

16. INTEREST IN SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows (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	
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

17. INTEREST IN ASSOCIATES

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
<i>Unlisted Shares</i>		
Share of net assets less provision	59	59
Amount due from associate	5,500	5,000
Amount due to associate	(4,922)	(4,922)
	637	137

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

18. INTEREST IN JOINTLY CONTROLLED ENTITY

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Share of net assets	2,906	7,650
Amount due from jointly controlled entity	2,740	2,152
	5,646	9,802

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 from 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 financial statements under the equity method of accounting and classified as a jointly controlled entity.

19. INVESTMENT SECURITIES

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Unlisted equity securities	15,355	1,260

20. OTHER INVESTMENTS

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
<i>Trading securities (at market value)</i>		
Listed equity securities in Hong Kong	36,068	6,080
<i>Other securities</i>		
Unlisted debt securities	50,169	-
	86,237	6,080

21. ACCOUNTS RECEIVABLE

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Trade and other receivables	346,326	143,361
Interest receivable	3,083	23,490
	349,409	166,851

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

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Current	182,933	68,648
1 to 3 months overdue	31,013	8,763
More than 3 months overdue	1,883	4,383
	215,829	81,794

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

22. CASH AND CASH EQUIVALENTS

	2001	THE GROUP 2000	2001	THE COMPANY 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits with banks	2,090,118	2,051,826	-	-
Cash at bank and in hand	29,727	39,384	6,076	4,208
	2,119,845	2,091,210	6,076	4,208

23. ACCOUNTS PAYABLE AND ACCRUALS

	2001	THE GROUP 2000	2001	THE COMPANY 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	142,417	186,188	-	-
Other payables and accruals	662,517	611,643	12,582	5,929
	804,934	797,831	12,582	5,929

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

	2001	THE GROUP 2000	2001	THE COMPANY 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 1 month or on demand	138,882	181,486	-	-
Due after 1 month but within 3 months	1,461	4,292	-	-
Due after 3 months but within 12 months	2,074	410	-	-
	142,417	186,188	-	-

24. BANK LOANS AND OVERDRAFTS

At 31 December 2001, the interest-bearing bank loans and overdrafts were repayable as follows:

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Within 1 year or on demand	602,919	568,429
After 1 year but within 2 years	475,037	589,524
After 2 years but within 5 years	985,916	1,406,486
After 5 years	281,788	179,704
	1,742,741	2,175,714
	2,345,660	2,744,143

All bank loans and overdrafts were unsecured at 31 December 2000 and 2001.

25. CONTINGENCY PROVISION - INSURANCE

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Balance at 1 January	298,053	304,787
Adjustment (note 12(c) and 28(c))	(42,470)	-
Provision written back during the year	(53,603)	(6,734)
Balance at 31 December	201,980	298,053

This provision represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims in connection with the Group's bus operations.

26. DEFERRED TAXATION

(a) *Movements of deferred taxation comprises:*

	2001	THE GROUP 2000
	HK\$'000	HK\$'000
Balance at 1 January	35,000	35,000
Transfer from profit and loss account (note 6(a))	30,000	-
Balance at 31 December	65,000	35,000

(b) *Major components of deferred tax of the Group are set out below:*

	2001		2000	
	POTENTIAL LIABILITIES		POTENTIAL LIABILITIES	
	PROVIDED	UNPROVIDED	PROVIDED	UNPROVIDED
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation allowances in excess of related depreciation	65,000	610,185	35,000	592,735
General provisions	-	(37,205)	-	(228,506)
Future benefit of tax losses	-	(58,549)	-	(62,984)
	65,000	514,431	35,000	301,245
	(Note (a))	(Note (b))	(Note (a))	(Note (b))

Notes:

- A provision has been made in the financial statements for deferred taxation amounting to HK\$30,000,000 (2000: HK\$Nil) during the year which the Directors expect with reasonable probability to crystallise in the foreseeable future.
- 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.
- There are no significant potential deferred tax liabilities of the Company for which provision has not been made.

27. SHARE CAPITAL

	2001	2000
	HK\$'000	HK\$'000
<i>Authorised:</i>		
600,000,000 shares of HK\$1 each	600,000	600,000
<i>Issued and fully paid:</i>		
403,639,413 shares of HK\$1 each	403,639	403,639

28. RESERVES

	2001	THE GROUP 2000	2001	THE COMPANY 2000
	HK\$'000	HK\$'000 (RESTATED)	HK\$'000	HK\$'000 (RESTATED)
(a) Capital reserve				
At 1 January and 31 December	2,412	2,412	-	-
(b) General reserve				
At 1 January and 31 December	17,601	17,601	-	-
(c) Retained profits				
At 1 January				
- as previously reported	1,794,564	1,596,042	166,657	82,874
- change in accounting policy with respect to:				
- dividends proposed (note 12(b))	504,549	431,894	504,549	431,894
- dividends income (note 12(b))	-	-	(435,931)	(431,894)
- prior period adjustment in respect of goodwill (note 12(a))	21,774	3,392	-	-
As restated	2,320,887	2,031,328	235,275	82,874
Adjustment in respect of provision for loss in bus fire damage (note 12(c) and 25)	42,470	-	-	-
Adjustment in respect of provision for staff retirement funds (note 12(c))	1,082,600	-	-	-
	3,445,957	2,031,328	235,275	82,874
Profit for the year	1,595,542	854,654	1,305,580	717,496
Dividends approved in respect of the previous financial year (note 10(b))	(504,549)	(431,894)	(504,549)	(431,894)
Interim dividend paid during the year	(161,456)	(133,201)	(161,456)	(133,201)
Transfer to staff retirement fund reserve	(1,082,600)	-	-	-
At 31 December	3,292,894	2,320,887	874,850	235,275

28. RESERVES (continued)

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000 (RESTATED)	HK\$'000	HK\$'000 (RESTATED)
(d) <i>Contributed surplus</i>				
At 1 January and 31 December	-	-	1,300,000	1,300,000
(e) <i>Staff retirement fund reserve</i>				
At 1 January	-	-	-	-
Transferred from retained profits	1,082,600	-	-	-
At 31 December	1,082,600	-	-	-
Total reserves	4,395,507	2,340,900	2,174,850	1,535,275

Included in the figure for the retained profits of the Group is a loss of HK\$116,000 (2000: HK\$116,000) attributable to associates; and a loss of HK\$282,000 (2000: a profit of HK\$400,000) attributable to a jointly controlled entity.

The distributable reserves of the Company as at 31 December 2001 amounted to HK\$2,174,850,000 (2000: (restated) HK\$1,535,275,000).

Retained earnings arising from the adjustment in respect of provision for staff retirement funds have been transferred to a staff retirement fund reserve for future utilisation.

29. NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Operating profit	1,814,945	936,193
Interest expense	113,984	180,236
Interest income	(90,144)	(139,105)
Dividend income	(1,047)	-
Depreciation	665,587	600,370
(Gain)/loss on disposal of fixed assets	(10,735)	3,821
Realised and unrealised loss/(gain) on investment in securities	6,082	(420)
Amortisation of positive goodwill	1,159	-
Decrease in spare parts and stores	29,435	111,005
Increase in accounts receivable	(202,971)	(20,144)
(Increase)/decrease in deposits and prepayments	(9,209)	10,681
Increase in amount due from jointly controlled entity	(588)	(572)
Decrease in amounts due to associates	(500)	(4,999)
(Decrease)/increase in accounts payable and accruals	(58,918)	129,646
(Decrease)/increase in third party claims payable	(9,325)	16,427
Decrease in contingency provision - insurance	(53,603)	(6,734)
Effect of foreign exchange rates	28	111
Net cash inflow from operating activities	2,194,180	1,816,516

29. NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT (continued)*(b) Purchase of subsidiaries*

	2001	2000
	HK\$'000	HK\$'000
Net assets acquired:		
Fixed assets	-	23,286
Other receivable	-	1,708
Accounts payable	-	(13,424)
	-	11,570
Goodwill arising on consolidation	-	18,382
	-	29,952
Satisfied by: cash paid	-	29,952

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

	2001	2000
	HK\$'000	HK\$'000
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	29,952

(d) Analysis of changes in financing during the year

	BANK LOANS	MINORITY INTERESTS	TOTAL
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2001	2,722,538	4,421	2,726,959
Cash (outflows)/inflows from financing	(410,373)	189,850	(220,523)
Profit for the year attributable to minority interests	-	38,063	38,063
Balance at 31 December 2001	2,312,165	232,334	2,544,499
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	2,722,538	4,421	2,726,959

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

	2001	2000
	HK\$'000	HK\$'000
Cash at bank and in hand	29,727	39,384
Deposits with banks maturity within three months of the balance sheet date	2,090,118	2,051,826
Bank loans and overdrafts repayable within three months from the date of the advance	(33,495)	(21,605)
	2,086,350	2,069,605

30. COMMITMENTS

(a) Capital commitments of the Group outstanding at 31 December 2001 not provided for in the financial statements were as follows:

	2001	2000
	HK\$'000	HK\$'000
Contracted for	590,367	515,198
Authorised but not contracted for	200,280	647,828
	790,647	1,163,026

(b) At 31 December 2001, the total future minimum lease payments under non-cancellable operating leases for the Group are payable as follows:

	2001	2000
	HK\$'000	HK\$'000
Within 1 year	4,801	5,429
After 1 year but within 5 years	2,523	6,731
	7,324	12,160

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease when all the terms are renegotiated. None of the leases includes contingent rentals.

31. CONTINGENT LIABILITIES

At 31 December 2001, the Company has undertaken to guarantee certain bank loans granted to certain subsidiaries to the extent of HK\$582,330,000 (2000: HK\$807,667,000).

32. MATERIAL RELATED PARTIES TRANSACTIONS

- (a) During the year, the Group entered into a contract with a subsidiary of Sun Hung Kai Properties Limited ("SHKP"), 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\$46,112,000 (2000: HK\$44,734,000) during the year ended 31 December 2001. The amount due from/(to) this company at the year end amounted to HK\$258,000 (2000: HK\$(88,000)).
- (b) During the year, the Group provided coach services to certain subsidiaries of SHKP 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\$46,235,000 (2000: HK\$30,731,000) during the year ended 31 December 2001. The amounts due from these companies at the year end amounted to HK\$17,409,000 (2000: HK\$10,335,000).
- (c) The Group has entered into a contract with a subsidiary of SHKP 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\$15,800,000 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\$1,580,000 (2000: HK\$9,164,000). There was no outstanding amount (2000: HK\$Nil) due to this company at the year end. The Group's capital commitment outstanding at 31 December 2001 under this contract amounted to HK\$3,160,000 (2000: HK\$4,740,000) as disclosed in note 30(a).

32. MATERIAL RELATED PARTIES TRANSACTIONS (continued)

- (d) The Group entered into a contract with a subsidiary of SHKP 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\$15,000,000, or the lower of 1% of the project costs and HK\$20,000,000, whichever is the higher. During the year, no payment for these project management services was made by the Group to this company (2000: HK\$3,000,000). There was no outstanding amount (2000: HK\$Nil) due to this company at the year end. The Group's capital commitment outstanding at 31 December 2001 under this contract amounted to HK\$17,000,000 (2000: HK\$17,000,000) as disclosed in note 30(a).
- (e) The Group entered into a contract with a subsidiary of SHKP for the provision of the transportation services for Ma Wan Island in the Hong Kong SAR. The service has not commenced during the year. Park Island Transport Company Limited ("PITC"), a subsidiary of the Group, shall be entitled to a return lying within the range of 9% and 16% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of PITC's fixed assets with respect to the accounting year concerned. Further, Sun Hung Kai (Ma Wan) Transport Company Limited, a wholly-owned subsidiary of SHKP, shall make and advance to PITC every calendar month, commencing from 1 January 2002, an unsecured loan in the sum of HK\$2,000,000 for a period of 26 calendar months at the interest rate of one per cent per annum above HIBOR, which together with interest is to be repaid upon expiration or early termination of the contract.

33. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10.

34. COMPARATIVE FIGURES

Certain comparative figures have been restated based on the change in accounting policies as set out in note 12 in the financial statements.