

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to New World First Bus Services Limited, a company incorporated in the British Virgin Islands and registered under the Companies Ordinance, and having its principal place of business in Hong Kong at No.8 Chong Fu Road, Chai Wan, 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
- “Bus Service”
means the Grantee’s business of operating a public bus service under this franchise;
- “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, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;
- “Forward Planning Programme”
means a programme which is in force from time to time under section 12A of the Ordinance;
- “franchise period”
means the period referred to in Clause 4;
- “Grantee”
means New World First Bus Services Limited;
- “Hong Kong”
means the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Ordinance”
means the Public Bus Services Ordinance Cap. 230;
- “other grantee”
means any other company which is a grantee of a public bus franchise under the Ordinance;
- “Passenger Liaison Groups”
means the passenger liaison groups established pursuant to Clause 15(1);
- “qualified auditor”

means a person who—

- (a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means parties that are considered to be related for the purposes of the Statement of Standard Accounting Practice (SSAP) No. 20 “Related Party Disclosures” issued by the Hong Kong Society of Accountants in August 1997 for the time being in force and as may be amended from time to time;

“Schedule I”

means the schedule annexed to this franchise containing the undertaking of the Grantee in accordance with Clause 22.

- (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 (Cap. 1) and the Hong Kong Reunification Ordinance (Cap. 2601).
 - (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
 - (4) For the avoidance of doubt:—
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:—
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.
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 applicable to the Grantee under the Ordinance and in force in the period ending 31 July 2003 and with the provisions of the Ordinance. Franchise subject to performance of obligations, etc.
3. This franchise confers upon the Grantee the exclusive right to operate a public bus service on the routes specified as exclusive routes (if any), in the Schedule of Routes order for the time being in force. Routes Order
4. This franchise is granted for the period from and including 1 August 2003 until 04:00 Hours 1 July 2013 and such period may be extended under section 6(2) or (3) of the Ordinance. Franchise 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 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 to continue to have its shares listed and quoted on the Unified Exchange as defined in section 2 of the Stock Exchanges Unification Ordinance (Cap. 361). Grantee's shares to be quoted on the Unified Exchange
7. Subject to Clause 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as the Commissioner considers appropriate after consultation with the Grantee. Provision of the Facilities
8. Subject to Clause 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any other grantee as the Commissioner considers appropriate after consultation with the Grantee. Provision of canteens, washrooms and toilets
9.
 - (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 any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any other grantee whether under this or any other franchise, as the case may be. Shared use of bus stops etc.
 - (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 any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.
 - (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:—
 - (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any other grantee; and
 - (b) accept the transfer of and assume responsibility for any Facilities (other than those provided on-bus) which are to be used by the Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any other grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
 - (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 to reach agreement as to maintenance responsibilities and the fair and equitable proportion of the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the other grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to payment of a fair and equitable proportion of the cost incurred in acquiring or providing the Facilities (other than those provided on-bus). For the purpose of this provision, "cost" means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions.

- (5) In the event that the Grantee and the concerned other grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned other grantee shall enter into agreement on what the Commissioner may determine to be a fair and equitable proportion for the purpose of Clause 9(4) (a) and (b).
10. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use 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 the Grantee or any other grantee without the prior approval in writing of the Commissioner (such approval not to be unreasonably withheld). Advertising, etc.
- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise.
12. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities thereat or thereon which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
13. (1) Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. Display of routes and fares
- (2) Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:—
- (a) at each terminal point or terminus of a specified route; and
- (b) at such bus stops as may be specified by the Commissioner information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.
- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall cause to be published in such form and manner, by such means 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, route and timetables
- (a) the fares in respect of that route; and
- (b) the route and timetable of the bus service on that route.
- (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 Clause 14(1) above.

15. (1) The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service. Passenger Liaison Groups
- (2) The Grantee shall to the satisfaction of the Commissioner provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
- (3) 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, 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 may attend the meetings of the Passenger Liaison Groups as an observer.
- (4) 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 Bus Service.
- (5) 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.
- (6) 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 communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.
16. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction survey
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as he may specify from time to time, with information on:— List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
- (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:— Provision of control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:—

- (i) situated at such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner.
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

Provision of ancillary and add-on services

PART III

FINANCIAL

20. In this Part, unless the context otherwise requires:—

Definitions in Part III

“Appointed Actuary”

means an actuary who

- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41);
- (b) has at least 5 years relevant experience; and
- (c) is in practice with a firm of consulting actuaries in Hong Kong;

“Contingency Fund”

means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“fair value” of any of the Fixed Assets

means the price at which the assets could be acquired in a transaction at arm’s length between persons not connected with each other;

“Fixed Assets”

means

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment (excluding stores and spares);
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c) in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee:—
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,
 but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension 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 Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clause 15 and 16; and
- (d) currency losses suffered by the Grantee:—
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes:—

- (A) capital losses derived or arising from or connected with the disposal of any right, title or interest in land;

- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“undertaking”

means:—

- (a) all the assets listed in Schedule I; and
- (b) all property of whatsoever nature in which the Grantee has any right, title or interest (including without limitation buses, coaches, other vehicles, land, buildings, Fixed Assets, stores and spares and Facilities) and which is used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service.

21. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:— Depreciation and residual value

- (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 August 2003:—

<i>Fixed Assets</i>	<i>Depreciation</i> (Useful life)	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent Buildings—40 years	\$1
	(b) Other buildings—Term of lease including extension or renewal period	\$1
Buses and coaches, other than light duty coaches	(a) New buses and coaches—14 years	\$10,000 for each bus or coach
	(b) Converted or second-hand buses and coaches—14 years from the date of manufacture	\$10,000 for each bus or coach
Light duty coaches	6 years	\$100 for each light duty coach
Other motor vehicles	6 years	\$100 for each motor vehicle
Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	Nil

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

Clause 21(1) may be amended at any time by agreement in writing between the Commissioner and the Grantee.

- (2) When Fixed Assets (other than land in respect of which the Grantee has any right, title or interest), or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of Fixed Assets (other than land in respect of which the Grantee has any right, title or interest), or any part of the Fixed Assets (other than land in respect of which the Grantee has any right, title or interest), the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as appropriate.
 - (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 of the Grantee shall be valued at cost of acquisition.
 - (b) Buildings of the Grantee shall be valued at cost of acquisition less the cumulative depreciation effected in respect of such buildings from the date of their acquisition, and in respect of any structural additions made to such buildings, from the date the additions were made. Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for the Environment, Transport and Works who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decisions of the Secretary for the Environment, Transport and Works shall, subject to section 33 of the Ordinance, be final.
 - (6) The Fixed Assets (other than land and buildings) of the Grantee 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 shall be valued in accordance with Clause 21(5) and (6). The net book value of any Fixed Assets on 1 August 2003 will be written off uniformly over the remainder of their useful life as set out in Clause 21(1).
22. (1) The Grantee represents that its undertaking at the commencement of the franchise period of this franchise shall be as listed in Schedule I. Subject to Clause 22(3) and except for that part of the undertaking listed in Schedule I which is held on 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 accordance with section 12(1) of the Ordinance.
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to

Grantee's
undertaking and
restrictions on
disposal

lease, part with possession of or otherwise 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 the Bus Service

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 referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its undertaking.

PROVIDED that:—

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
- (ii) consent required under this Clause shall not be unreasonably withheld or delayed.

23. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent not to be unreasonably withheld or delayed. Investment in securities

24. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund

- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.
- (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
- (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.

(2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner 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.

- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of 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 (Cap. 155) as approved or directed from time to time by the Commissioner.

- (c) The Commissioner may within six months prior to the 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 the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten years period”). In such event, the said trustee or custodian shall:—
 - (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten years period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
 - (d) 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 the date falling ten years thereafter.
 - (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).
25. (1) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:—
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return which takes into account profits and borrowing costs attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability; and
 - (e) the quality and extent of the public bus service provided by the Grantee.
- (2) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(1)(a) to (e).

Revenue and expenditure

PART IV

MISCELLANEOUS

26. When acquiring new buses the Grantee shall, as far as reasonably practicable, adopt the latest commercially available and proven technologies to reduce exhaust and noise emissions in setting specifications for such acquisition.

New buses

27. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.
28. (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 and information relating to the Bus Service, including without limitation:— Operational records and information to be supplied to Commissioner
- (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 public bus service is operated by the Grantee 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;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (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 hoisted;
 - (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 28(1)(k); and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner 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:— Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual;
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the 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 prepared and certified by a qualified auditor within 4 months after the close of an accounting year;
 - (d) monthly and quarterly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (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.
- (3) The principles and practices governing all accounts of the Grantee which are related to the Bus Service shall be subject to the prior written approval of the Commissioner, and the Grantee shall comply with such guidelines for keeping its accounts as the Commissioner may from time to time approve. Such principles, practices and guidelines, unless otherwise agreed between the Grantee and the Commissioner, or subject to Clause 21, shall be in accordance with accounting principles generally accepted in Hong Kong.
 - (4) Without prejudice to the generality of Clause 28(3), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
 - (5) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers/suppliers and the Grantee are Related Parties.
 - (6) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party on an annual basis within 5 months after the close of an accounting year or as the Commissioner may from time to time require.
 - (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 22, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party.
 - (8) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (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 28(1)(a) to (l) with or without printout.
 - (9) The Grantee shall ensure that the information specified in Clause 28(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 28(8), without delay and in any event not later than, in the case of the information specified in Clause 28(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.

29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to or connected with the Bus Service shall be audited annually by a qualified auditor and published within 5 months after the close of an accounting year for the information of the public in such form and manner as the Commissioner may from time to time require. Publication of accounts and operational information
- (2) The Grantee shall publish within 5 months after the close of an accounting year for the information of the public such records kept by the Grantee which are related to or connected with the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee.
30. Without prejudice to any other provisions of this franchise, all financial statements, management accounts and other accounts of the Grantee, whether or not such financial statements, management accounts or other accounts are related to or connected with the Bus Service:— Content and Form of Account
- (a) shall give a true and fair view of the state of the Grantee's affairs and explain its transactions;
- (b) shall be kept at the principal place of business of the Grantee in Hong Kong and shall at all times be open to inspection by the Grantee's directors; and
- (c) shall consist of the Grantee's balance sheet and profit and loss account, which, save with the prior consent in writing of the Commissioner, comply with the requirements of the Tenth Schedule of the Companies Ordinance (Cap. 32) (other than Part III thereof) and Clause 28(3).
31. (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, 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 principal place of business of the Grantee in Hong Kong. Notices
- (2) Any notice in writing or other document to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a registered letter to the Commissioner.
32. This franchise shall be governed by, and construed in accordance with, Hong Kong law and the Grantee shall submit to the exclusive jurisdiction of the Hong Kong Courts. Governing law and jurisdiction
33. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to dispense with such requirement. Board meetings in Hong Kong
34. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the franchise period starting from and including 1 August 2007. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 34(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 and financial information as may be reasonably required; and
- (b) appoint a person with appropriate qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.

Dated this 22nd day of October 2002.

COUNCIL CHAMBER

CHENG Mei-sze, Maisie
Clerk to the Executive Council

SCHEDULE I
Clause 22(1)

*Grantee's Undertaking
(as at 1 August 2003)*

1. Buses

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	703	
(ii) Total requirement for the routes based on 92% availability		765

(B) The requirement of buses in paragraph 1(A) above will be represented by—

	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(i) Double-Deck—air-conditioned	719	5.1	1,103,838	Wholly owned
(ii) Single-Deck—air-conditioned	46	4.7	45,141	Wholly owned
Total fleet	765	5.1	1,148, 979	

2. Land and Buildings

	<i>Approximate Site Area (m²)</i>	<i>Nature of Interest</i>
Wong Chuk Hang Bus Depot (AIL401)	3,002	Short term tenancy commencing on 1 September 1998 up to 31 August 1999 and thereafter quarterly.
Chong Fu Road Depot	13,000	Short term tenancy commencing on 9 February 2000 up to 31 July 2003 and there thereafter quarterly.

(B) Bus Servicing/Parking Area

Wong Chuk Hang off Heung Yip Road	2,400	Short term tenancy commencing on 1 September 1998 up to 28 February 1999 and thereafter quarterly. [Note]
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	<i>Approximate Site Area (m²)</i>	<i>Nature of Interest</i>
Kennedy Town Sai Ning Street/Victoria Road	1,900	Short term tenancy commencing on 1 September 1998 up to 30 August 1999 and thereafter quarterly. [Note]
Tseung Kwan O Area 85 Depot	5,650	Short term tenancy commencing on 1 November 2000 to 31 March 2003 and thereafter quarterly. [Note]

Note: If the Government shall terminate this tenancy, the Grantee's obligation under Clause 22(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. Plant and Machinery

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
Plant and machinery including:	11,100	Wholly owned
(A) Bus washing machines;		
(B) Brake testers		
(C) Forklift trucks;		
(D) Mobile vehicle lifts; and		
(E) Others		

4. Other Fixed Assets

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Other vehicles	3,300	Wholly owned
(B) Computers	3,400	Wholly owned
(C) Fare boxes	2,500	Wholly owned
(D) Furniture and fittings	35,400	Wholly owned
(E) Contactless smart card system	14,600	Wholly owned
(F) Passenger facilities including kiosks and shelters	25,300	Wholly owned

5. Others

	<i>Estimated Value (HK\$'000)</i>	<i>Nature of Interest</i>
Stores and spares	10,200	Wholly owned