

12 Interest in subsidiaries (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity			Principal activity
			Group's effective holding	held by the Company	held by subsidiary	
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares of HK\$1 each	100	-	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares of HK\$1 each	100	-	100	Provision of franchised public bus services for North Lantau and the airport at Chek Lap Kok
Sun Bus Limited	Hong Kong	2 shares of HK\$1 each	100	-	100	Provision of non-franchised bus services in Hong Kong
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares of HK\$1 each	100	-	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares of HK\$1 each	100	-	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares of HK\$1 each	100	-	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Hong Kong	1,000 shares of HK\$1 each	100	-	100	Provision of cross border shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)
RoadShow Holdings Limited	Bermuda	-	100	-	100	Investment holding
RoadShow Media Limited	Hong Kong	2 shares of HK\$1 each	100	-	100	Provision of media sales agency and management services for advertising on transit vehicle exteriors and shelters, and for the multi-media on-board business

12 Interest in subsidiaries (continued)

Details of the principal subsidiaries are as follow (continued):

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity			Principal activity
			Group's effective holding	held by the Company	held by subsidiary	
KM-Vision Limited	Hong Kong	10,000 shares of HK\$1 each	100	-	100	Operation of multi-media on-board business on transit vehicles
CityVision Limited	Hong Kong	10,000 shares of HK\$1 each	90	-	90	Operation of multi-media on-board business on transit vehicles
RoadShow Creations Limited (formerly KMB Creations Limited)	Hong Kong	2 shares of HK\$1 each	100	-	100	Trading of bus souvenir and development of transport-related multi-media resources
RoadShow Productions Limited	Hong Kong	2 shares of HK\$1 each	100	-	100	Production of content for the multi-media on-board systems
Lai Chi Kok Properties Investment Limited	Incorporated in British Virgin Islands and operated in Hong Kong	1 share of US\$1	100	-	100	Property holding
KMB Financial Services Limited	British Virgin Islands	1 share of US\$1	100	-	100	Investment holding
HK Macau Ltd	British Virgin Islands	1,200 shares of US\$1 each	60	-	60	Investment holding

13 Interest in associates

	The Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares		
Share of net assets less provision	59	59
Amount due from associate	5,000	-
Amount due to associate	(4,922)	(4,921)
	<u>137</u>	<u>(4,862)</u>

13 Interest in associates (continued)

Details of the associates are as follows:

Name of associate	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	held by the Company	held by subsidiary	
Art East Limited	Hong Kong	200,000 shares of HK\$1 each	50	-	50	Dormant
HK Macau Investment (Tianjin) Limited	British Virgin Islands	2 shares of US\$1 each	50	-	50	Investment holding

14 Interest in jointly controlled entity

	The Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	7,650	11,435
Amount due from jointly controlled entity	2,152	1,580
	9,802	13,015

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	held by the Company	held by subsidiary	
Dalian HK Macau Motor Bus Services Limited	Incorporated	People's Republic of China ("PRC")	Registered capital of RMB 22,000,000	(Note)	-	(Note)	Provision of bus services in Dalian, PRC

Note:

A co-operative joint venture, Dalian HK Macau Motor Bus Services Limited ("Dalian HK Macau"), was formed between HK Macau Ltd ("HK Macau"), a 60% owned subsidiary of the Group, and 大連市第一公共汽車公司, a PRC entity. The principal activity of Dalian HK Macau is the operation of bus services in Dalian, the PRC.

Pursuant to the joint venture agreement, HK Macau contributed the whole of the registered capital of RMB22 million. The joint venture is for a period of 15 years commencing 31 July 1997. The capital contribution is repayable by Dalian HK Macau in equal annual instalments over 5 years. The profits and losses of Dalian HK Macau are shared equally by HK Macau and 大連市第一公共汽車公司.

According to the joint venture agreement, HK Macau has the right to appoint five out of a total of nine directors of Dalian HK Macau with each director carrying one vote. Although this represents a majority of the board of directors, a board resolution can only be passed with a minimum of six votes in accordance with the articles of association of the joint venture. Accordingly, HK Macau has no effective control over the board of directors and Dalian HK Macau has been excluded from consolidation and dealt with in the consolidated accounts under the equity method of accounting and classified as a jointly controlled entity.

15 Investment securities

	The Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted equity securities	1,260	-

16 Other investments

	The Group	
	2000 HK\$'000	1999 HK\$'000
Trading securities (at market value)		
Listed equity securities in Hong Kong	6,080	-
Listed debt securities outside Hong Kong	-	100,880
	6,080	100,880

17 Accounts receivable

	The Group	
	2000 HK\$'000	1999 HK\$'000
Trade and other receivables	143,361	121,509
Interest receivable	23,490	6,904
	166,851	128,413

Included in accounts receivable are trade receivables (net of provisions for doubtful debts) with the following ageing analysis:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Current	68,648	30,166
1 to 3 months overdue	8,763	3,993
More than 3 months overdue	4,383	1,817
	81,794	35,976

Debts are normally due within 30 - 90 days from the date of billing.

18 Cash and cash equivalents

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Deposits with banks	2,051,826	1,491,538	-	-
Cash at bank and in hand	39,384	37,731	4,208	2,578
	<u>2,091,210</u>	<u>1,529,269</u>	<u>4,208</u>	<u>2,578</u>

19 Accounts payable and accruals

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade payables	186,188	144,186	-	-
Other payables and accruals	611,643	473,901	5,929	4,738
	<u>797,831</u>	<u>618,087</u>	<u>5,929</u>	<u>4,738</u>

Included in accounts payable and accruals are trade payables with the following ageing analysis:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Due within 1 month or on demand	181,486	143,361	-	-
Due after 1 month but within 3 months	4,292	717	-	-
Due after 3 months but within 12 months	410	108	-	-
	<u>186,188</u>	<u>144,186</u>	<u>-</u>	<u>-</u>

20 Bank loans and overdrafts

At 31 December 2000, the interest-bearing bank loans and overdrafts were repayable as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Within 1 year or on demand	568,429	520,883
After 1 year but within 2 years	589,524	685,907
After 2 years but within 5 years	1,406,486	1,089,845
After 5 years	179,704	185,000
	<u>2,175,714</u>	<u>1,960,752</u>
	<u>2,744,143</u>	<u>2,481,635</u>

All bank loans and overdrafts were unsecured at 31 December 1999 and 2000.

21 Contingency provision - insurance

	The Group	
	2000 HK\$'000	1999 HK\$'000
Balance at 1 January	304,787	299,098
Provision (written back)/made during the year	(6,734)	5,689
Balance at 31 December	<u>298,053</u>	<u>304,787</u>

This provision represents amounts set aside annually by the Group to meet liabilities which may arise from third party claims in connection with the Group's bus operations and to cover potential losses which may be caused by fire damage to the bus fleet.

22 Staff retirement fund

The above fund represents the provision for the retirement benefits to employees.

23 Deferred taxation

Major components of deferred tax of the Group are set out below:

	2000		1999	
	Provided HK\$'000	Potential liabilities unprovided HK\$'000	Provided HK\$'000	Potential liabilities unprovided HK\$'000
Depreciation allowances in				
excess of related depreciation	35,000	592,735	35,000	543,644
General provisions	-	(228,506)	-	(228,437)
Future benefit of tax losses	-	(62,984)	-	(63,018)
	<u>35,000</u>	<u>301,245</u>	<u>35,000</u>	<u>252,189</u>
	(Note (a))	(Note (b))	(Note (a))	(Note (b))

- Notes:
- (a) Included in non-current liabilities of the balance sheet of the Group at 31 December 2000 was a provision for deferred taxation of HK\$35,000,000 which the Directors expect with reasonable probability to crystallise in the foreseeable future.
 - (b) The Directors consider that these potential liabilities will not crystallise in the foreseeable future as the timing differences will be replaced by similar timing differences from the Group's capital expenditure in the coming years and therefore will not reverse. Accordingly, no provision for deferred taxation has been made.
 - (c) There are no significant potential deferred tax liabilities of the Company for which provision has not been made.

24 Share capital

	2000 HK\$'000	1999 HK\$'000
<i>Authorised:</i>		
600,000,000 shares of HK\$1 each	<u>600,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>		
403,639,413 shares of HK\$1 each	<u>403,639</u>	<u>403,639</u>

25 Reserves

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<i>(a) Capital reserve</i>				
At 1 January and 31 December	<u>2,412</u>	<u>2,412</u>	<u>-</u>	<u>-</u>
<i>(b) General reserve</i>				
At 1 January and 31 December	<u>17,601</u>	<u>17,601</u>	<u>-</u>	<u>-</u>
<i>(c) Retained profits</i>				
At 1 January	1,596,042	1,407,139	82,874	144,946
Profit for the year	854,654	738,606	721,533	482,841
Dividends	(637,750)	(544,913)	(637,750)	(544,913)
Goodwill written off on acquisition of subsidiaries	<u>(18,382)</u>	<u>(4,790)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>1,794,564</u>	<u>1,596,042</u>	<u>166,657</u>	<u>82,874</u>
<i>(d) Contributed surplus</i>				
At 1 January and 31 December	<u>-</u>	<u>-</u>	<u>1,300,000</u>	<u>1,300,000</u>
Total reserves	<u>1,814,577</u>	<u>1,616,055</u>	<u>1,466,657</u>	<u>1,382,874</u>

Included in the figure for the retained profits of the Group is a loss of HK\$116,000 (1999: HK\$116,000) attributable to associates; and a profit of HK\$400,000 (1999: HK\$114,000) attributable to a jointly controlled entity.

The distributable reserves of the Company as at 31 December 2000 amounted to HK\$1,466,657,000 (1999: HK\$1,382,874,000).

26 Notes on the consolidated cash flow statement

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

	2000 HK\$'000	1999 HK\$'000
Operating profit	936,193	892,241
Interest expense	180,236	147,640
Interest income	(139,105)	(101,319)
Depreciation	600,370	531,855
Loss on disposal of fixed assets	3,821	6,261
Realised and unrealised gains on investment in securities	(420)	(3,270)
Decrease in spare parts and stores	111,005	19,419
Increase in trade and other receivables	(20,144)	(31,984)
Decrease/(increase) in deposits and prepayments	10,681	(5,291)
Increase in amount due from jointly controlled entity	(572)	(1,066)
Decrease in amounts due to associates	(4,999)	(86)
Increase/(decrease) in accounts payable and accruals	129,646	(5,186)
Increase in third party claims payable	16,427	44,101
(Decrease)/increase in contingency provision - insurance	(6,734)	5,689
Effect of foreign exchange rates	111	571
Net cash inflow from operating activities	<u>1,816,516</u>	<u>1,499,575</u>

(b) Purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Fixed assets	23,286	12,000
Other receivable	1,708	10
Accounts payable	(13,424)	-
Obligations under hire purchase contracts	-	(6,401)
	<u>11,570</u>	<u>5,609</u>
Goodwill arising on consolidation	18,382	4,790
	<u>29,952</u>	<u>10,399</u>
Satisfied by : cash paid	<u>29,952</u>	<u>10,399</u>

(c) Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>29,952</u>	<u>10,399</u>

26 Notes on the consolidated cash flow statement (continued)

(d) Analysis of changes in financing during the year

	Bank loans HK\$'000	Minority interests HK\$'000	Obligations under hire purchase contracts HK\$'000	Total HK\$'000
Balance at 1 January 2000	2,438,159	6,374	-	2,444,533
Cash inflows/(outflows) from financing	284,379	(2,399)	-	281,980
Profit for the year attributable to minority interests	-	446	-	446
Balance at 31 December 2000	<u>2,722,538</u>	<u>4,421</u>	<u>-</u>	<u>2,726,959</u>
Balance at 1 January 1999	2,123,566	6,492	-	2,130,058
Purchase of subsidiary	-	-	6,401	6,401
Cash inflows/(outflows) from financing	314,593	(390)	(6,401)	307,802
Profit for the year attributable to minority interests	-	272	-	272
Balance at 31 December 1999	<u>2,438,159</u>	<u>6,374</u>	<u>-</u>	<u>2,444,533</u>

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

	2000 HK\$'000	1999 HK\$'000
Cash at bank and in hand	39,384	37,731
Deposits with banks maturity within three months of the balance sheet date	2,051,826	1,491,538
Bank loans and overdrafts repayable within three months from the date of the advance	(21,605)	(43,476)
	<u>2,069,605</u>	<u>1,485,793</u>

27 Commitments

(a) Capital commitments of the Group outstanding at 31 December 2000 not provided for in the accounts were as follows:

	2000 HK\$'000	1999 HK\$'000
Contracted for	515,198	535,376
Authorised but not contracted for	647,828	6,000
	<u>1,163,026</u>	<u>541,376</u>

27 Commitments (continued)

- (b) At 31 December 2000, the Group had commitments under operating leases for properties to make payments in the next year as follows:

	2000 HK\$'000	1999 HK\$'000
Leases expiring:		
Within 1 year	1,489	1,314
After 1 year but within 5 years	3,815	4,449
	<u>5,304</u>	<u>5,763</u>

28 Contingent liabilities

At 31 December 2000, the Company has undertaken to guarantee certain bank loans granted to certain wholly-owned subsidiaries to the extent of HK\$807,667,000 (1999: HK\$1,079,000,000).

29 Material related parties transactions

- (a) During the year, the Group entered into a contract with a subsidiary of Sun Hung Kai Properties Limited, its substantial shareholder, for the provision of insurance services to the Group. This company entered into the contract with the Group under the same terms as those available to other customers in the ordinary course of business. The insurance premium paid by the Group amounted to HK\$44,734,000 (1999: HK\$44,026,000) during the year ended 31 December 2000. The amount due to/(from) this company at the year end amounted to HK\$88,000 (1999: HK\$(310,000)).
- (b) During the year, the Group provided coach services to certain subsidiaries of Sun Hung Kai Properties Limited under the same terms as those available to other customers in the ordinary course of business. The services fees received by the Group amounted to HK\$30,731,000 (1999: HK\$16,567,000) during the year ended 31 December 2000. The amounts due from these companies at the year end amounted to HK\$10,335,000 (1999: HK\$4,391,000).
- (c) The Group has entered into a contract with a subsidiary of Sun Hung Kai Properties Limited for the provision of project consultancy services relating to the construction of a new bus depot of the Group. The contract sum of the project consultancy services is HK\$15.8 million or 3.2% of the total construction cost of the new bus depot, whichever is the higher. During the year, the payment for these project consultancy services made by the Group to this company amounted to HK\$9,164,000 (1999: HK\$1,896,000). There was no outstanding amount (1999: HK\$Nil) due to this company at the year end. The Group's capital commitment outstanding at 31 December 2000 under this contract amounted to HK\$4.7 million (1999: HK\$13.9 million) as disclosed in note 27(a).
- (d) The Group entered into a contract with a subsidiary of Sun Hung Kai Properties Limited for the provision of project management services relating to the proposed property development of the Group. The contract sum of the project management services is HK\$15 million, or the lower of 1% of the project costs and

29 Material related parties transactions *(continued)*

HK\$20 million, whichever is the higher. During the year, the payment for these project management services made by the Group to this company amounted to HK\$3,000,000 (1999: HK\$Nil). There was no outstanding amount (1999: HK\$Nil) due to this company at the year end. The Group's capital commitment outstanding at 31 December 2000 under this contract amounted to HK\$17 million (1999: HK\$20 million) as disclosed in note 27(a).

30 Post balance sheet event

The Directors of the Company have submitted a formal application to the Stock Exchange for the proposed spin-off of shares of RoadShow Holdings Limited ("RoadShow Holdings") on the main board on 7 February 2001. RoadShow Holdings is currently a wholly-owned subsidiary of the Company and the three major business of RoadShow Holdings are the multi-media on-board business, the transit network media sales business and the merchandising business. The Directors believe that the separate listing of RoadShow Holdings will provide a more diversified funding source for RoadShow Holdings to finance its existing operations and future expansion, and in turn it will be beneficial to the shareholders of the Company. No final decision has yet been made as to whether and when the proposed spin-off and the share offer will be launched. The proposed spin-off and the listing of all the shares of RoadShow Holdings on the main board of the Stock Exchange is subject to the approval of the Listing Committee of the Stock Exchange.