	33,054	32,437
	<b>91,243</b>	89,574

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 2003 amounted to nil (2002: HK\$1,990,000).

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 professionally qualified valuers, on an open market value, 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 2003.

Had all of the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$72,910,000 (2002: HK\$76,250,000) at 31 March 2003.

Had all of the motor buses and vehicles been stated at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$850,468,000 (2002: HK\$806,097,000) at 31 March 2003.

Certain of the Group's fixed assets with an aggregate net book value of HK\$284,160,000 (2002: HK\$296,342,000) 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.

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 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	5,100	9,482	7,848	22,430
Acquisition of subsidiaries (note 35(a))	14,100	4,700	–	18,800
<b>At 31 March 2003</b>	<b>19,200</b>	<b>14,182</b>	<b>7,848</b>	<b>41,230</b>
Accumulated amortisation:				
At beginning of year	234	709	670	1,613
Provided during the year	928	559	262	1,749
<b>At 31 March 2003</b>	<b>1,162</b>	<b>1,268</b>	<b>932</b>	<b>3,362</b>
Net book value:				
<b>At 31 March 2003</b>	<b>18,038</b>	<b>12,914</b>	<b>6,916</b>	<b>37,868</b>
At 31 March 2002	4,866	8,773	7,178	20,817

## NOTES TO FINANCIAL STATEMENTS

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### 16. GOODWILL AND NEGATIVE GOODWILL

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	Negative goodwill
	HK\$'000	HK\$'000
Cost:		
At beginning of year	1,251	(1,213)
Acquisition of subsidiaries ( <i>note 35(a)</i> )	–	(3,419)
Acquisition of additional interest in a subsidiary	–	(972)
<b>At 31 March 2003</b>	<b>1,251</b>	<b>(5,604)</b>
Accumulated amortisation/(recognition as income):		
At beginning of year	36	(81)
Amortisation provided/(recognition as income) during the year	84	(337)
<b>At 31 March 2003</b>	<b>120</b>	<b>(418)</b>
Net book value:		
<b>At 31 March 2003</b>	<b>1,131</b>	<b>(5,186)</b>
At 31 March 2002	1,215	(1,132)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provisions of SSAP 30 that permitted 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 consolidated reserves, arising from the acquisition of subsidiaries prior to 1 April 2001, were HK\$1,855,000 and HK\$4,042,000, respectively, as at 1 April 2002 and 31 March 2003. The amount of goodwill is stated at its cost which arose in prior years.

# NOTES TO FINANCIAL STATEMENTS

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## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	71,070	71,070
Due from subsidiaries	564,601	553,790
	<b>635,671</b>	624,860

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

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 <sup>#</sup>		Principal activities
				2003	2002	
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 Service 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

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 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 <sup>#</sup>		Principal activities
				2003	2002	
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 coach hire and travel related services
HK Kwoon Chung (Anshan) Bus Investment Limited	Hong Kong	25 June 1997	Ordinary HK\$2	100	100	Investment holding
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	21 January 1998	Ordinary HK\$46,261,682	55	55	Investment holding
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

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 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#		Principal activities
				2003	2002	
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, coach 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 Co. Ltd.**	Mainland China	24 June 1997	RMB22,891,755	91.5	91.5	Provision of bus and travel related services
Lantau Tours Limited	Hong Kong	14 March 1972	Ordinary HK\$500,000	100	100	Provision of coach 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	90	61	Provision of bus and travel related services

# NOTES TO FINANCIAL STATEMENTS

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## 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 <sup>#</sup>		Principal activities
				2003	2002	
Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.**	Mainland China	16 June 1998	RMB120,000,000	52.4	50.66	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 coach 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	Ordinary HK\$1,000,000	65	56.25	Investment holding
GFTZ Xing Hua International Transport Ltd. ("Xing Hua International")***	Mainland China	24 January 1994	RMB30,000,000	52.5	–	Provision of bus and travel related services
GFTZ Xing Hua Tourism Bus Co., Ltd. ("Xing Hua Tourism")**	Mainland China	8 April 1994	HK\$40,000,000	52.5	–	Provision of taxi services

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 17. INTERESTS IN SUBSIDIARIES (Continued)

- # 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.
- \*\* Registered as Sino-foreign equity joint venture companies in Mainland China.
- \*\*\* Established as a limited company in Mainland China.

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

During the year, the Group acquired Xing Hua International and Xing Hua Tourism (collectively the "Xing Hua Group"). Further details of the acquisition are included in note 35(a) 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	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	131,004	131,004
Share of post-acquisition results	13,539	12,458
Less: Accumulated amortisation	(59,835)	(50,758)
	<b>84,708</b>	92,704
Due from jointly-controlled entities	74,967	74,250
Due to jointly-controlled entities	(2,068)	(3,385)
Loans to jointly-controlled entities	9,390	13,984
	<b>166,997</b>	177,553

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



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 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 Ownership interest		Principal activities
					Voting power	and profit sharing	
Anshan Kwoon Chung Public Transport Co., Ltd.	Corporate	Mainland China	RMB16,408,615	15 years expiring on 31 March 2013	60	50	Provision of bus services
Dalian Kwoon Chung Public Transport Co., Ltd.	Corporate	Mainland China	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 joint venture partners of Mainland China at the end of the contractual period.

### 19. INTEREST IN AN ASSOCIATE

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	–	–
Due from an associate	–	125
	–	125

The amount due from the associate was unsecured, interest-free and was fully written off during the year.

# NOTES TO FINANCIAL STATEMENTS

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## 19. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activity
			2003	2002	
L&K Technology Co., Limited	Corporate	Hong Kong	50	50	Provision of smart card system services

## 20. INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
<b>Long term investments</b>		
Unlisted equity investments in Hong Kong, at cost	–	7,497
Less: Provision for impairment	–	(2,480)
	–	5,017
Unlisted equity investments in Mainland China, at cost	3,557	3,557
Less: Provision for impairment	(470)	(470)
	3,087	3,087
	3,087	8,104

	Group	
	2003 HK\$'000	2002 HK\$'000
<b>Short term investments</b>		
Listed equity investments in Mainland China, at market value	172	28

## 21. BALANCES WITH JOINT VENTURERS

The balances with joint venturers are unsecured and interest-free. Except for amounts due to joint venturers of HK\$78,476,000 (2002: HK\$53,842,000) 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.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 22. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Spare parts and other consumables	17,588	15,271

### 23. 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	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	33,524	33,564
31 to 60 days	3,147	2,934
61 to 90 days	1,676	1,681
Over 90 days	3,437	1,822
	41,784	40,001

### 24. OTHER RECEIVABLES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Prepayments	7,687	9,896	180	171
Deposits and other debtors	43,374	64,992	1	11
Due from joint venturers – note 21	10,120	8,600	–	–
	61,181	83,488	181	182

### 25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	110,511	61,377	308	304
Time deposits	103,968	109,790	507	4,394
	214,479	171,167	815	4,698
Less: Pledged time deposits for bank loans – note 39	(50,860)	(53,816)	–	–
Cash and cash equivalents	163,619	117,351	815	4,698

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 26. TRADE PAYABLES

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	43,780	26,276
31 to 60 days	1,793	3,929
61 to 90 days	959	2,375
Over 90 days	2,848	2,608
	<b>49,380</b>	<b>35,188</b>

## 27. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Accruals	65,716	72,705	–	–
Other liabilities	56,712	69,947	135	130
Due to joint venturers – note 21	–	32,179	–	–
	<b>122,428</b>	<b>174,831</b>	<b>135</b>	<b>130</b>

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 28. 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 2003, 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
Within one year	–	748	–	705
In the second year	–	190	–	180
Total minimum finance lease payments	–	938	–	885
Future finance charges	–	(53)		
Total net finance lease payables	–	885		
Portion classified as current liabilities	–	(705)		
Non-current portion	–	180		

In the prior year, certain of the Group's finance lease obligations were secured by certain fixed assets with an aggregate net book value of HK\$1,990,000 pledged to the respective lessors.

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans:		
Secured	221,075	238,608
Unsecured	99,590	–
	<b>320,665</b>	238,608
Unsecured other loans	40,375	35,804
	<b>361,040</b>	274,412
Bank loans repayable:		
Within one year	210,734	154,033
In the second year	45,159	41,593
In the third to fifth years, inclusive	64,772	42,982
	<b>320,665</b>	238,608
Other loans repayable:		
Within one year	7,177	3,844
In the second year	33,198	31,960
	<b>40,375</b>	35,804
	<b>361,040</b>	274,412
Portion classified as current liabilities	<b>(217,911)</b>	(157,877)
Long term portion	<b>143,129</b>	116,535

The Group's bank loans are secured by certain fixed assets with an aggregate net book value of HK\$284,160,000 (2002: HK\$296,342,000) as at 31 March 2003, time deposits of HK\$50,860,000 (2002: HK\$53,816,000) and all of the issued shares of New Lantao Bus Company (1973) Limited, a subsidiary, held by the Group (see note 39).

An other loan of HK\$7,177,000 (2002: HK\$3,844,000) is unsecured, bears interest at 8.5% (2002: 8.5%) per annum and has no fixed terms of repayment. The other loans of HK\$33,198,000 (2002: HK\$31,960,000) are unsecured, bear interest at 5.94% (2002: 5.94%) per annum and are repayable after one year.

A minority shareholder of a subsidiary of the Group has guaranteed certain of the Group's bank loans up to HK\$35.7 million (2002: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 30. DUE TO DIRECTORS

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

### 31. DEFERRED TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	7,662	7,662
Credit for the year – note 10	(71)	–
At 31 March	7,591	7,662

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

	Provided		Not provided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances	23,248	28,405	54,751	60,754
Tax losses	(15,657)	(20,743)	(16,238)	(17,109)
	7,591	7,662	38,513	43,645

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

### 32. SHARE CAPITAL

#### Share

	2003 HK\$'000	2002 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

There was no change in the issued share capital during the years ended 31 March 2003 and 2002.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 32. SHARE CAPITAL (Continued)

#### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

### 33. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

#### Old share option scheme

On 6 September 1996, the Company approved a share option scheme (the "Old Scheme") under which the directors may, at their discretion, invite any full-time employee or executive director of the Company to take up options at HK\$1.00 per grant to subscribe for shares of the Company at any time during the 10 years from 6 September 1996. The subscription price is determinable by the directors and is notified to each grantee and will be the higher of a price being not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options granted and the nominal value. The share options are exercisable at any time during the five-year period commencing six months after the date of grant and expiring on the last day of the said five-year period or 5 September 2006, whichever is earlier. The maximum number of shares on which options may be granted may not exceed 10% of the issued ordinary share capital of the Company from time to time without taking into account any shares issued and allotted pursuant to the exercise of options granted under the Old Scheme. The Old Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 September 1996.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Listing Rules in respect of share option schemes, which have come into effect on 1 September 2001. At the Company's annual general meeting held on 26 August 2002, an ordinary resolution was passed by the Company's shareholders for the adoption of a new share option scheme (the "New Scheme") in compliance with the amended Chapter 17 of the Listing Rules and the termination of the Old Scheme. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and any options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

As at 31 March 2003, the number of shares issuable under share options granted under the Old Scheme was 10,980,000 which represented approximately 2.8% of the Company's shares in issue as at that date.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 33. SHARE OPTION SCHEMES (Continued)

#### New share option scheme

The purpose of the New Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The New Scheme became effective on 26 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the issued share capital of the Company for the time being. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the issued share capital of the Company for the time being or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the grant of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of grant, which must be a trading date; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No share option had been granted under the New Scheme during the year.

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 33. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding under the Old Scheme during the year:

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 April 2002	Lapsed during the year	At 31 March 2003				At grant date of options HK\$	At exercise date of options HK\$
<b>Directors</b>								
Wong Chung Pak, Thomas	500,000	500,000	–	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.500	N/A
	1,000,000	–	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	100,000	–	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	500,000	1,800,000					
Wong Wing Pak	500,000	500,000	–	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.500	N/A
	1,000,000	–	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	100,000	–	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	500,000	1,800,000					
Wong Leung Pak, Matthew	500,000	500,000	–	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.500	N/A
	1,000,000	–	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	100,000	–	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	500,000	1,800,000					
Lee Yin Chung, Stanley	500,000	500,000	–	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.500	N/A
	200,000	–	200,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	–	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	1,480,000	500,000	980,000					
Lo Kin Wai	590,000	590,000	–	8 October 1996	8 April 1997 to 7 April 2002	1.5216	2.300	N/A
	100,000	100,000	–	2 June 1997	2 December 1997 to 1 December 2002	3.3120	4.250	N/A
	100,000	–	100,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	–	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
1,570,000	690,000	880,000						
Cheng King Hoi, Andrew	980,000	980,000	–	8 October 1996	8 April 1997 to 7 April 2002	1.5216	2.300	N/A
	300,000	300,000	–	10 March 1997	10 September 1997 to 9 September 2002	2.5800	3.275	N/A
	500,000	500,000	–	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.500	N/A
	200,000	–	200,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	–	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	–	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,760,000	1,780,000	980,000					

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 33. SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 April 2002	Lapsed during the year	At 31 March 2003				At grant date of options HK\$	At exercise date of options HK\$
<b>Directors (Continued)</b>								
Ng King Yee	490,000	490,000	-	8 October 1996	8 April 1997 to 7 April 2002	1.5216	2.300	N/A
	100,000	100,000	-	2 June 1997	2 December 1997 to 1 December 2002	3.3120	4.250	N/A
	100,000	-	100,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	1,470,000	590,000	880,000					
Chan Yu Kwong, Francis	200,000	-	200,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	980,000	-	980,000					
Mok Wah Fun, Peter	500,000	500,000	-	1 February 1997	1 August 1997 to 31 July 2002	2.1000	2.600	N/A
	300,000	300,000	-	2 June 1997	2 December 1997 to 1 December 2002	3.3120	4.250	N/A
	100,000	-	100,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.860	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.270	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	1,680,000	800,000	880,000					
<b>Other employees</b>								
In aggregate	2,090,000	2,090,000	-	2 June 1997	2 December 1997 to 1 December 2002	3.3120	4.250	N/A
	900,000	900,000	-	25 August 1997	25 February 1998 to 24 February 2003	4.1520	5.200	N/A
	2,990,000	2,990,000	-					
	19,830,000	8,850,000	10,980,000					

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is The Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

At the balance sheet date, the Company had 10,980,000 share options outstanding under the Old Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 10,980,000 additional ordinary shares of the Company and additional share capital of HK\$1,098,000 and share premium of HK\$17,060,976 (before issue expenses).

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 34. RESERVES

### Group

	Share premium account	Contributed surplus	Fixed assets Capital reserve	Enterprise revaluation reserve	Enterprise expansion fund	Exchange Reserve fund	Exchange equalisation reserve	Retained profits	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	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)	-
Interim 2002 dividend	12	-	-	-	-	-	-	(1,969)	(1,969)
Proposed final 2002 dividend	12	-	-	-	-	-	-	(7,878)	(7,878)
Exchange realignments	-	-	-	-	-	-	(116)	-	(116)
At 31 March 2002 and 1 April 2002	522,111	10,648	2,187	4,161	2,162	1,111	790	194,050	737,220
Net profit for the year	-	-	-	-	-	-	-	24,590	24,590
Transfer of reserves	-	-	-	-	1,164	2,316	-	(3,480)	-
Interim 2003 dividend	12	-	-	-	-	-	-	(3,939)	(3,939)
Proposed final 2003 dividend	12	-	-	-	-	-	-	(9,848)	(9,848)
Exchange realignments	-	-	-	-	-	-	(554)	-	(554)
<b>At 31 March 2003</b>	<b>522,111</b>	<b>10,648</b>	<b>2,187</b>	<b>4,161</b>	<b>3,326</b>	<b>3,427</b>	<b>236</b>	<b>201,373</b>	<b>747,469</b>
Reserves retained by:									
Company and subsidiaries	522,111	10,648	2,187	4,161	3,326	3,427	236	188,725	734,821
Jointly-controlled entities	-	-	-	-	-	-	-	12,648	12,648
<b>At 31 March 2003</b>	<b>522,111</b>	<b>10,648</b>	<b>2,187</b>	<b>4,161</b>	<b>3,326</b>	<b>3,427</b>	<b>236</b>	<b>201,373</b>	<b>747,469</b>
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
At 31 March 2002	522,111	10,648	2,187	4,161	2,162	1,111	790	194,050	737,220

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.

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 and the reserve 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.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 34. RESERVES (Continued)

#### Company

	Note	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2001		522,111	70,770	885	593,766
Net profit for the year		–	–	5,570	5,570
Interim 2002 dividend	12	–	–	(1,969)	(1,969)
Proposed final 2002 dividend	12	–	–	(7,878)	(7,878)
At 31 March 2002 and 1 April 2002		522,111	70,770	(3,392)	589,489
Net profit for the year		–	–	11,591	11,591
Interim 2003 dividend	12	–	–	(3,939)	(3,939)
Proposed final 2003 dividend	12	–	–	(9,848)	(9,848)
<b>At 31 March 2003</b>		<b>522,111</b>	<b>70,770</b>	<b>(5,588)</b>	<b>587,293</b>

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.

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	17,439	2,437
Intangible assets	18,800	5,100
Inventories	657	–
Trade receivables	516	–
Deposits and other debtors	871	565
Cash and bank balances	4,066	–
Trade payables	(1,188)	–
Other liabilities	(1,036)	(1,953)
Bank loans	(4,469)	–
Minority interests	(12,399)	(67)
	<b>23,257</b>	6,082
Negative goodwill on acquisition	(3,419)	(1,213)
	<b>19,838</b>	4,869
Satisfied by:		
Cash	19,838	4,869

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash paid	(19,838)	(4,869)
Deposits paid in the prior year	7,148	4,382
Cash and bank balances acquired	4,066	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(8,624)</b>	(487)

In October 2002, the Group acquired a 52.5% effective interest in the Xing Hua Group. The Xing Hua Group is engaged in the provision of bus and taxi services. The purchase consideration for the acquisition was in the form of cash, with HK\$7,148,000 paid as a deposit in the prior year and HK\$12,690,000 being paid at the acquisition date. Since its acquisition, the Xing Hua Group contributed HK\$15,042,000 to the Group's turnover and loss of HK\$2,395,000 to the consolidated net profit from ordinary activities for the year ended 31 March 2003.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Major non-cash transaction

In the prior 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\$379,640,000 (2002: HK\$339,640,000) in favour of a bank 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 1 to 5 years.

At 31 March 2003, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	4,352	4,284
In the second to fifth years, inclusive	6,182	11,342
	<b>10,534</b>	15,626

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 37. OPERATING LEASE ARRANGEMENTS (Continued)

### (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 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	13,923	11,247
In the second to fifth years, inclusive	10,387	26,251
After five years	23,344	20,568
	<b>47,564</b>	<b>58,066</b>

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

## 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital commitments in respect of acquisition of fixed assets:				
Contracted, but not provided for	67,151	39,132	–	–
Authorised, but not contracted for	30,516	–	–	–
	<b>97,667</b>	<b>39,132</b>	<b>–</b>	<b>–</b>
Commitments in respect of capital contribution for a long term investment:				
Authorised, but not contracted for	–	6,604	–	6,604



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 39. PLEDGE OF ASSETS

At 31 March 2003, the following assets of the Group were pledged in favour of banks as security for banking facilities and finance lease facilities granted:

	Group	
	2003 HK\$'000	2002 HK\$'000
Fixed assets, net book value:		
Leasehold land and buildings	45,663	41,123
Hotel properties	57,731	57,514
Motor buses and vehicles	180,766	197,705
	<b>284,160</b>	296,342
Time deposits – note 25	50,860	53,816
	<b>335,020</b>	350,158

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 material transactions with related parties during the year:

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Rental expenses paid to joint venturers	(i), (ii), (iii)	3,252	2,686
Interest income from jointly-controlled entities	(iv)	788	1,302



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 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 52.4% (2002: 50.66%), 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"), a minority shareholder of Wu Qi KC, 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 the 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) to Shanghai Wu Qi for the year ended 31 March 2002. Shanghai Wu Qi was liquidated in 2002 and the agreement was terminated accordingly.
- (ii) During the year, Wu Qi KC entered into an agreement with Shanghai Public Transport for the leasing of offices and bus depots for a term of 2 years starting from 1 January 2002 at an annual rental of approximately HK\$2,446,000 (equivalent to approximately RMB2,602,000), which was determined between both parties by reference to the open market rentals at the time when the lease agreement was entered into. Wu Qi KC paid rental expenses amounting to approximately HK\$2,446,000 (equivalent to approximately RMB2,602,000) to Shanghai Public Transport for the year.
- (iii) 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% (2002: 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 the 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) (2002: HK\$806,000 (equivalent to approximately RMB857,000)) to Chongqing Public Transport for the year.
- (iv) 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.
- (v) Shanghai Public Transport has guaranteed certain bank loans made to the Group of up to HK\$35.7 million (2002: Nil) as at the balance sheet date, as further detailed in note 29 to the financial statements.

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.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 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 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 2003.