

## PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

## FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Governor in Council hereby grants to New Lantau Bus Company (1973) Limited, a company registered under the Companies Ordinance, whose registered office is situated at Shop D, Silver Centre, Ground Floor, Silvermine Bay, Lantau, New Territories, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely—

## PART I

## PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires—

Interpretation

‘Clause’

means a clause of this franchise;

‘Facilities’

means each of the following and includes parts thereof

bus stop signs, bus stop sign posts, canopies, shelters, seats, passenger information panels, queue railings and lighting at bus stops, terminal points and termini and may, in the event of any dispute as to the meaning thereof, be determined by the Commissioner;

‘Grantee’

means New Lantau Bus Company (1973) Limited;

‘holding company of the Grantee’

means any company wheresoever incorporated, resident or managed—

(a) which owns or controls, directly or indirectly, in substance or in form more than 50 per cent of the ordinary share capital of the Grantee, or

(b) which controls, directly or indirectly, in substance or in form the composition of the board of directors of the Grantee;

‘Hong Kong accountant’

means a professional accountant registered under the Professional Accountants Ordinance who holds a valid practising certificate within the meaning of that Ordinance; (Cap. 50)

‘member of the group comprising the Grantee’

means any company wheresoever incorporated, resident or managed which is either—

- (a) a holding company of the Grantee, or
- (b) a subsidiary of the Grantee or of any holding company of the Grantee, or
- (c) any associated company of the Grantee and for this purpose companies are regarded as being associated companies if a Hong Kong accountant certifies that the companies are associated companies for the purposes of the SSAP No. 10 Statement of Standard Accounting Practice ‘Accounting for Associated Companies’ issued by the Hong Kong Society of Accountants in January 1985 and amended in July 1991 for the time being in force and as amended from time to time;

‘Order’

means the appropriate Schedule of Routes order for the time being in force under section 5(I) of the Ordinance;

‘Ordinance’

means the Public Bus Services Ordinance Chapter 230;

‘Passenger Liaison Groups’

means the passenger liaison groups established pursuant to Clause 15(2);

‘Schedule I’

means the schedule annexed to this franchise containing the undertaking of the Grantee in accordance with Clause 19;

‘subsidiary’ of another company

means any company wheresoever incorporated, resident or managed—

- (a) more than 50 per cent of whose ordinary share capital is owned or controlled, directly or indirectly, in substance or in form by that other company, or
- (b) the composition of whose board of directors is controlled, directly or indirectly, in substance or in form by that other company;

‘tour service’

means a tour service within the meaning of section 4(3)(a) of the Ordinance.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance.
- (3) Unless there is express provision to the contrary, the Grantee shall comply with any direction given under this franchise by the Commissioner at no cost to Government.
- (4) Schedule I shall be an integral part of this franchise and in case of any inconsistency between Clauses 1 to 25 of this franchise and Schedule I, the provisions of Clauses 1 to 25 shall prevail over those of Schedule I.

(Cap. 1)

- 2. This franchise is granted subject to the Grantee complying with the several terms and conditions on its part to be performed in any franchise granted or extended under the Ordinance and in force in the period from the day month and year last hereinafter mentioned to 1 April 1997 and with the provisions of the Ordinance.

Franchise  
subject to  
Ordinance,  
etc.

- |    |   |                                       |
|----|---|---------------------------------------|
| 3. | This franchise confers upon the Grantee the exclusive right to operate a public bus service on the routes specified in the Order, other than on the non-exclusive routes specified in Schedule 2 to the Order.  | Routes Order<br>(L/N. 259 of<br>1996) |
| 4. | This franchise is granted for a period of ten years commencing from 1 April 1997 and expiring on 31 March 2007 (both dates inclusive) and the franchise period may be extended under section 6(2) or (3) of the Ordinance. This franchise is granted subject to the performance and observance on the part of the Grantee of the several terms and conditions on its part to be observed under and up to the termination of any franchise in force in the period from the day month and year last hereinafter mentioned to 1 April 1997 and nothing herein contained shall affect the performance and observance thereof. | Franchise<br>period                   |
| 5. | For the purposes of section 8 of the Ordinance a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality.  | Residential<br>Requirement            |

## PART II

### GENERAL

- |    |  |   |
|----|--|---|
| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and thereafter to continue to have its shares listed and quoted on the Unified Exchange as defined in section 2 of the Stock Exchanges Unification Ordinance.  | Grantee's<br>shares to be<br>quoted on the<br>Unified<br>Exchange<br>(Cap. 361) |
| 7. | Subject to Clauses 9 and 10, the Grantee shall at its own expense acquire, provide, adopt, maintain and remove to the satisfaction of the Commissioner such Facilities as the Commissioner considers appropriate.  | Provision of<br>the Facilities  |
| 8. | Subject to Clauses 9 and 10, the Grantee shall at its own expense acquire, provide, adopt, maintain and remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any other grantee that operates a public bus service as the Commissioner considers appropriate.   | Provision of<br>canteens,<br>washrooms<br>toilets                               |
| 9. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of the bus stops, terminal points, termini, the Facilities, canteens, washrooms and toilets acquired, provided or adopted by any other grantee that operates a public bus service or by the Grantee whether under this or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove (as the case may be) the bus stops, terminal points, termini and the Facilities acquired, provided or adopted by the Grantee under this or any other franchise that are not required for use by the Grantee for the provision of the public bus service under this franchise or by any other grantee that operates a public bus service.</p> <p>(3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall—</p> <p style="padding-left: 20px;">(a) cease using and vacate (as the case may be) the bus stops, terminal points, termini and the Facilities acquired, provided or adopted by the Grantee under this or any other franchise that are not required for use by the Grantee for the provision of the public bus service under this franchise but are required for use by any other grantee that operates a public bus service;</p> | Shared use of<br>bus stops etc.   |

- (b) make available, and transfer the Grantee's whole right, title and interest in the Facilities acquired, provided or adopted by the Grantee under this or any other franchise to any other grantee that operates a public bus service;
  - (c) accept transfer of and assume responsibility for any Facilities which are to be used by or transferred to the Grantee by virtue of a direction given by the Commissioner to any other grantee that operates a public bus service under the provisions of any other franchise with similar effect to Clause 9(3)(b).
- (4) In the event that the Commissioner makes a direction:
- (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned other grantee that operates a public bus service to reach agreement as to maintenance responsibilities and equitable sharing of the expenses of maintaining the Facilities, canteens, washrooms and toilets between the Grantee and the other grantee and in default of such agreement within a reasonable time to be specified by the Commissioner, then on such terms as the Commissioner may determine;
  - (b) requiring the Grantee to make available and transfer or accept transfer of and assume responsibility for the Facilities in accordance with Clauses 9(3)(b) or (c), the Grantee shall negotiate in good faith with the concerned other grantee that operates a public bus service to reach agreement as to payment of a fair and equitable proportion, which shall not exceed 50 per cent, of the cost incurred in acquiring or providing the Facilities and in default of such agreement within a reasonable time to be specified by the Commissioner, then on such terms as the Commissioner may determine. For the purposes of this provision, 'costs' means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions.
10. No—
- (a) Facilities;
  - (b) canteens, washrooms or toilets referred to in Clause 8,
- shall be constructed, erected or installed, and no structural alteration or change in use shall be made thereto, without the prior approval in writing of the Commissioner.
11. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use, or permit the use of, the Facilities, canteens, washrooms and toilets of any other grantee that operates a public bus service or of the Grantee without the prior approval in writing of the Commissioner (such approval not to be unreasonably withheld) which approval may be granted on such terms as to the permissible charges, terms and conditions that may be imposed by any other grantee that operates a public bus service or by the Grantee for such use.
- (2) In the event that a direction is given by the Commissioner to the Grantee under Clause 9(2) or (3), the Grantee shall comply with such direction notwithstanding the terms and conditions of any agreement in respect of advertising, sponsorship or commercial promotion to which the Grantee is a party.
12. Government will provide at its own expense at or near each terminal point and terminus of a specified route such facilities as the Commissioner may direct in writing for the parking and turn-around of the buses used by the Grantee on that specified route.

Approval of  
Commissioner  
required in  
connection  
with the  
facilities,  
canteens,  
washrooms  
and toilets

Advertising,  
etc

Government  
to provide  
parking  
facilities at  
terminal  
points

13. The Grantee shall cause to be displayed in a conspicuous place and available for inspection free of charge by a members of the public—

Display of  
routes and  
fares

- (a) at the registered office or the principal administrative office of the Grantee as the Commissioner may direct in writing, during reasonable business hours, a copy of the Order and any notice under section 15 of the Ordinance; and
- (b) (i) at or near each terminal point or terminus of a specified route; and
- (ii) at such bus stops as may be specified by the Commissioner for the purpose of a specified route,

a copy of the relevant part of the Order and any notice under section 15 of the Ordinance which relates to that route and the scale of fares determined under section 13, and the timetable of the frequency at and the period on each day during which a public bus service shall be operated on a specified route as directed under section 16 or approved under section 16A, of the Ordinance, in respect thereof.

14. (1) The Grantee shall cause to be published in such manner and at such times as may be specified from time to time by the Commissioner a list, table or booklet, showing, in relation to each specified route—

Publication of  
fares and time  
tables

- (a) the scale of fares which has been determined under section 13 of the Ordinance in respect of that route; and
- (b) the frequency at and the period on each day during which a public bus service shall be operated on that route in accordance with the direction under section 16 or approval under section 16A of the Ordinance.

- (2) The Grantee shall make available for sale to the public, at a charge not exceeding that determined by the Commissioner, printed copies of the list, table or booklet, as the case may be, referred to in sub-clause (1) of this Clause.

15. (1) The Grantee shall at its own expense and to the satisfaction of the Commissioner make appropriate arrangements to liaise, communicate with and receive the opinions of the public for the purpose of assessing and improving standards relating to the performance of the public bus service provided by the Grantee.

Passenger  
Liaison  
Groups

- (2) The Grantee shall establish and maintain Passenger Liaison Groups to facilitate the discharge of the Grantee's obligations under Clause 15(1).
- (3) The Grantee shall without charge and to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including meeting rooms, postage and stationery, as they may require from time to time.
- (4) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, such terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department of Government may attend the meetings of the Passenger Liaison Groups as an observer.
- (5) The Grantee shall use reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the performance of the public bus service.

- (6) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
- (7) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any document published only to the members of a Passenger Liaison Group and/or to any officer of the Transport Department attending any such meeting as an observer in respect of the public bus service unless such statement is made maliciously.
16. (1) The Grantee shall furnish the Commissioner, whenever he so requests and in such form as he may specify from time to time, with a list of—
- List of premises and maintenance facilities
- (a) the premises required to be provided and maintained by the Grantee under section 19 of the Ordinance; and
- (b) the facilities and the locations thereof provided by the Grantee for the construction, repair and maintenance of the buses and other vehicles used by the Grantee in connection with this franchise.
- (2) The Commissioner may from time to time, after consultation with the Grantee, by notice in writing direct the Grantee to use, to the satisfaction of the Commissioner, specified premises provided and maintained under section 19 of the Ordinance for the construction, repair, maintenance and parking of the buses and other vehicles used by the Grantee in connection with this franchise.

### PART III

#### FINANCIAL

17. In this Part, unless the context otherwise requires:

Definitions in Part III

‘Contingency Fund’

means all contingency reserve funds held or to be held by the Grantee including without limitation those for third party risk liability in respect of the operation of the public bus service in connection with any franchise granted under the Ordinance.

‘fair value’ of any of the Fixed Assets

means the price at which the asset could be acquired in arm’s length transactions between persons not connected with each other.

‘Fixed Assets’

means investments in land, buildings, buses and other motor vehicles, plant, machinery and equipment (excluding stores and spares), furniture, fixtures and fittings and other fixed assets (including all such assets acquired through finance leases, payments on account and as the case may be all such assets in the course of construction or in transit) in which the Grantee has any right, title or interest and which is used or kept by the Grantee for the purposes of or in connection with this franchise.

‘Funds’

means both the Contingency Fund and the Retirement Fund unless the Financial Secretary determines otherwise.

‘Gross Fares Revenue’

means the total income or revenue, but save as provided in sub-paragraph (d), not capital gains or capital receipts, of the Grantee derived or arising from or connected with the business of operating the public bus service under this franchise, including inter alia:—

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the operation of the public bus service under this franchise, which shall be held in the name of the Grantee;
- (b) interest on the cash and bank balances of the Grantee consisting of or representing, and income derived or realised from any investment made by the Grantee from, funds derived or arising from the business of operating the public bus service under this franchise;
- (c) income generated from the Fixed Assets including without limitation rents, advertising and private hire; and
- (d) currency gains realised by the Grantee in (but not before) the acquisition of the Fixed Assets, stores and spares.

**'Retirement Fund'**

means the fund or funds provided or to be provided by the Grantee for the payment of employees' pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the public bus service in connection with any franchise granted under the Ordinance.

**'Service-Related Expenditure'**

means the total expenditure but, save as provided in sub-paragraph (d), not capital losses or capital expenditure, of the Grantee (excluding any amounts of overprovisioning in the accounts of the Grantee) incurred or arising from or connected with the business of operating the public bus service under this franchise, including inter alia:—

- (a) operating costs directly or indirectly appertaining to the operation of the public bus service incurred by the Grantee under this franchise, contributions to the Funds required in accordance with the assessment made by a qualified independent actuary;
- (b) depreciation as charged in accordance with Clause 18;
- (c) recurring expenditure in establishing and maintaining public liaison in accordance with Clause 15 of this franchise; and
- (d) currency losses suffered by the Grantee in (but not before) the acquisition of the Fixed Assets, stores and spares.

**'undertaking'**

means all property of whatsoever nature in which the Grantee has right, title or interest (including without limitation all Fixed Assets, works, goods, buses, other vehicles, land and buildings) which is used and/or to be used or kept and/or to be kept by the Grantee for the purposes of or in connection with this franchise.

18. The following practice shall be observed in the accounts of the Grantee:

- (1) Subject to the residual values set out hereunder, the following shall be the annual rates of depreciation of the Fixed Assets calculated on a straight-line basis with effect from 1 April 1997:—

Depreciation  
and residual  
value

<i>Fixed Assets</i>	<i>Depreciation (useful life)</i>	<i>Residual Value</i>
Buildings	30 years or the term of the lease including extension or renewal period, whichever is less	Nil
Buses and coaches, other than light duty coaches	(a) New buses and coaches—12 years	(a) \$7,000 for each single- decker and \$10,000 for each double- decker

<i>Fixed Assets</i>	<i>Depreciation (useful life)</i>	<i>Residual Value</i>
	(b) Converted or second-hand buses and coaches—7 years	(b) \$7,000 for each single-decker and \$10,000 for each double-decker
Light duty coaches	8 years	Nil
Other motor vehicles	8 years	Nil
Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	8 years	Nil

In the case of a Fixed Asset acquired through a finance lease with an option to purchase, its fair value will be depreciated on a straight-line basis over its useful life as set out above. In the case of a Fixed Asset acquired through a finance lease without an option to purchase, its fair value will be depreciated on a straight-line basis over the shorter of the lease term and its useful life as set out above.

Clause 18(1) may be amended at any time by agreement in writing between the Financial Secretary and the Grantee.

- (2) When the undertaking or part of the undertaking is sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of the undertaking or any part of the undertaking, then:—
  - (a) if the proceeds are no greater than original cost, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure; and
  - (b) if the proceeds exceed original cost, the difference between original cost and net book value will be deducted from the Service-Related Expenditure.
- (3) Depreciation shall cease to be effected when the residual values have been reached.
- (4) No amortisation or depreciation shall be effected in respect of land.
- (5) (a) Land in which the Grantee has any right, title or interest on 31 March 1997 shall be valued as at that date at cost.
  - (b) Buildings in which the Grantee has any right, title or interest on 31 March 1997 shall be valued as at that date at cost less the cumulative depreciation effected in respect of such building from the date of its acquisition, and in respect of any structural additions made to such building, from the date the addition was made, up to and including 31 March 1997.
- (6) The Fixed Assets (other than land or building) of the Grantee as on 31 March 1997 shall be valued at their cost of acquisition less the cumulative depreciation effected in respect of such Fixed Assets.
- (7) All the Fixed Assets of the Grantee as on 31 March 1997 which are retained for the purpose of this franchise shall be valued in accordance with Clauses 18(5) and (6) on 1 April 1997. The net book value of any Fixed Asset on 1 April 1997 will be written off uniformly over the remainder of its useful life as set out in Clause 18(1).



19. (1) The Grantee represents that its undertaking at the commencement of the franchise period of this franchise shall be as set out in Schedule I. Subject to Clause 19(2) and except as stated in Schedule I in respect of short term tenancies, the Grantee shall maintain at all times during the franchise period its undertaking sufficient to operate a proper and efficient public bus service on the specified routes in compliance with section 12(1) of the Ordinance.
- (2) Notwithstanding any other provisions herein, the Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession of or dispose of the whole or any part of its undertaking falling within the following description:—
- (a) land, buildings and buses, or
  - (b) any other part of the undertaking (except for plant, machinery, equipment, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of operation of the public bus service under this franchise,

Disclosure of  
Undertaking  
and  
Restrictions  
on Disposal

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its undertaking.

PROVIDED That:—

- (a) Consent to any such disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of maintaining premises in accordance with section 19 of the Ordinance; and
  - (b) Consent required under this Clause shall not be unreasonably withheld or delayed.
20. For the purposes of section 13 of the Ordinance, the Governor in Council may have regard inter alia to:—
- (a) the Gross Fares Revenue, the Service-Related Expenditure, the profit forecast, operating and economic assumptions for the current and succeeding two years, and accuracy of past forecasts of the Grantee for the two years preceding the current year; and
  - (b) total net profit of the Grantee derived or arising from or connected with its business of participating in the operation of the tour service.

Revenue and  
Expenditure

21. (1) The Grantee shall ensure that the Funds are examined by a qualified actuary (being an actuary who (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries' Qualifications) Regulations; (b) has at least 5 years relevant experience and (c) is in practice with a firm of consulting actuaries in Hong Kong) at such times as the Financial Secretary may direct in writing. The purpose of the actuarial examination will be to assess possible underprovisioning or overprovisioning of the Funds. The Grantee shall comply with the actuary's reasonable requests for information and access to the Grantee's business and financial records. Any finding by an appointed actuary as to underprovisioning or overprovisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
- (2) Grantee shall provide such information as the Financial Secretary may require in writing in respect of the Funds and their use within one month from the date of such written request by the Financial Secretary or within such other period as the Financial Secretary may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.

Contingency  
Fund and  
Retirement  
Fund  
(sub.leg.  
Cap. 41)

(b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance as approved or directed from time to time by the Financial Secretary. The Financial Secretary may within six months prior to the said expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require title to the Contingency Fund to be vested in the said trustee or custodian for the period from the expiry of this franchise up to 31 March 2017. For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until 31 March 2017. (Cap. 155)

(4) The Grantee shall procure in such manner as it may be advised by a qualified actuary (being an actuary who satisfies the requirement as to qualifications set out in Clause 21(1)) that the Retirement Fund is held by an independent trustee under a retirement scheme approved by the Inland Revenue Department or registered under the Occupational Retirement Schemes Ordinance.

#### PART IV

##### MISCELLANEOUS

22. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee relating to the operation of the public bus service under this franchise, including without limitation:—
- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
- (b) the frequency at and the period on every day during which the Grantee's public bus service is operated on each specified route;
- (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise;
- (d) the number of journeys and the total kilometres travelled by each bus daily on each specified route;
- (e) the number of additional journeys operated on each specified route on each day;
- (f) the number of drivers allocated to each specified route on each day;
- (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
- (h) the working hours of drivers on each day;
- (i) the total kilometres lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
- Additional operation information to be supplied to Commissioner

- (j) the maintenance schedule of the buses and other vehicles and inventory of stores; and
  - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For this purpose the Grantee shall conduct surveys on one weekday each year, other than a public holiday or any day on which the storm signal Number 8 (or higher) or a black rainstorm warning is raised);
  - (l) the times for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For this purpose the Grantee shall conduct surveys at the times and on any days permitted by Clause 22(1)(k); and
  - (m) the operation or future operation of the Grantee's public bus service.
- (2) The Grantee shall without delay provide in writing to the Financial Secretary such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:—
- (a) Accounting System Manual and Costing System Manual;
  - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the operation of the Grantee's public bus service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services;
  - (c) annual audited financial statements;
  - (d) monthly and quarterly management accounts (including profit and loss account, balance sheet and cashflow statement) within two months from the ending date of the period concerned;
  - (e) quarterly movement of fuel price showing both the market rate and (if any) the concessionary rate enjoyed by the Grantee's buses under any contractual arrangement with oil companies for supply of fuel; and
  - (f) any information related to the calculation of net profits of the Grantee derived or arising from or connected with its business of participating in the operation of any tour service.
- (3) The principles and practices governing all accounts of the Grantee which are related to the business of operating the public bus service under this franchise and its other businesses shall be subject to prior written approval of the Financial Secretary, and further the Grantee shall comply with such guidelines for keeping its accounts as the Financial Secretary may from time to time approve. These principles, practices and guidelines shall include, without limitation, criteria for calculating the reasonable profit element for the purpose of Clause 22(5), the fair value, the net profit of the Grantee derived or arising from or connected with its business of participating in the operation of any tour service, and criteria for apportionment of the Grantee's general administration costs between the Grantee's business of operating a public bus service under this franchise and its other businesses but such principles and guidelines shall in any event be in accordance with accounting principles generally accepted in Hong Kong.
- (4) The Grantee shall procure and provide to the Financial Secretary financial information of such transactions made between the Grantee and any other member of the group comprising the Grantee which are related to or connected with the Grantee's business of operating the public bus service under this franchise and its other businesses, as the Financial Secretary may from time to time require.

Financial  
information to  
be supplied to  
Financial  
Secretary

- (5) Where a member of the group comprising the Grantee provides buses on hire, maintenance or engineering services or depot facilities to the Grantee or vice versa in connection with the Grantee's business of operating the public bus service under this franchise or its other businesses, the charges payable by the Grantee or the member of the group comprising the Grantee (as the case may be) in respect of the said hire, services and facilities shall be apportioned and charged on the basis of cost incurred by the said member of the group comprising the Grantee or the Grantee (as the case may be) with a reasonable profit element. For the purpose of this provision,
- (a) 'cost' means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions; and
  - (b) 'reasonable profit element' means the profits, if any, which would be expected in a transaction between parties not associated with each other for the purposes of the SSAP No. 10 Statement of Accounting Practice 'Accounting for Associated Companies' referred to in Clause 1(1).
- (6) The Grantee shall without delay at its own expense provide and maintain at a location as directed by the Commissioner, a computer terminal (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 22(1)(a)-(l), with or without printout.
- (7) The Grantee shall ensure that the information specified in Clause 22(1)(a)-(l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 22(6), without delay and in any event not later than, in the case of the information specified in Clause 22(1)(a), (b), (c), (d) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.
23. (1) The Grantee shall keep separate accounts for the business of operating the public bus service under this franchise and each of its other businesses. The accounts of the Grantee which are related to or connected with the business of operating a public bus service shall be audited annually and published for the information of the public in such form and manner and at such times as the Financial Secretary may from time to time require.
- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to or connected with the business of operating a public bus service, in such form and manner and at such times as the Commissioner may from time to time require after consultation with the Grantee.
24. (1) Any notice in writing or other document to be given to the Grantee by the Governor in Council, the Financial Secretary, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a registered letter addressed to the registered office of the Grantee.
- (2) Any notice in writing or other documents to be given to the Governor in Council, the Financial Secretary, Government or the Commissioner by the Grantee under or in relation to his franchise may be served by sending the same in a registered letter to the Commissioner.
25. (1) Without prejudice to any provisions of the Ordinance, this franchise is subject to review at any time and from time to time by the Commissioner and the Financial Secretary during the period of this franchise on or after 1 April 2001. For this purpose, the Grantee hereby irrevocably agrees and consents to comply without delay with all reasonable requests by the Commissioner and the Financial Secretary and to afford such assistance and co-operation in all respects to facilitate the conduct of the review as may be reasonably required.

Publication of  
accounts and  
operational  
information

Notices

Mid-term  
Review

- (2) Without prejudice to the generality of Clause 25(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:—
- (a) upon request by the Commissioner, provide without delay to the Commissioner such operational information as may be reasonably required;
  - (b) upon request by the Financial Secretary, provide without delay to the Financial Secretary such financial information as may be reasonably required; and
  - (c) at its own expense appoint a person with appropriate qualification or experience as the Commissioner or the Financial Secretary may from time to time require to examine such aspects they may reasonably direct.
- (3) During the period of such review, the Commissioner and the Financial Secretary may consult with and receive written submissions or recommendations from such person as they see fit.

Dated this 7th day of January 1997

COUNCIL CHAMBER

S. L. LORD Clerk to the Executive Council

## SCHEDULE I

### Clause 19

#### *Grantee's Undertaking*

#### 1. Buses

##### (A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(1) For operating the 8 routes under the franchise on 1 April 1997 as well as buses required for implementing items in the settled bus route development programme in April 1997	63	
(2) Total bus fleet requirement for the routes based on 85% availability		74

(B) The requirement for buses in paragraph 1(A) above will be represented by:

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (year) (as at 1. 4.1997)</i>	<i>Estimated Written Down Value (HK\$) (as at 1.4.1997)</i>	<i>Nature of Interest</i>
Single Deck				
(a) air-conditioned	59	5.6	20,340,000	Wholly owned [Note 1]
(b) non air-conditioned	15	7.7	1,717,000	Wholly owned
Total Fleet	74	6.0	22,057,000	

2. <i>Land and Buildings</i>		<i>Nature of Interest</i>
(A) <i>Depots</i>		
Bus Depot at Mui Wo		Short term tenancy. 5 years certain from 1 September 1987 and thereafter yearly [Note 2]
(B) <i>Bus Parking Areas</i>		
Opposite Bus Depot at Mui Wo		Short term tenancy. 3 years certain from 1 April 1992 and thereafter yearly [Note 2]
3. <i>Plant and Machinery</i>		
	<i>Estimated Written Down Value (HK\$) (as at 1.4.1997)</i>	<i>Nature of Interest</i>
(1) Brake tester, brake motor rollers and cover plate, kingpin gauge		
(2) Hot water high pressure cleaner		
(3) Trolley jack, transmission jack, air-wrench		
(4) Engine cleaning machine		
(5) Pneumatic riveter machine		
(6) Hand tools		
(7) Fuel injector tester, headlight tester		
(8) Lubricator system		
	278,000	Wholly owned
4. <i>Other Fixed Assets</i>		
(A) Other vehicles		
(1) Patrol van		
(2) Support van		
(3) Truck		
	185,000	Wholly owned
(B) Computers	89,000	Wholly owned
(C) Coin counting facilities	106,000	Wholly owned
(D) Fare boxes	551,000	Wholly owned
(E) Furniture and fittings	2,795,000	Wholly owned
(F) Passenger facilities (kiosks and shelters)	788,000	Wholly owned
(G) Mobile Radio System	245,000	Wholly owned

[Note 1] Of the 59 air-conditioned single deck buses, 28 will be charged to a bank on a non-recourse basis as security for payment of loans taken by the Grantee as follows:—

<i>No. of Buses</i>	<i>Nature of Loan</i>	<i>Cost of Buses (HK\$)</i>	<i>Loan Amount (HK\$)</i>	<i>Commencement Date</i>	<i>Repayment Period in months</i>
7	Machinery Loan	4,820,987 @688,712	4,095,000	1 April 94	48
8	Machinery Loan	5,509,928 @688,741	4,680,000	16 June 94	48

<i>No. of Buses</i>	<i>Nature of Loan</i>	<i>Cost of Buses (HK\$)</i>	<i>Loan Amount (HK\$)</i>	<i>Commencement Date</i>	<i>Repayment Period in months</i>
5	Machinery Loan	3,448,275 @689,655	2,925,000	5 September 94	48
3	Machinery Loan	2,184,222 @728,074	2,043,000	22 March 95	48
5	Machinery Loan	4,100,000 @820,000	4,100,000	1 October 96	48

The total amount of loans owed to the bank as at 1 April 1997 will be HK\$8,193,000.

[Note 2] With immediate effect in the case of the tenancies identified at 2 above, these tenancies may be terminated by either party giving to the other at least 3 calendar months' notice. If the Government shall terminate any of these tenancies, the Grantee's obligation under Clause 19 to maintain its undertaking shall be classified by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.