

1 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is charged to revenue reserves in the year in which it arises.

(d) Interest in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

Interest in subsidiaries in the Company's balance sheet is stated at cost less any provisions for diminution in value which is other than temporary as determined by the Directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Associates and jointly controlled entity

An associate is a company in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

1 Significant accounting policies (continued)

(e) Associates and jointly controlled entity (continued)

Unless the interest in the associate or the jointly controlled entity is acquired and held exclusively with a view to subsequent disposal in the near future, an interest in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates and jointly controlled entity for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entity are eliminated to the extent of the Group's interest in the associates or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

(f) Investments in securities

The Group's and the Company's policies for investments in securities other than interest in subsidiaries, associates and jointly controlled entity are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account.
- (ii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.
- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

Fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation.

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

1 Significant accounting policies *(continued)****(g) Fixed assets (continued)***

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(h) Depreciation

Depreciation is calculated to write off the cost of tools at a rate of 50% per annum on a reducing balance basis, and the cost or valuation of other fixed assets on a straight-line basis over their estimated useful lives as follows:

Leasehold land	- Over the remaining terms of the leases
Buildings	- Over the shorter of 40 years and the unexpired terms of the leases including extensions or renewal periods
New buses	- 14 years
Light duty coaches and other motor vehicles	- 6 years
Plant and machinery, fixtures and others	- 2-7 years

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

- (i) Fare revenue is recognised when the related bus services are provided.
- (ii) Media sales revenue is recognised when the related advertisement or commercial appears before the public.
- (iii) Interest income from bank deposits and debt securities held as other investments is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

1 Significant accounting policies (continued)

(j) Spare parts and stores

Spare parts and stores are categorised as either revenue or capital. Revenue items are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate. Capital items are included in fixed assets and stated at cost less aggregate depreciation.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(l) Insurance provision

The Group's insurance arrangements include a provision for insurance. The provision is maintained to provide cover for losses up to the deductible levels of the Group's external insurance policies. Increase or decrease in the provision is charged to the profit and loss account.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

(n) Operating leases

Rentals payable under operating leases are accounted for in the profit and loss account on a straight-line basis over the periods of the respective leases.

(o) Retirement costs

The Group operates two separate non-contributory defined benefit retirement schemes and a defined contribution retirement scheme. Annual contributions to the defined benefit retirement schemes are made in accordance with the recommendations of independent actuaries based on triennial actuarial valuations. Contributions to all these schemes during the year are charged to profit and loss account.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of buses which necessarily takes a substantial period of time to get ready for its intended use.

1 Significant accounting policies *(continued)***(p) Borrowing costs *(continued)***

The capitalisation of borrowing cost as part of the cost of buses commences when expenditures for the buses are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the buses for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the buses for its intended use are interrupted or complete.

(q) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

2 Turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 12 on the accounts.

Turnover comprises fare revenue and media sales revenue from the operation of franchised and non-franchised bus services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2000 HK\$'000	1999 HK\$'000
Fare revenue from franchised bus services	6,129,661	5,762,426
Revenue from non-franchised bus services	102,677	57,973
Media sales revenue	91,054	50,803
	<u>6,323,392</u>	<u>5,871,202</u>

The Group's turnover and profit are almost entirely attributable to bus operations. Accordingly, no analysis by principal activity is provided. Turnover and contribution to the Group's profit from non-Hong Kong activities are insignificant.

3 Income

	2000 HK\$'000	1999 HK\$'000
Other revenue		
Interest income from bank deposits	138,842	95,708
Interest income from listed debt securities	263	5,611
Insurance claims received	25,963	30,848
Sundry revenue	6,783	8,432
	<u>171,851</u>	<u>140,599</u>
Other net income		
Realised and unrealised gains on listed securities carried at fair value	420	3,270
Loss on disposal of fixed assets	(3,821)	(6,261)
Net miscellaneous business receipts	6,233	6,936
	<u>2,832</u>	<u>3,945</u>

4 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

	2000 HK\$'000	1999 HK\$'000
(a) Finance cost:		
Interest on bank loans and overdrafts	180,719	147,640
Less: Interest capitalised into buses under construction	(483)	-
	<u>180,236</u>	<u>147,640</u>
(b) Other items:		
Retirement costs included in staff costs		
- annual contributions to retirement schemes	164,418	164,548
Auditors' remuneration	1,654	1,316
Operating lease charges on temporary bus depots and terminal shelters	1,357	2,656
	<u>1,357</u>	<u>2,656</u>

5 Taxation

(a) Taxation in the consolidated profit and loss account represents:

	2000 HK\$'000	1999 HK\$'000
Provision for Hong Kong Profits Tax at 16% of the estimated assessable profits for the year	88,429	118,689
Overprovision in respect of prior years	(7,050)	(121)
	<u>81,379</u>	<u>118,568</u>
Deferred taxation (note 23)	-	35,000
	<u>81,379</u>	<u>153,568</u>
Share of jointly controlled entity's taxation	-	88
	<u>81,379</u>	<u>153,656</u>

5 Taxation (continued)*(b) Taxation in the balance sheets represents:*

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Provision for Hong Kong Profits Tax for the year	88,429	118,689	57	2,634
Provisional Profits Tax paid	(73,134)	(92,959)	(3,890)	(1,493)
	15,295	25,730	(3,833)	1,141
Balance of Profits Tax provision relating to prior year	16,993	-	1,141	-
Less: Tax Reserve Certificate purchased under order of the Commissioner of Inland Revenue (Note)	(15,793)	-	-	-
	16,495	25,730	(2,692)	1,141

Note: A query has been raised by the Inland Revenue Department in respect of the deductibility of certain depreciation allowances claimed by a subsidiary company. While the subsidiary company has objected to the assessment, tax reserve certificates amounting to approximately HK\$15,793,000 have been purchased to cover the potential tax liability under dispute.

6 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	784	712
Salaries and allowances	7,469	8,010
Discretionary and performance related bonuses	10,677	9,589
Retirement fund contributions	1,351	1,361
	20,281	19,672

Included in the directors' remuneration were fees and other emoluments of HK\$1,119,200 (1999: HK\$956,000) paid to the independent non-executive Directors during the year.

The remuneration of the Directors is within the following bands:

			Number of Directors	
			2000	1999
HK\$Nil	–	HK\$1,000,000	14	13
HK\$1,000,001	–	HK\$1,500,000	1	-
HK\$2,000,001	–	HK\$2,500,000	-	1
HK\$2,500,001	–	HK\$3,000,000	-	1
HK\$3,000,001	–	HK\$3,500,000	1	-
HK\$11,500,001	–	HK\$12,000,000	-	1
HK\$12,500,001	–	HK\$13,000,000	1	-

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (1999: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other three (1999: two) individuals are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	5,893	3,894
Discretionary and performance related bonuses	1,546	847
Retirement fund contributions	569	351
	<u>8,008</u>	<u>5,092</u>

The emoluments of the three (1999: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2000	1999
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	-

8 Profit attributable to shareholders

The profit attributable to shareholders includes a profit of HK\$660,987,000 (1999: HK\$482,841,000) which has been dealt with in the accounts of the Company.

9 Dividends

	2000 HK\$'000	1999 HK\$'000
Interim dividend paid of 33 cents per share (1999: 28 cents per share)	133,201	113,019
Final dividend proposed of HK\$1.25 per share (1999: HK\$1.07 per share)	<u>504,549</u>	<u>431,894</u>
	<u>637,750</u>	<u>544,913</u>

10 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$854,654,000 (1999: HK\$738,606,000) and 403,639,413 shares in issue during the two years.

11 Fixed assets

(a) The Group

	Leasehold land HK\$'000	Buildings HK\$'000	Buses and other motor vehicles HK\$'000	Buses under construction HK\$'000	Others HK\$'000	Total HK\$'000
Cost or valuation:						
At 1 January 2000	132,909	888,732	6,460,690	197,236	481,876	8,161,443
Additions	-	112,178	24,975	698,678	206,856	1,042,687
Acquisition of subsidiaries	-	-	34,931	-	-	34,931
Transfer of buses	-	-	698,189	(698,189)	-	-
Disposals	-	(6,416)	(86,125)	-	(5,250)	(97,791)
At 31 December 2000	<u>132,909</u>	<u>994,494</u>	<u>7,132,660</u>	<u>197,725</u>	<u>683,482</u>	<u>9,141,270</u>
Aggregate depreciation:						
At 1 January 2000	31,134	370,151	2,524,257	-	358,201	3,283,743
Charge for the year	2,143	62,699	481,385	-	54,143	600,370
Acquisition of subsidiaries	-	-	11,645	-	-	11,645
Written back on disposal	-	(1,778)	(84,670)	-	(4,609)	(91,057)
At 31 December 2000	<u>33,277</u>	<u>431,072</u>	<u>2,932,617</u>	<u>-</u>	<u>407,735</u>	<u>3,804,701</u>
Net book value:						
At 31 December 2000	<u>99,632</u>	<u>563,422</u>	<u>4,200,043</u>	<u>197,725</u>	<u>275,747</u>	<u>5,336,569</u>
Add:						
Deposits paid in respect of buses on order						<u>44,298</u>
						<u>5,380,867</u>
Net book value:						
At 31 December 1999	<u>101,775</u>	<u>518,581</u>	<u>3,936,433</u>	<u>197,236</u>	<u>123,675</u>	<u>4,877,700</u>
Add:						
Deposits paid in respect of buses on order						<u>74,672</u>
						<u>4,952,372</u>

11 Fixed assets (continued)

(b) The Company

	Others HK\$'000
Cost:	
Additions and balance at 31 December 2000	201
Aggregate depreciation:	
Charge for the year and balance at 31 December 2000	<u>(34)</u>
Net book value:	
At 31 December 2000	<u>167</u>

(c) All the Group's leasehold land and buildings are held in Hong Kong and on medium-term leases.

(d) Valuation

Included in the cost or valuation of fixed assets of the Group is the following asset shown at valuation:

	Date of valuation	Valuation HK\$'000	Net book value HK\$'000
Leasehold land	15 July 1959	<u>3,284</u>	<u>-</u>

In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 72 of SSAP 17 "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants, with the effect that leasehold land has not been revalued to fair value at the balance sheet date.

12 Interest in subsidiaries

	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	1,036,507	1,036,507
Amounts due from subsidiaries	1,380,545	1,206,207
Amounts due to subsidiaries	<u>(43,683)</u>	<u>(21,075)</u>
	<u>2,373,369</u>	<u>2,221,639</u>

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
	<u>9,802</u>	<u>13,015</u>

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	<u>1,260</u>	<u>-</u>

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	<u>-</u>	<u>100,880</u>
	<u>6,080</u>	<u>100,880</u>

17 Accounts receivable

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

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	<u>4,383</u>	<u>1,817</u>
	<u>81,794</u>	<u>35,976</u>

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	<u>(21,605)</u>	<u>(43,476)</u>
	<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	<u>647,828</u>	<u>6,000</u>
	<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.