Kwoon Chung Bus Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 306)

2013/14 Annual Report


www.kcbh.com.hk


Contents

Note: The English text of this annual report shall prevail over the Chinese text.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Leung Pak, Matthew
(Chief Executive Officer and Managing Director until 1 June 2014 and appointed as the Chairman on 2 June 2014)
Mr. Wong Cheuk On, James
(appointed on 21 May 2014 and appointed as the Chief Executive Officer on 2 June 2014)
Mr. Lo Man Po *(appointed on 21 May 2014)*
Mr. Wong Chung Pak, Thomas
(Chairman until 1 June 2014 and resigned on 2 June 2014)
Mr. Wong Wing Pak *(resigned on 2 June 2014)*
Mr. Cheng Wai Po, Samuel *(resigned on 21 May 2014)*
Mr. Chung Chak Man, William *(resigned on 21 May 2014)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam
Mr. Lee Kwong Yin, Colin

AUDIT COMMITTEE

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. Sung Yuen Lam
Mr. Lee Kwong Yin, Colin

NOMINATION COMMITTEE

Mr. Wong Leung Pak, Matthew
(appointed as the chairman on 2 June 2014)
Mr. Wong Chung Pak, Thomas
(chairman until 1 June 2014 and resigned on 2 June 2014)
Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam
Mr. Lee Kwong Yin, Colin

REMUNERATION COMMITTEE

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. Wong Leung Pak, Matthew
Mr. Wong Chung Pak, Thomas *(resigned on 2 June 2014)*
Mr. Sung Yuen Lam
Mr. Lee Kwong Yin, Colin

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy

AUTHORISED REPRESENTATIVES UNDER PART 16 OF THE COMPANIES ORDINANCE

Mr. Wong Leung Pak, Matthew
Mr. Wong Cheuk On, James *(appointed on 2 June 2014)*
Mr. Wong Chung Pak, Thomas *(resigned on 2 June 2014)*

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Wong Leung Pak, Matthew *(appointed on 2 June 2014)*
Mr. Wong Cheuk On, James *(appointed on 2 June 2014)*
Mr. Wong Chung Pak, Thomas *(resigned on 2 June 2014)*
Mr. Chan Yu Kwong, Francis *(resigned on 2 June 2014)*

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3rd Floor
8 Chong Fu Road
Chai Wan
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")
Stock code: 306
Board lot: 2,000 shares

CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

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Email: andychan@kcm.com.hk
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CUSTOMER SERVICES

Tel: (852) 2578 1178
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Email: contact@kcm.com.hk

Corporate Profile

HISTORY

When the late Mr. Wong Kwoon Chung launched a car cleaning service in 1948, he would not have envisaged that Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") would become one of the largest non-franchised bus operators in Hong Kong. The expansion in Mainland China, in particular the cross-boundary bus service, can also be described as dramatic. After over half a century of development, the Group has made its name in the transport history of Hong Kong as a comprehensive bus service provider.

HONG KONG SEGMENT

The Group has made its strong presence in student services, and is regarded as the leading school bus service operator. It is also well positioned in resident, employee and cross-boundary services. Every morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work or study. The acquisitions of Tai Fung Coach Company Limited ("Tai Fung") and Trade Travel (Hong Kong) Limited in 1997 have enabled the Group to become the largest provider of tour buses and coaches to hotels and tour operators in Hong Kong.

New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Group, is the franchised bus operator in Lantau Island. Route 23 running between Tung Chung town centre and Ngong Ping is one of the most popular routes. NLB also runs the franchised cross-boundary route B2 between Shenzhen Bay Port and Yuen Long. Another subsidiary, Lantau Tours Limited, is the major tour service provider in Lantau Island that offers a wide range of travel packages, covering the new and old sceneries of Lantau.

When Hong Kong was still recovering from its lowest ebb in 2003, the Group had cast a vote of confidence in Hong Kong and acquired 100% equity interest in Trans-Island Limousine Service Limited ("TIL") and all its subsidiaries and co-operative joint ventures ("CJVs") in Hong Kong and Mainland China. TIL is a non-franchised bus operator focusing mainly on cross-boundary bus business while its subsidiary, Intercontinental Hire Cars Limited is a limousine service provider. Both of the companies provide cross-boundary and tour passenger services and a major portion of their fleet of vehicles has cross-boundary licences. In addition, TIL operates a number of service counters at the passenger terminal of the Hong Kong International Airport ("HKIA") and Shenzhen Baoan International Airport ("Shenzhen Airport"). Synergy can be achieved to strengthen the Group's operations in the provision of tour, limousine and cross-boundary bus services. Since 2004, a new mode of cross-boundary bus service has been developed, with a network of six routes operating a 24-hour service between Huanggang Port of Shenzhen and designated locations in Hong Kong. The Group, through its associated company, All China Express Limited, succeeded in the bidding of three of the above routes. The number of passengers has remained steady.

In early 2004, the Group acquired 75% equity interest in Vigor Airport Shuttle Services Limited ("Vigor Shuttle") and Vigor Tours Limited. The former provides local tour bus services while the latter is a travel agency. In the same year later, the Group further acquired 50% equity interest in GoGo TIL (Cross Border) Transportation Services Co. Ltd. ("GoGo TIL"), which provides cross-boundary bus services mainly to Taiwanese travellers for routes between the HKIA and various locations in Guangdong Province. The Group's shareholding in GoGo TIL had increased to 92.3% since 2006.

In view of the increasing demand for cross-boundary travel, in April and December 2011, the Group through TIL, acquired 90% effective equity interest in Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively "Chinalink") and 100% equity interest in Hin Wan 991 Group ("991 Group") respectively. Chinalink and 991 Group are renowned cross-boundary bus operators in the market. Chinalink mainly runs various long-haul routes, routes servicing the Shenzhen Airport, and the route between Huanggang Port of Shenzhen and Tsuen Wan. 991 Group mainly runs the Zhongshan route, the route between Huanggang Port of Shenzhen and Tsuen Wan, and maintains a position of prominence in cross-boundary school bus services. Each of the companies also held a travel agency, which mainly sells bus tickets, air tickets and related travel packages. The acquisitions of Chinalink and 991 Group have added significant synergy to the Group's current cross-boundary operations and have amplified the Group's market share in this strategic core business.

MAINLAND CHINA SEGMENT

Besides Hong Kong, since 1992, the Group has been trying to realise its vision of the enormous market in Mainland China. Guangzhou Kwoon Chung Bus Co., Ltd. ("GZKC"), which operates mainly intra-city bus services in Guangzhou, was one of the CJVs set up by the Group in Mainland China. In 2008, GZKC was transformed into a 40% owned equity joint venture ("EJVs"), namely Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B").

In 2000, the Group acquired 60% equity interest in Chongqing Tourism (Group) Co. Ltd. ("CQ Tourism Group"), which together with its fellow companies operate a hotel and a travel agency in Chongqing. The travel agency, namely Chongqing Everbright International Travel Service Co. Ltd. ("CQ Everbright"), holds domestic, inbound and outbound travel business licences in Mainland China.

In 2002, the Group acquired 52.5% effective equity interest in GFTZ Xing Hua Tourism Bus Co., Ltd. ("XH Tourism Bus") and GFTZ Xing Hua International Transport Ltd ("XH International Transport"), which operated a number of intra-city and long-distance bus routes in Guangzhou and within Guangdong Province respectively. In 2004, the Group further acquired 56% equity interest in Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era"), which operates long-distance bus routes within Guangdong Province. In 2008, the intra-city bus business of XH Tourism Bus was merged with GZ2B and GZ New Era had acquired the Group's equity interest in XH International Transport.

In 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou"), which holds a bus terminal and operates long-distance bus services to and from Xiangyang, Hubei Province. Hubei Province is located in the central region of Mainland China and is considered an important transportation hub.

In 2006, the Group acquired 51% equity interest in Lixian Bipenggou Tourism Development Co., Ltd ("Bipenggou Tourism"). The local government has granted this subsidiary the right to develop and operate a vast and distinctive scenic area called Miyaluo in Sichuan Province for 50 years, in which "Bipenggou" is the first scenic spot being developed. The total area of the scenic area of Miyaluo is approximately 613.8 square kilometers. Bipenggou is only about 175 kilometers away from Chengdu city. The major income is the entrance fee and hotel room rentals from tourists visiting these scenic spots. Bipenggou has been awarded 4A National Scenic Spot by the National Tourism Administration since late 2012 and the number of visitors is soaring at speed.

CHANGES IN SHAREHOLDINGS

The Group has been listed on the Stock Exchange since September 1996. In September 1999, First Action Developments Limited ("First Action") (a 100% owned subsidiary of New World Development Company Limited) acquired approximately 20% of the issued share capital of the Company and became the Group's strategic partner. As at 31 March 2014, the shareholding of First Action increased to approximately 29.48% following its subsequent further acquisitions of the Company's shares.

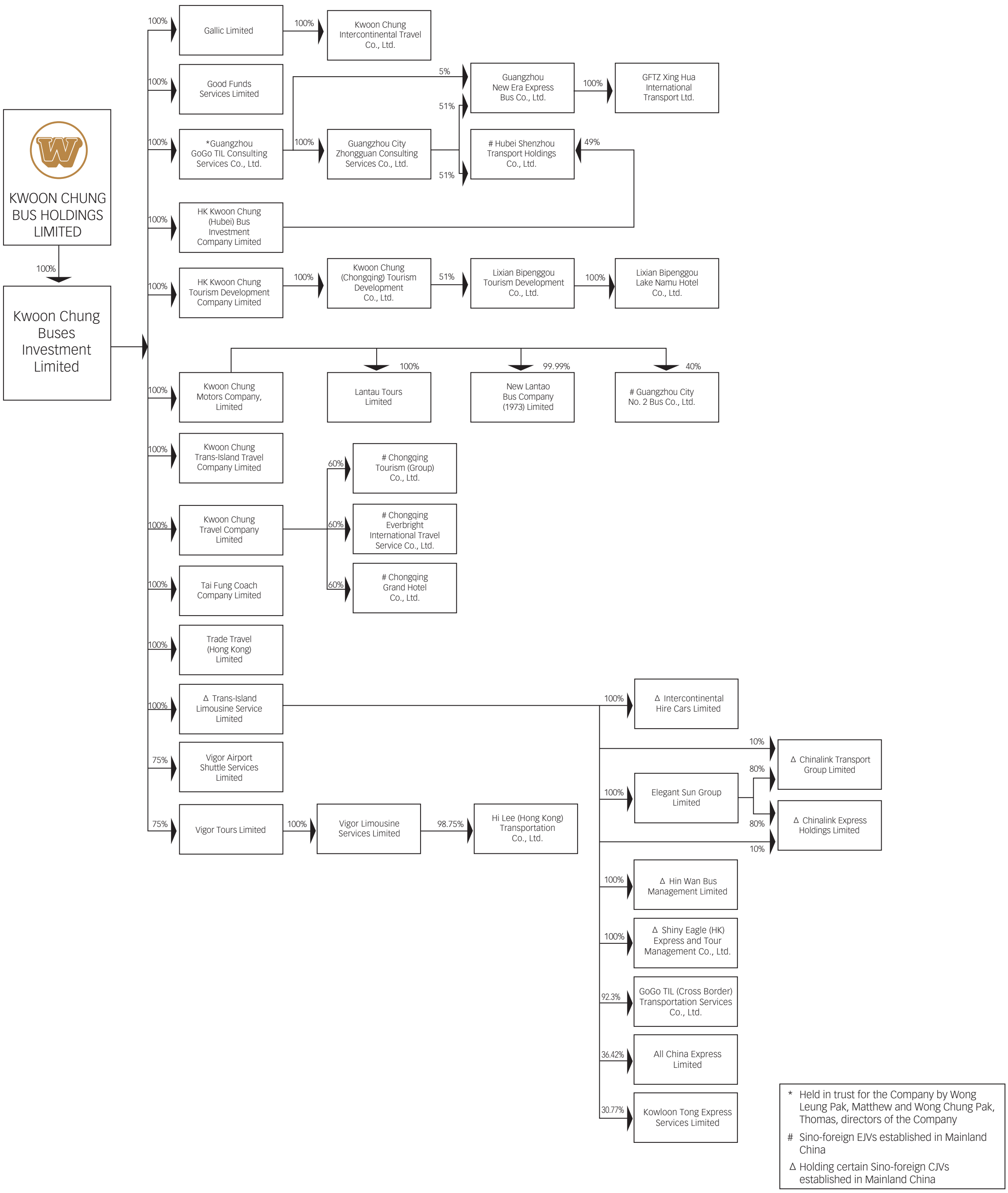
On 2 April 2014, First Action sold 121,593,019 shares of the Company to Basic Faith Company Limited ("Basic Faith"), which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, Chairman of the Company. On the same date, Basic Faith acquired 131,880,981 shares of the Company from Wong Family Holdings (PTC) Limited ("WFHL"), the then controlling shareholder of the Company. Upon the above two acquisitions and the close of the subsequent mandatory unconditional cash offer made by Basic Faith to the Company pursuant to the Takeovers Code, Basic Faith has become the existing largest and controlling shareholder of the Company. The cash offer was completed on 21 May 2014 and the shareholding of Basic Faith was approximately 56.17% as at the date of this report.

VISION

Given that logistics and tourism are two of the four pillar industries in Hong Kong and Mainland China market is enormous and fast growing, the Group has full confidence in its continuing development in various businesses.

Corporate Structure

As at 31 March 2014



Financial Highlights

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
			Year ended 31 March		
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus and limousine					
Mainland China/Hong Kong cross-boundary services	**917,454**	860,046	685,726	461,369	414,778
Tour bus and limousine services	**316,197**	320,570	277,522	254,139	216,871
Student services	**202,661**	182,590	162,250	140,403	128,797
Resident services	**127,928**	120,680	116,956	108,518	108,875
Employee services	**177,204**	156,961	145,034	122,069	117,471
Other bus hire services	**15,750**	17,164	15,614	13,666	10,817
	1,757,194	1,658,011	1,403,102	1,100,164	997,609
Franchised bus	**151,472**	141,932	132,556	116,416	108,436
Mainland China bus	**126,742**	116,544	263,197	797,806	682,906
Tourism	**126,335**	134,660	96,813	65,292	50,166
Hotel	**27,363**	23,469	26,651	24,546	23,298
Others	**210**	882	827	669	644
TOTAL REVENUE	**2,189,316**	2,075,498	1,923,146	2,104,893	1,863,059
PROFIT FOR THE YEAR	**158,446**	117,529	136,947	130,829	80,589
Attributable to:					
Owners of the parent	**165,035**	116,942	102,699	120,049	75,867
Non-controlling interests	**(6,589)**	587	34,248	10,780	4,722
	158,446	117,529	136,947	130,829	80,589

	2014	2013	2012	2011	2010
			As at 31 March		
BUS FLEET					
			Number of buses		
Non-franchised	**1,003**	992	981	851	866
Franchised	**112**	108	104	98	98
Mainland China EJVs	**619**	619	664	2,244	2,158
	1,734	1,719	1,749	3,193	3,122
EMPLOYEES					
			Number of full-time employees		
Hong Kong segment	**2,954**	2,893	2,957	2,326	2,107
Mainland China segment	**1,349**	1,355	1,374	8,747	8,692
	4,303	4,248	4,331	11,073	10,799

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Leung Pak, Matthew, aged 58 joined the Group in the early 1970s. Mr. Wong was the Chief Executive Officer and Managing Director of the Company until 1 June 2014 and has been appointed as the Chairman of the Company since 2 June 2014. He is responsible for providing leadership to, and overseeing the functioning of the board of directors of the Company (the "Board"). Mr. Wong has about 40 years experience in the bus business. Mr. Wong is currently the chairman of the Public Omnibus Operators Association ("POOA") in Hong Kong. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Wing Pak. He is the sole director of Basic Faith, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). He is also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 1 April 2014.

Mr. Wong Cheuk On, James, aged 30 (appointed on 21 May 2014) holds a Bachelor's Degree in Mathematics from the University of California, Berkeley, United States. Mr. Wong joined the Group in 2011 and he has been appointed as the Chief Executive Officer of the Company since 2 June 2014. He is responsible for the general management and operations of the Group. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew and the nephew of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak.

Mr. Lo Man Po, aged 36 (appointed on 21 May 2014) holds a Bachelor's Degree in Business Administration (major in Finance and Marketing) from the Western Michigan University, United States. Mr. Lo joined the Group in 2004. He is responsible for the general management and operations of the Group. Mr. Lo is the son-in-law of Mr. Wong Leung Pak, Matthew and the nephew-in-law of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak.

Mr. Wong Chung Pak, Thomas, aged 64 (resigned on 2 June 2014) joined the Group in the early 1970s. Mr. Wong was the Chairman of the Company until 1 June 2014 and was responsible for providing leadership to, and overseeing the functioning of the Board. He graduated from the University of Hong Kong with a Bachelor's Degree in Social Sciences and from the Chinese University of Hong Kong with a Master's Degree in Business Administration. Mr. Wong has about 40 years experience in the bus business. Mr. Wong is the brother of Messrs. Wong Wing Pak and Wong Leung Pak, Matthew. He is also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 1 April 2014.

Mr. Wong Wing Pak, aged 60 (resigned on 2 June 2014) joined the Group in the early 1970s. Mr. Wong was the senior executive director of the Company until 1 June 2014 and was responsible for the operations and human resources management. Mr. Wong has about 40 years experience in the bus business and is a member of the POOA. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Leung Pak, Matthew. He is also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 1 April 2014.

Biographical Details of Directors and Senior Management

Mr. Cheng Wai Po, Samuel, aged 54 (resigned on 21 May 2014) had been an executive director of the Company since 2004. Mr. Cheng is the managing director of Citybus Limited ("CTB") and New World First Bus Services Limited ("NWFB")(the latter had an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 1 April 2014). He graduated from the University of Hong Kong with a Bachelor's Degree in Social Sciences and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chung Chak Man, William, aged 55 (resigned on 21 May 2014) had been an executive director of the Company since June 2008. Mr. Chung is the Head of Operations and a director of CTB and NWFB (the latter had an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 1 April 2014). Mr. Chung holds an MBA degree from the University of South Australia and is a chartered member of The Chartered Institute of Logistics and Transport in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 69 has been an independent non-executive director of the Company since 1996. Mr. Chan is a consultant of Yung Yu Yuen & Co., Solicitors and Notaries. He has about 40 years experience in the legal profession. Mr. Chan is involved in numerous public duties including being an advisor of the Joint Mediation Helpline Office, a fellow member of the Hong Kong Institute of Directors, a past chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and a member of the Hospital Authority. He was appointed as an independent non-executive director of China Bio-Med Regeneration Technology Limited, which is listed on the Stock Exchange (stock code: 8158), on 15 March 2014.

Mr. Sung Yuen Lam, aged 71 has been an independent non-executive director of the Company since 1996. Mr. Sung is the sole proprietor of William Y. L. Sung & Co., Certified Public Accountants, and has about 40 years experience in the accounting profession.

Mr. Lee Kwong Yin, Colin, aged 63 has been an independent non-executive director of the Company since 2004. Mr. Lee graduated from the Chinese University of Hong Kong, with a Master's Degree in Business Administration. He has over 30 years experience in the insurance profession.

SENIOR MANAGEMENT

Senior management of the Company is represented by members of its Board.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 41 joined the Group in 2000 and he is also the chief financial officer of the Group. Mr. Chan graduated from the Chinese University of Hong Kong, with a Bachelor's Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked for a major international accounting firm and the Stock Exchange.

Management Discussion and Analysis

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2014.

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$165.0 million, which represents a hike of approximately 41.1 % from that for the previous year of approximately HK$116.9 million. The substantial growth in profit is the result of: (1) the rise in profits of the non-franchised bus segment, particularly as a consequence of the synergy with the acquisitions of Shiny Eagle Group, Chinalink and 991 Group in previous years; and (2) an exceptional gain of about HK$42.2 million on disposal of the 60% equity interest in Chongqing Tourism Coach Co., Ltd ("CQ Tourism Coach"). The Group's results will be discussed in detail under the sections headed "REVIEW OF OPERATIONS" and "FUTURE PROSPECTS" below.

DIVIDENDS

An interim dividend of HK2.0 cents (2013: Nil) per ordinary share was paid on 23 December 2013. The Board recommends the payment of a final dividend of HK10.0 cents (2013: HK2.0 cents) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Tuesday, 26 August 2014 to the shareholders on the register of members on Wednesday, 20 August 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 8 August 2014 to Tuesday, 12 August 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 August 2014.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 18 August 2014 to Wednesday, 20 August 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 August 2014.

REVIEW OF OPERATIONS

1. Non-franchised Bus and Limousine Segments

The principal non-franchised bus and limousine services provided by the Group include: (1) Mainland China/Hong Kong cross-boundary transport and (2) local transport in Hong Kong; the latter includes students, employees, residents, tours and hotels, and contract hire services. In terms of the size of bus fleet, the Group continues to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2014, the fleet comprised of 1,003 (2013: 992) non-franchised buses.

Kwoon Chung Motors Company, Limited ("KCM"), Good Funds Services Limited and Tai Fung are the Group's major wholly-owned subsidiaries that provide reliable local bus services over the years for a broad clientele, including students, employees, residents, tours, hotels, airlines, travel agencies, and corporate and individual clients. The performance of these subsidiaries remains relatively stable, and they continue to provide a sound profit-making base for the Group in Hong Kong.

TIL and Chinalink, also major wholly-owned subsidiaries of the Group, participate in the joint ventures with other fellow bus operators to provide a number of fixed, short-trip, and 24-hour operating cross-boundary routes including those between Huanggang, Shenzhen and Mongkok/Wanchai/Kam Sheung Road/Tsuen Wan, Hong Kong. TIL also operates regular cross-boundary bus routes between Hong Kong and various cities in Mainland China, mostly within Guangdong Province. It continues to operate high-end cross-boundary bus services between the HKIA and Dongguan/Guangzhou. A number of commercial service counters are maintained at the Arrival Hall of HKIA by TIL to support its Airport Hotelink services. However, the routes via the Huanggang Port have experienced intense competition, especially with the Lok Ma Chau Spur Line operated by the MTR. A number of fixed routes are diverted to go through the Western Corridor via the Shenzhen Bay Port.

TIL and Vigor Shuttle, the Group's another subsidiary, continue to offer onward transfers for tour groups and individual travelers from overseas with pre-arranged bookings.

As at 31 March 2014, the Group had a fleet of 238 (2013: 230) limousines with hire car permits, a portion of which had cross-boundary licences. The fleet have been strengthened to cater for the airport and local transfers of clients of numerous hotels in Hong Kong, and for corporate and individual users. The Group also operates cross-boundary transfers to and from Guangdong Province.

Since 2012, the Group has acquired three fellow operators: Shiny Eagle Group, 90% equity interest in Chinalink, and 991 Group. These acquisitions, bringing about synergy, have strengthened the Group's 'Fly-via Shenzhen' services, cross-boundary student bus services and other long distance cross-boundary fixed routes.

Overall, the Group is conscientious in maintaining cost-efficiency through various means, including effective planning, organization and rationalization of routes, bus fleet, and human resources.

The measures exercised by the Hong Kong SAR Government (the "Government") in permitting new registration of non-franchised public buses has been effective in keeping at bay the unhealthy growth of the total number of non-franchised buses in the market. In general, the Group is in favor of this direction. However, certain unnecessary or even disturbing regulations and controls imposed by the Government have created restrictions that would do more harm than good to the diversity and flexibility of services that the non-franchised bus sector is able to provide. The Group earnestly believes that the non-franchised bus sector has a long-standing and proud history in Hong Kong society, and the contributions and capability of this sector in serving the general public should not be underestimated. Through membership in the POOA and active participation by a number of the Group's subsidiaries, the Group will continue to reflect the industry's concern and the public expectations to the Government in a proactive and responsible manner to ensure the sustainable development of the industry.

2. Franchised Bus Segment

The Group's franchised bus services in Hong Kong are operated by NLB, a 99.99% (2013: 99.99%) owned subsidiary of the Group. As at 31 March 2014, NLB was operating 23 (2013: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 112 (2013: 108) buses.

The cross-boundary routes, namely B2 servicing Yuen Long-Shenzhen Bay Port and B2P servicing Tin Shui Wai-Shenzhen Bay Port, have become the most profitable routes. Other profitable routes include route 23 servicing Tung Chung-Ngong Ping and route 38, a shuttle bus service within Tung Chung. Nonetheless, as the intake of population to Tung Chung new town has gradually become saturated, the growth of route 38 is going to be constrained. Moreover, a large majority of the remaining bus routes are still at losses, so in order to maintain its service standards, NLB has to work closely with the Transport Department and the local community to rationalize some of these loss making routes.

Management Discussion and Analysis

3. Mainland China Bus Segment

i. Hubei Shenzhou

As at 31 March 2014, this 100% (2013: 100%) owned subsidiary of the Group was running a long-distance bus terminal with 192 (2013: 188) routes and 539 (2013: 539) buses in Xiangyang, Hubei Province. This subsidiary has successfully streamlined its human resources structure, which was inherited from the former state-owned enterprise. However, it is still in a loss position.

ii. GZ New Era and XH International Transport

As at 31 March 2014, GZ New Era and XH International Transport, both 56% (2013: 56%) owned EJVs, were operating a fleet of 21 (2013: 21) buses for 5 (2013: 5) routes and a fleet of 19 (2013: 20) buses for 4 (2013: 5) routes respectively in Guangdong Province. The performance of these EJVs is relatively stable and satisfactory.

iii. GZ2B

As at 31 March 2014, the Group owned 40% (2013: 40%) equity interest in this EJV. GZ2B operates 171 routes (2013: 158) with a fleet of 1,988 (2013: 1,893) buses in Guangzhou. GZ2B has incurred losses in recent years owing to the increase in operating costs and decline in government subsidies.

iv. CQ Tourism Coach

In September 2013, the Group had disposed of its entire 60% equity interest in CQ Tourism Coach to the Sino EJV partner of CQ Tourism Coach already at a cash consideration of approximately RMB33 million. The transaction was completed during the year.

4. Tourism and Hotel Segments

i. Local Tourism Businesses

A number of the Group's subsidiaries, which hold travel agency licenses, have specialised in providing tour services to visitors to Hong Kong. In addition, "TIL Travel", the travel agency under TIL, has several retail outlets for sale of air tickets and tour packages, including tours to the Ocean Park and Hong Kong Disneyland.

ii. CQ Tourism Group

This 60% (2013: 60%) owned EJV, together with its two fellow group companies, continue to operate a hotel and a travel agency in Chongqing, Mainland China. One of the main reasons for the continuation in loss is the reinforcement of the "Clean Governance" policy announced by the central government of Mainland China in November 2012. Certainly this is a healthy long term goal, but the reaction of the nationwide government officials and the general society causes immediate slow-down of certain domestic business activities and market consumption including travel and catering. The travel and hotel businesses of CQ Tourism Group has been adversely affected since December 2012 onwards unexpectedly. Nevertheless, the local management have kept on working hard on the controllable costs to minimize operating losses and on the balance of cash flows.

iii. Bipenggou Tourism

As at 31 March 2014, the Group owned 51% (2013: 51%) equity interest in this EJV. Bipenggou Tourism has procured the development right of the scenic area of Miyaluo, Sichuan Province for 50 years. Bipenggou (Bipeng Valley), one of several regions of Miyaluo that is most richly endowed with an amazing diversity of landscapes, plants, herbs, and wildlife, is ideal for eco-tourism. Bipenggou Tourism has, therefore, chosen Bipenggou to launch development and focused resources on upgrading its infrastructure and facilities, including the building of a 127-room holiday resort hotel by Lake Namu, which is about 2,000 meters above sea level and an enticing attraction particularly for people who want to get away from the summer heat and pursue such a cool and tranquil ecological paradise.

After completion of the road reconstruction by the local government in mid-2012, the scenic spot has been officially open to local and overseas tourists since October 2012. After a series of construction of qualified tourism facilities and promotion effort, Bipenggou has been awarded the honor of "4A National Scenic Spot" by the National Tourism Administration since late 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by term loans from banks and other financial institutions. The total indebtedness outstanding as at 31 March 2014, including interest-bearing bank and other borrowings included in liabilities directly associated with assets classified as held for sale of HK$48 million in current year, was approximately HK$727 million (2013: HK$783 million), which was primarily either repayable/renewable within one year, or repayable after one year but subject to repayment on demand clauses under bank facility agreements. The indebtedness of the Group comprised mainly term loans from banks and other financial institutions, and funds were deployed mainly for the purchase of buses and for related investments in Hong Kong and Mainland China. The leverage was approximately 44.7% (2013: 51.9%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations, with an aim to minimize financial risks. All prospective investments will be financed by internal cash flows from operations, through bank facilities or other viable forms of finance in Hong Kong and/or Mainland China. The income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong dollars. For its investments in Mainland China, the major sources of income are in Renminbi. The Group has been watchful of the exchange rates of Hong Kong dollars against Renminbi, and will formulate plans to hedge against major foreign exchange risks if and when necessary.

The Group also pays vigilant attention to the cash flow interest rate, as the bank loans of the Group carry mainly floating interest rates. The Group will adopt measures to minimize such risks if necessary.

HUMAN RESOURCES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. In-house orientation and on-the-job training are arranged for the staff. Staff are always encouraged to attend job-related seminars, courses and programs organized by professional or educational institutions, no matter in Hong Kong or overseas.

FUTURE PROSPECTS

In meeting various challenges, the Group also finds opportunities. The main challenges include: the decline in demand for some of the services provided by the Group caused by the lingering impact of the global financial crisis, the fuel market turbulence; intense competitions among fellow bus operators and with the growing networks of other mass transit systems such as rails and subways; and also the pressure on salary costs in light of soaring inflation.

1. Non-Franchised Bus and Limousine Segments

While the patronage for the local transport services remains fairly stable, in view of the current increase in fuel costs and pressure for pay raise, the Group will continue to negotiate with its clients to increase the bus fares to reasonable levels.

The area of growth still focuses on the Mainland China/Hong Kong cross-boundary transport. The favorable factors behind the growth of this sector are:

i. many Mainland Chinese visitors will continue to come to Hong Kong for business and personal reasons, and their purchasing power is strengthened owing to long-term appreciation of Renminbi and the growth in per capita income of Mainland China;

ii. more and more Mainland Chinese visitors will be prone to travel by cross-boundary buses, as the service becomes increasingly convenient and affordable;

iii. the highway networks of Guangdong Province have greatly improved and thus helped shorten journey distance and time. The Shenzhen Bay Port has grown in popularity further after the new "Riverside Highway" connecting Shenzhen and Guangzhou has been completed recently;

iv. the comparative advantage of the Group in maintaining well-located service counters at Shenzhen Bay Port, Huanggang Port, the HKIA and Shenzhen Airport will help to build a strong clientele and maintain good business connections for the cross-boundary services;

v. the collaborative arrangements with various renowned airlines in Mainland China under the brand name of 'Fly via Shenzhen' will continue to bundle the Group's cross-boundary bus services with their air tickets; and

vi. the horizontal integration with the three newly acquired fellow bus operators as mentioned earlier has brought about synergies and economies of scales. This also helps the Group to maintain its leading position in the various sectors of the cross-boundary bus businesses.

2. Franchised Bus Segment

The opportunities in this segment include:

i. The routes B2 and B2P have continued to produce reasonable profits. It is believed that the patronage and revenue for these two routes will remain stable; and

ii. The collaboration agreements entered into with Ngong Ping 360 Limited will continue to be mutually beneficial to both parties.

The threats include:

i. Fuel prices remain at a high level;

ii. The opening of the new Tung Chung Road has adversely affected the special route services of NLB, no matter on weekdays, Sundays or public holidays; and

iii. The growth in patronage for route 38 may slow down as the intake of population into Tung Chung has almost reached a saturation point.

3. Mainland China Bus Segment

i. Intra-city Bus Transport

As mentioned earlier, the Group had disposed of its entire 60% equity interest in CQ Tourism Coach back to the Sino EJV partner of CQ Tourism Coach during the year. In previous years, the Group had also terminated all of its CJV operations in other cities of Mainland China. The Group decides to do so because the local government policies regard public transport in Mainland China as a necessity for citizens and not as a business for profit-making, hence it is extremely difficult to raise fares to a level viable for business survival. Under such circumstances, public transport has been relying heavily on government subsidies to bridge the gap but unfortunately such subsidies are not necessarily reliable and adequate.

Currently, the Group only owns 40% equity interest in GZ2B and it does not exclude the possibility of selling this operation if the price is reasonable.

ii. Long-distance Bus Transport

The demand for inter-city bus transport has increased steadily and substantially as a result of growing economic and social activities and improved highway networks. It is hoped that the bus terminal of Hubei Shenzhou in Xiangyang will become a hub of long-distance bus operations. This business sector, nevertheless, has to face mounting competition from the parallel high-speed rails and other railways.

4. Tourism and Hotel Segments

i. Local Tourism Businesses

Taking advantage of the Group's relative strengths in providing transport services to various local tourist attractions, the Group will further develop packaged/tailored services, and enhance co-ordination to provide integrated services covering transport, tour, and hotel arrangements.

ii. CQ Tourism Group

The hotel and tourism operations of the EJVs in Chongqing, Chongqing Grand Hotel Co., Ltd. ("CQ Grand Hotel") and CQ Everbright, will continue. Apart from promoting inbound/outbound packaged tours for travelers to Hong Kong and nearby places, preparations as sales centre of Bipenggou Tourism coordinating fellow travel agency companies in Chongqing have been established to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both EJVs. CQ Grand Hotel has completed a renovation program by the end of 2012 aiming at upgrading its accommodation standards, and increasing its room rates on a larger scale in future. Despite the unexpected change of political and economic climates as discussed earlier before, there are signs of recovery subsequent to the current financial year.

iii. Bipenggou Tourism

Bipenggou, Miyaluo is just about 180 kilometers from Chengdu. Bipenggou is endowed with diverse ecology and landscapes of stunning, splendid natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. The Sichuan earthquake in 2008 did not cause direct damage to the scenic area, but the external road network connecting to the scenic area had been subject to vast reconstruction and upgrading. Access has been improved with journey time shortened to two hours from Chengdu after a new expressway has been through since the end of 2012. Completion of two electric car roadways at an elevation of 3,000 meters inside Bipenggou is taking visitors even closer to various sites that will deepen their personal experience with the wondrous Mother Nature. A newly-established, exclusive town-house design 127-room hotel inside the scenic area provides comfortable accommodation and catering services to tourists. Bipenggou is stepping up for tourists, which is evidenced by the number of patronage for 2013 achieving approximately 228,000 as compared with approximately 180,000 for 2012, despite the exercise of one-way, one-lane traffic in the morning on the expressway from July to December in 2013 as the result of mud landslide. Now, the road is resumed to normal. It is forecasted that about 300,000 tourists will visit the spot in 2014. The award of "4A National Scenic Spot" in late 2012 has enhanced the popularity of this scenic area among the neighbouring cities within the province at large.

Wong Leung Pak, Matthew
Chairman

Hong Kong
30 June 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Maintaining high standards of corporate governance and business ethics is always one of the Group's major objectives. The Group believes that conducting business in a responsible and reliable way will serve its long term interests and those of its stakeholders. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal controls and accountability to shareholders and these are based upon a long-established ethical corporate culture.

The Board is of the view that throughout the year ended 31 March 2014, the Company has complied with all of the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year under review.

THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities include the formulation of the Group's overall strategies and policies, the setting of performance targets, the evaluation of business performance and the oversight of management.

As at 31 March 2014, the Board comprised 8 directors, including 5 executive directors and 3 independent non-executive directors. During the period from 1 April 2014 up to the date of this report, there have been changes in the composition of the Board following the close of general offer made by Basic Faith, which is wholly owned by Mr. Wong Leung Pak, Matthew. The Board comprised 6 directors, including 3 executive directors and 3 independent non-executive directors. The list of all directors and the aforesaid changes in Board members are set out below:

Executive directors
Mr. Wong Leung Pak, Matthew
Mr. Wong Cheuk On, James *(appointed on 21 May 2014)*
Mr. Lo Man Po *(appointed on 21 May 2014)*
Mr. Wong Chung Pak, Thomas *(resigned on 2 June 2014)*
Mr. Wong Wing Pak *(resigned on 2 June 2014)*
Mr. Cheng Wai Po, Samuel *(resigned on 21 May 2014)*
Mr. Chung Chak Man, William *(resigned on 21 May 2014)*

Independent non-executive directors
Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam
Mr. Lee Kwong Yin, Colin

In accordance with the Company's bye-laws, all directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting after appointment. Independent non-executive directors are appointed for a term of two years. For a director to be considered independent, the Board must determine the director does not have any direct or indirect material relationship with the Group. In determining the independence of the directors, the Board follows the requirements set out in the Listing Rules.

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 8 to 9.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

During the year under review, the positions of the Chairman and Chief Executive Officer were held by Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew respectively. Following the resignation of Mr Wong Chung Pak, Thomas as an executive director on 2 June 2014, Mr. Wong Leung Pak, Matthew and Mr. Wong Cheuk On, James, were appointed as the Chairman and Chief Executive officer respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that the Board acts in the best interests of the Group and Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. With the support of the company secretary and other senior management, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Independent Non-Executive Directors

During the year ended 31 March 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board meets regularly and at least four times a year. Between scheduled meetings, senior management of the Group provides the directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board had established three committees namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Group's affairs. Each of these committees comprises mostly independent non-executive directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the Board. The terms of reference of these committees are posted on the websites of the Company and the Stock Exchange and available to shareholders upon request.

Audit Committee

The audit committee consists of three independent non-executive directors with Mr. Chan Bing Woon, SBS, JP as the chairman. Other members are Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin. At the discretion of the audit committee, executive directors and/or senior management personnel overseeing the Group's finance or internal audit functions may be invited to attend meetings. The audit committee normally meets two times a year. The audit committee also meets the external auditors twice without the presence of the executive directors.

The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. In addition, the audit committee supervises the internal audit function performed by the internal audit department, which is headed by a qualified professional. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The audit committee held two meetings during the year ended 31 March 2014. The attendance record of each member of the audit committee at such meetings is set out under "Attendance Record of Directors and Committee Members" on page 20.

The Company's interim results for the six months ended 30 September 2013 and annual results for the year ended 31 March 2014 have been reviewed by the audit committee.

Remuneration Committee

As at 31 March 2014, the remuneration committee consisted of two executive directors and three independent non-executive directors with Mr. Chan Bing Woon, SBS, JP, independent non-executive director, as the chairman. Other members are Mr. Sung Yuen Lam, Mr. Lee Kwong Yin, Colin, both being independent non-executive directors, and Mr. Wong Chung Pak, Thomas, Mr. Wong Leung Pak, Matthew, both being executive directors. On 2 June 2014, Mr. Wong Chung Pak, Thomas ceased to be a member of the remuneration committee following his resignation as an executive director and no replacement was made to fill the vacancy in the committee. At the discretion of the remuneration committee, executive directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee normally meets annually for reviewing the remuneration policy and structure of the Company and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The remuneration committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure of the Company and remuneration packages.

The remuneration committee met once during the year ended 31 March 2014 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management. Details of the remuneration of each director and the members of senior management for the year ended 31 March 2014 are set out in note 8 to the financial statements.

The attendance record of each member of the remuneration committee is set out under "Attendance Record of Directors and Committee Members on page 20.

Nomination Committee

As at 31 March 2014, the nomination committee consists of two executive directors and three independent non-executive directors with Mr. Wong Chung Pak, Thomas, executive director, as the chairman. Other members are Mr. Wong Leung Pak, Matthew, being an executive director, and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam, Mr. Lee Kwong Yin, Colin, being independent non-executive directors. On 2 June 2014, Mr. Wong Chung Pak, Thomas resigned as an executive director of the Company and ceased to be the chairman and member of the committee and Mr. Wong Leung Pak, Matthew, was appointed as the chairman of the committee.

The principal duties of the nomination committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2014, the nomination committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting. The nomination committee considered that an appropriate balance of diversity perspectives of the Board is maintained. The attendance record of each member of the nomination committee is set out under "Attendance Record of Directors and Committee Members" on page 20.

Corporate Governance

The Board is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

During the year ended 31 March 2014, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each director at the Board and Board committees and the general meetings of the Company held during the year ended 31 March 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive directors					
Wong Leung Pak, Matthew	4/4	N/A	1/1	1/1	1/1
Wong Chung Pak, Thomas *(resigned on 2 June 2014)*	4/4	N/A	1/1	1/1	1/1
Wong Wing Pak *(resigned on 2 June 2014)*	4/4	N/A	N/A	N/A	1/1
Cheng Wai Po, Samuel *(resigned on 21 May 2014)*	4/4	N/A	N/A	N/A	1/1
Chung Chak Man, William *(resigned on 21 May 2014)*	4/4	N/A	N/A	N/A	1/1
Independent non-executive directors					
Chan Bing Woon, SBS, JP	4/4	2/2	1/1	1/1	1/1
Sung Yuen Lam	4/4	2/2	1/1	1/1	1/1
Lee Kwong Yin, Colin	4/4	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive directors without the presence of executive directors during the year.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS AND COMPANY SECRETARY

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Under code provision A.6.5 of the CG Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally – facilitated briefings for directors will be arranged and reading materials on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2014, the Company organized a training session conducted by the qualified professionals for all directors on directors' duties and responsibilities, corporate governance and update on Listing Rules amendments. The following directors attended seminar and training session arranged by a professional firm:

Directors	Topic
Executive directors	Re-cap of the existing Listing Rules and update on the amendments to the Listing Rules
Mr. Wong Leung Pak, Matthew	
Mr. Wong Chung Pak, Thomas *(resigned on 2 June 2014)*	
Mr. Wong Wing Pak *(resigned on 2 June 2014)*	
Mr. Cheng Wai Po, Samuel *(resigned on 21 May 2014)*	
Mr. Chung Chak Man, William *(resigned on 21 May 2014)*	
Independent non-executive directors	
Mr. Chan Bing Woon, SBS, JP	
Mr. Sung Yuen Lam	
Mr. Lee Kwong Yin, Colin	

In addition, all directors have read various relevant materials including directors' manual, legal and regulatory update, seminar handouts, business journals and financial magazines or attended additional professional seminars on an individual basis during the year.

During the year ended 31 March 2014, Mr. Chan Kwok Kee, Andy, the company secretary of the Company, had attended the relevant training. He has satisfied the training requirement for the year of 2013/2014 under Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the auditors' report on pages 36 to 37 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2014 which give a true and fair view of the state of affairs of the Group.

Going concern

The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITORS' REMUNERATION

The audit committee has received a letter from Ernst & Young confirming their independence and objectivity. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2014 are as follows:

	HK$'000
2013/2014 annual audit	2,700
Non-audit related services	880
	3,580

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the audit committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The internal audit department, which is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risks.

The internal audit department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the audit committee on any key findings and progress of the internal audit process. The audit committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including independent non-executive directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its bye-laws. A latest version of the Company's bye-laws is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.kcbh.com.hk, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

(i) Convening a Special General Meeting by Shareholders

Pursuant to the Company's bye-law 58, a special general meeting ("SGM") may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such SGM within 21 days from the date of the deposit of the requisition, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

The requistionists must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or company secretary of the Company.

(ii) Putting Forward Proposals at General Meetings

Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening a special general meeting following the procedures as set out in the paragraph above.

As regards the procedures for shareholders to propose a person for election as a director, they are available on the Company's website at www.kcbh.com.hk.

(iii) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquires to the Company.

Note: The Company will not normally deal with verbal or anonymous enquires.

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions or enquiries as mentioned in (i), (ii) and (iii) above to the primary contact person of the Company as set out below:

Name: Mr. Chan Kwok Kee, Andy, company secretary
Address: 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong
Fax: (+852) 2505 6615
Email: andychan@kcm.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 140.

An interim dividend of HK2.0 cents per ordinary share was paid on 23 December 2013. The Board recommends the payment of a final dividend of HK10.0 cents per ordinary share in respect of the year to the shareholders on the register of members on 20 August 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
REVENUE	**2,189,316**	2,075,498	1,923,146	2,104,893	1,863,059
OPERATING PROFIT	**222,181**	180,754	152,884	149,648	98,450
Share of profits and losses of:					
Joint ventures	**(14,400)**	(13,078)	14,965	8,945	12,523
Associates	**(1)**	(11)	(292)	(390)	134
PROFIT BEFORE TAX	**207,780**	167,665	167,557	158,203	111,107
Income tax expense	**(49,334)**	(50,136)	(30,610)	(27,374)	(30,518)
PROFIT FOR THE YEAR	**158,446**	117,529	136,947	130,829	80,589
Attributable to:					
Owners of the parent	**165,035**	116,942	102,699	120,049	75,867
Non-controlling interests	**(6,589)**	587	34,248	10,780	4,722
	158,446	117,529	136,947	130,829	80,589

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
TOTAL ASSETS	**3,072,045**	2,972,056	2,920,568	2,911,894	2,347,400
TOTAL LIABILITIES	**(1,446,608)**	(1,463,301)	(1,541,708)	(1,559,482)	(1,094,772)
NON-CONTROLLING INTERESTS	**(122,214)**	(162,818)	(165,206)	(249,031)	(247,136)
	1,503,223	1,345,937	1,213,654	1,103,381	1,005,492

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 34 and 35, to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$119,745,000, of which HK$42,101,000 has been proposed as final dividend for the year. The reserves available for distribution include the Company's contributed surplus of HK$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of HK$545,600,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 7.8% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 65.8% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 24.5%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Wong Leung Pak, Matthew	
Wong Cheuk On, James	*(appointed on 21 May 2014)*
Lo Man Po	*(appointed on 21 May 2014)*
Wong Chung Pak, Thomas	*(resigned on 2 June 2014)*
Wong Wing Pak	*(resigned on 2 June 2014)*
Cheng Wai Po, Samuel	*(resigned on 21 May 2014)*
Chung Chak Man, William	*(resigned on 21 May 2014)*

Independent non-executive directors:

Chan Bing Woon, SBS, JP
Sung Yuen Lam
Lee Kwong Yin, Colin

According to bye-law 87 of the Company's bye-laws, Messrs. Wong Leung Pak, Matthew and Chan Bing Woon, SBS, JP, shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

According to bye-law 86(2) of the Company's bye-laws, Messrs. Wong Cheuk On, James and Lo Man Po (who were appointed by the Board on 21 May 2014) shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. These two retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from Messrs. Chan Bing Woon, SBS, JP, Sung Yuen Lam and Lee Kwong Yin, Colin, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2014, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Wong Leung Pak, Matthew	599,665 (1)	131,880,981 (2)	132,480,646	31.47
Wong Chung Pak, Thomas	1,217,665 (1)	131,880,981 (2)	133,098,646	31.61
Wong Wing Pak	699,665 (1)	131,880,981 (2)	132,580,646	31.49

Notes:

(1) Mr. Wong Leung Pak, Matthew, jointly holds 599,665 shares with his spouse. Mr. Wong Chung Pak, Thomas, jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse.

(2) These shares are held by WFHL (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Leung Pak, Matthew, Wong Chung Pak, Thomas and Wong Wing Pak, holding one-third of the shares in issue of WFHL. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective spouse and issues of each of Messrs. Wong Leung Pak, Matthew, Wong Chung Pak, Thomas and Wong Wing Pak.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "SHARE OPTION SCHEMES" below.

(ii) Long positions in shares of associated corporations

Name of associated Corporation	Name of director	Number of shares#	Class of shares
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred

* *Subsidiaries of the Company*
\# *Directly beneficially owned*

In addition, Mr. Wong Leung Pak, Matthew, and Mr. Wong Chung Pak, Thomas have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company.

Save as disclosed above, as at 31 March 2014, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes disclosures in note 35 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 35 to the financial statements.

The following share options were outstanding under the share option schemes during the year:

	Number of share options								Price of the Company's shares**	
Name or category of participant	At 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	At grant date of options HK$ per share	At exercise date of options# HK$ per share
Directors										
Wong Leung Pak, Matthew	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Wong Chung Pak, Thomas (resigned on 2 June 2014)	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Wong Wing Pak (resigned on 2 June 2014)	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Chan Bing Woon, SBS, JP	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					
Sung Yuen Lam	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					
Lee Kwong Yin, Colin	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					

Name or category of participant	Number of share options: At 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	Price of the Company's shares**: At grant date of options HK$ per share	At exercise date of options# HK$ per share
Directors *(Continued)*										
Shareholders										
In aggregate	3,500,000	–	(3,500,000)	–	–	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	N/A
	2,400,000	–	–	–	2,400,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	5,900,000	–	(3,500,000)	–	2,400,000					
Suppliers of goods or services										
In aggregate	2,500,000	–	(2,500,000)	–	–	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	N/A
Other employees										
In aggregate	1,800,000	–	(1,800,000)	–	–	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	1.5200
	2,200,000	–	(2,000,000)	(200,000)	–	2 October 2003	5 September 2003 to 4 September 2013	1.2000	1.1700	N/A
	800,000	–	–	–	800,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	3,700,000	–	–	–	3,700,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	27,700,000	–	(600,000)	–	27,100,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	36,200,000	–	(4,400,000)	(200,000)	31,600,000					
	62,600,000	–	(10,400,000)	(200,000)	52,000,000					

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

** *The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.*

The price of the Company's shares disclosed as at the date of exercise of the share options is the weighted average closing price of the Company's shares on trading day immediately prior to the date of exercise of the share options.

At the end of the reporting period, the Company had 52,000,000 share options outstanding under the share option schemes, which represented approximately 12.35% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 52,000,000 additional ordinary shares of the Company and additional share capital of HK$5,200,000 and share premium of HK$74,713,000 (before issue expenses).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2014, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Wong Leung Pak, Matthew	Joint interest	599,665	–	–	142,880,646	
	Founder of a discretionary trust	–	131,880,981 [1]	2,400,000		
	Beneficial owner	–	–	5,500,000		33.94
	Interest of spouse	300,000	–	2,200,000		
Ng Lai Yee, Christina	Joint interest	599,665	–	–	142,880,646	
	Beneficial owner	300,000	–	2,200,000		
	Interest of spouse	–	131,880,981	7,900,000		33.94
Wong Chung Pak, Thomas	Joint interest	1,217,665	–	–	142,198,646	
	Founder of a discretionary trust	–	131,880,981 [1]	2,400,000		
	Beneficial owner	–	–	5,500,000		33.78
	Interest of spouse	–	–	1,200,000		
Tso Anna	Joint interest	1,217,665	–	–	142,198,646	
	Beneficial owner	–	–	1,200,000		
	Interest of spouse	–	131,880,981	7,900,000		33.78
Wong Wing Pak	Joint interest	699,665	–	–	140,480,646	
	Founder of a discretionary trust	–	131,880,981 [1]	2,400,000		
	Beneficial owner	–	–	5,500,000		33.37
Tang Kit Ling, Louise	Joint interest	699,665	–	–	140,480,646	33.37
	Interest of spouse	–	131,880,981	7,900,000		
Equity Trustee Limited	Trustee	–	131,880,981	2,400,000	134,280,981	31.90
Wong Family Holdings (PTC) Limited	Beneficial owner	–	131,880,981 [1]	2,400,000	134,280,981	31.90
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	–	124,093,019 [2]	–	124,093,019	29.48
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	–	124,093,019 [2]	–	124,093,019	29.48
NWS Service Management Limited ("NWSSM-BVI")[3]	Interest of a controlled corporation	–	124,093,019 [2]	–	124,093,019	29.48
NWS Service Management Limited ("NWSSM-Cayman Islands")[3]	Interest of a controlled corporation	–	124,093,019 [2]	–	124,093,019	29.48

Name	Capacity	Number of ordinary shares held and nature of interest Personal	Corporate	Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
New World Development Company Limited ("NWD")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Enrich Group Limited ("EGL")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Chow Tai Fook Capital Limited ("CTFCL")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
Cheng Yu Tung Family (Holdings II) Limited ("CYTFHL-II")	Interest of a controlled corporation	–	124,093,019 (2)	–	124,093,019	29.48
First Action Developments Limited	Beneficial owner	–	121,593,019 (2)	–	121,593,019	28.88
Cathay International Corporation	Beneficial owner	–	84,106,000	–	84,106,000	19.98

Notes:

(1) Each of Messrs. Wong Leung Pak, Matthew, Wong Chung Pak, Thomas and Wong Wing Pak, holds one-third of the shares in WFHL and they are deemed to be interested in the 131,880,981 shares which are directly held by WFHL. These 131,880,981 shares represent approximately 31.33% of the issued share capital of the Company.

(2) At 31 March 2014, First Action and NWFB were wholly-owned subsidiaries of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 61% equity shares in NWSH; CTFEL owned approximately 42% equity shares in NWD; CTFEL was a wholly-owned subsidiary of CTFHL; CTFHL was approximately 79% owned by CTFCL; and CTFCL was owned by CYTFHL as to approximately 49% and CYTFHL-II as to approximately 47%. At 31 March 2014, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CTFHL, CTFCL, CYTFHL, and CYTFHL-II was deemed to be interested in the 124,093,019 shares which were held directly by First Action and NWFB as to 121,593,019 shares and 2,500,000 shares respectively. These 124,093,019 shares represented approximately 29.48% of the issued share capital of the Company.

(3) NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.

Save as disclosed above, as at 31 March 2014, no person, other than the directors of the Company, whose interests are set out in the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transaction

On 20 June 2013, KCM, an indirect wholly owned subsidiary of the Company, entered into an agreement with CTB, a fellow subsidiary of a then substantial shareholder of the Company, pursuant to which KCM agreed to purchase eight units of second hand double deck buses with passenger service licence certificates from CTB for a consideration of HK$28,000,000. The transaction was completed during the year.

Continuing connected transactions

(i) On 10 January 2012, the Company entered into a tenancy agreement with NWFB, a fellow subsidiary of a then substantial shareholder of the Company, for the lease of office premises for a period of one year commencing on 1 January 2012 at a monthly charge, including rental and related management charges, of HK$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK$77,000. On 29 January 2013, the above two agreements were further renewed for two years at a total monthly charge of about HK$408,000.

    All the above charges were determined with reference to open market rates or based on the actual disbursement basis. The total rental and related expenses paid by the Group for the year amounted to HK$5,667,000 (2013: HK$5,147,000).

(ii) On 10 May 2013, the Company and NLB, an indirect 99.99% owned subsidiary of the Company, entered into two agreements with NWFB and CTB respectively, for the provision of refueling and washing services by NWFB and CTB to the buses of the Company and NLB. The aggregate fee related to bus washing services was HK$216,000. The aggregate purchases of fuel amounted to HK$25,202,000.

    The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

    The auditors of the Company have reviewed the continuing connected transactions during the year set out above and confirmed that these transactions: (i) were approved by the Board; (ii) had been entered into in accordance with the relevant agreements governing the transactions; and (iii) where applicable, have not exceeded the cap stated in the relevant announcements.

SUFFICIENCY OF PUBLIC FLOAT

The Listing Rules normally requires issuers to maintain at least 25% of their listed securities in public hands at all times. Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, less than 25% of the Company's total issued share capital was held by the public as at the date of this report.

As disclosed in the announcement of the Company dated 7 April 2014, the Company, Wong Cheuk On, James and Lo Man Po, directors of the Company, have undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float as required in Rule 8.08(1) of the Listing Rules exists in the Company's shares.

As disclosed in the announcement of the Company dated 21 May 2014, approximately 17.40% of the existing issued share capital of the Company was in the hands of the public following the close of general offer made by Basic Faith, the existing controlling shareholder of the Company. An application has been made to the Stock Exchange pursuant to Rule 8.08(1)(c) of the Listing Rules for temporary waiver from strict compliance with the requirement of minimum public float of the shares under Rule 8.08 of the Listing Rules for a period of 3 months from 21 May 2014. Basic Faith will take necessary action to place certain shares to independent third parties shortly after the "blackout" period in respect of the release of the final results of the Company for the year ended 31 March 2014 so that at least 25% of the issued share capital of the Company will be in the hands of the public.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 48 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Leung Pak, Matthew
Chairman

Hong Kong
30 June 2014

Independent Auditors' Report

To the shareholders of Kwoon Chung Bus Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 140, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of Kwoon Chung Bus Holdings Limited – continued
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 June 2014

Consolidated Statement of Profit or Loss

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**2,189,316**	2,075,498
Cost of services rendered		**(1,692,626)**	(1,651,804)
Gross profit		**496,690**	423,694
Other income and gains	5	**105,248**	110,930
Administrative expenses		**(293,029)**	(275,433)
Other expenses, net		**(65,875)**	(60,793)
Finance costs	6	**(20,853)**	(17,644)
Share of losses of:			
Joint ventures		**(14,400)**	(13,078)
Associates		**(1)**	(11)
PROFIT BEFORE TAX	7	**207,780**	167,665
Income tax expense	10	**(49,334)**	(50,136)
PROFIT FOR THE YEAR		**158,446**	117,529
Attributable to:			
Owners of the parent	11	**165,035**	116,942
Non-controlling interests		**(6,589)**	587
		158,446	117,529
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**39.5 cents**	28.5 cents
Diluted		**38.7 cents**	28.0 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**158,446**	117,529
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,116**	3,922
Change in fair value of available-for-sale investments		**(421)**	965
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**695**	4,887
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		**–**	12,349
Income tax effect		**–**	(2,037)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	10,312
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**695**	15,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**159,141**	132,728
Attributable to:			
Owners of the parent	11	**165,548**	130,622
Non-controlling interests		**(6,407)**	2,106
		159,141	132,728

Consolidated Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,062,288**	1,238,124
Investment properties	15	**26,040**	25,300
Prepaid land lease payments	16	**15,179**	65,339
Other intangible assets	17	**635,352**	594,644
Goodwill	18	**169,403**	187,104
Interests in joint ventures	20	**84,738**	123,422
Interests in associates	21	**385**	1,666
Available-for-sale investments	22	**18,473**	18,895
Financial asset at fair value through profit or loss	23	**14,323**	14,054
Deposits and other receivables	25	**113,849**	39,901
Deferred tax assets	33	**366**	420
Total non-current assets		**2,140,396**	2,308,869
CURRENT ASSETS			
Property held for sale		**–**	20,857
Inventories		**26,987**	24,654
Trade receivables	24	**131,912**	155,248
Prepayments, deposits and other receivables	25	**108,299**	140,806
Tax recoverable		**1,570**	1,662
Pledged time deposits	26, 30	**15,723**	17,733
Restricted cash	26	**–**	6,449
Cash and cash equivalents	26	**330,575**	295,778
		615,066	663,187
Assets of a disposal group classified as held for sale	38	**316,583**	–
Total current assets		**931,649**	663,187
CURRENT LIABILITIES			
Trade payables	27	**48,751**	72,643
Accruals, other payables and deposits received	28	**326,635**	395,502
Tax payable		**29,898**	30,195
Derivative financial instruments	29	**12,950**	20,378
Interest-bearing bank and other borrowings	30	**678,538**	783,314
		1,096,772	1,302,032
Liabilities directly associated with the assets classified as held for sale	38	**194,377**	–
Total current liabilities		**1,291,149**	1,302,032
NET CURRENT LIABILITIES		**(359,500)**	(638,845)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,780,896**	1,670,024

Consolidated Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**749**	–
Other long term liabilities	32	**30,835**	26,506
Deferred tax liabilities	33	**123,875**	134,763
Total non-current liabilities		**155,459**	161,269
Net assets		**1,625,437**	1,508,755
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**42,101**	41,061
Reserves	36(a)	**1,419,021**	1,296,664
Proposed final dividend	12	**42,101**	8,212
		1,503,223	1,345,937
Non-controlling interests		**122,214**	162,818
Total equity		**1,625,437**	1,508,755

Wong Leung Pak, Matthew
Director

Wong Cheuk On, James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 36(a))	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve fund HK$'000 (note 36(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent													
At 1 April 2012		40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	530,216	–	1,213,654	165,206	1,378,860
Profit for the year		–	–	–	–	–	–	–	–	–	116,942	–	116,942	587	117,529
Other comprehensive income for the year:															
Gains on property revaluation, net of tax		–	–	–	–	–	10,312	–	–	–	–	–	10,312	–	10,312
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	2,403	–	–	2,403	1,519	3,922
Change in fair value of available-for-sale investments	22	–	–	–	–	–	–	965	–	–		–	965	–	965
Total comprehensive income for the year		–	–	–	–	–	10,312	965	–	2,403	116,942	–	130,622	2,106	132,728
Transfer of depreciation on buildings		–	–	–	–	–	(1,903)	–	–	–	1,903	–	–	–	–
Transfer upon disposal of building		–	–	–	–	–	(1,091)	–	–	–	1,091	–	–	–	–
Disposal of subsidiaries	37	–	–	–	–	–	–	–	–	57	–	–	57	(749)	(692)
Dividends paid/payable to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(3,745)	(3,745)
Issue of shares	34	190	1,414	–	–	–	–	–	–	–	–	–	1,604	–	1,604
Proposed final 2013 dividend	12	–	–	–	–	–	–	–	–	–	(8,212)	8,212	–	–	–
At 31 March 2013		41,061	536,421*	10,648*	(1,855)*	28,257*	29,682*	590*	1,126*	49,855*	641,940*	8,212	1,345,937	162,818	1,508,755

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

		Attributable to owners of the parent													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 36(a))	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve fund HK$'000 (note 36(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013		41,061	536,421	10,648	(1,855)	28,257	29,682	590	1,126	49,855	641,940	8,212	1,345,937	162,818	1,508,755
Profit for the year		-	-	-	-	-	-	-	-	-	165,035	-	165,035	(6,589)	158,446
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	934	-	-	934	182	1,116
Change in fair value of available-for-sale investments	22	-	-	-	-	-	-	(421)	-	-	-	-	(421)	-	(421)
Total comprehensive income for the year		-	-	-	-	-	-	(421)	-	934	165,035	-	165,548	(6,407)	159,141
Transfer of depreciation on buildings		-	-	-	-	-	(2,044)	-	-	-	2,044	-	-	-	-
Disposal of subsidiaries	37	-	-	-	-	-	-	-	-	(1,343)	-	-	(1,343)	(546)	(1,889)
Dividends paid/payable to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(12,833)	(12,833)
Distribution to non-controlling interests upon deregistration of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(20,818)	(20,818)
Issue of shares	34	1,040	9,179	-	-	(322)	-	-	-	-	-	-	9,897	-	9,897
Final 2013 dividend declared	12	-	-	-	-	-	-	-	-	-	(196)	(8,212)	(8,408)	-	(8,408)
Interim 2014 dividend	12	-	-	-	-	-	-	-	-	-	(8,408)	-	(8,408)	-	(8,408)
Proposed final 2014 dividend	12	-	-	-	-	-	-	-	-	-	(42,101)	42,101	-	-	-
At 31 March 2014		42,101	545,600*	10,648*	(1,855)*	27,935*	27,638*	169*	1,126*	49,446*	758,314*	42,101	1,503,223	122,214	1,625,437

* These reserve accounts comprise the consolidated reserves of HK$1,419,021,000 (2013: HK$1,296,664,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**207,780**	167,665
Adjustments for:			
Finance costs	6	**20,853**	17,644
Share of losses of joint ventures		**14,400**	13,078
Share of losses of associates		**1**	11
Bank interest income	5	**(2,388)**	(1,019)
Dividend income from unlisted available-for-sale investments	5	**(787)**	(524)
Gain on disposal of subsidiaries	37	**(44,855)**	(8,130)
Gain on disposal of properties held for sale	5	**–**	(14,804)
Gain on disposal of an investment property	5	**–**	(23,300)
Fair value gains on investment properties	5, 7	**(740)**	(7,100)
Gain on disposal of intangible asset	5	**–**	(300)
Amortisation of intangible assets	7	**26,105**	20,709
Depreciation	7	**192,111**	170,832
Fair value loss/(gain) on derivative financial instruments	7	**(7,428)**	2,424
Fair value gain on financial asset at fair value through profit or loss	5, 7	**(269)**	(556)
Loss on disposal of items of property, plant and equipment, net	7	**2,007**	4,727
Recognition of prepaid land lease payments	7	**3,827**	4,173
Recognition of deferred income		**(6,653)**	(3,731)
Impairment of trade receivables	7	**1,599**	5,777
Impairment of other receivables	7	**9,129**	2,059
Impairment of goodwill	7	**11,015**	–
Impairment of interest in a joint venture	7	**21,168**	–
Write-off of interest in a joint venture	7	**1,268**	–
Write-off of interest in an associate	7	**1,200**	–
Write-off of items of property, plant and equipment	7	**16,248**	–
		465,591	349,635
Decrease in balances with joint venturers		**9,593**	(2,491)
Decrease in balances with associates		**80**	–
Increase in inventories		**(3,665)**	(1,517)
Decrease/(increase) in trade receivables		**10,770**	(36,014)
Decrease/(increase) in prepayments, deposits and other receivables		**(43,409)**	22,285
Decrease/(increase) in restricted cash		**5,825**	(6,449)
Decrease in trade payables		**(6,189)**	(2,610)
Increase in accruals, other payables and deposits received		**55,511**	11,325
Increase/(decrease) in other long term liabilities		**(7,631)**	8,436
Cash generated from operations		**486,476**	342,600

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash generated from operations		**486,476**	342,600
Bank interest received		**2,388**	1,019
Interest paid		**(20,792)**	(17,644)
Interest element of finance lease rental payments		**(61)**	–
Hong Kong profits tax paid		**(25,741)**	(20,452)
Overseas taxes paid		**(7,880)**	(11,251)
Net cash flows from operating activities		**434,390**	294,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from unlisted available-for-sale investments		**787**	524
Deposits paid for purchases of items of property, plant and equipment		**(80,443)**	(5,291)
Proceeds from disposal of items of property, plant and equipment		**4,096**	14,679
Purchases of items of property, plant and equipment		**(139,981)**	(234,179)
Proceeds from disposal of an investment property		**–**	65,000
Additions to intangible assets		**(61,144)**	(71,651)
Proceeds from disposal of an intangible asset		**–**	2,200
Additions to prepaid land lease payments		**(396)**	(22,449)
Deposits paid on purchases of intangible assets		**–**	(10,249)
Considerations received from disposal of subsidiaries	37	**40,137**	16,002
Receipts of government subsidies		**20,152**	–
Decrease/(increase) in pledged time deposits		**2,023**	(7,094)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(926)**	(20,421)
Net cash flows used in investing activities		**(215,695)**	(272,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	**9,897**	1,604
Drawdown of new bank loans		**203,438**	166,523
Repayment of bank loans		**(231,323)**	(210,705)
Repayment of other loan		**(28,580)**	–
Capital element of finance lease rental payments		**(241)**	–
Dividends paid		**(16,816)**	–
Dividends paid to non-controlling shareholders		**(12,833)**	(3,745)
Net cash flows used in financing activities		**(76,458)**	(46,323)

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**142,237**	(24,980)
Cash and cash equivalents at beginning of year		**262,522**	286,603
Effect of foreign exchange rate changes, net		**(1,606)**	899
CASH AND CASH EQUIVALENTS AT END OF YEAR		**403,153**	262,522
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**304,142**	254,276
Non-pledged time deposits with original maturity of less than three months when acquired		**5,920**	8,246
Non-pledged time deposits with original maturity of more than three months when acquired		**20,513**	33,256
Cash and cash equivalents as stated in the consolidated statement of financial position		**330,575**	295,778
Non-pledged time deposits with original maturity of more than three months when acquired		**(20,513)**	(33,256)
Cash and short term deposits attributable to a disposal group classified as held for sale	38	**106,727**	–
Non-pledged time deposits with original maturity of more than three months when acquired attributable to a disposal group classified as held for sale		**(13,636)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**403,153**	262,522

Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**734,409**	684,627
CURRENT ASSETS			
Prepayments	25	**197**	196
Bank balances	26	**1,035**	964
Total current assets		**1,232**	1,160
CURRENT LIABILITIES			
Accruals and other payables	28	**260**	252
NET CURRENT ASSETS		**972**	908
Net assets		**735,381**	685,535
EQUITY			
Issued capital	34	**42,101**	41,061
Reserves	36(b)	**651,179**	636,262
Proposed final dividend	12	**42,101**	8,212
Total equity		**735,381**	685,535

Wong Leung Pak, Matthew
Director

Wong Cheuk On, James
Director

Notes to Financial Statements

31 March 2014

1. CORPORATE INFORMATION

Kwoon Chung Bus Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- provision of non-franchised, franchised and Mainland China bus services
- provision of limousine services
- provision of tourism and related services
- provision of hotel services
- provision of other transportation services

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, investment properties, certain available-for-sale investments, financial asset at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Assets of a disposal group held for sale are stated at the lower of the carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION – CONTINUED

Basis of consolidation – continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13 and amendments to HKAS 1 and HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – CONTINUED

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the Group's investments in joint arrangements, which were previously classified as jointly-controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and be accounted for using the equity method. The application of HKFRS 11 does not change the accounting for investments in joint ventures as at 1 April 2013.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 19, 20 and 21 to the financial statements.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of certain buildings classified as property, plant and equipment, investment properties and financial instruments are included in notes 14, 15 and 46 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – CONTINUED

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in notes 18 and 20 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Effective for annual periods beginning on or after 1 January 2016

[4] No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Interests in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interests in associates and joint ventures – continued

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations and goodwill – continued

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its certain buildings classified as property, plant and equipment, investment properties, certain available-for-sale investments, financial asset at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair value measurement – continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and leasehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Leasehold land and buildings are stated at valuation less accumulated depreciation and any impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life of each asset is as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 30 years
Hotel building	Over the lease terms of 50 years
Bus terminal structure	8 years
Garage and leasehold improvements	5 years
Motor buses and vehicles	5 to 12 years
Furniture, fixtures and office machinery	5 to 8 years
Equipment and tools	6 to 8 years
Scenic area establishments	8 to 37 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment and depreciation – continued

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a scenic establishment, buildings under construction and motor vehicles under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and installation during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic lives of 3 to 30 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's intangible assets represent (i) bus route operating rights and customer relationships with finite useful lives and are stated at cost, which comprise the purchase prices thereof, less accumulated amortisation and any impairment losses; and (ii) passenger service licences and trade name with indefinite useful lives, which are stated at cost less any impairment losses.

Passenger service licences and trade name of the Group are regarded to have indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets – continued

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derecognition of financial assets – continued

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of financial assets – continued

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial liabilities – continued

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swap, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Properties held for sale

Properties held for sale are stated at the lower of their carrying value or cost and net realisable value, which is determined by reference to the prevailing market prices, on an individual property basis. Carrying value represents the cost, net of accumulated depreciation, upon reclassification from property, plant and equipment.

Inventories

Inventories, represent spare parts and other consumables, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on the estimated replacement cost.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income tax – continued

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the provision of transportation services, in the period in which the related services are rendered;

(b) from the provision of tour services, when the tours have arrived at their destinations;

(c) from the provision of hotel services, when the related services have been rendered;

(d) advertising income, on a time proportion basis over the terms of the underlying contracts;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Deferred income

Deferred income represents service fees received in advance from the rendering of the corresponding services. Revenue is recognised and deferred income is released to the statement of profit or loss when the corresponding services have been rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Share-based payments – continued

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the future. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the period by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of intangible assets with indefinite lives and goodwill

The Group determines whether the intangible assets with indefinite lives or goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets with indefinite lives or goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

Estimation uncertainty – continued

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future utilisation of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value declines below their carrying amounts of inventories. Due to changes in technological, market and economic environment and customers' preference, actual utilisation of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(iv) Estimation of fair value of investment properties and buildings

Investment properties and buildings are stated at their fair values. The fair value at the end of each reporting period was based on a valuation on these properties estimated by the directors or conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and buildings and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss or other comprehensive income.

(v) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in provision of services, or from a change in the market demand for the product or service output of an asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

Estimation uncertainty – continued

(vi) Useful lives of intangible assets with definite useful lives

Management determines the estimated useful lives of the Group's intangible assets with definite lives for the calculation of amortisation of intangible assets. This estimate is determined after considering the expected period in which economic benefits can be generated from the intangible assets in which the intangible assets relate to. Management reviews the estimated useful lives on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates.

(vii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its customers and other debtors to make the required payments. The Group makes its estimates based on, inter alia, the ageing of its trade receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(viii) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has seven reportable operating segments as follows:

(a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong;

(b) the limousine segment includes the provision of limousine hire services in Hong Kong;

(c) the franchised bus segment includes the provision of franchised bus services in Lantau Island, Hong Kong;

(d) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Hubei and Guangdong, Mainland China;

(e) the tourism segment engages in travel agency, tour service and scenic area businesses in Hong Kong or Mainland China;

(f) the hotel segment represents the provision of hotel services in Chongqing, Mainland China; and

(g) the "others" segment comprises, principally, the provision of other transportation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that finance costs and gain on disposal of subsidiaries are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposits, available-for-sale investments and financial asset at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the current year, the Group changed the internal reporting structure and performance measurement for resources allocation decision-making and performance assessment. Accordingly, an additional reportable operating segment of "Limousine" was separately disclosed and certain comparative amounts previously reported under the reportable operating segments of "Non-franchised bus" and "Franchised bus" have been reclassified and restated to conform with the current year's presentation.

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2014

	Non-franchised bus HK$'000	Limousine HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:									
External sales	1,590,335	166,859	151,472	126,742	126,335	27,363	210	–	2,189,316
Intersegment sales	17,603	16,559	50	–	–	–	30	(34,242)	–
Other revenue	38,022	834	2,703	16,983	3,974	19	10	(2,152)	60,393
Total	1,645,960	184,252	154,225	143,725	130,309	27,382	250	(36,394)	2,249,709
Segment results	228,939	8,587	10,153	(29,077)	(30,701)	(3,598)	(525)	–	183,778
Reconciliation:									
Gain on disposal of subsidiaries									44,855
Finance costs									(20,853)
Profit before tax									207,780
Segment assets	2,006,725	77,118	125,338	406,326	297,459	106,508	2,116	–	3,021,590
Reconciliation:									
Unallocated assets									50,455
Total assets									3,072,045
Segment liabilities	298,507	2,944	17,591	201,563	62,817	14,543	2,633	–	600,598
Reconciliation:									
Unallocated liabilities									846,010
Total liabilities									1,446,608

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2014 (continued)

	Non-franchised bus HK$'000	Limousine HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:								
Share of losses of:								
– a joint venture	–	–	–	(14,400)	–	–	–	(14,400)
– associates	(1)	–	–	–	–	–	–	(1)
Capital expenditure	225,028	773	5,252	24,965	34,096	1,510	10,751	302,375
Amortisation of intangible assets	23,143	–	–	2,962	–	–	–	26,105
Bank interest income	1,723	–	–	608	41	10	6	2,388
Depreciation	126,150	13,881	14,535	13,243	21,015	3,286	1	192,111
Recognition of prepaid land lease payments	7	–	–	3,217	31	572	–	3,827
Impairment of trade receivables	1,544	55	–	–	–	–	–	1,599
Impairment of other receivables	–	–	–	7,947	1,182	–	–	9,129
Impairment of goodwill	5,733	–	–	5,282	–	–	–	11,015
Impairment of interest in a joint venture	–	–	–	21,168	–	–	–	21,168
Write-off of interest in a joint venture	–	–	–	1,268	–	–	–	1,268
Write-off of items of property, plant and equipment	–	–	–	–	16,248	–	–	16,248
Write-off of interest in an associate	1,200	–	–	–	–	–	–	1,200
Fair value gains on investment properties	740	–	–	–	–	–	–	740
Loss/(gain) on disposal of items of property, plant and equipment, net	1,375	585	(94)	(247)	380	8	–	2,007

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including deposits paid for purchases of items of property, plant and equipment, and deposits paid for acquisitions of equity investments.

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2013

	Non-franchised bus HK$'000 (Restated)	Limousine HK$'000 (Restated)	Franchised bus HK$'000 (Restated)	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:									
External sales	1,494,922	163,089	141,932	116,544	134,660	23,469	882	–	2,075,498
Intersegment sales	1,610	15,539	97	–	40	–	–	(17,286)	–
Other revenue	61,380	861	3,106	31,531	8,158	169	–	(2,405)	102,800
Total	1,557,912	179,489	145,135	148,075	142,858	23,638	882	(19,691)	2,178,298
Segment results	190,880	8,779	11,958	(30,918)	5,309	(7,077)	(1,752)	–	177,179
Reconciliation:									
Gain on disposal of subsidiaries									8,130
Finance costs									(17,644)
Profit before tax									167,665
Segment assets	1,862,160	89,119	125,958	436,571	292,256	110,919	2,309	–	2,919,292
Reconciliation:									
Unallocated assets									52,764
Total assets									2,972,056
Segment liabilities	276,396	3,513	22,300	116,347	50,035	23,914	2,146	–	494,651
Reconciliation:									
Unallocated liabilities									968,650
Total liabilities									1,463,301

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2013 (continued)

	Non-franchised bus HK$'000 (Restated)	Limousine HK$'000 (Restated)	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:								
Share of losses of:								
– a joint venture	–	–	–	(13,078)	–	–	–	(13,078)
– associates	(11)	–	–	–	–	–	–	(11)
Capital expenditure	199,715	–	13,957	4,205	19,055	20,224	64,259	321,415
Amortisation of intangible assets	17,675	–	–	3,034	–	–	–	20,709
Bank interest income	194	–	–	744	72	9	–	1,019
Depreciation	121,668	15,665	13,230	11,051	6,717	2,497	4	170,832
Recognition of prepaid land lease payments	7	–	–	3,602	7	557	–	4,173
Impairment of trade receivables	5,777	–	–	–	–	–	–	5,777
Impairment of other receivables	–	–	–	2,059	–	–	–	2,059
Fair value gains on investment properties	7,100	–	–	–	–	–	–	7,100
Loss/(gain) on disposal of items of property, plant and equipment, net	2,238	101	(115)	2,422	10	71	–	4,727

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including deposits paid for purchases of items of property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION – CONTINUED

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Hong Kong	**1,942,578**	1,832,905
Mainland China	**246,738**	242,593
	2,189,316	2,075,498

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
Hong Kong	**1,425,281**	1,551,349
Mainland China	**596,830**	599,063
	2,022,111	2,150,412

The non-current asset information above is based on the location of the assets and excludes interests in joint ventures and associates, available-for-sale investments, financial asset at fair value through profit or loss and deferred tax assets.

Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2013: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents bus fares and the invoiced value of coach and limousine hire and travel-related services, tour and hotel services.

An analysis of revenue, other income and gains is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Revenue		
Provision of non-franchised bus services (restated)	**1,590,335**	1,494,922
Provision of limousine services (restated)	**166,859**	163,089
Provision of franchised bus services	**151,472**	141,932
Provision of Mainland China bus services	**126,742**	116,544
Provision of tourism services	**126,335**	134,660
Provision of hotel services	**27,363**	23,469
Provision of other transportation services	**210**	882
	2,189,316	2,075,498
Other income		
Bank interest income	**2,388**	1,019
Gross rental income	**5,592**	5,384
Advertising income	**2,771**	2,684
Government subsidies (note (i))	**11,531**	10,258
Dividend income from unlisted available-for-sale investments	**787**	524
Others	**20,116**	30,973
	43,185	50,842
Gains		
Fair value gains on investment properties	**740**	7,100
Foreign exchange differences, net	**8,771**	5,898
Gain on disposal of subsidiaries	**44,855**	8,130
Gain on disposal of properties held for sale	**–**	14,804
Gain on disposal of an investment property	**–**	23,300
Gain on disposal of intangible asset	**–**	300
Fair value gain on financial asset at fair value through profit or loss	**269**	556
Fair value gain on derivative financial instruments	**7,428**	–
	62,063	60,088
	105,248	110,930

Note:

(i) Various government subsidies have been received by certain subsidiaries in connection with the replacement of environmental friendly commercial vehicles. The subsidies are credited to a deferred income account and are released to the statement of profit or loss over the expected useful lives of the motor vehicles. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**20,792**	13,732
Bank loans wholly repayable after five years	**–**	3,912
Finance leases	**61**	–
	20,853	17,644

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2014	2013
	HK$'000	HK$'000
Amortisation of intangible assets (note (ii))	**26,105**	20,709
Auditors' remuneration	**2,700**	2,470
Depreciation (note (ii))	**192,111**	170,832
Employee benefit expense (note (ii))		
(including directors' remuneration – note 8):		
Wages, salaries, bonuses and other benefits	**710,953**	672,666
Pension scheme contributions (note (iii))	**38,286**	33,587
	749,239	706,253

7. PROFIT BEFORE TAX – CONTINUED

	Group 2014 HK$'000	Group 2013 HK$'000
Rental income less direct operating expenses of HK$53,000 (2013: HK$43,000)	**(5,539)**	(5,341)
Fair value loss/(gain) on derivative financial instruments	**(7,428)**	2,424
Fair value gains on investment properties	**(740)**	(7,100)
Fair value gain on financial asset at fair value through profit or loss	**(269)**	(556)
Minimum lease payments under operating leases (note (ii)):		
Land and buildings	**23,811**	16,486
Bus depots, terminals and car parks	**67,193**	67,918
Motor buses and coaches and bus route operating rights	**97,365**	115,438
	188,369	199,842
Recognition of prepaid land lease payments	**3,827**	4,173
Impairment of trade receivables (note (i))	**1,599**	5,777
Impairment of other receivables (note (i))	**9,129**	2,059
Impairment of goodwill (note (i))	**11,015**	–
Impairment of interest in a joint venture (note (i))	**21,168**	–
Loss on disposal of items of property, plant and equipment, net (note (i))	**2,007**	4,727
Write-off of interest in a joint venture (note (i))	**1,268**	–
Write-off of items of property, plant and equipment (note (i))	**16,248**	–
Write off of interest in an associate (note (i))	**1,200**	–

Notes:

(i) These items were included in "Other expenses, net" on the face of the consolidated statement of profit or loss.

(ii) The cost of services rendered for the year amounted to HK$1,692,626,000 (2013: HK$1,651,804,000) and included amortisation of intangible assets of HK$26,105,000 (2013: HK$20,709,000), depreciation charges of HK$173,288,000 (2013: HK$153,524,000), employee benefit expense of HK$592,219,000 (2013: HK$556,531,000) and operating lease rentals of HK$171,383,000 (2013: HK$184,506,000).

(iii) As at 31 March 2014, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2013: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**530**	515
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**16,747**	16,294
Pension scheme contributions	**1,143**	1,350
	17,890	17,644
	18,420	18,159

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	HK$'000	HK$'000
Chan Bing Woon, SBS, JP	**190**	185
Sung Yuen Lam	**170**	165
Lee Kwong Yin, Colin	**170**	165
	530	515

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' REMUNERATION – CONTINUED

(b) Executive directors

	Fees HK$'000	Salaries, discretionary bonuses and other benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014				
Wong Leung Pak, Matthew	**–**	**7,669**	**389**	**8,058**
Wong Chung Pak, Thomas	**–**	**4,409**	**365**	**4,774**
Wong Wing Pak	**–**	**4,669**	**389**	**5,058**
Cheng Wai Po, Samuel	**–**	**–**	**–**	**–**
Chung Chak Man, William	**–**	**–**	**–**	**–**
	–	**16,747**	**1,143**	**17,890**
2013				
Wong Leung Pak, Matthew	–	4,390	353	4,743
Wong Chung Pak, Thomas	–	4,190	341	4,531
Wong Wing Pak	–	4,450	365	4,815
Cheng Wai Po, Samuel	–	–	–	–
Chung Chak Man, William	–	–	–	–
Cheng King Hoi, Andrew*	–	1,010	90	1,100
Ng King Yee*	–	592	53	645
Chan Yu Kwong, Francis*	–	953	88	1,041
Mok Wah Fun, Peter*	–	709	60	769
	–	16,294	1,350	17,644

* Mr. Cheng King Hoi, Andrew, Mr. Ng King Yee, Mr. Chan Yu Kwong, Francis and Mr. Mok Wah Fun, Peter resigned as executive directors of the Company on 5 December 2012. Accordingly, the above directors' remuneration only included remuneration before their resignation as executive directors of the Company on 5 December 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three (2013: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, discretionary bonuses and other benefits	7,304	4,533
Pension scheme contributions	162	29
	7,466	4,562

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	1	–
HK$4,500,001 to HK$5,000,000	1	–
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax ("LAT") of the People's Republic of China ("PRC") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	Group	
	2014 HK$'000	2013 HK$'000
Current:		
Hong Kong		
Charge for the year	49,206	23,446
Overprovision in prior years	(3,031)	(2,304)
Mainland China		
Charge for the year	11,894	12,245
LAT	–	6,567
Deferred (note 33)	(8,735)	10,182
Total tax charge for the year	49,334	50,136

10. INCOME TAX – CONTINUED

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rates is as follows:

Group – 2014

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	244,523	16.5	(36,743)	25.0	207,780	
Tax at the statutory tax rate	40,346		(9,186)		31,160	
Adjustments in respect of current tax of prior periods	(3,031)		–		(3,031)	
Losses attributable to a joint venture and associates	–		3,600		3,600	
Income not subject to tax	(9,639)		(1,290)		(10,929)	
Expenses not deductible for tax	14,025		14,596		28,621	
Tax losses utilised from previous periods	(3,909)		(370)		(4,279)	
Tax losses not recognised	67		4,125		4,192	
Tax charge at the Group's effective tax rate	37,859	15.5	11,475	(31.2)	49,334	23.7

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	197,197		(29,532)		167,665	
Tax at the statutory tax rate	32,538	16.5	(7,383)	25.0	25,155	
Adjustments in respect of current tax of prior periods	(2,304)		–		(2,304)	
LAT	–		6,567		6,567	
Losses attributable to joint ventures and associates	2		3,269		3,271	
Income not subject to tax	(13,371)		(1,023)		(14,394)	
Expenses not deductible for tax	20,591		15,326		35,917	
Tax losses utilised from previous periods	(6,019)		(492)		(6,511)	
Tax losses not recognised	–		2,435		2,435	
Tax charge at the Group's effective tax rate	31,437	15.9	18,699	(63.3)	50,136	29.9

The share of tax charge attributable to joint ventures amounting to HK$3,092,000 (2013: tax credit of HK$3,522,000), is included in "Share of losses of joint ventures" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2014 includes a profit of HK$56,765,000 (2013: HK$8,771,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Additional 2013 final – HK2.0 cents per ordinary share	**196**	–
Interim – HK2.0 cents (2013: Nil) per ordinary share	**8,408**	–
Proposed final – HK10.0 cents (2013: HK2.0 cents) per ordinary share	**42,101**	8,212
	50,705	8,212

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Actual 2013 final dividend paid was HK$8,408,000, of which HK$196,000 was paid in respect of shares issued for employee share options exercised after 31 March 2013 and whose names appeared on the Company's register of members on 28 August 2013.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$165,035,000 (2013: HK$116,942,000), and the weighted average number of ordinary shares of 417,518,329 (2013: 409,724,356) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$165,035,000 (2013: HK$116,942,000), and the weighted average number of ordinary shares of 417,518,329 (2013: 409,724,356) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 9,187,272 (2013: 8,219,274) assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic area establishments HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2014										
At cost or valuation:										
At beginning of year	83,053	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,924,681
Additions	1,989	-	358	4,457	86,754	6,956	8,843	-	37,223	146,580
Disposals	-	-	-	(4,108)	(35,706)	(3,448)	(3,994)	-	-	(47,256)
Disposals of subsidiaries (note 37)	(2,243)	-	-	-	(721)	(733)	-	-	-	(3,697)
Assets included in a disposal group classified as held for sale (note 38)	(40,862)	-	-	(5,940)	(72,344)	(10,653)	(75)	-	(32,982)	(162,856)
Write-off	-	-	-	-	-	-	-	(16,951)	-	(16,951)
Reclassification	-	17,441	-	-	-	-	-	69,006	(86,447)	-
Exchange realignment	(29)	(474)	(1)	94	(70)	30	(54)	(1,181)	630	(1,055)
At 31 March 2014	41,908	112,780	3,045	20,037	1,341,312	60,350	38,776	221,238	-	1,839,446
Accumulated depreciation and impairment:										
At beginning of year	23,086	27,339	2,185	16,837	551,184	42,656	20,854	2,416	-	686,557
Provided during the year	3,887	2,287	119	3,487	156,978	5,126	5,967	14,260	-	192,111
Disposals	-	-	-	(4,025)	(30,918)	(2,269)	(3,941)	-	-	(41,153)
Disposals of subsidiaries (note 37)	(2,125)	-	-	-	(507)	(704)	-	-	-	(3,336)
Assets included in a disposal group classified as held for sale (note 38)	(15,897)	-	-	(5,915)	(27,343)	(6,812)	(67)	-	-	(56,034)
Write-off	-	-	-	-	-	-	-	(703)	-	(703)
Exchange realignment	1	(91)	-	50	(16)	22	(24)	(226)	-	(284)
At 31 March 2014	8,952	29,535	2,304	10,434	649,378	38,019	22,789	15,747	-	777,158
Net book value:										
At 31 March 2014	32,956	83,245	741	9,603	691,934	22,331	15,987	205,491	-	1,062,288

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic area establishments HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2013										
At cost or valuation:										
At beginning of year	81,617	92,062	2,884	20,164	1,269,134	64,062	35,807	–	220,157	1,785,887
Additions	516	2,623	179	7,392	193,839	6,057	5,883	–	27,864	244,353
Disposals	(2,153)	(173)	(375)	(2,159)	(101,005)	(2,324)	(7,664)	–	–	(115,853)
Reclassification	–	–	–	–	–	–	–	168,133	(168,133)	–
Revaluation surplus	12,349	–	–	–	–	–	–	–	–	12,349
Transfer upon revaluation*	(9,501)	–	–	–	–	–	–	–	–	(9,501)
Exchange realignment	225	1,301	–	137	1,431	403	30	2,231	1,688	7,446
At 31 March 2013	83,053	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,924,681
Accumulated depreciation and impairment:										
At beginning of year	29,020	25,308	2,459	15,690	484,524	39,372	23,781	–	–	620,154
Provided during the year	3,417	1,753	104	3,053	150,574	5,228	4,319	2,384	–	170,832
Disposals	–	(96)	(378)	(2,036)	(84,567)	(2,114)	(7,256)	–	–	(96,447)
Transfer upon revaluation*	(9,501)	–	–	–	–	–	–	–	–	(9,501)
Exchange realignment	150	374	–	130	653	170	10	32	–	1,519
At 31 March 2013	23,086	27,339	2,185	16,837	551,184	42,656	20,854	2,416	–	686,557
Net book value:										
At 31 March 2013	59,967	68,474	503	8,697	812,215	25,542	13,202	167,948	81,576	1,238,124

* The transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued assets.

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Analysis of cost and valuation:

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic area establishments HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2014										
Analysis of cost or valuation:										
At cost	–	112,780	3,045	20,037	1,341,312	60,350	38,776	221,238	–	1,797,538
At valuation	41,908	–	–	–	–	–	–	–	–	41,908
	41,908	112,780	3,045	20,037	1,341,312	60,350	38,776	221,238	–	1,839,446
31 March 2013										
Analysis of cost or valuation:										
At cost	–	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,841,628
At valuation	83,053	–	–	–	–	–	–	–	–	83,053
	83,053	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,924,681

The Group's leasehold lands held under finance leases are included in property, plant and equipment with a net carrying amount of HK$4,738,000 (2013: HK$4,880,000), which are situated in Hong Kong and are held under medium term leases.

Certain of the Group's motor buses and vehicles with an aggregate net carrying amount of HK$986,000 (2013: Nil) were held under finance leases as set out in note 31 to the financial statements.

At 31 March 2014, certain of the Group's property, plant and equipment of HK$155,411,000 (2013: HK$121,922,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

Certain of the Group's shop units in the hotel building and certain of the Group's motor buses and vehicles are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

The Group's leasehold land and buildings consist of two bus depots, two commercial properties in Hong Kong, and three commercial properties in Mainland China. The directors of the Company have determined that the leasehold land and buildings consist of two classes of asset, i.e. bus depots and commercial properties, based on the nature, characteristics and risks of each property. Every three years, the Group appoints an external valuer to be responsible for the external valuations of the Group's leasehold land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results every three years when the valuation is performed for financial reporting.

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

At 31 March 2013, the Group's leasehold land and buildings were revaluated individually by the directors of the Company with reference to the valuations performed by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using either the depreciated replacement cost method, and recent prices of similar properties. In the opinion of the directors, the fair values of the leasehold land and buildings were approximately the same as the carrying values of the respective assets at 31 March 2014.

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$21,016,000 (2013: HK$26,726,000) as at 31 March 2014.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and buildings:

	Fair value measurement as at 31 March 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Bus depots	–	–	20,784	20,784
Commercial properties	–	–	12,172	12,172
	–	–	32,956	32,956

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Bus depots HK$'000	Commercial properties HK$'000	Total HK$'000
Carrying amount at 1 April 2013	21,710	38,257	59,967
Additions	–	1,989	1,989
Depreciation	(926)	(2,961)	(3,887)
Disposals of subsidiaries	–	(118)	(118)
Assets included in a disposal group classified as held for sale	–	(24,965)	(24,965)
Exchange realignment	–	(30)	(30)
Carrying amount at 31 March 2014	20,784	12,172	32,956

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Fair value hierarchy – continued

Below is a summary of the valuation techniques used and the key inputs to the valuation of leasehold land and buildings:

	Valuation techniques	**Significant unobservable inputs**	**Range**
Bus depots	Depreciated replacement cost method	Current construction cost for building (per square meter)	HK$8,300 to HK$16,000
		Depreciation rate (p.a.)	2%
Commercial properties	Market comparison method	Price per square foot	HK$1,900 to HK$17,000

A significant increase (decrease) in the current construction cost for building in isolation would result in a significant increase (decrease) in the fair value of bus depots. A significant increase (decrease) in the depreciation rate in isolation would result in a significant decrease (increase) in the fair value of bus depots. The bus depots are valued by the depreciated replacement cost method. The valuations take into account the current construction costs for similar buildings and structures in the locality, age, conditions and functional obsolescence collectively.

A significant increase (decrease) in the price per square foot would result in a significant increase (decrease) in the fair value of the commercial properties. The commercial properties are valued by the market comparison method having regard to comparable sales transactions as available in the relevant market. The valuations take into account the characteristics of the properties which included the location, size, floor level, year of completion and other factors collectively.

15. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 April	**25,300**	59,900
Net gain from a fair value adjustment	**740**	7,100
Disposal	**–**	(41,700)
Carrying amount at 31 March	**26,040**	25,300

Certain of the Group's investment properties with a carrying amount of HK$23,540,000 (2013: HK$23,300,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties consist of one industrial property and one parking space in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., industrial and parking space, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2014 based on valuations performed by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, at HK$26,040,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

15. INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Industrial property	–	–	23,540	23,540
Parking space	–	–	2,500	2,500
	–	–	26,040	26,040

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial property HK$'000	Parking space HK$'000
Carrying amount at 1 April 2013	23,300	2,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	240	500
Carrying amount at 31 March 2014	23,540	2,500

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Industrial property	Market comparison method	Price per square foot	HK$10,000 to HK$11,000 (HK$10,000)
Parking space	Market comparison method	Price per unit	HK$2,300,000 to HK$2,700,000 (HK$2,500,000)

A significant increase (decrease) in the price per square foot and the price per unit in isolation would result in a significant increase (decrease) in the fair value of the investment properties. The investment properties are valued by the market comparison method having regard to comparable sales transactions as available in the relevant market. The valuations take into account the characteristics of the properties which included the location, size, floor level, year of completion and other factors collectively.

16. PREPAID LAND LEASE PAYMENTS

		Group	
	Notes	2014 HK$'000	2013 HK$'000
Carrying amount at 1 April		**69,133**	48,072
Additions		**396**	24,310
Recognised during the year		**(3,827)**	(4,173)
Assets included in a disposal group classified as held for sale	38	**(49,840)**	–
Exchange realignment		**(91)**	924
Carrying amount at 31 March		**15,771**	69,133
Current portion included in prepayments, deposits and other receivables	25	**(592)**	(3,794)
Non-current portion		**15,179**	65,339

At 31 March 2013, certain of the Group's leasehold lands amounting to HK$15,754,000 were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

The leasehold lands are situated in Mainland China and are held under the following lease terms:

	Group	
	2014 HK$'000	2013 HK$'000
Long term lease	**381**	388
Medium term leases	**15,390**	68,745
	15,771	69,133

17. OTHER INTANGIBLE ASSETS

Group	Passenger service licences HK$'000	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2014					
Cost at 1 April 2013, net of accumulated amortisation	320,709	215,792	57,504	639	594,644
Additions	24,800	46,593	–	–	71,393
Amortisation provided during the year	–	(25,786)	–	(319)	(26,105)
Assets included in a disposal group classified as held for sale (note 38)	–	(4,613)	–	–	(4,613)
Exchange realignment	–	33	–	–	33
At 31 March 2014	345,509	232,019	57,504	320	635,352
At 31 March 2014:					
Cost	345,509	290,718	57,504	959	694,690
Accumulated amortisation	–	(58,699)	–	(639)	(59,338)
Net carrying amount	345,509	232,019	57,504	320	635,352

Group	Passenger service licences HK$'000	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2013					
Cost at 1 April 2012, net of accumulated amortisation	304,958	182,076	57,504	959	545,497
Additions	17,651	54,000	–	–	71,651
Disposal	(1,900)	–	–	–	(1,900)
Amortisation provided during the year	–	(20,389)	–	(320)	(20,709)
Exchange realignment	–	105	–	–	105
At 31 March 2013	320,709	215,792	57,504	639	594,644
At 31 March 2013:					
Cost	320,709	268,291	57,504	959	647,463
Accumulated amortisation	–	(52,499)	–	(320)	(52,819)
Net carrying amount	320,709	215,792	57,504	639	594,644

Passenger service licences and trade name have been allocated to the non-franchised bus cash-generating unit. Details of impairment testing are set out in note 18 to the financial statements.

18. GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
Cost at beginning of year, net of accumulated impairment	**187,104**	187,104
Impairment during the year	**(11,015)**	–
Assets included in a disposal group classified as held for sale (note 38)	**(6,686)**	–
Carrying value at end of reporting period	**169,403**	187,104
At 31 March 2014:		
Cost	**179,069**	191,503
Accumulated impairment	**(9,666)**	(4,399)
Net carrying amount	**169,403**	187,104

Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations, passenger service licences and trade name have been allocated to the following groups of cash-generating units for impairment testing:

- Mainland China bus group of cash-generating units
- Non-franchised bus group of cash-generating units

The recoverable amounts of the cash-generating units within the Mainland China bus group and the non-franchised bus group have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a ten-year period, which approximate to the average useful lives of motor buses and vehicles. The discount rates applied to the cash flow projections ranges from 3.0% to 5.8% (2013: 3.02%). The rates do not exceed the long term average growth rates for the relevant markets.

As a result of this impairment testing, management has recognised impairment losses against goodwill of HK$5,281,000 for a cash-generating unit within the Mainland China bus group and HK$5,734,000 for a cash-generating unit within the non-franchised bus group, respectively. As at 31 March 2014, the respective recoverable amounts in which impairment of goodwill was recognised, were HK$78,584,000 and Nil. The impairment losses are recorded within other expenses, net in the statement of profit or loss.

The carrying amounts of goodwill, passenger service licences and trade name allocated to each of the group of cash-generating units are as follows:

	Mainland China bus		Non-franchised bus		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**–**	11,967	**169,403**	175,137	**169,403**	187,104
Carrying amount of intangible assets with indefinite lives	**–**	–	**403,013**	378,213	**403,013**	378,213

18. GOODWILL – CONTINUED

Impairment testing of goodwill and intangible assets with indefinite lives – continued

Assumptions were used in the value in use calculation of the Mainland China bus and the non-franchised bus cash-generating units for the years ended 31 March 2014 and 31 March 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences and trade name:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

General price inflation – The inflation rates used are with reference to current market conditions.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**637,483**	587,379
Capital contribution in respect of employee share-based compensation	**25,856**	26,178
	734,409	684,627

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19. INTERESTS IN SUBSIDIARIES – CONTINUED

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company#		Principal activities
			2014	2013	
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$6,000	100	100	Investment holding
Chongqing Everbright International Travel Co., Ltd.*+	PRC/Mainland China	Renminbi ("RMB")5,000,000	60	60	Provision of tourism services
Chongqing Grand Hotel Co., Ltd.*+	PRC/Mainland China	RMB35,000,000	60	60	Provision of hotel services
Chongqing Tourism Coach Co., Ltd.*+	PRC/Mainland China	RMB8,000,000	–	60	Provision of bus and travel-related services
Chongqing Tourism (Group) Co., Ltd.*+	PRC/Mainland China	RMB56,660,000	60	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK$900	100	100	Leasing of properties and investment holding
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	100	100	Provision of bus and travel-related services
Guangzhou New Era Express Bus Co., Ltd.*^+~	PRC/Mainland China	RMB20,000,000	56	56	Provision of bus and bus-related services
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
Hubei Shenzhou Transport Holdings Co., Ltd.*^+~	PRC/Mainland China	RMB131,843,807	100	100	Provision of bus and bus-related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	Ordinary HK$1	100	100	Investment holding

19. INTERESTS IN SUBSIDIARIES – CONTINUED

Name	Place of incorporation/ registration and business	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2014	2013	Principal activities
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Lantau Tours Limited	Hong Kong	Ordinary HK$750,000	**100**	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited**+	PRC/Mainland China	RMB68,896,000	**51**	51	Development and management of a scenic spot
New Lantao Bus Company (1973) Limited∞	Hong Kong	Ordinary HK$29,116,665	**99.99**	99.99	Provision of franchised bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Provision of bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Provision of coach hire and related management services
GFTZ Xing Hua International Transport Limited**+~	PRC/Mainland China	RMB15,000,000	**56**	56	Provision of bus and bus-related services
Trans-Island Limousine Service Limited∞	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$30,000,000	**100**	100	Provision of bus and travel-related services
Intercontinental Hire Cars Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of bus and travel-related services

19. INTERESTS IN SUBSIDIARIES – CONTINUED

Name	Place of incorporation/ registration and business	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2014	2013	Principal activities
Guangzhou City Zhongguan Consulting Services Company Limited^+~	PRC/Mainland China	RMB5,000,000	**100**	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited^+	PRC/Mainland China	RMB5,000,000	**100**	100	Investment holding
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	Investment holding
Chinalink Express Holdings Limited∞	Hong Kong	Ordinary HK$35,000,000	**90**	90	Investment holding
Chinalink Bus Company Limited	Hong Kong	Ordinary HK$10,000	**90**	90	Provision of bus and travel-related services
Hi Lee (Hong Kong) Transportation Company Limited	Hong Kong	Ordinary HK$800,000	**74.06**	74.06	Provision of limousine services

Represents the effective holding of the Group after non-controlling interests therein

* Registered as Sino-foreign equity joint venture companies in the PRC

** Limited companies established in the PRC

^ The entire or partial equity interests of these subsidiaries are held, directly or indirectly, on trust by certain directors of the Company on the Group's behalf.

+ The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

∞ Certain issued shares of these subsidiaries were pledged to secure banking facilities granted to the Group.

~ The Group's interests in these subsidiaries were classified as a disposal group held for sale as at 31 March 2014. Further details of which are set out in note 38 to the financial statements.

Except for Kwoon Chung Buses Investment Limited, all principal subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN SUBSIDIARIES – CONTINUED

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries	**10%**	10%
Chongqing Grand Hotel Co., Ltd.	**40%**	40%
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**49%**	49%

	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries	**3,956**	2,321
Chongqing Grand Hotel Co., Ltd.	**(1,931)**	(3,198)
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**(17,976)**	(63)

	2014 HK$'000	2013 HK$'000
Dividends paid to non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries	**2,240**	3,745
Accumulated balances of non-controlling interests at the reporting dates:		
Chinalink Express Holdings Limited and its subsidiaries	**27,680**	25,890
Chongqing Grand Hotel Co., Ltd.	**25,150**	27,103
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**15,739**	33,491

19. INTERESTS IN SUBSIDIARIES – CONTINUED

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2014	Chinalink Express Holdings Limited and its subsidiaries HK$'000	Chongqing Grand Hotel Co., Ltd. HK$'000	Lixian Bipenggou Tourism Development Company Limited and its subsidiary HK$'000
Revenue	312,727	27,363	36,905
Total expenses	(273,168)	(32,189)	(73,590)
Profit/(loss) for the year	39,559	(4,826)	(36,685)
Other comprehensive income/(loss)	558	(57)	457
Total comprehensive income/(loss) for the year	40,117	(4,883)	(36,228)
Current assets	52,614	7,700	7,850
Non-current assets	464,127	104,850	312,847
Current liabilities	150,360	50,486	288,576
Non-current liabilities	19,976	–	–
Net cash flows from operating activities	53,064	4,694	27,739
Net cash flows from/(used in) investing activities	(29,099)	5	(36,029)
Net cash flows from/(used in) financing activities	(22,400)	(5,102)	8,760
Net increase/(decrease) in cash and cash equivalents	1,565	(403)	470

19. INTERESTS IN SUBSIDIARIES – CONTINUED

2013	Chinalink Express Holdings Limited and its subsidiaries HK$'000	Chongqing Grand Hotel Co., Ltd. HK$'000	Lixian Bipenggou Tourism Development Company Limited and its subsidiary HK$'000
Revenue	281,230	23,469	24,714
Total expenses	(258,019)	(31,464)	(24,843)
Profit/(loss) for the year	23,211	(7,995)	(129)
Other comprehensive income	281	925	929
Total comprehensive income/(loss) for the year	23,492	(7,070)	800
Current assets	47,467	6,825	9,426
Non-current assets	457,393	108,876	307,873
Current liabilities	148,328	48,752	248,950
Non-current liabilities	23,211	–	–
Net cash flows from operating activities	103,942	998	39,420
Net cash flows used in investing activities	(65,111)	(20,149)	(43,920)
Net cash flows from/(used in) financing activities	(37,450)	18,468	4,771
Net increase/(decrease) in cash and cash equivalents	1,381	(683)	271

20. INTERESTS IN JOINT VENTURES

	Group 2014 HK$'000	Group 2013 HK$'000
Unlisted investments, at cost	–	20,433
Share of net assets	**116,251**	137,158
Share of post-acquisition results	–	1,297
Less: Accumulated amortisation and impairment	**(21,168)**	(20,433)
	95,083	138,455
Due from joint ventures	–	10,018
Due to a joint venture	**(10,345)**	(26,137)
Loan to a joint venture	–	1,086
	(10,345)	(15,033)
	84,738	123,422

The balances with joint ventures are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's principal joint venture are as follows:

Name	Place of registration and business	Registered capital	Tenure	Percentage of Voting power	Percentage of Ownership interest and profit sharing	Principal activities
Guangzhou City No.2 Public Bus Co., Ltd. ("GZ No.2 Bus")	PRC/Mainland China	HK$190,000,000	30 years expiring on 8 October 2024	40	40	Provision of bus services

The above investment in joint venture is indirectly held by the Company. The statutory financial statements of the above joint venture are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

During the year, interest in a joint venture, Shantou Kwoon Chung Bus Co., Ltd. ("Shantou KC"), of HK$1,268,000 was written off as the joint venture agreement of Shantou KC was early terminated.

20. INTERESTS IN JOINT VENTURES – CONTINUED

GZ No.2 Bus, which is considered a material joint venture of the Group, acts as the Group's bus service operator in Mainland China and is accounted for using the equity method.

The movements in provision for impairment of interests in joint ventures are as follows:

	2014 HK$'000	2013 HK$'000
At 1 April	**20,433**	20,433
Impairment loss recognised (note 7)#	**21,168**	–
Write-off	**(20,433)**	–
At 31 March	**21,168**	20,433

The following table illustrates the summarised financial information of GZ No.2 Bus adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	**126,439**	95,360
Other current assets	**92,726**	87,961
Current assets	**219,165**	183,321
Non-current assets	**399,531**	470,158
Financial liabilities, excluding trade and other payables and provisions	**(71,811)**	–
Other current liabilities	**(239,574)**	(163,316)
Current liabilities	**(311,385)**	(163,316)
Non-current financial liabilities, excluding trade and other payables and provisions	**(69,603)**	(147,268)
Net assets	**237,708**	342,895
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the joint venture	**95,083**	137,158
Due to a joint venture	**(10,345)**	(26,137)
Carrying amount of the investment	**84,738**	111,021

During the year, an impairment loss of HK$21,168,000 was made in respect of the Group's interest in GZ No.2 Bus due to the unsatisfactory financial performance. The recoverable amount of GZ No.2 Bus of HK$95,083,000 as at 31 March 2014 has been determined based on a value in use calculation and the discount rate applied is 3.02%. The impairment loss is recorded within other expenses, net in the statement of profit or loss.

20. INTERESTS IN JOINT VENTURES – CONTINUED

	2014 HK$'000	2013 HK$'000
Revenue	735,708	729,212
Interest income	2,305	1,934
Depreciation	(126,141)	(131,042)
Interest expenses	(8,868)	(7,452)
Income tax credit/(expense)	(7,730)	8,805
Loss and total comprehensive loss for the year	(36,000)	(32,694)
Dividend received	6,507	7,927

21. INTERESTS IN ASSOCIATES

	Group 2014 HK$'000	Group 2013 HK$'000
Share of net assets	244	245
Due from associates	141	1,421
	385	1,666

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2014	Percentage of ownership interest attributable to the Group 2013	Principal activities
All China Express Limited#	63 ordinary shares of HK$1 each	Hong Kong	36.26	36.26	Provision of bus and travel-related services
China-HongKong Express Limited#	180,000 ordinary shares of HK$1 each	Hong Kong	39.56	39.56	Provision of bus and travel-related services
Kowloon Tong Express Services Limited#	14 ordinary shares of HK$1 each	Hong Kong	35.90	35.90	Provision of bus and travel-related services
All China Express (Shen Xi) Limited#	16 ordinary shares of HK$1 each	Hong Kong	31.37	31.37	Provision of bus and travel-related services

The statutory financial statements of these entities were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

21. INTERESTS IN ASSOCIATES – CONTINUED

Certain associates have a financial year end of 31 December to conform with their holding companies' reporting date. The consolidated financial statements are adjusted for the material transactions between 1 January and 31 March.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the associates' loss and total comprehensive loss for the year	(1)	(11)
Aggregate carrying amount of the Group's interests in the associates	385	1,666

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Unlisted equity investment in Mainland China, at cost	240	241
Unlisted investment fund in Hong Kong, at fair value	18,233	18,654
	18,473	18,895

The above investments were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at the end of the reporting period, certain unlisted equity investment with a carrying amount of HK$240,000 (2013: HK$241,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$421,000 (2013: gross gain of HK$965,000).

As at 31 March 2014, the Group's unlisted equity investment fund with a carrying value of HK$18,233,000 (2013: HK$18,654,000) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted investment, at fair value	**14,323**	14,054

The unlisted investment as at 31 March 2014 was designated, upon initial recognition, as at financial asset at fair value through profit or loss as it is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investment is provided on that basis to the Group's key management personnel.

As at 31 March 2014, the Group's unlisted investment with a carrying value of HK$14,323,000 (2013: HK$14,054,000) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

24. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**132,662**	159,216
Impairment	**(750)**	(3,968)
	131,912	155,248

Included in the Group's trade receivables are amounts due from associates of HK$8,647,000 (2013: HK$8,325,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES – CONTINUED

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**97,648**	83,456
31 to 60 days	**21,524**	45,164
61 to 90 days	**7,850**	16,315
Over 90 days	**4,890**	10,313
	131,912	155,248

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**3,968**	4,554
Impairment losses recognised (note 7)	**1,599**	5,777
Amount written off as uncollectible	**(1,599)**	(6,417)
Included in a disposal group classified as held for sale	**(3,210)**	–
Exchange realignment	**(8)**	54
At 31 March	**750**	3,968

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$750,000 (2013: HK$3,968,000) with a carrying amount before provision of HK$844,000 (2013: HK$4,168,000). The individually impaired trade receivables relate to customers who were in financial difficulties.

24. TRADE RECEIVABLES – CONTINUED

The aged analysis of the trade receivables as at the end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**104,049**	88,528
Less than 1 month past due	**16,086**	41,947
1 to 3 months past due	**9,120**	20,915
Over 3 months past due	**2,563**	3,658
	131,818	155,048

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2014	2013	2014	2013
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments		29,255	36,380	197	196
Prepaid land lease payments	16	592	3,794	–	–
Rental and other deposits		37,614	36,549	–	–
Deposits paid for purchases of intangible assets		–	10,249	–	–
Deposits paid for purchases of items of property, plant and equipment		75,613	5,336	–	–
Deposits paid for acquisitions of equity investments		19,575	–	–	–
Due from joint venturers		371	20,855	–	–
Loan to a related party		1,040	1,170	–	–
Other receivables		59,252	87,469	–	–
		223,312	201,802	197	196
Impairment		(1,164)	(21,095)	–	–
		222,148	180,707	197	196
Less: Portion classified as non-current assets		(113,849)	(39,901)	–	–
Portion classified as current assets		108,299	140,806	197	196

The amounts due from joint venturers are unsecured, interest-free and have no fixed terms of repayment.

The loan to a related party, a director of which is also a director of the Company, is unsecured, bears interest at 1% per annum and is repayable by 10 yearly instalments commencing from December 2012. The maximum amount outstanding during the year is HK$1,170,000.

The Group allows an average credit period ranging from 30 to 90 days for its debtors, except for the loan to a related party. The aged analysis of the amounts due from joint venturers, loan to a related party and other receivables as at the end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	57,924	65,961
Less than 1 month past due	674	2,761
1 to 3 months past due	395	2,657
Over 3 months past due	506	9,520
	59,499	80,899

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – CONTINUED

The movements in provision for impairment of other receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**21,095**	18,749
Impairment losses recognised (note 7)	**9,129**	2,059
Included in a disposal group classified as held for sale	**(28,869)**	–
Exchange realignment	**(191)**	287
At 31 March	**1,164**	21,095

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$1,164,000 (2013: HK$21,095,000) with a carrying amount before provision of HK$1,164,000 (2013: HK$28,595,000), of which the related debtors were in financial difficulties and only a portion of the amount is expected to be recovered.

26. CASH AND CASH EQUIVALENTS, PLEDGED TIME DEPOSITS AND RESTRICTED CASH

		Group		Company	
		2014	2013	**2014**	2013
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**304,142**	254,276	**1,035**	964
Time deposits		**42,156**	59,235	**–**	–
Restricted cash		**–**	6,449	**–**	–
		346,298	319,960	**1,035**	964
Less: Pledged time deposits for bank loans	30	**(15,723)**	(17,733)	**–**	–
Restricted cash		**–**	(6,449)	**–**	–
Cash and cash equivalents		**330,575**	295,778	**1,035**	964

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 March 2013, the Group had cash in RMB of RMB5,160,000 (approximately HK$6,449,000) which was restricted as to use in connection with a potential claim and other related charges/expenses arising from a litigation against a subsidiary of the Company. During the year, the court judgement was finalised and the final compensation relating to the litigation was amounted to RMB500,000 (approximately HK$624,000) which was classified as restricted cash included in the assets of the disposal group held for sale as set out in note 38 to the financial statements. The remaining balance of RMB4,660,000 with respect to the previously restricted cash was released accordingly.

27. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Current to 30 days	**40,630**	50,643
31 to 60 days	**4,258**	7,315
61 to 90 days	**867**	5,507
Over 90 days	**2,996**	9,178
	48,751	72,643

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Accruals and other payables	**196,552**	265,900	**260**	252
Deposits received	**14,263**	24,603	**–**	–
Traffic accident compensation payables	**37,794**	38,865	**–**	–
Payables for acquisitions of items of property, plant and equipment	**8,916**	22,551	**–**	–
Receipts in advance	**68,701**	41,368	**–**	–
Due to joint venturers	**409**	2,215	**–**	–
	326,635	395,502	**260**	252

The above payables are non-interest-bearing and have an average term of three months.

The amounts due to joint venturers are unsecured, interest-free and have no fixed terms of repayment.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2014 Liabilities HK$'000	2013 Liabilities HK$'000
Interest rate swap contracts	**12,950**	20,368
Foreign currency swap contracts	**–**	10
	12,950	20,378

The Group entered into interest rate swap and foreign currency swap contracts to manage its interest rate and foreign currency exchange rate exposures, respectively. At 31 March 2014, the Group had swap contracts in place with a total notional amount of HK$122,500,000 (2013: HK$139,868,000). These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The changes in the fair value of these non-hedging derivatives amounting to HK$7,428,000 were credited (2013: HK$2,424,000 were charged) to the consolidated statement of profit or loss during the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 31)	**3.30**	**2015**	**273**	–	–	–
Bank loans – secured (note (a))	**2.77**	**2015-2019**	**574,683**	2.69	2014-2019	741,442
Bank loans – unsecured (note (a))	**3.77**	**2015-2018**	**89,913**	–	–	–
Other loan – unsecured	**–**	**2015**	**13,669**	–	2014	41,872
			678,538			783,314
Non-current						
Finance lease payables (note 31)	**3.30**	**2016-2018**	**749**	–	–	–
			679,287			783,314

30. INTEREST-BEARING BANK AND OTHER BORROWINGS – CONTINUED

	Group 2014 HK$'000	2013 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note (a))	**664,596**	741,442
Other borrowings repayable:		
Within one year	**13,942**	41,872
In the second year	**282**	–
In the third to fifth years, inclusive	**467**	–
	14,691	41,872
	679,287	783,314

Notes:

(a) Term loans of the Group with carrying amounts of HK$653,764,000 (2013: HK$735,229,000) containing repayment on demand clauses have been classified in total as current liabilities. Accordingly, portions of the bank loans due for repayment after one year with carrying amounts of HK$399,877,000 (2013: HK$522,526,000) have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans are repayable:

	Group 2014 HK$'000	2013 HK$'000
Within one year	**253,887**	212,703
In the second year	**167,132**	201,890
In the third to fifth years, inclusive	**232,745**	296,717
Beyond five years	**–**	23,919
	653,764	735,229

(b) Certain of the Group's bank loans and other borrowings are secured by:

(i) certain property, plant and equipment, investment properties and prepaid land lease payments;

(ii) the pledge of certain time deposits;

(iii) the pledge of an available-for-sale investment and financial asset at fair value through profit or loss;

(iv) certain issued shares of certain subsidiaries indirectly held by the Company; and

(v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$706,000,000 (2013: HK$850,000,000) under debentures given by the Company.

(c) Except for bank loans of HK$88,397,000 (2013: HK$88,123,000) and other loan of HK$13,669,000 (2013: HK$41,872,000) which are denominated in RMB and bank loans of HK$14,175,000 (2013: HK$16,698,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

31. FINANCE LEASE PAYABLES

The Group leases certain of its motor buses and vehicles for its transportation business. These leases are classified as finance leases and have remaining lease terms of four years.

At 31 March 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2014 HK$'000	Minimum lease payments 2013 HK$'000	Present value of minimum lease payments 2014 HK$'000	Present value of minimum lease payments 2013 HK$'000
Amounts payable:				
Within one year	303	–	273	–
In the second year	303	–	283	–
In the third to fifth years, inclusive	479	–	466	–
Total minimum finance lease payments	1,085	–	1,022	–
Future finance charges	(63)	–		
Total net finance lease payables	1,022	–		
Portion classified as current liabilities (note 30)	(273)	–		
Non-current portion (note 30)	749	–		

32. OTHER LONG TERM LIABILITIES

	Group 2014 HK$'000	Group 2013 HK$'000
Deferred income	30,835	18,895
Other liabilities	–	7,611
	30,835	26,506

Deferred income represents subsidies received from government authorities in respect of purchases of new motor vehicles and is recognised in the consolidated statement of profit or loss on the straight-line basis over the expected useful lives of the relevant assets.

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax liabilities/(assets) at 1 April 2012		99,285	(311)	26,399	559	(5,082)	1,260	122,110
Deferred tax charged to other comprehensive income during the year		–	–	–	2,037	–	–	2,037
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	12,384	107	(2,059)	–	1,849	(2,099)	10,182
Exchange differences		14	–	–	–	–	–	14
Gross deferred tax liabilities/(assets) at 1 April 2013 and at 31 March 2013		111,683	(204)	24,340	2,596	(3,233)	(839)	134,343
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	(8,139)	(14)	(2,059)	(404)	2,360	(479)	(8,735)
Liabilities included in a disposal group classified as held for sale	38	(786)	–	–	(1,313)	–	–	(2,099)
Gross deferred tax liabilities/(assets) at 31 March 2014		102,758	(218)	22,281	879	(873)	(1,318)	123,509

33. DEFERRED TAX – CONTINUED

For presentation purpose, certain deferred tax assets and liabilities of the Group that relate to the same taxable entity and the same taxation authority have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	366	420
Net deferred tax liabilities recognised in the consolidated statement of financial position	(123,875)	(134,763)
	(123,509)	(134,343)

The Group has unrecognised tax losses in Mainland China of HK$43,914,000 (2013: HK$30,964,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2014, there was no significant unrecognised deferred tax liability (2013: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

Shares	2014 HK$'000	2013 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
421,006,000 (2013: 410,606,000) ordinary shares of HK$0.10 each	**42,101**	41,061

The subscription rights attaching to 10,400,000 (2013: 1,900,000) share options were exercised at an average subscription price of HK$0.95 (2013: HK$0.84) per share (note 35), resulting in the issue of 10,400,000 (2013: 1,900,000) shares of HK$0.10 each for a total cash consideration, before expenses, of HK$9,897,000 (2013: HK$1,604,000).

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 35 to the financial statements.

35. SHARE OPTION SCHEMES

The Company operates two share option schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The old share option scheme (the "Old Scheme") became effective on 26 August 2002 and expired on 25 August 2012. Upon expiry of the Old Scheme, no further share options could be granted under the Old Scheme but, in all other respects, the provisions of the Old Scheme shall remain in force to the extent necessary to give effect to the exercise of any share option granted prior to the expiry of the Old Scheme. Share options (to the extent not already exercised) granted prior to such expiry shall continue to be valid and exercisable in accordance with the Old Scheme. On 23 August 2012, a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme became effective on 23 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Schemes include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Schemes is an amount equivalent, upon their exercise, to 10% of the issued share capital of the Company at any time. The maximum number of shares issuable under share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the issued share capital of the Company in that period. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

35. SHARE OPTION SCHEMES – CONTINUED

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the issued share capital of the Company or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer. A consideration of HK$1 is payable on acceptance of the offer of the grant of an option. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the grant of share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Old Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 April	1.44	62,600	1.42	64,500
Exercised during the year	0.95	(10,400)	0.84	(1,900)
Expired during the year	1.20	(200)	–	–
At 31 March	1.54	52,000	1.44	62,600

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.80 per share (2013: HK$1.53 per share).

35. SHARE OPTION SCHEMES – CONTINUED

The exercise prices and exercise periods of the share options outstanding as at that end of the reporting period are as follows:

31 March 2014

Number of options '000	Exercise price* HK$ per share	Exercise period
5,300	1.126	21 September 2004 to 20 September 2014
6,700	1.950	21 March 2011 to 20 March 2021
40,000	1.522	10 October 2011 to 9 October 2021
52,000		

31 March 2013

Number of options '000	Exercise price* HK$ per share	Exercise period
7,800	0.844	23 July 2003 to 22 July 2013
2,200	1.200	5 September 2003 to 4 September 2013
5,300	1.126	21 September 2004 to 20 September 2014
6,700	1.950	21 March 2011 to 20 March 2021
40,600	1.522	10 October 2011 to 9 October 2021
62,600		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The 10,400,000 share options exercised during the year resulted in the issue of 10,400,000 ordinary shares of the Company and new share capital of HK$1,040,000 and share premium of HK$8,857,000 (before issue expenses), as further detailed in note 34 to the financial statements.

At the end of the reporting period, the Company had 52,000,000 share options outstanding under the Old Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 52,000,000 additional ordinary shares of the Company and additional share capital of HK$5,200,000 and share premium of HK$74,713,000 (before issue expenses).

Subsequent to the end of the reporting period, the share options outstanding under the old Scheme were either exercised or cancelled. At the date of approval of these financial statements, the Company did not have any outstanding share options.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 43 to 44 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in August 1996, over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the accounting standards and regulations applicable to Mainland China and the joint venture agreements, the subsidiaries in Mainland China are required to transfer part of their net profit after tax to the enterprise expansion fund and the reserve fund, which are non-distributable, before sharing of profit to the joint venture partners. The amounts of the transfer are subject to the approval of the boards of directors of these subsidiaries in accordance with the respective joint venture agreements.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2012		535,007	70,770	28,257	255	634,289
Profit and total comprehensive income for the year		–	–	–	8,771	8,771
Issue of shares	34	1,414	–	–	–	1,414
Proposed final 2013 dividend	12	–	–	–	(8,212)	(8,212)
At 31 March 2013 and at 1 April 2013		536,421	70,770	28,257	814	636,262
Profit and total comprehensive income for the year		–	–	–	56,765	56,765
Issue of shares	34	9,179	–	(322)	–	8,857
Additional 2013 dividend	12	–	–	–	(196)	(196)
Interim 2014 dividend	12	–	–	–	(8,408)	(8,408)
Proposed final 2014 dividend	12	–	–	–	(42,101)	(42,101)
At 31 March 2014		**545,600**	**70,770**	**27,935**	**6,874**	**651,179**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in August 1996 over the nominal value of the Company's shares issued in exchange therefor.

36. RESERVES – CONTINUED

(b) Company – continued

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will be transferred to the share premium account when related options are exercised, or to retained profits should the related options expire or be forfeited.

37. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2014

During the year, the Group had the following transactions for disposal of subsidiaries:

(i) The Group disposed of its entire 60% equity interest in Chongqing Tourism Coach Co. Ltd. ("CQ Tourism Coach"), to Chongqing Sunshine Travel Service Co., Ltd, the PRC joint venture partner of CQ Tourism Coach, for a cash consideration of RMB33 million (approximately HK$41.8 million). The transaction was completed on 28 February 2014.

(ii) The Group disposed of its entire 60% equity interest in Chengdu Kwoon Chung CTS International Tourism Co., Ltd. ("Chengdu CTS") to an independent third party for a cash consideration of RMB0.7 million (approximately HK$0.9 million) and a waiver of an amount due to Chengdu CTS. The transaction was completed on 6 December 2013.

The aggregate assets and liabilities of CQ Tourism Coach and Chengdu CTS as at the date of disposal were as follows:

	Notes	2014 HK$'000
Net assets disposed of:		
Property, plant and equipment	14	361
Property held for sale		20,816
Deposits and other receivables		6,838
Cash and cash equivalents		2,515
Accruals, other payables and deposits received		(29,165)
Non-controlling interests		(546)
		819
Exchange equalisation reserve released		(1,343)
Gain on disposal of subsidiaries	5	44,855
		44,331
Satisfied by:		
Cash		42,652
Waiver of an amount due to Chengdu CTS		1,679
		44,331

37. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2014 – continued

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2014 HK$'000
Cash consideration	42,652
Cash and cash equivalents disposed of	(2,515)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	40,137

Year ended 31 March 2013

During the year ended 31 March 2013, the Group disposed of its entire 62.9% equity interest in Jieyang Guanyun Transportation Co., Ltd. and its entire 60.4% equity interest in Jieyang City Xing Hua Auto Repair Co., Ltd. (collectively, the "Jieyang Designated Bus Group") to an independent third party and assumed an amount payable by the Jieyang Designated Bus Group to the Group for a total consideration of RMB13 million (approximately HK$16.3 million). The transactions were completed on 14 March 2013.

The assets and liabilities of the Jieyang Designated Bus Group as at the date of disposal were as follows:

	Note	2013 HK$'000
Net assets disposed of:		
Property, plant and equipment		241
Prepaid land lease payments		8,291
Prepayments and deposits		1,087
Cash and cash equivalents		247
Accruals, other payables and deposits received		(1,055)
Non-controlling interests		(749)
		8,062
Exchange equalisation reserve released		57
Gain on disposal of subsidiaries	5	8,130
Satisfied by:		
Cash		16,249

37. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2013 – continued

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	2013 HK$'000
Cash consideration	16,249
Cash and cash equivalents disposed of	(247)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	16,002

38. DISPOSAL GROUP HELD FOR SALE

On 18 December 2013, the Group entered into an equity transfer agreement with an independent third party, Dongguan City Bangge Electronic Machineries Co., Ltd ("DG Bangge"), whereby the Group agreed to dispose of its entire 100% effective interest in Guangzhou City Zhongguan Consulting Services Co., Ltd. ("GZ Zhongguan") and its subsidiaries (the "Zhongguan Designated Bus Group") for a consideration of RMB8.95 million (approximately HK$11.2 million) and assumption of an amount payable by the Zhongguan Designated Bus Group to the Group of RMB55 million (approximately HK$68.6 million). GZ Zhongguan held as to 51% effective interests in each of its 3 major subsidiaries, Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou"), Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era") and GFTZ Xing Hua International Transport Limited ("GZ Xing Hua"). The Zhongguan Designated Bus Group is primarily engaged in the provision of designated bus services in Hubei Province and Guangzhou, Mainland China. Upon completion of the transaction, the Group will retain remaining effective interests of 49%, 5% and 5% in Hubei Shenzhou, GZ New Era and GZ Xing Hua, respectively. The directors of the Company expect this transaction to be completed before end of the next reporting period. Accordingly, the assets and liabilities of the Zhongguan Designated Bus Group as at 31 March 2014 were classified as a disposal group held for sale.

38. DISPOSAL GROUP HELD FOR SALE – CONTINUED

As at 31 March 2014

The major classes of assets and liabilities of the Zhongguan Designated Bus Group classified as held for sale as at 31 March 2014 are as follows:

	Notes	Carrying value HK$'000
Assets		
Property, plant and equipment	14	106,822
Prepaid land lease payments	16	49,840
Intangible assets	17	4,613
Goodwill	18	6,686
Deposits paid for purchases of items of property, plant and equipment		4,799
Inventories		1,312
Trade receivables		10,962
Prepayments, deposits and other receivables		24,198
Restricted cash	26	624
Cash and cash equivalents		106,727
Assets classified as held for sale		316,583
Liabilities		
Trade payables		(17,683)
Accruals, other payables and deposits received		(90,812)
Consideration received		(11,162)
Tax payables		(24,633)
Interest-bearing bank and other borrowings		(47,988)
Deferred tax liabilities	33	(2,099)
Liabilities directly associated with the assets classified as held for sale		(194,377)
Net assets directly associated with the disposal group		122,206
Asset revaluation reserve		17,540
Exchange equalisation reserve		46,847

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,263,000 (2013: Nil).

40. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK$1,509,947,000 (2013: HK$1,542,154,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 31 March 2014, the banking facilities granted to the subsidiaries subject to guarantees and debentures given to the banks by the Company were utilised to the extent of approximately HK$620,335,000 (2013: HK$693,419,000).

At the end of the reporting period, the Group had no significant contingent liabilities.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment properties and certain of its motor buses and vehicles under operating lease arrangements, with leases negotiated for terms ranging from 1 to 8 years.

At 31 March 2014, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	3,891	5,025
In the second to fifth years, inclusive	7,103	8,997
After five years	1,193	5,185
	12,187	19,207

(b) As lessee

The Group leases certain of its office properties, bus depots, terminals, car parks and bus route operating rights under operating lease arrangements. Leases for office properties are negotiated for terms ranging from 1 to 5 years and those for bus depots, terminals, car parks and bus route operating rights are negotiated for terms ranging from 1 to 15 years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	45,234	51,297
In the second to fifth years, inclusive	47,790	61,173
After five years	5,489	8,194
	98,513	120,664

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	**161,294**	20,705
Capital contribution to a subsidiary	**5,000**	–
Construction	**66,291**	68,074
	232,585	88,779

At the end of the reporting period, the Company had no significant commitments (2013: Nil).

43. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in note 30 to the financial statements.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2014	2013
	Notes	HK$'000	HK$'000
Coach rental income and administrative service income from associates	(i)	97,132	99,951
Bus washing charges paid to related companies	(ii), (iii)	216	205
Purchases of fuel from related companies	(ii), (iii)	25,202	28,348
Rental and related expenses paid to a related company	(iv)	5,667	5,147
Purchase of motor vehicles with passenger service licences from a related company	(v)	28,000	–

Notes:

(i) The coach rental income and administrative service income were charged according to the prices and conditions similar to those offered by the Group to its customers.

(ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a then shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group for the Group's own consumption. On 22 June 2010, the agreement was renewed and the bus washing charge was increased to HK$16,650 commencing on 1 August 2010. On 23 July 2012 and 10 May 2013, the agreement was further renewed and the bus washing charge was increased to HK$17,260 commencing on 1 August 2012 and HK$18,010 commencing on 1 May 2013, respectively. The aggregate fee related to bus washing services was HK$216,000 (2013: HK$205,000). The aggregate purchases of fuel from NWFB amounted to HK$11,655,000 (2013: HK$14,747,000).

(iii) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company, entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a then shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB for NLB's own consumption. On 30 June 2010, the agreement was revised and the bus washing charge was increased to HK$18.30 per vehicle commencing on 1 July 2010. On 23 July 2012 and 10 May 2013, the agreement was further renewed and the bus washing charge was increased to HK$20 per vehicle commencing on 1 July 2012. No bus washing services were provided by CTB during the current and prior years. The aggregate purchases of fuel from CTB amounted to HK$13,547,000 (2013: HK$13,601,000).

(iv) On 10 January 2012, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of one year commencing on 1 January 2012 at a monthly charge, including rental and related management charges, of HK$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK$77,000. On 29 January 2013, the above two agreements were further renewed for two years at a monthly charge of about HK$408,000. The total rental and related expenses paid by the Group for the year amounted to HK$5,667,000 (2013: HK$5,147,000).

(v) On 20 June 2013, Kwoon Chung Motors Company, Limited ("KCM"), a subsidiary of the Company, entered into an agreement with CTB, pursuant to which KCM agreed to purchase eight units of second hand double deck buses with passenger service licence certificates from CTB for a consideration of HK$28,000,000. The transaction was completed during the year.

(b) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statements.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group – 2014

Financial assets

	Financial asset at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial investments HK$'000	Total HK$'000
Due from associates	–	141	–	141
Available-for-sale investments	–	–	18,473	18,473
Financial asset at fair value through profit or loss	14,323	–	–	14,323
Trade receivables	–	131,912	–	131,912
Financial assets included in prepayments, deposits and other receivables	–	97,113	–	97,113
Pledged time deposits	–	15,723	–	15,723
Cash and cash equivalents	–	330,575	–	330,575
	14,323	575,464	18,473	608,260

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a joint venture	–	10,345	10,345
Trade payables	–	48,751	48,751
Financial liabilities included in accruals, other payables and deposits received	–	76,549	76,549
Derivative financial instruments	12,950	–	12,950
Interest-bearing bank and other borrowings	–	679,287	679,287
	12,950	814,932	827,882

45. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

Group – 2013

Financial assets

	Financial asset at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial investments HK$'000	Total HK$'000
Due from joint ventures	–	10,018	–	10,018
Loan to a joint venture	–	1,086	–	1,086
Due from associates	–	1,421	–	1,421
Available-for-sale investments	–	–	18,895	18,895
Financial asset at fair value through profit or loss	14,054	–	–	14,054
Trade receivables	–	155,248	–	155,248
Financial assets included in prepayments, deposits and other receivables	–	124,948	–	124,948
Pledged time deposits	–	17,733	–	17,733
Restricted cash	–	6,449	–	6,449
Cash and cash equivalents	–	295,778	–	295,778
	14,054	612,681	18,895	645,630

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a joint venture	–	26,137	26,137
Trade payables	–	72,643	72,643
Financial liabilities included in accruals, other payables and deposits received	–	178,548	178,548
Derivative financial instruments	20,378	–	20,378
Interest-bearing bank and other borrowings	–	783,314	783,314
Financial liabilities included in other long term liabilities	–	7,611	7,611
	20,378	1,068,253	1,088,631

45. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

Company

Financial assets

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Bank balances	**1,035**	964
Due from subsidiaries	**637,483**	587,379
	638,518	588,343

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Accruals and other payables	**260**	252

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged time deposits, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in accruals, other payables and deposits received, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and other receivables, balances with joint ventures and associates, interest-bearing bank and other borrowings and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of an unlisted available-for-sale investment fund in Hong Kong is based on quoted market prices. The fair value of an unlisted investment included in financial asset at fair value through profit or loss has been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in the consolidated statement of profit or loss, is reasonable, and that it was the most appropriate value at the end of the reporting period.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – CONTINUED

The Group enters into derivative financial instruments with a creditworthy bank with no recent history of default. Derivative financial instruments, including interest rate swaps and foreign currency swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps and foreign currency swaps are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale equity investment	18,233	–	–	18,233
Financial asset at fair value through profit or loss	–	14,323	–	14,323
	18,233	14,323	–	32,556

As at 31 March 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale equity investment	18,654	–	–	18,654
Financial asset at fair value through profit or loss	–	14,054	–	14,054
	18,654	14,054	–	32,708

The Company did not have any financial asset measured at fair value as at 31 March 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2013: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – CONTINUED

Liabilities measured at fair value:

Group

As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	12,950	–	12,950

As at 31 March 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	20,378	–	20,378

The Company did not have any financial liability measured at fair value as at 31 March 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2013: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate and the Group's interest rate swaps. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2014 and 2013 would have decreased/increased the Group's profit before tax by HK$2,810,000 and HK$3,183,000, respectively. For Renminbi floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2014 and 2013 would have decreased/increased the Group's profit before tax by HK$411,000 and HK$438,000, respectively. For United States dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2014 and 2013 would have decreased/increased the Group's profit before tax by HK$71,000 and HK$83,000.

For the interest rate swaps, a 50 basis point increase/decrease in interest rates at 31 March 2014 would have decreased the Group's profit before tax by HK$808,000 (2013: HK$925,000) and increased the Groups's profit before tax by HK$6,783,000 (2013: HK$4,158,000), respectively.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$146,206,000 (2013: HK$137,997,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2014		
If Hong Kong dollar weakens against RMB	**5%**	**3,543**
If Hong Kong dollar strengthens against RMB	**(5%)**	**(3,543)**
2013		
If Hong Kong dollar weakens against RMB	5%	2,645
If Hong Kong dollar strengthens against RMB	(5%)	(2,645)

Credit risk

The Group trades only with recognised and creditworthy third parties. The Group has no significant concentrations of credit risk with respect to its operations as it has a large number of diversified customers. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, restricted cash, pledged time deposits, amounts due from joint ventures and associates, loan to a joint venture, available-for-sale investments, financial asset at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees and debentures, further details of which are disclosed in note 40 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans.

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Management reviews for the Group's compliance with lending covenants regularly. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014				
	No fixed terms of repayment/ on demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to a joint venture	10,345	–	–	–	10,345
Trade payables	10,133	38,605	13	–	48,751
Financial liabilities included in accruals, other payables and deposits received	27,203	44,316	5,030	–	76,549
Derivative financial instruments	–	12,950	–	–	12,950
Interest-bearing bank and other borrowings (note)	671,177	76	7,793	782	679,828
	718,858	95,947	12,836	782	828,423

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk – continued

Group

	2013				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to a joint venture	26,137	–	–	–	26,137
Trade payables	27,245	42,883	2,515	–	72,643
Financial liabilities included in accruals, other payables and deposits received	69,900	60,840	47,808	–	178,548
Derivative financial instruments	–	20,378	–	–	20,378
Interest-bearing bank and other borrowings (note)	783,314	–	–	–	783,314
Financial liabilities included in other long term liabilities	–	–	–	7,611	7,611
	906,596	124,101	50,323	7,611	1,088,631

Note:

Included in the above interest-bearing bank and other borrowings are term loans with carrying amounts of HK$653,764,000 (2013: HK$735,229,000). The loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans which contain a repayment on-demand clause, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2014	115,736	153,362	415,634	–	684,732
As at 31 March 2013	55,696	182,867	500,668	24,397	763,628

The maturity profile of the Company's financial liabilities, and guarantees and debentures given to banks in connection with facilities granted to subsidiaries in an amount of HK$620,595,000 (2013: HK$693,671,000) as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 3 months.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed financial covenants set out in certain of its banking facilities as at 31 March 2014, and there was no indication of any breach of covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 31 March 2013.

The Group monitors the capital management position using a gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. At the end of the reporting period, the gearing ratio was 42% (2013: 52%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$679,287,000 (2013: HK$783,314,000) over the total equity of HK$1,625,437,000 (2013: HK$1,508,755,000).

In addition to the gearing ratio, the Group also monitors the capital management position with reference to adjusted current assets position of the Group, which is net current liabilities adjusting for certain current liabilities with cash outflows expected to be made after one year or without any expected future cash outflows. As at 31 March 2014, the net current liabilities of the Group of approximately HK$359,500,000 (2013: HK$638,845,000) which are largely attributable to (i) portions of bank borrowings due for repayment after one year being classified as current liabilities due to repayment on demand clause included in bank facility letters; (ii) certain receipts in advance arising from ordinary course of business of which recognition of revenue was pending for completion of service obligation; and (iii) certain financial obligations with settlement expected to be made after the next 12 months. The directors monitor the cash flow projections of the Group on a regular basis, taking into account the performance of the Group and financial obligations in the foreseeable future. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to settle its financial obligations as and when they fall due.

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 April 2014, Basic Faith Company Limited ("Basic Faith"), which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, Chairman of the Company, entered into two share transfer agreements to acquire 131,880,981 shares and 121,593,019 shares of the Company from Wong Family Holdings (PTC) Limited and First Action Developments Limited, respectively. Following these acquisitions and the close of the subsequent mandatory unconditional cash offer made by Basic Faith in respect of the Company's shares not already held by Basic Faith pursuant to the Takeovers Code, Basic Faith has become the largest shareholder of the Company. The cash offer was completed on 21 May 2014 and Basic Faith owns as to approximately 56.17% interest in the Company as at the date of approval of these financial statements.

(b) On 16 June 2014, the Company through its indirect 100% owned subsidiaries, Trans-Island Limousine Service Limited ("TIL") and Guangzhou GoGo TIL Consulting Services Co., Ltd. ("GZ GoGo TIL"), as the purchasers, entered into a share purchase agreement and two other share purchase agreements, respectively, with Shenzhen Yunfa City Group Holdings Co., Ltd. as the vendor, pursuant to which TIL agreed to acquire 100% equity interest in Pengyun Transport Enterprise Co., Ltd., and GZ GoGo TIL agreed to acquire 100% equity interest in Shenzhen City Coach Transport Travel Services Co., Ltd. and 90% equity interest in Shenzhen City Pengyun Transport Co., Ltd. at considerations of HK$65,867,301, RMB2,191,254 (approximately HK$2,739,068) and RMB21,757,960 (approximately HK$27,197,451), respectively.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2014.