KWOON CHUNG BUS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 306)

ANNUAL REPORT
2018/2019

CONTENTS

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

CORPORATE INFORMATION

Executive Directors

Mr. Wong Leung Pak, Matthew, BBS *(Chairman)*
Mr. Wong Cheuk On, James *(Chief Executive Officer)*
Mr. Lo Man Po *(Chief Financial Officer)*

Independent Non-Executive Directors

Mr. Chan Bing Woon, SBS, JP
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

Audit Committee

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

Nomination Committee

Mr. Wong Leung Pak, Matthew, BBS *(chairman)*
Mr. Chan Bing Woon, SBS, JP
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

Remuneration Committee

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. Wong Leung Pak, Matthew, BBS
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

Senior Management

Mr. Wong Cheuk Tim, Timothy *(Chief Operating Officer)*
Mr. Cheng King Hoi, Andrew
Ms. Lee Shuk Wah, Teresa
Mr. Chan Chung Yee, Alan
Mr. Feng Wei Xiang

Company Secretary

Mr. Chan Kwok Kee, Andy

Authorised Representatives Under Part 16 of the Companies Ordinance

Mr. Wong Leung Pak, Matthew, BBS
Mr. Wong Cheuk On, James

Authorised Representatives Under Listing Rules

Mr. Wong Leung Pak, Matthew, BBS
Mr. Wong Cheuk On, James

Auditors

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

Legal Advisers as to Hong Kong Laws

Chiu & Partners
40th Floor, Jardine House, 1 Connaught Place, Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central, Hong Kong

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

Principal Registrar and Transfer Office

Conyers Corporate Services (Bermuda) 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

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.HK
Board lot: 2,000 shares

Corporate Website Address and Investor Relations Contact

Website: http://www.kcbh.com.hk
Email: andychan@kcm.com.hk
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Customer Services

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Email: info@kcbh.com.hk

CORPORATE PROFILE

Background

The predecessor of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was founded by the late Mr. Wong Kwoon Chung with a small-sized car cleaning service in 1948. After over half a century of dramatic development, the Group has made its name in the transport history of Hong Kong as the largest non-franchised public bus and limousine operator in Hong Kong. The Company has been listed on the Main Board of the Stock Exchange since September 1996. As at 31 March 2019, the Group was operating approximately 1,383 non-franchised public buses and 397 limousines.

Hong Kong Segment

The Company, through its flagship wholly-owned subsidiary, Kwoon Chung Motors Company, Limited ("KCM"), has made its strong presence in student, tour, hotel, resident, employee and cross-boundary non-franchised public bus services. Every day from the edges 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 100% equity interests in Tai Fung Coach Company Limited and Trade Travel (Hong Kong) Limited in 1997 have enabled the Group to become the largest tour bus provider in Hong Kong.

New Lantao Bus Company (1973) Limited ("NLB"), a 99.99%-owned subsidiary of the Company, is a franchised bus operator based in Lantau Island. NLB also runs the franchised cross-boundary routes B2, B4 and B6 via Shenzhen Bay Port and Hong Kong-Zhuhai-Macao Bridge Port. Another subsidiary of the Company, Lantau Tours Limited, is a tour service provider in Lantau Island, which offers travel packages covering the sceneries of Lantau.

In 2003, when the economy of Hong Kong was at a low ebb, the Group had cast a vote of confidence in Hong Kong and acquired 100% equity interest in Trans-Island Limousine Service Limited ("TIL"). TIL is a transport operator focusing mainly on cross-boundary non-franchised bus and limousine businesses while Intercontinental Limousine Company Limited ("ILC") (which has taken up all business of Intercontinental Hire Cars Limited, a subsidiary of TIL) is a local limousine operator. Since 2004, a network of six 24-hour cross-boundary shuttle bus routes between Huanggang Port and designated locations in Hong Kong has been developed. The Company, through an associated company and a subsidiary, is running three of these routes.

In 2004, TIL acquired 92.3% equity interest in GoGo TIL (Cross Border) Transportation Services Co. Ltd., which provides cross-boundary bus services mainly for routes between the Hong Kong International Airport and Guangdong Province.

In 2011, TIL acquired 90% (up to 100% in December 2014) equity interests in Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively "Chinalink") and 100% equity interest in Hin Wan 991 group ("991"), respectively. Chinalink and 991 are renowned cross-boundary bus operators in the market. Chinalink runs various long-distance routes, the routes servicing the Shenzhen Baoan International Airport, and the 24-hour shuttle between Huanggang Port and Tsuen Wan. 991 runs the Zhongshan route, the route between Huanggang Port and Tsuen Wan, and the cross-boundary school bus services. Both entities also hold travel agency licenses. In 2014, the Group further acquired 100% equity interest in Pengyun Transport group ("Pengyun"), which is a cross-boundary bus operator based in Shenzhen.

CORPORATE PROFILE

In 2016 and 2018, the Group acquired 100% equity interest in Associated Tourist Coach Limited group ("ATCL Group") and Welcome Tourist Bus Company Limited ("Welcome Tourist") respectively. ATCL Group and Welcome Tourist were medium-sized bus operators, engaging in both local and cross-boundary bus businesses. The acquisitions have further consolidated the Group's position in the Hong Kong non-franchised bus market.

Mainland China Segment

The Group has been trying to realise its vision in various cities of Mainland China as early as 1992. Most of the past investments had been recovered with reasonable returns.

In 2000, the Group acquired 60% (up to 100% in 2017) equity interest in Chongqing Grand Hotel ("CQ Hotel"), which operates a 3-star 26-storey hotel at a prime location in Shapingba District, Chongqing. In recent years, CQ Hotel has partially transformed into a property lessor and the increase in income is notable.

In 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou"), which operates a long-distance bus terminal, a public bus company and related business at Xiangyang City and Nanzhang County, Hubei Province. The bus terminal, being located at the commercial hub of Xiangyang, is very geographically advantageous and has high potential for development.

In 2006, with a view to further developing the tourism business, the Group acquired 51% (up to 67.8% in 2017) equity interest in Lixian Bipenggou Tourism Development Co., Ltd ("Bipenggou Tourism"). The local government has granted this equity joint venture ("EJV") the right to develop and operate a vast and distinctive scenic area called Bipenggou, Miyaluo in Sichuan Province for 50 years. The total area of Bipenggou is approximately 613.8 square kilometers and it is only about 200 kilometers away from Chengdu. The goal of this EJV is to develop eco-tourism, leisure, and business tours. The major income comes from the fares of sightseeing shuttle buses and electric carts, entrance fee, and hotel room rentals from visitors. Bipenggou has been awarded the "National 4A-class Tourist Attraction" title by the National Tourism Administration since 2012 and the number of visitors has been increasing steadily.

Changes in Shareholdings in the Company

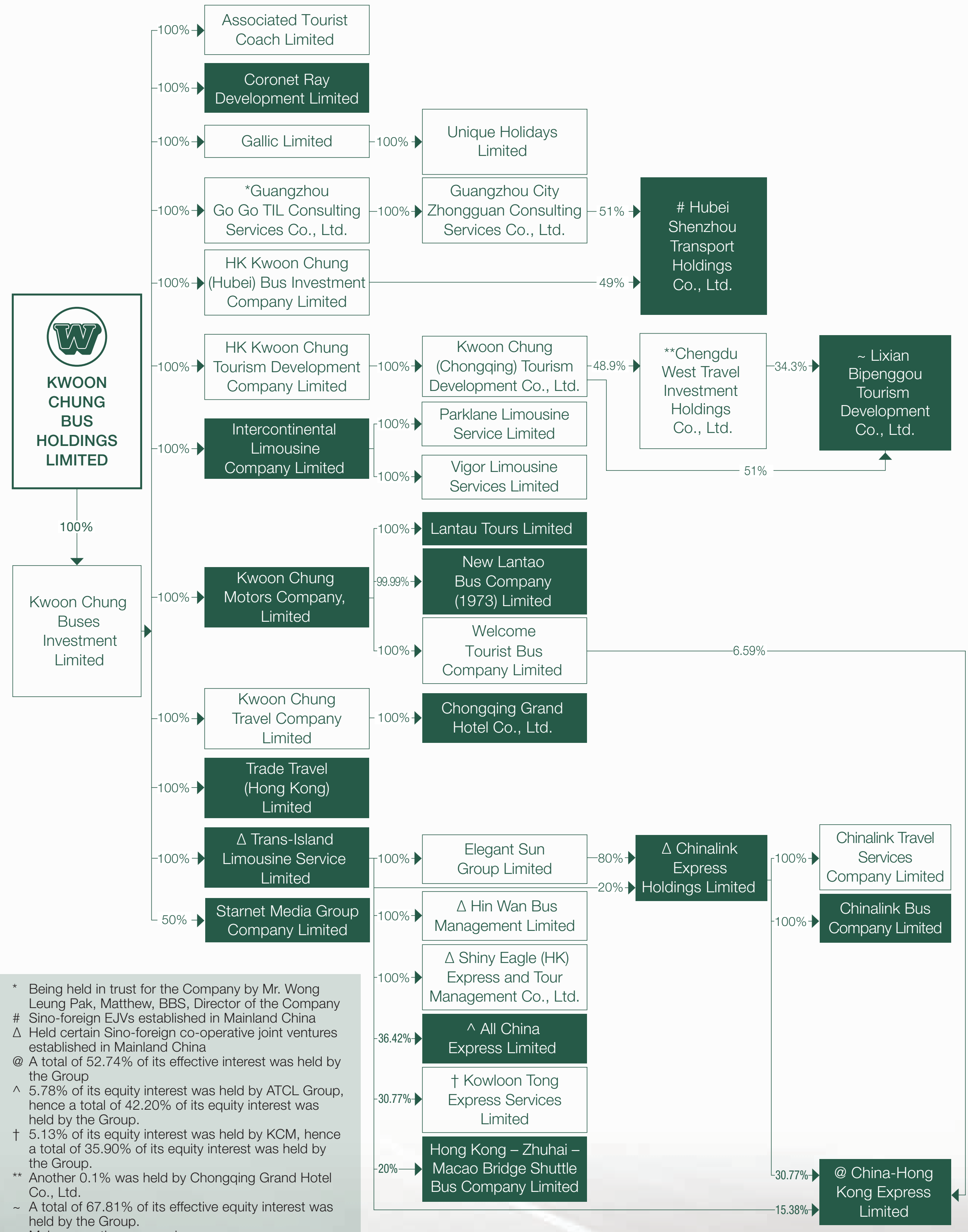
In 1999, First Action Developments Limited ("First Action"), an affiliated company of New World Development Company Limited (stock code: 17.HK), acquired approximately 20% (up to 29.48% before April 2014) of the issued share capital of the Company. On 2 April 2014, First Action sold all of its 121,593,019 shares of the Company to Basic Faith Company Limited ("Basic Faith"), which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, BBS, a director ("Director") and the Chairman of the Company. On the same date, Basic Faith acquired all of the 131,880,981 shares of the Company held by Wong Family Holdings (PTC) Limited, the then controlling shareholder of the Company. Upon completion of the above two acquisitions and the close of the subsequent mandatory unconditional cash offer made by Basic Faith to the Company, Basic Faith became the largest and the controlling shareholder of the Company. The shareholding of Basic Faith in the Company was approximately 50.10% as at the date of this report.

Vision

Given that logistics and tourism are two of the four pillar industries in Hong Kong and with the implementation of Mainland China's two important national policies: the Guangdong-Hong Kong-Macau Greater Bay Area Plan and the Belt and Road Initiative, the Group has full confidence in its continuing development in the future.

CORPORATE STRUCTURE

As 31 March 2019



* Being held in trust for the Company by Mr. Wong Leung Pak, Matthew, BBS, Director of the Company
\# Sino-foreign EJVs established in Mainland China
Δ Held certain Sino-foreign co-operative joint ventures established in Mainland China
@ A total of 52.74% of its effective interest was held by the Group
^ 5.78% of its equity interest was held by ATCL Group, hence a total of 42.20% of its equity interest was held by the Group.
† 5.13% of its equity interest was held by KCM, hence a total of 35.90% of its equity interest was held by the Group.
** Another 0.1% was held by Chongqing Grand Hotel Co., Ltd.
~ A total of 67.81% of its effective equity interest was held by the Group.
■ Major operating companies

Note: Only major group companies are shown in this chart.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2019

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus:					
Mainland China/Hong Kong					
cross-boundary service	**1,451,653**	1,193,900	1,089,373	1,029,201	990,709
Local service					
– Scheduled	**804,192**	663,101	661,090	689,151	659,383
– Non-scheduled	**101,618**	103,758	95,534	49,014	54,256
	2,357,463	1,960,759	1,845,997	1,767,366	1,704,348
Local limousine	**201,934**	197,270	196,505	203,248	165,951
Franchised bus and public light bus	**195,840**	175,113	170,824	162,433	165,755
Mainland China business	**204,163**	198,607	216,907	246,614	316,567
Others	**12,465**	11,905	10,629	9,212	9,488
TOTAL REVENUE	**2,971,865**	2,543,654	2,440,862	2,388,873	2,362,109
PROFIT FOR THE YEAR	**259,360**	276,349	364,930	291,868	379,409

	As at 31 March				
	2019	2018	2017	2016	2015
FLEET	Number of vehicles operated				
Non-franchised bus	**1,383**	1,268	1,104	1,039	1,002
Franchised bus	**152**	135	123	124	115
Limousine (cross-boundary and local)	**397**	410	391	348	271
	1,932	1,813	1,618	1,511	1,388

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wong Leung Pak, Matthew, BBS, aged 63

joined the Group in the early 1970s. Mr. Wong is the Chairman of the Company. He is responsible for providing leadership to, and overseeing the functioning of, the board of Directors (the "Board") of the Company. Mr. Wong has over 40 years experience in the bus business. Mr. Wong is currently the chairman of the Public Omnibus Operators Association in Hong Kong, and he was awarded the Honorary University Fellowship by The Open University of Hong Kong in November 2014 and the honour of BBS by the HKSAR government in July 2015. Mr. Wong is the father of Messrs. Wong Cheuk On, James (an executive Director) and Wong Cheuk Tim, Timothy (a member of senior management of the Group), and the father-in-law of Mr. Lo Man Po (an executive Director). He is the sole director of Basic Faith and Infinity Faith, which are controlling shareholders having 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").

Mr. Wong Cheuk On, James, aged 35

holds a Bachelor's Degree in Mathematics from the University of California, Berkeley, United States and a Master's Degree in Economics from The University of Hong Kong. Mr. Wong joined the Group in 2011 and is the Chief Executive Officer of the Company. He is responsible for the general management and operations of the Group. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew, BBS (an executive Director), the brother of Mr. Wong Cheuk Tim, Timothy (a member of senior management of the Group), and the brother-in-law of Mr. Lo Man Po (an executive Director). Mr. Wong is currently a Member of the Advisory Committee on Cruise Industry and a Member of the Tourism Strategy Group, both under Tourism Commission, Commerce and Economic Development Bureau of HKSAR. He is also a Member of Hong Kong Tourism Board.

Mr. Lo Man Po, aged 41

holds a Bachelor's Degree in Business Administration from the Western Michigan University, United States and is a fellow member of CPA Australia. Mr. Lo joined the Group in 2004 and is the Chief Financial Officer of the Company. 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, BBS (an executive Director), and the brother-in-law of Messrs. Wong Cheuk On, James (an executive Director) and Wong Cheuk Tim, Timothy (a member of senior management of the Group).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Chan Bing Woon, SBS, JP, aged 74

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 over 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 governing committee, Cheshire Home, Chung Hom Kok, Hospital Authority. He is also an independent non-executive director of China Regenerative Medicine International Limited, whose shares are listed on the Stock Exchange (stock code: 8158.HK).

Mr. James Mathew Fong, aged 43

has been an independent non-executive Director of the Company since 2016. Mr. Fong obtained a Bachelor of Laws degree from The University of Hong Kong. He is a partner of Bird & Bird, one of the largest international law firms in Hong Kong. During his more than 15 years of legal career, Mr. Fong has been advising listed issuers and investment banks clients on capital markets, merger & acquisition and corporate governance matters. He also serves in a number of statutory bodies and committees in Hong Kong. He is currently a member of the Disciplinary Committee Panel of Social Workers Registration Board and Private Columbaria Licensing Board, an observer of the Independent Police Complaints Council and the Deputy Chairman of Appeal Board under the Urban Renewal Authority Ordinance. He was a member of Hong Kong Arts Development Council between 2011 and 2016 and a member of the Chiropractors Council between 2012 and 2018.

Independent Non-Executive Directors – Continued

Mr. Chan Fong Kong, Francis, aged 43

has been an independent non-executive Director of the Company since 2016. Mr. Chan obtained a Bachelor's Degree of Commerce from Deakin University, Melbourne, Australia and he is a member of CPA Australia. Mr. Chan had worked in Ernst & Young, a major international accounting firm from 2001 to 2005. From 2005 to 2016, Mr. Chan had been working in a local consultancy firm as a director specialising in providing consultancy services, involving in corporate restructuring and organising fund-raising activities in Hong Kong and Mainland China. Currently he is holding the position of finance manager in a local technology firm. Mr. Chan was appointed as an independent non-executive director of Leyou Technologies Holdings Limited (stock code: 1089.HK) from January to July 2015, China Best Group Holdings Limited (stock code: 370.HK) from September 2014 to October 2016, Great Wall Belt & Road Holdings Limited (stock code: 524.HK) from June 2015 to May 2017, SingAsia Holdings Limited (stock code: 8293.HK) from February 2018 and China Baoli Technologies Holdings Limited (stock code: 164.HK) from August 2018 whose shares are listed on the Main Board/GEM of the Stock Exchange. Mr. Chan also serves in a number of non-governmental organisations in Hong Kong. He is currently a director of New Territories General Chamber of Commerce and the company secretary and committee member of Care Of Rehabilitated Offenders Association.

Senior Management

Mr. Wong Cheuk Tim, Timothy, aged 30

holds a Juris Doctor in Law from The Chinese University of Hong Kong and a Bachelor of Science in Economics from University of Bath, United Kingdom. Mr. Wong joined the Group in 2014 and is currently holding the position of Chief Operating Officer of the Group. He is responsible for overseeing daily management, the operation units, and the legal and compliance functions of the Group. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew, BBS (an executive Director), the brother of Mr. Wong Cheuk On, James (an executive Director) and the brother-in-law of Mr. Lo Man Po (an executive Director). He is currently a member of Working Group on Rehabilitation and Age-friendly Community in the Southern District, Community Affairs and Tourism Development Committee, Southern District Council.

Mr. Cheng King Hoi, Andrew, aged 60

is the Head of Mainland China Business Development of the Group and is responsible for the Group's tourism and hotel operations in Chongqing and Sichuan Province and bus operations in Hubei Province, Mainland China. He is a member of the Australian Institute of Management NSW Ltd., a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China, and also the co-president of Overseas Teo Chew Entrepreneurs Association Limited. He was awarded 10 Most Outstanding Persons of China Transportation Enterprise Management in 2009. Mr. Cheng received an Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America and the 13th World Outstanding Chinese Award in 2013. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years. Currently, Mr. Cheng is also an independent non-executive director of Evergreen International Holdings Limited (stock code: 238.HK) and Sterling Group Holdings Limited (stock code: 1825.HK), whose shares are listed on the Stock Exchange.

Senior Management – Continued

Ms. Lee Shuk Wah, Teresa, aged 63

is the General Manager of TIL (a wholly-owned subsidiary of the Company) and its subsidiaries. Ms. Lee joined the Group in 2003 and is responsible for development and day-to-day management of the Group's cross-boundary transport business. With more than 30 years of experience in transportation management, she has held a number of managerial and senior managerial positions in the fields of transport operations, route development and planning, passenger services and administration. She is a director of several Sino-foreign joint ventures of the Group and also a Standing Director of Shenzhen Tourism Association.

Mr. Chan Chung Yee, Alan, aged 52

is the managing director of Chinalink (wholly owned subsidiary of the Company) and its subsidiaries. Mr. Chan holds two Master's Degrees in Practising Accounting and Business Law from Monash University, Australia. Professionally, he is a Fellow of the Hong Kong Institute of Certified Public Accountants, CPA Australia, The Institute of Chartered Secretaries and Administrators in the United Kingdom, The Hong Kong Institute of Chartered Secretaries and The Hong Kong Institute of Directors. Mr. Chan is also a Member of The Hong Kong Securities and Investment Institute, a Certified Management Accountant of the Institute of Certified Management Accountants of Australia, and an Associate of The Hong Kong Institute of Bankers. He is awarded with "Chartered Banker" by the Chartered Institute of Bankers in Scotland, the United Kingdom. Regarding public services, currently, Mr. Chan is a standing member and convenor of Hong Kong members of the Chinese People's Political Consultative Conference of Yunfu City of Guangdong Province, standing member of Guangdong's Association for Promotion of Cooperation between Guangdong, Hong Kong and Macao, member of China Overseas Friendship Association, member of Friends of Hong Kong Association, and vice chairman and secretarial general of China, Hong Kong and Macau Boundary Crossing Bus Association. Mr. Chan was also appointed as member of the Board of Review (Inland Revenue) of HKSAR from 2009 to 2011. He is also an independent non-executive director and chairman of audit committee of Upbest Group Limited (stock code: 335.HK) and UBA Investments Limited (stock code: 768.HK), whose shares are listed on the Stock Exchange.

Senior Management – Continued

Mr. Feng Weixiang, aged 56

joined the Group in December 2017, and is the General Manager of Tourism and Project Development of the Group, responsible for the management and development of the Group's related cross-boundary and Mainland China businesses. Mr. Feng holds a bachelor's degree from Guangzhou Jinan University and an Executive Master's Degree in Business Administration (EMBA) from Guangzhou Sun Yat-Sen University. He served in Mainland China government department in his early years, and then served in the Hong Kong headquarter of a state-owned enterprise group as well as served as a director, general manager and chief executive officer of Hong Kong cross-boundary transportation company, Mainland China hot spring hotel scenic spot and comprehensive tourism network development platform under its group's listed company. He also served as an executive director of a Hong Kong private transportation company and founder of an e-commerce enterprise. He possesses long-term, comprehensive management experiences in cross-boundary transportation and the above other types of enterprises. He was the founding chairman of China Hong Kong Macau Boundary Crossing Bus Association Limited. In 2007, he was awarded as one of the Top Ten Innovative People in China's Internet Industry, and was the executive director of Sun Yat-Sen University Entrepreneur Alumni Association. He is also an honorary advisor to the Hong Kong Alumni Association of Jinan University.

Company Secretary

Mr. Chan Kwok Kee, Andy, aged 46

joined the Group in 2000 and he is also the Financial Controller 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.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2019.

Results

The consolidated profit for the year was approximately HK$259 million, which represents a decrease of approximately 6.1% from that of the previous year of approximately HK$276 million. Details of the Group's results will be discussed under the section headed "Management Discussion and Analysis" in this annual report.

Dividends

An interim dividend of HK8 cents (2018: an interim dividend of HK12 cents) per ordinary share in respect of the year was paid on 24 December 2018. The Board recommends the payment of a final dividend of HK16 cents (2018: HK12 cents) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Monday, 30 September 2019 to the shareholders whose names appear on the register of members on Monday, 26 August 2019 if the proposed final dividend is approved by shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 20 August 2019 (the "AGM") of the Company. The proposed final dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) shareholders' approval of the proposed final dividend at the Company's forthcoming AGM; and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the 5 trading days prior to and including 28 August 2019. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to the shareholders together with a form of election on 3 September 2019. Dividend warrants and/or new share certificates will be posted on 30 September 2019.

Closure of Register of Members

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Thursday, 15 August 2019 to Tuesday, 20 August 2019, 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 AGM, 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 Wednesday, 14 August 2019.

For determining the entitlement to the proposed final dividend, subject to the passing of the resolution approving the declaration of the final dividend at the AGM, the register of members of the Company will be closed on Monday, 26 August 2019, during which 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, 23 August 2019.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my hearty gratitude to the Group's business partners, shareholders, and loyal and diligent staff.

Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong
25 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The consolidated profit for the year was approximately HK$259 million, which represents a decrease of approximately 6.1% from that of the previous year of approximately HK$276 million. The slight decrease in profit was mainly due to (i) the fact that gain on disposal of motor buses and vehicles together with passenger service licences amounted to HK$66.7 million in prior year while the same only amounted to HK$13.1 million in current year; (ii) increase in finance costs as a result of increase in bank borrowing interest rates and outstanding loan balances; and (iii) the fact that growth in revenue and hence gross profit had partially offset the above undesirable impacts.

Notwithstanding the various challenges faced, the Group had still continued to devote more resources to corporate and business relations and to service improvements. During the year, some new business opportunities had arisen, which will be discussed in detail under the section headed "Review of Operations and Future Prospects" below.

Review of Operations and Future Prospects

1. Non-franchised Bus Segment

The non-franchised public bus services provided by the Group include: (i) Mainland China/Hong Kong cross-boundary transport and (ii) local transport in Hong Kong, which include student, employee, resident, tour, hotel, and contract hire services. The Group continues to be the largest non-franchised public bus operator in Hong Kong in terms of the size of bus fleet. As most of the cross-boundary limousine services have been bundled with the non-franchised bus services, cross-boundary limousine services are considered to be part of this segment. The non-franchised bus services continue to be the core business of the Group. Owing to the factors mentioned in the section headed "Results" above, the overall profit of this segment had posted a decline during the year.

There has been a steady demand for cross-boundary bus and limousine services, which connect Hong Kong through various crossings to Mainland China. Trans-Island Limousine Service Limited and Chinalink Express Holdings Limited, both wholly-owned subsidiaries of the Company, are two of the leading service operators in the industry.

Kwoon Chung Motors Company, Limited ("KCM") is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. As up to 90% of KCM's revenue is derived from binding service contracts, its business will remain relatively stable. During the year, there were difficulties in the recruitment of drivers throughout the industry. However, as the Group has a relatively larger group of drivers available for flexible deployment than other operators in the industry, the Group had continued to have successes in winning new business contracts in some competitive tenders. The local non-franchised bus revenue had increased from approximately HK$767 million of prior year to approximately HK$906 million of current year and approximately 24% of the revenue growth resulted from new contracts. In the face of the upward pressure on costs, the Group will continue to negotiate with its customers to raise its fares on a reasonable basis in the coming years.

With the acquisitions of some fellow operators in recent years, the turnover, market share and fleet size of this segment have grown. This has made the Group well equipped for the opening of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") in October 2018.

Review of Operations and Future Prospects – Continued

1. Non-franchised Bus Segment – continued

In prior year, the Group formed an associate with four other local operators and became one of the five 20% joint venture partners in Hongkong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd. ("HZMBSB"). HZMBSB had successfully won the public tender as the Hong Kong representative to participate in the HZMB cross-boundary bus transport consortium with 38% equity interest. The Group, as a whole, has benefited from the enormous traffic and other business opportunities brought about by the opening of the HZMB. The cross-boundary non-franchised bus revenue had increased from approximately HK$1,194 million of prior year to approximately HK$1,451 million of current year and approximately 59% of the revenue growth resulted from the new routes passing through the HZMB Port.

The future growth of this segment shall lie on the Mainland China/Hong Kong cross-boundary transport. The favorable factors behind the growth of this sector are:

i. the HZMB Port will bring about more demand for cross-boundary transport among Hong Kong, Zhuhai and Macao;

ii. the new Liantang Port, which is expected to be opened by the end of 2019, will bring about more passenger traffic to and from the eastern part of Shenzhen and Guangdong Province; and

iii. the Guangdong – Hong Kong – Macau Greater Bay Area Plan, which is one of Mainland China's priorities, will further boost the cross-boundary transportation demand within the Pearl River Delta.

2. Local Limousine Segment

As at 31 March 2019, the Group owned a fleet of about 198 (2018: 218) local limousines. The limousine fleet caters for the airport and local transfers of prestigious clients of numerous hotels in Hong Kong, and for corporate and individual users.

The profit of this segment had dropped owing to increase in various operating costs, such as wages, fuel, and repair and maintenance.

The Group has been exploring possibility of digitising its limousine dispatch and hailing system so that its end users can easily place their orders online via their mobile devices or computers. The Group believes the so called "e-hailing" will give its clients an entirely new and smooth experience in the booking process and enhance the competitiveness of its limousine business. With the launch of the application, a stronger presence in the Business-to-Customer ("B2C") market and a higher fleet utilisation could be expected.

Review of Operations and Future Prospects – Continued

3. Franchised Bus and PLB Segment

The Group's franchised bus services in Hong Kong are operated by New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% (2018: 99.99%) owned subsidiary of the Company. As at 31 March 2019, NLB operated 27 (2018: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 152 (2018: 135) buses. NLB remained in a difficult position for the year due to increased operating costs.

Upon successful tender, two new cross-boundary franchised shuttle routes, namely B4 and B6, which connect the HZMB Hong Kong Port to Hong Kong International Airport ("HKIA") and Tung Chung respectively, have commenced operations following the opening of HZMB in October 2018. As mentioned above, there has been a high passenger flow via the HZMB Hong Kong Port and many travellers are day-trippers. As such, Tung Chung, the town with the closest access to the HZMB Hong Kong Port, has experienced a notable increase in visitors. The Group is confident that, these two new routes, especially B6, will bring about stable and reasonable profits to NLB and substantiate NLB's continuous growth in the long term.

The Group has been operating one green PLB (also called "minibus") route, namely 901, which also connects the HZMB Hong Kong Port to Tung Chung. Currently, 7 PLBs have been put into operation.

4. Mainland China Business Segment

i. Lixian Bipenggou Tourism Development Co., Ltd. ("Bipenggou Tourism")

Thanks to the recovery of tourism business in Sichuan Province since the serious earthquake at Jiuzhai Valley in August 2017, the number of tourists visiting Bipenggou for calendar year 2018 had increased to approximately 790,000 as compared with approximately 630,000 for 2017 and the net profit of Bipenggou Tourism for the year had also rebounded. The newly developed attractions, including the hot spring resort, are welcomed by the visitors. The Wenma Expressway (Chengdu to Bipenggou section) was just opened in May 2019. The opening of Wenma Expressway has greatly shortened the journey time between Bipenggou and Chengdu from 4 hours to 2 hours. Besides boosting the number of visitors, Bipenggou Tourism will also aim at raising its "average spend per visitor" in future. The Group is confident that the prospect of Bipenggou Tourism will remain optimistic and the scenic area will continue to flourish in the coming financial years.

ii. Chongqing Grand Hotel Co., Ltd. ("CQ Hotel")

This 100% (2018: 100%) owned subsidiary operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Shapingba District, Chongqing. CQ Hotel had successfully turned around and made a fair profit during the year as: (i) it had leased out a large proportion (up to almost 36%) of its floor areas to commercial clients as offices/shops on a long-term basis and rental income had increased; and (ii) the room occupancy rate had improved due to recovery of the local tourism business. Currently, CQ Hotel has been actively looking for potential corporate clients and it is hoped that a few more storeys could be leased out for commercial use soon.

Review of Operations and Future Prospects – Continued

4. Mainland China Business Segment – Continued

iii. Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou")

As at 31 March 2019, this 100% (2018: 100%) owned subsidiary of the Group was operating a long-distance bus terminal, a public bus transport company, and related business with 216 (2018: 216) routes and 538 (2018: 527) buses in Xiangyang City and Nanzhang County, Hubei Province. Hubei Shenzhou incurred less loss in its results for the year due to the significant one-off provision for a hotel development project amounting to approximately HK$7.8 million in prior year, and the non-occurrence of such item in current year. The Group believes that Hubei Shenzhou could break even in the long run, given that : (1) there is increasing demand from tourists for chartering its buses; and (2) the old diesel buses operating in Nanzhang County will be gradually replaced by electric-powered buses, which are more energy-saving and will lower the fuel costs.

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 borrowings from banks and other financial institutions. As at 31 March 2019, the total outstanding indebtedness was approximately HK$2,001 million (2018: HK$1,674 million). The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars, Renminbi, and US dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2019, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 88.2% (2018: 78.9%).

Funding and Treasury Policies, and Financial Risk Management

The Group maintains prudent funding and treasury policies towards its overall business operations, with an aim to minimise financial risks. All prospective material investments or capital assets will be financed by internal cash flows from operations, bank facilities or other viable forms of finance in Hong Kong and/or Mainland China.

The investments and related liabilities, income and expenditure of the Group for its Hong Kong and Mainland China operations are mainly denominated in Hong Kong dollars and Renminbi respectively. The Group has been watchful of the exchange rates of Hong Kong dollars against Renminbi, and will formulate plans to hedge against major foreign currency exchange risks if and when necessary.

The Group also pays vigilant attention to the interest rate risks, as the borrowings of the Group carry mainly floating interest rates. The Group has adopted measures including certain hedging instruments to minimise such risks.

Employees and Remuneration Policies

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. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, no matter in Hong Kong or overseas.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Preserving a high level of corporate governance and business ethics is one of the Group's core values. The Group trusts that conducting business in an ethical and reliable way will maximise 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 2019, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors.

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 2019.

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

No incident of non-compliance with 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 of the Board 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 2019, the Board comprised 6 Directors, including 3 executive Directors and 3 independent non-executive Directors. The list of all Directors during the year and up to the date of this report are set out below:

Executive Directors

Mr. Wong Leung Pak, Matthew, BBS *(Chairman)*
Mr. Wong Cheuk On, James *(Chief Executive Officer)*
Mr. Lo Man Po *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Chan Bing Woon, SBS, JP
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

The Board of Directors – Continued

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 by the Board 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. The retiring Directors shall be eligible for re-election. 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 7 to 11.

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.

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong Leung Pak, Matthew, BBS and Mr. Wong Cheuk On, James, 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 organisational structure, control systems and internal procedures and processes for the Board's approval.

Independent Non-Executive Directors

During the year ended 31 March 2019, 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 whom 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. Accordingly, the Company considers all independent non-executive Directors are independent.

The Board of Directors – Continued

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and overseeing 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 should 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 has 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 written 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 are available to shareholders upon request.

Audit Committee

As at 31 March 2019, the audit committee consists of three independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP as the chairman. Other members are Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis. 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, with the management and the external auditors, two times a year. The audit committee also meets the external auditors annually in the absence of the management.

Board Committees – Continued

Audit Committee – continued

The terms of reference of the audit committee are of no less exacting terms than those set out in the CG Code. 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 and reviews the effectiveness of 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 2019. 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 23.

The Company's interim results for the six months ended 30 September 2018 and annual results for the year ended 31 March 2019 have been reviewed by the audit committee.

Nomination Committee

As at 31 March 2019, the nomination committee consists of one executive Director and three independent non-executive Directors with Mr. Wong Leung Pak, Matthew, BBS, executive Director, as the chairman. Other members are Mr. Chan Bing Woon, SBS, JP, Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis, being independent non-executive Directors.

The terms of reference of the nomination committee are of no less exacting terms than those set out in the CG Code. 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 as well as factors concerning Board diversity as set out in the Company's board diversity policy. 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 relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Board Committees – Continued

Nomination Committee – continued

During the year ended 31 March 2019, 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 23.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company’s corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company’s business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Board Committees – Continued

Director Nomination Policy – continued

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

As at 31 March 2019, the remuneration committee consists of one executive Director and three independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP, independent non-executive Director, as the chairman. Other members are Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis, both being independent non-executive Directors, and Mr. Wong Leung Pak, Matthew, BBS, being executive Director. 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 terms of reference of the remuneration committee are of no less exacting terms than those set out in the CG Code. The primary functions of the remuneration committee include making recommendations to the Board 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. 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 with 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.

Board Committees – Continued

Remuneration Committee – continued

The remuneration committee met once during the year ended 31 March 2019 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 five highest paid employees for the year ended 31 March 2019 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 March 2019, the remuneration of the senior management is listed as below by band:

Band of Remuneration	**Number of Persons**
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	2

The attendance record of each member of the remuneration committee is set out under "Attendance Record of Directors and Committee Members" on page 23.

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 Written Employee 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 2019, 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 meetings and the general meetings of the Company held during the year ended 31 March 2019 is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Wong Leung Pak, Matthew, BBS	4/4	N/A	1/1	1/1	1/1
Mr. Wong Cheuk On, James	4/4	N/A	N/A	N/A	1/1
Mr. Lo Man Po	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Chan Bing Woon, SBS, JP	4/4	2/2	1/1	1/1	1/1
Mr. James Mathew Fong	4/4	1/2	1/1	1/1	1/1
Mr. Chan Fong Kong, Francis	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 other executive Directors during the year. All the relevant Directors have attended this meeting.

Continuous Professional Development of Directors and Company Secretary

Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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.

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 provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2019, the Company organised in-house training sessions for all Directors on directors' duties and responsibilities, corporate governance and update on Listing Rules amendments. All the Directors attended training sessions regarding directors' duties and responsibilities, corporate governance and update on Listing Rules amendments.

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. Details of compliance by each of the Directors with code provision A.6.5 are as follows:

Directors	Reading relevant materials	Attending in-house training sessions/ professional seminars
Executive Directors		
Mr. Wong Leung Pak, Matthew, BBS	✔	✔
Mr. Wong Cheuk On, James	✔	✔
Mr. Lo Man Po	✔	✔
Independent non-executive Directors		
Mr. Chan Bing Woon, SBS, JP	✔	✔
Mr. James Mathew Fong	✔	✔
Mr. Chan Fong Kong, Francis	✔	✔

During the year ended 31 March 2019, 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 2018/2019 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 independent auditor's report on pages 43 to 47 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 2019 which give a true and fair view of the financial position 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.

Auditor's Remuneration

The audit committee has reviewed and ensured the independence and objectivity of the external auditors, Ernst & Young. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2019 are as follows:

	HK$'000
2018/2019 annual audit	**3,600**
Non-audit related services*	**1,267**
	4,867

* include tax compliance services of HK$1,040,000.

Risks Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

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 audit committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

Risks Management and Internal Controls – Continued

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. The Board, through the audit committee, reviews the effectiveness and efficiency of risk management and internal control systems annually.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Meanwhile, the Company handles and disseminates the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably.

During the year ended 31 March 2019, the Board, through the audit committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function). The Board and the audit committee are satisfied with the adequacy, effectiveness and efficiency of the risk management and internal control systems of the Group.

Communication with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' 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 ended 31 March 2019, the Company has not made any changes to its bye-laws. The 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 general meetings, including the election of individual Directors. All resolutions put forward at general 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 general meeting.

1. 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 requisitionists must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or Company Secretary of the Company.

2. 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.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries 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 (1), (2) and (3) 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) 3753 4885
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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

In pursuit of sustainable development, modern enterprises must take into account all aspects of business and social responsibility to meet the challenges from all parties. The Group attaches great importance to the practice of corporate social responsibility with awareness of that the society, environment and staff are closely related to the business growth, and integrates the concept of sustainable development into operation, therefore resources and efforts have long been invested in various aspects.

The Group prepared its environmental, social and governance report to elaborate the related measures that the Group has taken in the three aspects of environmental protection, social welfare and corporate governance and their effectiveness for the year ended 31 March 2019. This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") contained in Appendix 27 to the Listing Rules and has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The information contained in this report is derived from the documents and statistics of the Group. We hereby extend our sincere appreciation to all parties who have made contributions to this report. The Group strives to move forward in respect of its environmental, social and governance work. If you are in any doubt or have any suggestion regarding matters set out in this report, please do not hesitate to contact us.

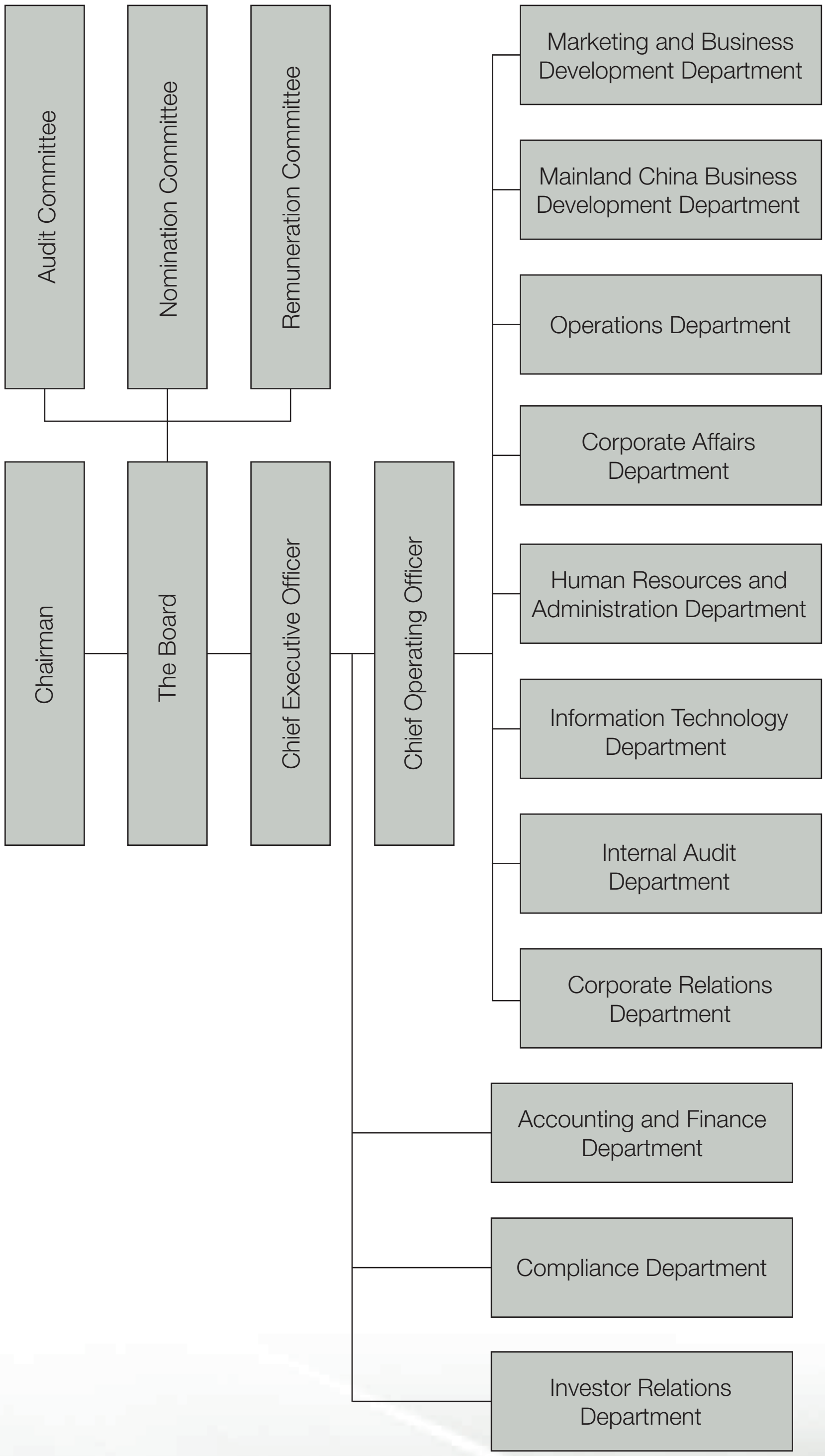
Corporate Governance

Founded in 1948, the Group used to engage in small-sized car cleaning service, and with decades of development, the Group is the largest non-franchised public bus and limousine operators in Hong Kong. Currently, our business has been expanded to cover non-franchised buses, limousines, franchised buses, Mainland China buses, hotels and tourism. The Group has been listed on the Main Board of the Stock Exchange since September 1996.

The Group, as a public service provider and a public listed company, is highly visible in terms of its business, as it would frequently serve members of the general public in daily transportation services. The Group adheres to the standard of measurement of service by the HKSAR government, has established a code of conduct for its employees and has maintained a tailored governance structure with defined lines of responsibility and authority to the senior management.

Corporate Governance – Continued

The Group's major governance structure is as follows:



Details of the Group's compliance with the CG Code are disclosed separately in the section headed "Corporate Governance Report" in this annual report.

Environmental Protection

The principal business of the Group is providing public transportation service, and we are keenly aware of the potential impact of this industry on the environment. In the face of various challenges of environmental protection, the Group is committed to pushing itself toward the goal of reducing consumption and emission.

Environmental Protection Measures in the Process of Business Development

The Group understood and attached great importance to the requirement of keeping pace with the times in its business, the concept of which was also fully implemented in environmental protection. In order to improve the air quality, as at 31 March 2019, over 50% of the vehicles of the Group's fleet are newer models meeting the standards of Euro V and Euro VI. During the year, about 150 vehicles of the Group of older model and with less satisfactory environmental protection performance were replaced by Euro V and Euro VI vehicles.

The nitric oxide ("NOx") emissions of Euro V gasoline vehicles are approximately 30% less than that of similar vehicles of Euro IV. The NOx emissions of Euro V heavy diesel vehicles (i.e. design weight over 3.5 tonnes) are approximately 40% less than that of similar vehicles of Euro IV, and the respirable suspended particulates ("RSP") and NOx emissions of Euro V light diesel vehicles are approximately 80% and 30% less, respectively. As compared with Euro V, the NOx and RSP (PM10) emissions of Euro VI heavy diesel vehicles are approximately 80% and 50% less, and the NOx emissions of Euro VI light diesel vehicles are approximately 55% less.

The Group has taken a number of measures to advocate eco-friendly driving habits, such as reminding drivers to comply with statutory requirements of switching off idling vehicles, strengthen vehicle control skills, reduce engine idling and reduced emissions while saving fuel from time to time.

In addition, under the support from the Pilot Green Transport Fund, two units of electric-powered single deck buses have been procured by KCM (a subsidiary of the Group) in 2015 for trial run at various residents' service routes. According to the front line staffs, the trial run of electric-powered buses is in good condition at present. NLB has procured two units of electric-powered buses and put them into operation at its route 38.

Within the current mode of the Group, there are three types of polluted or consumed materials to be recycled by qualified technicians, namely, bus air conditioning refrigerants, electric-powered bus batteries and bus lubricating oil. Firstly, the Group has strictly complied with the Ozone Layer Protection (Controlled Refrigerants) Regulation issued by the Environmental Protection Department to equip and use authorised air conditioning refrigerant recycling equipment in our auto factories, and the recycling will be operated by trained employees under appropriate guidelines; secondly, we used the third-party service to recycle electric-powered bus batteries; thirdly, the waste oil generated by the Group's buses has been received and processed by the third party registered waste oil recycler.

Air Pollutant Emissions

According to the statistics recorded by the Group, the sulfur dioxide emissions of the Group for the year were approximately 659,000g as compared to approximately 537,000g for the previous year, which was mainly due to diesel consumption. The NOx and suspended particulate emissions for the year were approximately 892,703,000g (2018: 714,930,000g) and 64,192,000g (2018: 51,409,000g), respectively. The Group will pay close attention to air pollutant emissions during its business operation and implement control thereon.

Environmental Protection – Continued

Greenhouse Gas ("GHG") Emissions

According to the statistics of the Group, under the major business activities, the GHG emissions are attributable to the gasoline, diesel and electricity consumption of vehicles. The table below sets forth the approximate carbon dioxide ("CO_2") equivalent of GHG of the Group for the year and the previous year.

GHG emissions for the year and the previous year:

	Year ended 31 March	
	2019	2018
CO_2 equivalent (kg)	**109,951,000**	89,739,000

During the year, the Group has no statistics in respect of sewage, hazardous and non-hazardous waste emissions, and such substances are not the major emissions arising from the Group's business. On the other hand, during the year, the Group has ensured its compliance with all applicable local environmental protection regulations and other relevant requirements in its own operation and the identified service scopes of its suppliers.

Development of "Ecotourism" in Bipenggou, Sichuan

Bipenggou, where the Group's tourism business in Mainland China is based, advocates ecotourism, a form of tourism involving visiting primitive and undisturbed natural areas, intended as a low-impact and often small scale alternative to standard commercial mass tourism. Ecotourism has been considered a critical endeavor by environmentalists, so that future generations may experience destinations relatively untouched by human intervention. Bipenggou promotes responsible travel to Mother Nature conserving the ecological balance and improving the well-beings of the local inhabitants. Our purpose is to educate the tourists, to directly benefit the economic development of local communities, or to foster respect for different cultures.

Bipenggou's ecotourism model deals with interaction with biotic components of the natural environments. It focuses on socially responsible travel, personal growth, and environmental sustainability. It typically involves travel to destinations where flora, fauna, and cultural heritage are the primary attractions. It aims at offering our visitors an insight into the impact of human beings on the environment and to foster a greater appreciation of our natural habitats.

Unlike many other tourist attractions all over Mainland China, Bipenggou's ecotourism programs include those that minimise the negative aspects of traditional tourism on the environment and enhance the cultural integrity of local inhabitants. Therefore, in addition to evaluating environmental and cultural factors, an integral part of Bipenggou's ecotourism programs is the promotion of recycling, energy efficiency, water conservation, and creation of economic opportunities for local communities. For these reasons, Bipenggou often appeals to advocates of environmental and social responsibility.

Use of Resources

The Group believes that resource saving and recycling are essential part of a sustainable operation mode, which can also demonstrate its commitments to corporate social responsibilities and its endeavor to mitigate the impact of business on the environment in each section. We place great emphasis on our employees' environmental protection awareness during their daily work and issue guidelines on fuel and electricity saving, water conservation and use of paper and other office supplies to reduce waste and control the use of resources, and waste papers are disposed by third-party environmental collectors upon unified collection. As the Group is a service provider, there is no significant packaging material used during the year.

Use of Resources – Continued

Comparison of Major Use of Resources of the Group for the Year and the Previous Year

	Year ended 31 March	
	2019	2018
Diesel (L)	**39,141,000**	31,326,000
Gasoline (L)	**1,988,000**	2,230,000
Electricity (kWh)	**1,999,000**	1,618,000
Water (m^3)	**30,000**	21,000
Paper (kg)	**14,000**	14,000

As of 31 March 2019, the diesel and gasoline consumption of the Group amounted to approximately 39,141,000L and 1,988,000L, respectively (2018: 31,326,000L and 2,230,000L). According to the statistics, the electricity consumption was approximately 1,999,000kWh (2018: 1,618,000kWh). The water consumption for the year as calculated by the Group was approximately 30,000m^3 (2018: 21,000m^3). During the year, the Group recorded paper use of approximately 14,000kg (2018: 14,000kg). In the coming year, we will continue to facilitate resource saving, collection and recycling from each section with an aim to further fulfill the Group's commitments to the society and environment.

Employee Development and Working Environment

As at 31 March 2019, the number of employees of the Group was approximately 4,000. The smooth operation of the Group's business owes much to the diligent work of our frontline and back office staff. Therefore, we have great respect for staff and teams with a hope to create a safe, healthy and equal platform for them to work with peace of mind and dedication.

Employees and Remuneration Policies

In the process of formulating employee policies, the Group complies strictly with the labor regulations of its place of operation and establish reasonable and fair standards for human resources as its mission. The Group strongly opposes to the employment of child labors, and always verifies identification documents in its employment and prohibits those who are under the statutory labor age of its place of operation (Hong Kong: aged 18; Mainland China: aged 16) from being employed. In addition, none of the businesses of the Group is involved in employing labors who are involuntary, punitive, threatened and sourced from human trafficking. The remuneration and benefits of the Group's employees include basic salaries, discretionary year-end bonus, health care schemes, share options, transportation allowance and housing allowance. The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions to the Group. Remuneration is offered with reference to market rates. The management also conducts remuneration assessment and promotion review upon the annual appraisal on a regular basis. Dismissals are based on the Group's code of conducts and in compliance with labor regulations of its place of operation.

The Group also complies with the Personal Data (Privacy) Ordinance in collecting personal data from job applicants and existing staff members.

Working Environment

Our staff always says working in Kwoon Chung is just like living in a big family. As a family-run business, senior management of the Group has built a transparent, "open door" culture which facilitates internal communication. This culture ensures that ideas and views of our staff can be effectively reflected from the bottom up and every important management decision is made down to earth.

The Group is always in support of the Employers' Federation of Hong Kong's initiative in equal opportunities employment and follows any statutory provisions as stipulated by the Equal Opportunities Commission of Hong Kong. The Group actively fosters a harmonious and friendly working environment and atmosphere, formulates reasonable working standards, such as work shifts and rest, maternity leave, vacation, sick leave, etc., provides development opportunities and awards outstanding employees. As an equal employment opportunity employer, the Group endeavours to prevent any types of workplace discrimination.

Employee Development and Working Environment – Continued

Health and Safety

The Group has a deep appreciation of the dangers, accidents and potential legal risks during its business operation and it adheres to the Occupational Safety and Health Ordinance. In light of this, the Group continues to provide safe driving trainings to drivers, which include good driving attitudes, alert and defensive driving skills and emergency procedures on the road. During the year, we had conducted several trainings.

The physical and psychological status of drivers and other frontline workers may be affected by long working hours and lack of rest. Therefore, the Group ensures that a support network is available for the employees so as to maintain workplace safety and reasonable working hours, and help to improve their health to a satisfactory level. The medical insurance scheme of the Group has contained regular medical examination arranged for drivers aged 60 or above.

To express appreciation for employees' contribution and encourage them to enhance their physical and psychological health, the Group holds sports and recreation activities on a regular basis, which can also help employees to become acquainted and get a better understanding of each other. Recreation activities held by the Group during the year included basketball and badminton competition, lecture of health care, handicraft workshops, horse racing night, and dragon boat training and race among staff teams.

Development and Training

The Group is of the opinion that employee trainings and development have considerable effects in elevating employees' ability, which in turn can lead to overall improvement of working quality in each position. Therefore, we continue to arrange ample, regular in-house orientation and on-the-job training for the employees and encourage employees to attend job- related seminars, courses and programs organised by professional or educational institutions, no matter in Hong Kong or overseas.

Business Practices

Product Liabilities

The Group strives to promote the philosophy of "We Serve with Pride and Devotion" to provide the public with quality services, and at the same time, pave a way for future development. The Group has a "zero accident" vision and considers safety as its primary liability and review of safety measures as its constant pursuit. The fleet of vehicles maintained by the Group has the lowest average age within the industry and undergo scrupulous inspection and repair and maintenance program. The frontline staff, including drivers, station assistants, school bus escorts and control room officers are all very experienced and well trained. The Group is also willing to listen to the views and complaints of users in respect of both safety and service standards, establishes various feedback channels on public platforms and responds to, handles and improves the above in an efficient and practical manner.

Suppliers and Partners

The bus manufacturers selected by the Group are mainly international companies in Europe and Japan, which have a high standard of integrity in respect of environmental and social responsibilities. When entering into cooperation agreements, the Group also makes clear confirmation with suppliers and other business partners that their businesses are not in violation with local environmental, business and labor regulations. The Group strives to ensure its partners' compliance with the agreements during cooperation through monitoring the daily business operation.

Business Practices – Continued

Anti-corruption and Money Laundering

The Group has a zero tolerance policy for corruption and malpractices and places great emphasis on anti-corruption education to the management and other employees and accepts supervision from employees and the public. The Group observes the Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance throughout and adopts an effective whistleblowing policy. In the event of any report in respect of corruption received, the Group will deal with it seriously, impose appropriate punishment on the relevant persons depending on the circumstances and put more efforts on education.

In addition, the Group works closely with the Independent Commission Against Corruption of Hong Kong and similar watchdogs in Mainland China on matters pertinent to corruption prevention so as to fight against corruption practices to the maximum extent. The Group has established a code of conduct for the employees, so they can work with suppliers without prejudice.

Community Investment

The Group has integrated its concept of corporate social responsibility into all aspects of its business in early years. For instance, we sincerely established cooperative relationship with non-governmental organisations ("NGOs") and charities to conduct fundraising and donations and lead employees to participate in charity activities.

The major charity activities the Group or the Directors/senior management has/have participated in for the year are as follows:

- In November 2018, Mr. Wong Leung Pak, Matthew, BBS the Chairman of the Group and Mr. Cheng King Hoi, Andrew, the Head of China Business of the Group personally took part in "Oxfam Trailwalker 2018" under a team named "Steady and Sure" and completed 100km trail of MacLehose Trail in Hong Kong. As it has been over the past years, in addition to supporting these two management members, the employees of the Group were also enthusiastic about donating to Oxfam to facilitate its poverty alleviation and disaster relief and advocacy work in Hong Kong, Mainland China, Africa and other regions in Asia.

- In January 2019, the Group worked together to demonstrate its spirit of social concern in action and participated in "50th Anniversary Walk for Millions" held by The Community Chest of Hong Kong under a team named "Kwoon Chung Bus", which comprised its employees and their family members. "50th Anniversary Walk for Millions" aimed at "Family and Child Welfare" to assist the family in need and encourage family members to establish a close relationship with mutual love and encouragement, so as to maintain and consolidate the family unit.

- The Group has been the primary sponsor for Southern District Football Club of Hong Kong since 2013. The Club has been adhering to furthering the development of district football to bring communities together by means of football. It also strives to enhance the football level in Hong Kong and invests resources in talents cultivation, training and development. Besides, the Club encourages local citizens to deepen their understanding and interests in football sports for active participation to improve the image of professional football sports of Hong Kong. During the year, KCM sponsored the Southern District Recreation and Sports Association Limited so as to fund recreation activities in the Southern District.

- In early 2019, Kwoon Chung Inclusive and Accessible Transport Services Company Limited ("KCIS"), a nonprofit organization, was established by the three executive Directors of the Company, and in the second quarter of the same year, the operation of the Feeder Service and the Weekend Recreational Rehabus Service began. In the spirit of "social harmony", KCIS provided accessible transportation services for those in needs and connected with the community.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2019.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are contained in the preceding "Management Discussion and Analysis" set out on pages 13 to 16 of this annual report. This discussion forms part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 48 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 March 2019 and the Group's financial position at that date are set out in the financial statements on pages 48 to 51.

Any declaration of dividends will depend upon a number of factors including the earnings and financial conditions, operating requirements, capital requirements and any other conditions that our Directors consider relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

An interim dividend of HK8 cents per ordinary share in respect of the year was paid on 24 December 2018. The Board recommends the payment of a final dividend, with a scrip dividend alternative, of HK16 cents per ordinary share in respect of the year to the shareholders whose names appear on the register of members on 26 August 2019 (subject to approval by shareholders of the Company at the forthcoming AGM of the Company to be held on 20 August 2019).

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,971,865**	2,543,654	2,440,862	2,388,873	2,362,109
OPERATING PROFIT	**304,409**	317,623	420,283	347,364	390,691
Share of profits and losses of:					
Joint ventures	**–**	–	–	–	50,720
Associates	**3,584**	(321)	(25)	26	(30)
PROFIT BEFORE TAX	**307,993**	317,302	420,258	347,390	441,381
Income tax expense	**(48,633)**	(40,953)	(55,328)	(55,522)	(61,972)
PROFIT FOR THE YEAR	**259,360**	276,349	364,930	291,868	379,409
Attributable to:					
Owners of the parent	**253,635**	275,694	363,909	282,472	382,971
Non-controlling interests	**5,725**	655	1,021	9,396	(3,562)
	259,360	276,349	364,930	291,868	379,409

Assets, Liabilities and Non-Controlling Interests

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**5,308,043**	4,870,951	4,088,705	3,823,889	3,593,832
TOTAL LIABILITIES	**(3,038,333)**	(2,750,446)	(2,214,035)	(2,117,119)	(2,043,824)
NON-CONTROLLING INTERESTS	**(88,477)**	(87,989)	(131,922)	(136,588)	(79,263)
	2,181,233	2,032,516	1,742,748	1,570,182	1,470,745

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33, 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.

Distributable Reserves

As at 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to approximately HK$146,345,000, of which approximately HK$73,870,000 has been proposed as a final dividend for the year. The reserves available for distribution include the Company's contributed surplus of approximately 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 approximately HK$623,066,000, may be distributed in the form of fully-paid bonus shares.

Charitable Contributions

During the year, the Group had made charitable contributions and sponsorship to certain charities and communities.

Major Customers and Suppliers

The turnover attributable to the five largest customers and the largest customer of the Group accounted for less than 30% and approximately 4% of the Group's total turnover for the year respectively.

Purchases from the Group's five largest suppliers accounted for approximately 57% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25%.

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

Directors

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

Executive Directors:

Mr. Wong Leung Pak, Matthew, BBS
Mr. Wong Cheuk On, James
Mr. Lo Man Po

Independent Non-executive Directors:

Mr. Chan Bing Woon, SBS, JP
Mr. James Mathew Fong
Mr. Chan Fong Kong, Francis

Directors – Continued

According to bye-law 87 of the Company's bye-laws, Messrs. Wong Cheuk On, James 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.

The Company has received written annual confirmations of independence from Messrs. Chan Bing Woon, SBS, JP, James Mathew Fong and Chan Fong Kong, Francis, all being independent non-executive Directors, 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 and senior management of the Company are set out on pages 7 to 11 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.

Details of the remuneration of the Directors of the Company for the year ended 31 March 2019 are set out in note 8 to the financial statements.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

Directors' Interests in Transactions, Arrangements or Contracts

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding companies of the Company, or any of the Company's subsidiaries was a party as at 31 March 2019 or during the year ended 31 March 2019.

Directors' Interests in Competing Businesses

As at 31 March 2019, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

At 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures 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, as set out in Appendix 10 to the Listing Rules, were as follows:

1. Long Positions in Ordinary Shares of the Company

	Number of ordinary shares held, capacity and nature of interest			
Name of Directors	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital (%)
Mr. Wong Leung Pak, Matthew, BBS	599,665[(1)]	231,322,636[(2)]	231,922,301	50.23
Mr. Wong Cheuk On, James	3,434,000	–	3,434,000	0.74
Mr. Lo Man Po	2,200,000	–	2,200,000	0.48

Notes:

(1) Mr. Wong Leung Pak, Matthew, BBS held 599,665 shares jointly with his spouse, Ms. Ng Lai Yee, Christina.

(2) These shares were held directly by Basic Faith. Basic Faith was wholly owned by Infinity Faith International Company Limited ("Infinity Faith"), which was in turn wholly owned by Mr. Wong Leung Pak, Matthew, BBS. He was deemed to be interested in the 231,322,636 shares held by Basic Faith pursuant to the SFO.

2. Long Positions in Shares of Associated Corporations

Mr. Wong Leung Pak, Matthew, BBS, an Executive Director of the Company, held the entire equity interest in Guangzhou GoGo TIL Consulting Services Co., Ltd., a subsidiary of the Company, in trust for the benefit of the Company.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 section headed "Share Option Scheme" below, 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 of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Debentures in Issue

The Company did not have any debentures in issue during the year ended 31 March 2019.

Share Option Scheme

Details of the Company's share option scheme are disclosed in note 33 to the financial statements. There were no share options granted, exercised or outstanding under the share option scheme during the year.

Equity-Linked Agreement

The Company did not enter into any equity-linked agreement during the year ended 31 March 2019. Save for the share option scheme, details of which are disclosed in note 33 to the financial statements which forms part of this Report of the Directors, no equity-linked agreement existed during the year ended 31 March 2019.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 31 March 2019, the interests or short positions of the persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company held	Percentage of the Company's issued share capital (%)
Ms. Ng Lai Yee, Christina	Joint interest	599,665[1]	0.13
	Interest of spouse	231,322,636[2]	50.10
Basic Faith	Beneficial owner	231,322,636[3]	50.10
Infinity Faith	Interest of controlled corporation	231,322,636[3]	50.10
Cathay International Corporation	Beneficial owner	100,674,400	21.81

Notes:

(1) Ms. Ng Lai Yee, Christina held 599,665 shares jointly with her spouse, Mr. Wong Leung Pak, Matthew, BBS.

(2) Ms. Ng Lai Yee, Christina is the spouse of Mr. Wong Leung Pak, Matthew, BBS and she was deemed to be interested in all the shares in which Mr. Wong Leung Pak, Matthew, BBS was interested by virtue of the SFO.

(3) These shares were held by Basic Faith, which was wholly owned by Infinity Faith. Infinity Faith was deemed to be interested in all the shares in which Basic Faith was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" 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 Transaction

During the year, the Company had the following continuing connected transaction, details of which had already been disclosed in the announcement of the Company dated 4 May 2018 in compliance with the requirements of Chapter 14A of the Listing Rules:

On 4 May 2018, the Company entered into a master lease agreement with Mr. Wong Leung Pak, Matthew, BBS, an executive Director and the Chairman of the Company, together with his spouse, Ms. Ng Lai Yee, Christina (collectively the "Wong Couple", connected persons of the Company), for the lease of buses from the Wong Couple and/or companies owned or controlled by the Wong Couple (the "Wong Couple Companies") to the Group for the period commencing from 1 May 2018 and ending on 31 March 2021.

The monthly bus lease fees were determined with reference to prevailing market rates. The total bus lease expenses paid by the Group to the Wong Couple Company for the year amounted to HK$10,525,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transaction set out above and have confirmed that this continuing connected transaction was 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 transaction during the year set out above and confirmed that this transaction: (i) was approved by the Board; (ii) had been entered into in accordance with the relevant agreements governing the transaction; and (iii) has not exceeded the cap stated in the relevant announcement.

Management Contracts

No contracts concerning management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period and up to the date of this annual report.

Contract of Significance

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Environmental Policies and Performance

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance with the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operation and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilisation of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. The Group not only develops sustainable policies and designs to reduce its environmental impact internally within its offices but also externally in the bus operation by using cleaner fuel and procuring up-to-date technologies that could alleviate the negative impact of pollution.

Key Relationships with Employees, Customers, Suppliers and Others

The Group fully understands that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our suppliers and providing high-quality services to our customers so as to ensure the Group's sustainable development.

Compliance with Laws and Regulations

The Group continues to comply with the relevant laws and regulations, such as the Bermuda Companies Act 1981, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. As far as the Board is concerned, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2019.

Sufficiency of Public Float

Rule 8.08 of the Listing Rules requires issuers to maintain at least 25% of their total number of issued shares to be held by the public at all times. Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, more than 25% of the issued shares of the Company were held by the public.

Event after the Reporting Period

Details of the significant event of the Group after the reporting period are set out in note 50 to the financial statements.

Auditors

Ernst & Young will 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, BBS
Chairman

Hong Kong
25 June 2019

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

Opinion

We have audited the consolidated financial statements of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 159, which comprise the consolidated statement of financial position as at 31 March 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters – continued

Key audit matter	How our audit addressed the key audit matter

Assessment of recoverable amounts of the non-franchised bus cash-generating unit ("Non-franchised Bus CGU"), and local limousine cash-generating unit ("Local Limousine CGU") and franchised bus and public light bus cash-generating unit ("Franchised Bus and PLB CGU")

As at 31 March 2019, the Group had goodwill, passenger service licences, other intangible assets and property, plant and equipment in aggregate of HK$3,215.6 million, which were related to the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU, representing 60.6% of total assets. The Group's management performed an annual impairment assessment by assessing the recoverable amounts of the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU based on value in use calculations. Significant judgement was involved in the assessment of the recoverable amounts, including the assumptions on budgeted gross margins, discount rates, growth rates and general price inflation. The outcome is sensitive to the expected future market conditions and the actual performance of the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU.

The accounting policies, significant accounting judgements and estimates and disclosures for impairment assessments are disclosed in notes 2.4, 3 and 16 to the financial statements.

In evaluating management's impairment assessment, we tested the assumptions used in the value in use calculation by: (i) comparing the budgeted gross margins and expected growth rates with historical results of the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU and other industry specific statistics; (ii) comparing the discount rates with relevant industry's weighted average cost of capital; (iii) comparing the general price inflation rate to current market condition; and (iv) assessing the sensitivity of management estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts. We also evaluated the adequacy of related disclosures in the financial statements.

Estimation of fair value of investment properties

As at 31 March 2019, the Group had investment properties of HK$299.2 million, representing 5.6% of total assets. The Group engaged an independent external appraiser to perform the valuation of the investment properties as at the end of the reporting period. During the year ended 31 March 2019, the Group recognised fair value gain on investment properties of HK$15.2 million in the consolidated statement of profit or loss. Significant estimation and judgement were involved in the assessment of fair value of investment properties of the Group.

The accounting policy, significant accounting judgements and estimates and disclosures for investment properties are disclosed in notes 2.4, 3, and 14 to the financial statements.

We involved our valuation experts to assist us in evaluating management's valuation methodologies and assumptions used in the valuation of the investment properties by (i) benchmarking, where available, the fair values of investment properties; and (ii) reviewing the valuation methodologies and evaluating the inputs and assumptions, such as market unit rents and capitalisation rate, adopted for the purpose of determining the fair value of the investment properties. Furthermore, we assessed the independence, competence, capability and objectivity of the external appraisal valuation expert engaged by management and evaluated the adequacy of related disclosures in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements – continued

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
25 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**2,971,865**	2,543,654
Cost of services rendered		**(2,330,599)**	(1,961,036)
Gross profit		**641,266**	582,618
Other income and gains, net	5	**103,211**	137,675
Administrative expenses		**(363,693)**	(373,718)
Other expenses, net		**(11,112)**	9,357
Finance costs	6	**(65,263)**	(38,309)
Share of profits and losses of associates		**3,584**	(321)
PROFIT BEFORE TAX	7	**307,993**	317,302
Income tax expense	10	**(48,633)**	(40,953)
PROFIT FOR THE YEAR		**259,360**	276,349
Attributable to:			
Owners of the parent		**253,635**	275,694
Non-controlling interests		**5,725**	655
		259,360	276,349
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK54.9 cents**	HK59.7 cents
Diluted		**HK54.9 cents**	HK59.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR		**259,360**	276,349
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(47,163)**	55,706
Reclassification adjustment of exchange equalisation reserve upon deconsolidation of a foreign operation	38	**(1,327)**	–
Reclassification adjustment of exchange equalisation reserve upon disposal of a foreign operation	37	**–**	(49)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(48,490)**	55,657
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13	**47,912**	176,533
Income tax effect	31	**(7,905)**	(44,133)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**40,007**	132,400
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(8,483)**	188,057
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**250,877**	464,406
Attributable to:			
Owners of the parent		**248,995**	457,338
Non-controlling interests		**1,882**	7,068
		250,877	464,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,059,762**	1,891,081
Investment properties	14	**299,170**	298,028
Prepaid land lease payments	15	**36,741**	43,062
Goodwill	16	**201,801**	201,801
Passenger service licences	17	**1,090,567**	857,487
Other intangible assets	18	**363,437**	379,424
Interests in associates	19	**31,784**	25,716
Financial assets at fair value through profit or loss	20	**29,554**	28,626
Loan receivable	21	**16,551**	20,029
Prepayments, deposits and other receivables	23	**314,475**	177,829
Deferred tax assets	31	**2,654**	238
Total non-current assets		**4,446,496**	3,923,321
CURRENT ASSETS			
Inventories		**32,184**	31,424
Trade receivables	22	**288,078**	232,696
Prepayments, deposits and other receivables	23	**207,802**	226,638
Derivative financial instruments	27	**1,234**	1,021
Tax recoverable		**16,502**	18,156
Pledged time deposits and restricted cash	24	**22,759**	68,298
Cash and cash equivalents	24	**292,988**	369,276
		861,547	947,509
Assets of a disposal group classified as held for sale	39	**–**	121
Total current assets		**861,547**	947,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade payables	25	**87,991**	65,944
Accruals, other payables and deposits received	26	**513,126**	576,912
Tax payable		**38,038**	36,897
Derivative financial instruments	27	**–**	2,926
Interest-bearing bank and other borrowings	28	**1,439,006**	905,977
		2,078,161	1,588,656
Liabilities directly associated with the assets classified as held for sale	39	**–**	709
Total current liabilities		**2,078,161**	1,589,365
NET CURRENT LIABILITIES		**(1,216,614)**	(641,735)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,229,882**	3,281,586
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**562,059**	767,716
Other long term liabilities	30	**101,594**	122,940
Deferred tax liabilities	31	**296,519**	270,425
Total non-current liabilities		**960,172**	1,161,081
Net assets		**2,269,710**	2,120,505
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**46,169**	46,169
Reserves	34	**2,135,064**	1,986,347
		2,181,233	2,032,516
Non-controlling interests		**88,477**	87,989
Total equity		**2,269,710**	2,120,505

Wong Leung Pak, Matthew, BBS
Director

Wong Cheuk On, James
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 34)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Reserve fund HK$'000 (note 34)	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017		46,169	623,066	10,648	(1,855)	43,644	1,854	8,963	1,010,259	1,742,748	131,922	1,874,670
Profit for the year		–	–	–	–	–	–	–	275,694	275,694	655	276,349
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	49,293	–	49,293	6,413	55,706
Reclassification adjustment of exchange equalisation reserve upon disposal of a foreign operation	37	–	–	–	–	–	–	(49)	–	(49)	–	(49)
Gain on property revaluation, net of tax		–	–	–	–	132,400	–	–	–	132,400	–	132,400
Total comprehensive income for the year		–	–	–	–	132,400	–	49,244	275,694	457,338	7,068	464,406
Transfer of depreciation on leasehold land and buildings		–	–	–	–	(3,788)	–	–	3,788	–	–	–
Transfer from retained profits		–	–	–	–	–	24	–	(24)	–	–	–
Acquisition of a subsidiary	36	–	–	–	–	–	–	–	–	–	219	219
Disposal of a subsidiary	37	–	–	–	–	–	–	–	–	–	2,539	2,539
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(56,777)	(56,777)	(53,558)	(110,335)
Disposal of non-controlling interests		–	–	–	–	–	–	–	11	11	2	13
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	1,067	1,067
Dividend paid to a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	(1,270)	(1,270)
Final 2017 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
Interim 2018 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
At 31 March 2018		46,169	623,066*	10,648*	(1,855)*	172,256*	1,878*	58,207*	1,122,147*	2,032,516	87,989	2,120,505

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 34)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Reserve fund HK$'000 (note 34)	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 March 2018		46,169	623,066	10,648	(1,855)	172,256	1,878	58,207	1,122,147	2,032,516	87,989	2,120,505
Effect of adoption of HKFRS 9	2.2	-	-	-	-	-	-	-	(7,941)	(7,941)	-	(7,941)
At 1 April 2018 (restated)		46,169	623,066	10,648	(1,855)	172,256	1,878	58,207	1,114,206	2,024,575	87,989	2,112,564
Profit for the year		-	-	-	-	-	-	-	253,635	253,635	5,725	259,360
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(43,320)	-	(43,320)	(3,843)	(47,163)
Reclassification adjustment of exchange equalisation reserve upon deconsolidation of a foreign operation	38	-	-	-	-	-	-	(1,327)	-	(1,327)	-	(1,327)
Gain on property revaluation, net of tax		-	-	-	-	40,007	-	-	-	40,007	-	40,007
Total comprehensive income for the year		-	-	-	-	40,007	-	(44,647)	253,635	248,995	1,882	250,877
Transfer of depreciation on leasehold land and buildings		-	-	-	-	(3,797)	-	-	3,797	-	-	-
Transfer from retained profits		-	-	-	-	-	25	-	(25)	-	-	-
Deconsolidation of a subsidiary	38	-	-	-	-	-	-	-	-	-	4,630	4,630
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	(6,024)	(6,024)
Final 2018 dividend	11	-	-	-	-	-	-	-	(55,402)	(55,402)	-	(55,402)
Interim 2019 dividend	11	-	-	-	-	-	-	-	(36,935)	(36,935)	-	(36,935)
At 31 March 2019		46,169	623,066*	10,648*	(1,855)*	208,466*	1,903*	13,560*	1,279,276*	2,181,233	88,477	2,269,710

* These reserve accounts comprise the consolidated reserves of HK$2,135,064,000 (2018: HK$1,986,347,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**307,993**	317,302
Adjustments for:			
Share of profits and losses of associates		**(3,584)**	321
Bank interest income	5	**(903)**	(1,340)
Other interest income	5	**(20)**	(2,015)
Recognition of deferred income	5	**(26,931)**	(24,364)
Dividend income from listed investments	5	**–**	(787)
Fair value gain on investment properties, net	5	**(15,207)**	(3,900)
Fair value gain on financial assets at fair value through profit or loss, net	5	**(928)**	(2,571)
Gain on deconsolidation of a subsidiary	5	**(208)**	–
Loss/(gain) on disposal of subsidiaries	5	**(184)**	906
Gain on disposal of motor buses and vehicles together with passenger service licences	5	**(13,120)**	(66,688)
Finance costs	6	**65,263**	38,309
Amortisation of other intangible assets	7	**15,783**	15,228
Depreciation	7	**301,158**	275,153
Fair value gain on derivative financial instruments, net	7	**(1,119)**	(4,389)
Recognition of prepaid land lease payments	7	**3,533**	3,563
Impairment of financial assets included in prepayments, deposits and other receivables	7	**2,158**	–
Impairment of trade receivables	7	**4,027**	404
Impairment of items of property, plant and equipment	7	**–**	7,785
Reversal of impairment of a loan receivable	7	**(107)**	–
Loss/(gain) on disposal of other items of property, plant and equipment, net	7	**(6,321)**	1,157
		631,283	554,074
Increase in inventories		**(874)**	(338)
Increase in trade receivables		**(64,345)**	(60,160)
Decrease/(increase) in prepayments, deposits and other receivables		**(96,754)**	25,493
Increase in trade payables		**23,561**	9,535
Decrease in accruals, other payables and deposits received		**(34,634)**	(23,655)
Increase/(decrease) in other long term liabilities		**(1,179)**	446
Cash generated from operations		**457,058**	505,395

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash generated from operations		**457,058**	505,395
Bank interest received		**903**	1,340
Interest paid		**(65,167)**	(38,209)
Interest element of finance lease rental payments		**(96)**	(100)
Hong Kong profits tax paid		**(20,300)**	(37,549)
Overseas taxes paid		**(7,885)**	(7,371)
Net cash flows from operating activities		**364,513**	423,506
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		**–**	787
Deposits paid for purchases of items of property, plant and equipment		**(93,964)**	(79,319)
Deposits paid for purchases of other intangible assets		**(16,972)**	(17,045)
Proceeds from disposal of other items of property, plant and equipment		**21,193**	23,450
Proceeds from disposal of motor buses and vehicles together with passenger service licences, net of transaction costs		**13,120**	67,148
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	30,924
Purchases of items of property, plant and equipment		**(415,085)**	(437,597)
Acquisition of subsidiaries	36	**–**	(87,917)
Transactions with non-controlling interests		**–**	13
Acquisition of non-controlling interests		**–**	(74,735)
Additions to passenger service licences		**(233,080)**	(139,858)
Additions to other intangible assets	18	**–**	(30,324)
Considerations received from disposal of subsidiaries, net of direct costs	37	**284**	49,951
Investments in associates		**(2,215)**	(200)
Advances to associates		**(269)**	(25,695)
Receipts of government subsidies for property, plant and equipment		**8,003**	34,187
Settlement of derivative financial instruments		**(2,020)**	(7,974)
Decrease/(increase) in pledged time deposits and restricted cash		**42,158**	(50,851)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(953)**	556
Net cash flows used in investing activities		**(679,800)**	(744,499)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		**1,161,664**	824,604
Repayment of bank loans		**(801,583)**	(456,489)
Drawdown of other loans		**–**	14,881
Repayment of other loans		**(14,753)**	–
Capital element of finance lease rental payments		**(1,474)**	(918)
Dividends paid		**(92,337)**	(110,804)
Dividends paid to non-controlling shareholders of subsidiaries		**(6,024)**	(1,270)
Net cash flows from financing activities		**245,493**	270,004
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(69,794)**	(50,989)
Cash and cash equivalents at beginning of year		**369,285**	411,189
Effect of foreign exchange rate changes, net		**(7,456)**	9,085
CASH AND CASH EQUIVALENTS AT END OF YEAR		**292,035**	369,285
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**292,035**	347,598
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	21,678
Non-pledged time deposits with original maturity of more than three months when acquired		**953**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**292,988**	369,276
Non-pledged time deposits with original maturity of more than three months when acquired		**(953)**	–
Cash and short term deposits attributable to a disposal group classified as held for sale	39	**–**	9
Cash and cash equivalents as stated in the consolidated statement of cash flows		**292,035**	369,285

1. Corporate and Group 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 hotel and tourism services
- provision of other transportation services

In the opinion of the directors, the immediate holding company is Basic Faith Company Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company is Infinity Faith International Company Limited, a company also incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company#		Principal activities
			2019	2018	
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	US$6,000	**100**	100	Investment holding
Chongqing Grand Hotel Co., Ltd. ("Chongqing Grand Hotel") 重慶大酒店有限公司@+	PRC/ Mainland China	RMB35,000,000	**100**	100	Provision of hotel services
Chongqing Tourism (Group) Co., Ltd. 重慶旅業(集團)有限公司*+	PRC/ Mainland China	RMB56,660,000	**60**	60	Investment holding
Gallic Limited	Hong Kong	HK$900	**100**	100	Leasing of properties and investment holding
Unique Holidays Limited (formerly known as Kwoon Chung Intercontinental Travel Company Limited)	Hong Kong	HK$1,200,000	**100**	100	Provision of tourism services
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	HK$2	**100**	100	Investment holding

1. Corporate and Group Information – Continued

Information about subsidiaries – Continued

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company# 2019	2018	Principal activities
Hubei Shenzhou Transport Holdings Co., Ltd. 湖北神州運業集團有限公司*+	PRC/ Mainland China	RMB131,843,807	**100**	100	Provision of bus and bus-related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	HK$1	**100**	100	Investment holding
Kwoon Chung Motors Company, Limited	Hong Kong	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	HK$2	**100**	100	Investment holding
Lantau Tours Limited	Hong Kong	HK$750,000	**100**	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited ("Bipenggou Tourism") 理縣畢棚溝旅遊開發有限公司**	PRC/ Mainland China	RMB213,802,600	**67.8**	67.8	Development and management of a scenic area
New Lantao Bus Company (1973) Limited	Hong Kong	HK$29,116,665	**99.99**	99.99	Provision of franchised bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	HK$500,000	**100**	100	Provision of management services
Kwoon Chung Auto Repair Company Limited	Hong Kong	HK$1,000,000	**100**	100	Provision of motor vehicles repairs and maintenance services
Trans-Island Limousine Service Limited	Hong Kong	HK$1,000 Non-voting deferred HK$30,000,000	**100**	100	Provision of bus and travel-related services
Guangzhou City Zhongguan Consulting Services Company Limited 廣州市中貫諮詢服務有限公司*+Δ	PRC/ Mainland China	RMB5,000,000	**100**	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited 廣州通寶環島諮詢服務有限公司*^+	PRC/ Mainland China	RMB5,000,000	**100**	100	Investment holding

1. Corporate and Group Information – Continued

Information about subsidiaries – continued

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company[#] 2019	2018	Principal activities
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Chinalink Express Holdings Limited	Hong Kong	HK$35,000,000	**100**	100	Investment holding
Chinalink Bus Company Limited	Hong Kong	HK$2	**100**	100	Provision of bus and travel-related services
Peng Yun Transportation Enterprises Company Limited	Hong Kong	HK$1,000,000	**100**	100	Leasing of properties and investment holding
Intercontinental Limousine Company Limited	Hong Kong	HK$500,000	**100**	100	Provision of limousine hire services
Vigor Limousines Services Limited	Hong Kong	HK$550,000	**100**	100	Provision of limousine hire services
Associated Tourist Coach Limited	Hong Kong	HK$300,000	**100**	100	Provision of bus and travel-related services
Guang Dong Shao Guan Guoyou Tourism Coach Company Limited	Hong Kong	HK$300,000	**100**	100	Provision of bus and travel-related services
Charm Joy Limited	Hong Kong	HK$1	**100**	100	Leasing of properties
Welcome Tourist Bus Company Limited	Hong Kong	HK$400,000	**100**	100	Provision of bus and travel-related services
Shenzhen Qianhai TIL Management and Consulting Company Limited 深圳前海環島管理咨詢有限公司[+**]	PRC/ Mainland China	RMB96,000,000	**100**	100	Holding of properties
Coronet Ray Development Limited	Hong Kong	HK$1	**100**	100	Provision of public light bus services
China-Hong Kong Express Limited	Hong Kong	HK$455,000	**52.7**	52.7	Provision of bus and travel-related services

1. Corporate and Group Information – Continued

Information about subsidiaries – continued

- # 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 equity interest in this subsidiary is held on trust by a director 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
- @ Registered as a wholly-foreign-owned enterprise
- Δ 1% of the equity interest in this subsidiary is held on trust by an employee of the subsidiary on the Group's behalf

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.

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 leasehold land and buildings classified as property, plant and equipment, investment properties, financial assets 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 their 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 2019. 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).

2.1 Basis of Preparation – Continued

Basis of consolidation – continued

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 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.

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 above. 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.2 Changes in Accounting Policies and Disclosures – Continued

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's result of operation and financial position, except for HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* as described below.

HKFRS 9 *Financial Instruments* ("HKFRS 9")

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's loan receivable, trade receivables, financial assets included in prepayments, deposits and other receivables, pledged time deposits and restricted cash, and cash and cash equivalents.

The assessment of the Group's business models was made as of the date of initial application i.e., 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has no significant impact on the classification and measurement of the financial assets of the Group.

2.2 Changes in Accounting Policies and Disclosures – Continued

HKFRS 9 *Financial Instruments* ("HKFRS 9") – Continued

(b) Impairment

HKFRS 9 requires an impairment on financial assets that are not accounted for at fair value through profit or loss under HKFRS 9 to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied general approach and recorded twelve-month expected credit losses ("ECLs") that are estimated based on the possible default events on its other receivables and loan receivable within the next twelve months. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$'000	Remeasurement HK$'000	ECL allowances under HKFRS 9 at 1 April 2018 HK$'000
Loan receivable	–	614	614
Trade receivables	–	4,618	4,618
Financial assets included in prepayments, deposits and other receivables	30,099	4,278	34,377

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits HK$'000
Balance as at 31 March 2018 under HKAS 39	1,122,147
Recognition of expected credit losses for loan receivable under HKFRS 9	(614)
Recognition of expected credit losses for trade receivables under HKFRS 9	(4,618)
Recognition of expected credit losses for financial assets included in prepayments, deposits and other receivables under HKFRS 9	(4,278)
Deferred tax in relation to the above	1,569
Balance as at 1 April 2018 under HKFRS 9	1,114,206

2.2 Changes in Accounting Policies and Disclosures – Continued

HKFRS 9 *Financial Instruments* ("HKFRS 9") – Continued

(c) Hedge accounting

The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15")

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts of the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standards to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's consolidated financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretation.

Except for the reclassification effect below, the adoption of HKFRS 15 did not have material financial impact on the Group's consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures – Continued

HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") – Continued

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deferred revenue and reported under the line item of accruals, other payables and deposits received in the consolidated statement of financial position. Under HKFRS 15, the amount is classified as contract liabilities which is also included in the line item of accruals, other payables and deposits received in the consolidated statement of financial position. Therefore, upon adoption of HKFRS 15, the Group reclassified HK$73,964,000 from deferred revenue to contract liabilities as at 1 April 2018. As at 31 March 2019, under HKFRS 15, the consideration received from customers in advance amounting to HK$81,778,000 was classified as contract liabilities.

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.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards – Continued

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards – Continued

As disclosed in note 42 to the financial statements, at 31 March 2019, the Group had future minimum lease payments under non-cancellable operating leases in respect of office properties, ticket counters, bus depots, terminals and car parks in aggregate of approximately HK$102,512,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Interests in associates

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.

The Group's interests in associates 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 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 associates, 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 are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

If an investment in an associate becomes an investment in a joint venture, 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, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies – Continued

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 of 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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies – Continued

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties, financial assets 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.

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.

2.4 Summary of Significant Accounting Policies – Continued

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 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.

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. Leasehold land and buildings are stated at valuation 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.

2.4 Summary of Significant Accounting Policies – Continued

Property, plant and equipment and depreciation – continued

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 structures	8 to 20 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.

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 scenic area establishments, buildings and bus terminal structures under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction 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.

2.4 Summary of Significant Accounting Policies – Continued

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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

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 investment properties and 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.

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 on the straight-line basis over the useful economic lives of 3 to 20 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.

2.4 Summary of Significant Accounting Policies – Continued

Intangible assets (other than goodwill) – continued

The Group's intangible assets represent (i) certain 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, certain bus route operating rights and trade name with indefinite useful lives, which are stated at cost less any impairment losses.

Passenger service licences, certain bus route operating rights 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.

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.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

2.4 Summary of Significant Accounting Policies – Continued

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of Significant Accounting Policies – Continued

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) – Continued

Subsequent measurement – Continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies – Continued

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

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 investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus 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 (applicable before 1 April 2018)" 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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 Summary of Significant Accounting Policies – Continued

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) – Continued

General approach – Continued

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

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.

2.4 Summary of Significant Accounting Policies – Continued

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) – Continued

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 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.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) – continued

Subsequent measurement – continued

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 April 2018)

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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 at fair value through profit or loss (policies under HKAS 39 applicable before 1 April 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

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.

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.

2.4 Summary of Significant Accounting Policies – Continued

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate and cross currency swaps, to hedge its interest rate risk and foreign currency 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.

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.

2.4 Summary of Significant Accounting Policies – Continued

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 consolidated 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 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.

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 and associates, 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.

2.4 Summary of Significant Accounting Policies – Continued

Income tax – continued

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 and associates, 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

2.4 Summary of Significant Accounting Policies – Continued

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Transportation services
Revenue from transportation services is recognised when the related services are provided. Given the transportation services are generally completed within a short period of time, the revenue from the provision of these services is recognised over time when the related services have been rendered.

(b) Hotel and tourism services (including travel agency and tour services and the operation of a scenic area)
Revenue from the provision of hotel and tourism services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Advertising income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Government subsidies are recognised where there is reasonable assurance that the government subsidies will be received and all attaching conditions will be complied with, as further explained in the accounting policies for “Government grants” above.

Interest income is recognised 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.

2.4 Summary of Significant Accounting Policies – Continued

Revenue recognition (applicable before 1 April 2018)

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 hotel and tourism services (including travel agency and tour services and the operation of a scenic area), when the related services have been rendered;

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

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

(e) government subsidies, where there is reasonable assurance that the government subsidies will be received and all attaching conditions will be complied with, as further explained in the accounting policies for "Government grants" above;

(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.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Deferred revenue (applicable before 1 April 2018)

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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.

2.4 Summary of Significant Accounting Policies – Continued

Foreign currencies – Continued

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries 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 Hong Kong dollars 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 a share option scheme 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 in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions 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

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 are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are set out below:

(i) 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.

(ii) Impairment of passenger service licences and other intangible assets with indefinite useful lives and goodwill

The Group determines whether the passenger service licences and other intangible assets with indefinite useful 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 passenger service licences and other intangible assets with indefinite useful 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. Further details are included in notes 16, 17 and 18 to the financial statements.

(iii) Useful lives of other intangible assets with finite useful lives

Management determines the estimated useful lives of the Group's other intangible assets with finite lives for the calculation of amortisation of other intangible assets. This estimate is determined after considering the expected period in which economic benefits can be generated from the other intangible assets. 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.

3. Significant Accounting Judgements and Estimates – Continued

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

Investment properties and leasehold land 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 leasehold land and buildings and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss or other comprehensive income. Further details are included in notes 13 and 14 to the financial statements.

(v) 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.

3. Significant Accounting Judgements and Estimates – Continued

(vi) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trades receivable is disclosed in note 22 to the financial statements.

(vii) Provision for expected credit loss on other financial assets at amortised cost

The measurement of impairment losses under HKFRS 9 on other financial assets at amortised cost requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis.

3. Significant Accounting Judgements and Estimates – Continued

(viii) Fair value measurement 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 expected future cash flows, credit risk, volatility and discount rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(ix) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(x) Purchase price allocation of business combinations

The purchase price allocation of the Group's business combinations, as detailed in note 36 to the financial statements, requires the determination of fair values of the identifiable assets acquired and liabilities assumed. The net assets acquired, include amongst others, property, plant and equipment, passenger service licences and other intangible assets, of which their fair values are dependent on a range of estimates including comparable sales transactions of motor buses and passenger service licences as available in the relevant market. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcomes of these items are different from the amounts initially recorded, such differences may impact the future financial results.

4. Operating Segment Information

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

(a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong, cross-boundary passenger transportation services between Hong Kong and Mainland China and other related services;

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

(c) the franchised bus and public light bus ("PLB") segment includes the provision of franchised bus and public light bus services in Hong Kong;

(d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and

(e) the "others" segment comprises, principally, the provision of travel agency, tour, and advertising services in Hong Kong and the provision of other transportation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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, gain/(loss) on disposal of subsidiaries and gain on deconsolidation of a subsidiary are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposits and restricted cash, derivative financial instruments and financial assets 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 year ended 31 March 2019, the Group changed the internal reporting structure and performance measurement for resources allocation, decision-making and performance assessment. Accordingly, the following reclassifications have been made to conform with current year's presentation:

(i) PLB operation previously reported under the "Non-franchised bus" segment, together with franchised bus operation previously reported under the "Franchised bus" segment have been reorganised and aggregated into a new single reportable "Franchised bus and PLB" segment;

4. Operating Segment Information – Continued

(ii) limousine hire services in support of the cross-boundary passenger transportation services previously reported under the "Local limousine" segment have been reorganised and integrated into the "Non-franchised bus" segment;

(iii) provision of hotel services, operation of a scenic area and travel agency and tour services in Mainland China previously reported under the "Hotel and tourism" segment, and bus operation in Mainland China previously reported under the "Mainland China bus" segment, have been reorganised and aggregated into a new single reportable "Mainland China business" segment; and

(iv) travel agency and tour services in Hong Kong previously reported under the "Hotel and tourism" segment have been reorganised into the "Others" segment.

Year ended 31 March 2019

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus and PLB HK$'000	Mainland China business HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:							
External sales	2,357,463	201,934	195,840	204,163	12,465	–	2,971,865
Intersegment sales	32,594	1,898	343	–	–	(34,835)	–
Other revenue	91,317	564	2,815	15,745	34	(7,656)	102,819
Total	2,481,374	204,396	198,998	219,908	12,499	(42,491)	3,074,684
Segment results	316,158	15,261	(953)	37,919	4,479	–	372,864
Reconciliation:							
Gain on disposal of a subsidiary							184
Gain on deconsolidation of a subsidiary							208
Finance costs							(65,263)
Profit before tax							307,993
Segment assets	3,920,487	174,240	269,261	858,917	12,435	–	5,235,340
Reconciliation:							
Unallocated assets							72,703
Total assets							5,308,043
Segment liabilities	438,118	74,123	50,612	136,244	3,614	–	702,711
Reconciliation:							
Unallocated liabilities							2,335,622
Total liabilities							3,038,333

4. Operating Segment Information – Continued

Year ended 31 March 2019 – continued

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus and PLB HK$'000	Mainland China business HK$'000	Others HK$'000	Total HK$'000
Other segment information:						
Share of profits of associates	2,582	–	–	–	1,002	3,584
Capital expenditure*	571,591	10,041	94,763	70,726	–	747,121
Amortisation of other intangible assets	14,818	614	–	351	–	15,783
Bank interest income	785	–	3	115	–	903
Other interest income	20	–	–	–	–	20
Depreciation	202,937	22,319	26,371	48,887	644	301,158
Recognition of prepaid land lease payments	–	–	–	3,533	–	3,533
Impairment of trade receivables	2,098	1,899	32	(2)	–	4,027
Impairment of financial assets included in prepayments, deposits and other receivables	2,158	–	–	–	–	2,158
Reversal of impairment of a loan receivable	–	–	–	107	–	107
Fair value gain on investment properties	11,700	–	–	3,507	–	15,207
Gain on disposal of motor buses and vehicles together with passenger service licences	13,120	–	–	–	–	13,120
Gain/(loss) on disposal of other items of property, plant and equipment, net	6,485	(70)	(158)	64	–	6,321

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

4. Operating Segment Information – Continued

Year ended 31 March 2018

	Non franchised bus HK$'000 (restated)	Local limousine HK$'000 (restated)	Franchised bus and PLB HK$'000 (restated)	Mainland China business HK$'000 (restated)	Others HK$'000 (restated)	Intersegment eliminations HK$'000 (restated)	Total HK$'000
Segment revenue:							
External sales	1,960,759	197,270	175,113	198,607	11,905	–	2,543,654
Intersegment sales	38,993	1,266	417	–	–	(40,676)	–
Other revenue	123,132	476	1,771	20,439	377	(7,614)	138,581
Total	2,122,884	199,012	177,301	219,046	12,282	(48,290)	2,682,235
Segment results	336,189	19,049	(4,122)	3,825	1,576	–	356,517
Reconciliation:							
Loss on disposal of a subsidiary							(906)
Finance costs							(38,309)
Profit before tax							317,302
Segment assets	3,466,365	178,035	202,603	894,033	13,576	–	4,754,612
Reconciliation:							
Unallocated assets							116,339
Total assets							4,870,951
Segment liabilities	440,492	76,768	56,371	188,922	3,952	–	766,505
Reconciliation:							
Unallocated liabilities							1,983,941
Total liabilities							2,750,446

4. Operating Segment Information – Continued

Year ended 31 March 2018 – continued

	Non-franchised bus HK$'000 (restated)	Local limousine HK$'000 (restated)	Franchised bus and PLB HK$'000 (restated)	Mainland China business HK$'000 (restated)	Others HK$'000 (restated)	Total HK$'000
Other segment information:						
Share of losses of associates	2	–	–	–	319	321
Capital expenditure*	654,817	18,632	68,072	74,207	2,306	818,034
Amortisation of other intangible assets	14,260	614	–	354	–	15,228
Bank interest income	1,138	–	3	199	–	1,340
Other interest income	103	–	–	1,912	–	2,015
Depreciation	185,588	23,321	18,062	47,676	506	275,153
Recognition of prepaid land lease payments	–	–	–	3,563	–	3,563
Impairment of trade receivables	404	–	–	–	–	404
Impairment of items of property, plant and equipment	–	–	–	7,785	–	7,785
Fair value gain on investment properties	3,900	–	–	–	–	3,900
Gain on disposal of motor buses and vehicles together with passenger service licences	66,688	–	–	–	–	66,688
Gain/(loss) on disposal of other items of property, plant and equipment, net	(1,385)	635	(55)	(439)	87	(1,157)

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries, and 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

	2019	2018
	HK$'000	HK$'000
Hong Kong	**2,767,702**	2,345,019
Mainland China	**204,163**	198,635
	2,971,865	2,543,654

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

(b) Non-current assets

	2019	2018
	HK$'000	HK$'000
Hong Kong	**3,371,984**	2,793,217
Mainland China	**1,010,520**	1,075,524
	4,382,504	3,868,741

The non-current assets information above is based on the locations of the assets and excludes interests in associates, financial assets 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 (2018: Nil).

5. Revenue, Other Income and Gains, Net

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Provision of non-franchised bus and limousine services	**2,559,397**	2,158,029
Provision of franchised bus and PLB services	**195,840**	175,113
Provision of hotel and tourism services	**186,859**	180,492
Provision of Mainland China bus services	**28,854**	29,887
Provision of other transportation services	**915**	133
	2,971,865	2,543,654

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2019

Segments	**Non-franchised bus** HK$'000	**Local limousine** HK$'000	**Franchised bus and PLB** HK$'000	**Mainland China business** HK$'000	**Others** HK$'000	**Total** HK$'000
Type of services						
Provision of transportation services	2,357,463	201,934	195,840	28,854	–	2,784,091
Provision of hotel and tourism services	–	–	–	175,309	11,550	186,859
Provision of other services	–	–	–	–	915	915
Total revenue from contracts with customers	2,357,463	201,934	195,840	204,163	12,465	2,971,865
Geographical markets						
Hong Kong	2,357,463	201,934	195,840	–	12,465	2,767,702
Mainland China	–	–	–	204,163	–	204,163
Total revenue from contracts with customers	2,357,463	201,934	195,840	204,163	12,465	2,971,865
Timing of revenue recognition						
Services transferred over time	2,357,463	201,934	195,840	204,163	12,465	2,971,865

5. Revenue, Other Income and Gains, Net – Continued

Revenue from contracts with customers – continued

(i) Disaggregated revenue information – continued

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 **HK$'000**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Non-franchised bus and limousine services	**71,103**
Franchised bus and PLB services	**95**
Hotel and tourism services	**1,830**
Mainland China bus services	**936**
	73,964

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Non-franchised bus and limousine services, franchised bus and PLB services, Mainland China bus services and other transportation services

The performance obligation is satisfied over time as services are rendered and services are generally completed within a short period of time. Payment of the transaction price is due upon completion of services.

Hotel and tourism services

The performance obligation is satisfied over time as services are rendered and customers simultaneously receive and consume the benefits. Payment of the transaction price is due upon completion of services.

The transaction prices were allocated to remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019. The remaining performance obligations are expected to be recognised within one year. As permitted under HKFRS 15, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

5. Revenue, Other Income and Gains, Net – Continued

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

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	**903**	1,340
Other interest income	**20**	2,015
Gross rental income	**19,376**	16,992
Advertising income	**722**	735
Government subsidies *(note)*	**26,931**	24,364
Dividend income from listed investments	**–**	787
Others	**19,291**	19,189
	67,243	65,422
Gains, net		
Fair value gain on investment properties, net	**15,207**	3,900
Fair value gain on financial assets at fair value through profit or loss, net	**928**	2,571
Gain/(loss) on disposal of subsidiaries	**184**	(906)
Gain on deconsolidation of a subsidiary	**208**	–
Gain on disposal of motor buses and vehicles together with passenger service licences	**13,120**	66,688
Gain on disposal of other items of property, plant and equipment, net	**6,321**	–
	35,968	72,253
	103,211	137,675

Note:

Various government subsidies have been received by certain subsidiaries in connection with the replacement of environmentally 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:

	2019 HK$'000	2018 HK$'000
Interests on:		
Bank loans and other loans	**65,167**	38,209
Finance leases	**96**	100
	65,263	38,309

7. Profit Before Tax

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

	2019 HK$'000	2018 HK$'000
Amortisation of other intangible assets (note (i))	**15,783**	15,228
Auditors' remuneration	**3,724**	3,919
Depreciation (note (i))	**301,158**	275,153
Employee benefit expense (including directors' remuneration (note 8)) (note (i)):		
Wages, salaries, bonuses and other benefits	**1,083,393**	1,004,416
Pension scheme contributions (note (iii))	**63,108**	57,152
	1,146,501	1,061,568
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**128**	131
Fair value gain on derivative financial instruments, net (note (ii))	**(1,119)**	(4,389)
Minimum lease payments under operating leases (note (i))	**360,421**	234,763
Recognition of prepaid land lease payments	**3,533**	3,563
Reversal of impairment of a loan receivable (note (ii))	**(107)**	–
Impairment of trade receivables (note (ii))	**4,027**	404
Impairment of items of property, plant and equipment (note (ii))	**–**	7,785
Impairment of financial assets included in prepayments, deposits and other receivables (note (ii))	**2,158**	–
Loss/(gain) on disposal of other items of property, plant and equipment, net	**(6,321)**	1,157
Foreign exchange differences, net (note (ii))	**4,452**	(16,882)

Notes:

(i) The cost of services rendered for the year amounted to HK$2,330,599,000 (2018: HK$1,961,036,000) and included amortisation of other intangible assets of HK$15,783,000 (2018: HK$15,228,000), depreciation charges of HK$276,960,000 (2018: HK$248,657,000), employee benefit expense of HK$959,636,000 (2018: HK$847,919,000) and operating lease rentals of HK$330,618,000 (2018: HK$215,386,000).

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

(iii) As at 31 March 2019, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2018: 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, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2019 **HK$'000**	2018 HK$'000
Fees	**1,000**	1,225
Other emoluments:		
Salaries and other benefits	**12,780**	12,423
Discretionary bonuses	**985**	16,035
Pension scheme contributions	**522**	651
	14,287	29,109
	15,287	30,334

(a) Independent non-executive directors

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

	2019 **HK$'000**	2018 HK$'000
Chan Bing Woon, SBS, JP	**400**	400
James Mathew Fong	**300**	300
Chan Fong Kong, Francis	**300**	300
Lee Kwong Yin, Colin*	**–**	225
	1,000	1,225

* Mr. Lee Kwong Yin, Colin resigned as an independent non-executive director of the Company on 1 August 2017.

The above directors' remuneration only included remuneration during the tenure of each independent non-executive director of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. Directors' Remuneration – Continued

(b) Executive directors

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Wong Leung Pak, Matthew, BBS	**–**	**6,780**	**485**	**414**	**7,679**
Wong Cheuk On, James	**–**	**3,000**	**250**	**54**	**3,304**
Lo Man Po	**–**	**3,000**	**250**	**54**	**3,304**
	–	**12,780**	**985**	**522**	**14,287**
2018					
Wong Leung Pak, Matthew, BBS	–	7,623	9,635	543	17,801
Wong Cheuk On, James	–	2,580	3,215	54	5,849
Lo Man Po	–	2,220	3,185	54	5,459
	–	12,423	16,035	651	29,109

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2018: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**7,308**	9,736
Discretionary bonuses	**609**	18,803
Pension scheme contributions	**460**	825
	8,377	29,364

9. Five Highest Paid Employees – Continued

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

	Number of employees 2019	2018
HK$3,000,001 to HK$3,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$14,500,001 to HK$15,000,000	**–**	1
	2	3

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019 HK$'000	2018 HK$'000
Current:		
Hong Kong		
Charge for the year	**22,822**	29,068
Overprovision in prior years	**(1,895)**	(1,886)
Mainland China		
Charge for the year	**9,678**	8,734
Underprovision/(overprovision) in prior years	**713**	(642)
Deferred (note 31)	**17,315**	5,679
Total tax charge for the year	**48,633**	40,953

10. Income Tax – Continued

A reconciliation of the tax expense applicable to profit 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:

2019

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**232,158**		**75,835**		**307,993**	
Tax at the statutory tax rate	**38,306**	**16.5**	**18,959**	**25.0**	**57,265**	
Adjustments in respect of current tax of previous periods	**(1,895)**		**713**		**(1,182)**	
Profits attributable to associates	**(591)**		**–**		**(591)**	
Income not subject to tax, net	**(4,799)**		**(9,387)**		**(14,186)**	
Expenses not deductible for tax	**6,038**		**1,004**		**7,042**	
Tax losses utilised from previous periods	**–**		**(1,770)**		**(1,770)**	
Tax losses not recognised	**1,185**		**870**		**2,055**	
Tax charge at the Group's effective tax rate	**38,244**	**16.5**	**10,389**	**13.7**	**48,633**	**15.8**

2018

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	261,463		55,839		317,302	
Tax at the statutory tax rate	43,141	16.5	13,960	25.0	57,101	
Adjustments in respect of current tax of previous periods	(1,886)		(642)		(2,528)	
Losses attributable to associates	53		–		53	
Income not subject to tax, net	(13,902)		(8,755)		(22,657)	
Expenses not deductible for tax	4,751		2,998		7,749	
Tax losses utilised from previous periods	(36)		(28)		(64)	
Tax losses not recognised	741		558		1,299	
Tax charge at the Group's effective tax rate	32,862	12.6	8,091	14.5	40,953	12.9

No provision for tax was required for the associates as no assessable profits were earned by the associates during the year ended 31 March 2019 (2018: Nil).

11. Dividends

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
Final 2018 – HK12 cents (2017: HK12 cents) per ordinary share	**55,402**	55,402
Interim 2019 – HK8 cents (2018: HK12 cents) per ordinary share	**36,935**	55,402
	92,337	110,804
Dividend proposed after the end of the reporting period:		
Proposed final 2019 (with scrip option) – HK16 cents (2018: HK12 cents) per ordinary share	**73,870**	55,402

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

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$253,635,000 (2018: HK$275,694,000), and the weighted average number of ordinary shares of 461,686,000 (2018: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these years.

13. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structures 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 2019										
At cost or valuation:										
At beginning of year	188,194	76,485	30,916	37,152	2,282,674	99,067	71,847	388,582	47,743	3,222,660
Additions	16,561	184	7,912	5,037	379,194	14,091	13,279	1,863	45,259	483,380
Disposals	–	–	–	(3,962)	(79,668)	(2,732)	(3,419)	–	–	(89,781)
Deconsolidation of a subsidiary (note 38)	–	–	–	–	(326)	(70)	–	–	(12,005)	(12,401)
Transfer upon revaluation*	(17,108)	–	–	–	–	–	–	–	–	(17,108)
Surplus on revaluation	47,912	–	–	–	–	–	–	–	–	47,912
Reclassification	–	–	–	–	–	–	–	56,213	(56,213)	–
Exchange realignment	(9,363)	(7,405)	(1,719)	(1,030)	(5,762)	(3,316)	(1,285)	(25,119)	(2,757)	(57,756)
At 31 March 2019	226,196	69,264	37,109	37,197	2,576,112	107,040	80,422	421,539	22,027	3,576,906
Accumulated depreciation and impairment:										
At beginning of year	16,277	25,911	9,160	33,428	1,048,499	71,075	37,195	82,249	7,785	1,331,579
Provided during the year	7,276	1,630	1,976	1,835	248,346	9,458	10,896	19,741	–	301,158
Disposals	–	–	–	(3,962)	(65,946)	(2,521)	(2,480)	–	–	(74,909)
Deconsolidation of a subsidiary (note 38)	–	–	–	–	(326)	(70)	–	–	(7,785)	(8,181)
Transfer upon revaluation*	(17,108)	–	–	–	–	–	–	–	–	(17,108)
Exchange realignment	(731)	(2,540)	(269)	(1,002)	(2,897)	(2,146)	(558)	(5,252)	–	(15,395)
At 31 March 2019	5,714	25,001	10,867	30,299	1,227,676	75,796	45,053	96,738	–	1,517,144
Net book value:										
At 31 March 2019	220,482	44,263	26,242	6,898	1,348,436	31,244	35,369	324,801	22,027	2,059,762

13. Property, Plant and Equipment – Continued

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structures 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 2018										
At cost or valuation:										
At beginning of year	85,378	102,061	27,556	32,898	2,023,764	89,024	54,893	319,004	28,715	2,763,293
Additions	101,276	1,239	756	3,212	321,431	9,227	20,947	196	48,079	506,363
Disposals	–	–	–	(398)	(83,169)	(3,979)	(5,583)	–	–	(93,129)
Acquisitions of subsidiaries (note 36)	–	–	–	–	12,003	–	–	–	–	12,003
Assets included in a disposal group classified as held for sale (note 39)	–	–	–	–	(84)	–	–	–	–	(84)
Transfer upon revaluation*	–	(12,560)	–	–	–	–	–	–	–	(12,560)
Surplus on revaluation	–	176,533	–	–	–	–	–	–	–	176,533
Transfer to investment properties (note 14)	–	(201,950)	–	–	–	–	–	–	–	(201,950)
Reclassification	–	–	–	–	–	–	–	32,748	(32,748)	–
Exchange realignment	1,540	11,162	2,604	1,440	8,729	4,795	1,590	36,634	3,697	72,191
At 31 March 2018	188,194	76,485	30,916	37,152	2,282,674	99,067	71,847	388,582	47,743	3,222,660
Accumulated depreciation and impairment:										
At beginning of year	8,776	32,886	7,391	27,546	879,828	62,677	30,111	57,982	–	1,107,197
Provided during the year	6,370	1,842	1,416	4,937	225,335	8,797	9,405	17,051	–	275,153
Disposals	–	–	–	(380)	(61,292)	(3,321)	(3,069)	–	–	(68,062)
Impairment	–	–	–	–	–	–	–	–	7,785	7,785
Assets included in a disposal group classified as held for sale (note 39)	–	–	–	–	(75)	–	–	–	–	(75)
Transfer upon revaluation*	–	(12,560)	–	–	–	–	–	–	–	(12,560)
Exchange realignment	1,131	3,743	353	1,325	4,703	2,922	748	7,216	–	22,141
At 31 March 2018	16,277	25,911	9,160	33,428	1,048,499	71,075	37,195	82,249	7,785	1,331,579
Net book value:										
At 31 March 2018	171,917	50,574	21,756	3,724	1,234,175	27,992	34,652	306,333	39,958	1,891,081

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

13. Property, Plant and Equipment – Continued

At 31 March 2019, certain of the Group's property, plant and equipment of HK$112,559,000 (2018: HK$144,417,000) were pledged to secure banking facilities granted to the Group as set out in note 28 to the financial statements.

At 31 March 2019, the Group was in the process of applying the related real estate ownership certificates of certain properties in Mainland China with a carrying value of RMB116,000,000 (approximately HK$135,639,000) (2018: RMB81,355,000 (approximately HK$100,438,000)) of which the Group has already taken possession without objection from relevant authorities. In the opinion of the directors, the application process for real estate ownership certificates is merely an administrative procedure and does not have any significant impact on the Group's financial statements.

At 31 March 2019, certain of the Group's motor buses and vehicles with an aggregate net carrying amount of HK$1,948,000 (2018: HK$2,827,000) were held under finance leases as set out in note 29 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 42(a) to the financial statements.

Other than the Group's leasehold land and buildings which are carried at valuation, the remaining property, plant and equipment are carried at historical cost less accumulated depreciation.

The Group's leasehold land and buildings consist of three (2018: three) bus depots, four (2018: four) commercial properties in Hong Kong, and seventeen (2018: sixteen) commercial properties in Mainland China. The directors of the Company have determined that the leasehold land and buildings consist of two classes of assets, 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.

At 31 March 2019, the Group's leasehold land and buildings were revalued based on valuations performed by Chung Hin Appraisal Limited, an independent firm of professionally qualified valuers, using either the depreciated replacement cost method or recent prices of similar properties, where appropriate. A revaluation surplus of HK$47,912,000 resulting from above valuations has been credited to other comprehensive income.

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their aggregate carrying amount would have been approximately HK$131,609,000 (2018: HK$126,384,000) as at 31 March 2019.

13. Property, Plant and Equipment – Continued

At 31 March 2018, the Group's management identified a building under construction (the "Building") held by a subsidiary in Mainland China with continual delay on construction progress, mainly due to certain disputes with a non-controlling shareholder of the subsidiary. An impairment loss of HK$7,785,000 was recognised to write down the carrying amount of the Building to the recoverable amount of HK$4,636,000 at the end of the reporting period. The estimates of the recoverable amount were based on fair value less costs of disposal of the Building. During the year ended 31 March 2019, the Building was derecognised upon the deconsolidation of the subsidiary, details of which were included in note 38 to the Group's financial statements.

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 2019 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	**–**	**–**	**23,068**	**23,068**
Commercial properties	**–**	**–**	**197,414**	**197,414**
	–	**–**	**220,482**	**220,482**

	Fair value measurement as at 31 March 2018 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	–	–	22,654	22,654
Commercial properties	–	–	149,263	149,263
	–	–	171,917	171,917

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 (2018: Nil).

13. Property, Plant and Equipment – Continued

Fair value hierarchy – continued

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 2017	23,068	53,534	76,602
Additions	838	100,438	101,276
Depreciation	(1,252)	(5,118)	(6,370)
Exchange realignment	–	409	409
Carrying amount at 31 March 2018 and at 1 April 2018	22,654	149,263	171,917
Additions	1,723	14,838	16,561
Surplus on revaluation	160	47,752	47,912
Depreciation	(1,469)	(5,807)	(7,276)
Exchange realignment	–	(8,632)	(8,632)
Carrying amount at 31 March 2019	23,068	197,414	220,482

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 metre)	**HK$15,500 to HK$20,500**
		Depreciation rate (p.a.)	**2%**
Commercial properties	Market comparison method	Price per square foot	**HK$248 to HK$21,400**

A significant increase/(decrease) in the current construction cost for building and the depreciation rate in isolation would result in a significant increase/(decrease) 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.

13. Property, Plant and Equipment – Continued

Fair value hierarchy – continued

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.

14. Investment Properties

	2019	2018
	HK$'000	HK$'000
Carrying amount at beginning of year	**298,028**	76,600
Transfer from owner-occupied properties (note 13)	**–**	201,950
Net gain from a fair value adjustment	**15,207**	3,900
Exchange realignment	**(14,065)**	15,578
Carrying amount at end of reporting period	**299,170**	298,028

During the year ended 31 March 2018, the Group's hotel operation in Mainland China obtained approval from the local authority to include property leasing as one of its business activities. In the opinion of the directors, certain floors of the Group's hotel building (the "Leased Floors") in Mainland China became investment properties from the date of approval. Accordingly, an aggregate fair value of the Leased Floors amounting to HK$202.0 million as at that date was transferred from property, plant and equipment to investment properties. The Leased Floors are leased to third parties under operating leases.

The Group's investment properties consist of a parcel of agricultural land, a commercial property, an industrial property and a car parking space in Hong Kong and commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of four (2018: four) classes of assets based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2019 based on valuations performed by Chung Hin Appraisal Limited, an independent firm of professionally qualified valuers, at HK$299,170,000. 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.

Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 160.

14. Investment Properties – Continued

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2019 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:				
Agricultural land	**–**	**–**	**20,200**	**20,200**
Commercial properties	**–**	**–**	**242,870**	**242,870**
Industrial property	**–**	**–**	**33,000**	**33,000**
Car parking space	**–**	**–**	**3,100**	**3,100**
	–	**–**	**299,170**	**299,170**

	Fair value measurement as at 31 March 2018 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:				
Agricultural land	–	–	14,700	14,700
Commercial properties	–	–	249,528	249,528
Industrial property	–	–	30,800	30,800
Car parking space	–	–	3,000	3,000
	–	–	298,028	298,028

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 (2018: Nil).

14. Investment Properties – Continued

Fair value hierarchy – continued

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

	Agricultural land HK$'000	Commercial properties HK$'000	Industrial property HK$'000	Car parking space HK$'000	Total HK$'000
Carrying amount at 1 April 2017	13,900	32,000	27,900	2,800	76,600
Transfer from owner-occupied properties	–	201,950	–	–	201,950
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	800	–	2,900	200	3,900
Exchange realignment	–	15,578	–	–	15,578
Carrying amount at 31 March 2018 and at 1 April 2018	14,700	249,528	30,800	3,000	298,028
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	5,500	7,407	2,200	100	15,207
Exchange realignment	–	(14,065)	–	–	(14,065)
Carrying amount at 31 March 2019	20,200	242,870	33,000	3,100	299,170

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 2019	2018
Agricultural land	Market comparison method	Price per square foot	**HK$500 to HK$682**	HK$459 to HK$717
Commercial properties	Market comparison method	Price per square foot	**HK$58,002 to HK$66,206**	HK$35,000 to HK$49,230
	Income capitalisation approach	Market unit rent per square metre per month	**RMB84 to RMB1,000**	RMB80 to RMB350
		Capitalisation rate	**6%**	6%
Industrial property	Market comparison method	Price per square foot	**HK$11,191 to HK$17,685**	HK$12,281 to HK$14,000
Car parking space	Market comparison method	Price per unit	**HK$3,000,000 to HK$3,700,000**	HK$2,650,000 to HK$3,000,000

14. Investment Properties – Continued

Fair value hierarchy – continued

A significant increase/(decrease) in the price per square foot, market unit rent per square metre per month and the price per unit in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate would result in a significant decrease/(increase) in the fair value of the investment properties. 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. Prepaid Land Lease Payments

	Note	**2019** **HK$'000**	2018 HK$'000
Carrying amount at beginning of year		**46,842**	45,662
Recognised during the year		**(3,533)**	(3,563)
Exchange realignment		**(3,032)**	4,743
Carrying amount at end of reporting period		**40,277**	46,842
Current portion included in prepayments, deposits and other receivables	23	**(3,536)**	(3,780)
Non-current portion		**36,741**	43,062

As at the date of approval of these financial statements, the Group is in the process of applying the related land use right certificate of a parcel of land located in Lixian Bipenggou, the PRC (the "Leasehold Land") with a carrying value of HK$3,865,000 (2018: HK$4,274,000). The Group continues to use the Leasehold Land for car parking purpose without objection from the relevant authorities. In the opinion of the directors, the application process for the land use right certificate is merely an administrative procedure and does not have any significant impact on the Group's financial statements.

16. Goodwill

	2019 **HK$'000**	2018 HK$'000
Cost at beginning of year, net of accumulated impairment	**201,801**	183,416
Acquisition of a subsidiary (note 36)	**–**	18,385
Carrying value at end of reporting period	**201,801**	201,801
At 31 March:		
Cost	**216,962**	216,962
Accumulated impairment	**(15,161)**	(15,161)
Net carrying amount	**201,801**	201,801

16. Goodwill – Continued

Impairment testing of goodwill, passenger service licences and other intangible assets with indefinite useful lives

Goodwill acquired through business combinations, passenger service licences, certain bus route operating rights and trade name are allocated to the following groups of cash-generating units for impairment testing:

- Non-franchised Bus CGU;
- Local Limousine CGU; and
- Franchised Bus and PLB CGU.

The recoverable amounts of the Non-franchised Bus CGU and the Local Limousine CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections was 9.5% (2018: 9.5%). The growth rate used to extrapolate the cash flows of the Non-franchised Bus CGU and the Local Limousine CGU was 2.8% (2018: 3.0%). The rate does not exceed the long term average growth rates for the relevant markets.

The recoverable amount of the Franchised Bus and PLB CGU has been determined based on value in use calculation using cash flow projections based on financial budgets approved by senior management covering a ten year period. The discount rate applied to the cash flow projections was 9.5% (2018: Nil).

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

	Non-franchised Bus CGU		Local Limousine CGU		Franchised Bus and PLB CGU		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**182,600**	182,600	**19,201**	19,201	**–**	–	**201,801**	201,801
Carrying amount of passenger service licences	**1,073,667**	857,487	**–**	–	**16,900**	–	**1,090,567**	857,487
Carrying amount of other intangible assets with indefinite useful lives	**231,952**	231,952	**–**	–	**–**	–	**231,952**	231,952

16. Goodwill – Continued

Impairment testing of goodwill, passenger service licences and other intangible assets with indefinite useful lives – continued

Assumptions were used in the value in use calculation of the Non-franchised Bus CGU, the Local Limousine CGU and the Franchised Bus and PLB CGU for the years ended 31 March 2019 and 31 March 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences, certain bus route operating rights 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.

Growth rates – The growth rates used are with reference to the long term average growth rates for the relevant markets.

17. Passenger Service Licences

	2019 **HK$'000**	2018 HK$'000
Cost at beginning of year	**857,487**	651,929
Additions	**233,080**	145,558
Acquisition of a subsidiary (note 36)	**–**	60,000
At 31 March	**1,090,567**	857,487
At 31 March:		
Cost and carrying amount	**1,090,567**	857,487

Passenger service licences are allocated to the Non-franchised Bus CGU and the Franchised Bus and PLB CGU. Details of impairment testing are set out in note 16 to the financial statements.

18. Other Intangible Assets

	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2019				
Cost at 1 April 2018, net of accumulated amortisation	**317,470**	**57,504**	**4,450**	**379,424**
Amortisation provided during the year	**(15,169)**	**–**	**(614)**	**(15,783)**
Exchange realignment	**(204)**	**–**	**–**	**(204)**
At 31 March 2019	**302,097**	**57,504**	**3,836**	**363,437**
At 31 March 2019:				
Cost	**442,707**	**57,504**	**7,097**	**507,308**
Accumulated amortisation	**(140,610)**	**–**	**(3,261)**	**(143,871)**
Net carrying amount	**302,097**	**57,504**	**3,836**	**363,437**

	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2018				
Cost at 1 April 2017, net of accumulated amortisation	278,380	57,504	5,064	340,948
Additions	30,324	–	–	30,324
Acquisition of a subsidiary (note 36)	23,000	–	–	23,000
Amortisation provided during the year	(14,614)	–	(614)	(15,228)
Exchange realignment	380	–	–	380
At 31 March 2018	317,470	57,504	4,450	379,424
At 31 March 2018:				
Cost	444,175	57,504	7,097	508,776
Accumulated amortisation	(126,705)	–	(2,647)	(129,352)
Net carrying amount	317,470	57,504	4,450	379,424

Certain bus route operating rights with indefinite useful lives and trade name are allocated to the Non-franchised Bus CGU. Details of impairment testing are set out in note 16 to the financial statements.

19. Interests in Associates

	2019 HK$'000	2018 HK$'000
Share of net assets	**5,679**	199
Due from an associate	**485**	216
Loan to an associate	**25,620**	25,301
	31,784	25,716

The amount due from an associate and loan to an associate are unsecured, interest-free and repayable on demand.

In the opinion of the directors, the amount due from an associate and loan to an associate are considered as part of the Group's net investments in the associates. Included in the balance of loan to an associate as at 31 March 2018 was the Group's share of net liabilities of an associate of HK$319,000.

Particulars of the associates are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of incorporation/ and business	Percentage of ownership interest attributable to the Group		Principal activities
			2019	2018	
All China Express Limited	73 ordinary shares	Hong Kong	**42.20**	42.20	Provision of bus and travel-related services
Kowloon Tong Express Services Limited	14 ordinary shares	Hong Kong	**35.90**	35.90	Provision of bus and travel-related services
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	200,000 ordinary shares	Hong Kong	**20.0**	20.0	Provision of bus and travel-related services
G.D., H.K. and Macao System Technology Company Limited	220,000 ordinary shares	Hong Kong	**22.0**	–	Provision of transportation service
Huiketong Technology (Zhuhai) Limited	RMB1,540,000	PRC/ Mainland China	**22.0**	–	Provision of ticketing services
ST Chinalink Travel Agency Limited	245,000 ordinary shares	Hong Kong	**49.0**	–	Inactive
Starnet Media Group Company Limited ("Starnet")#	5 ordinary shares	Hong Kong	**50.0**	50.0	Provision of advertising services

Pursuant to the shareholders' deed, the Group could appoint 2 representatives, out of 5, to the board of directors of Starnet and all decision making shall be carried by simple majority vote of the directors. In the opinion of the directors, the Group is in a position to exercise significant influence over the financial and operating policy decisions of Starnet through its participation in the board.

19. Interests in Associates – Continued

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

Certain associates have a financial year end of 31 December to conform with their holding companies' reporting date. The consolidated financial statements of the Group 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:

	2019	2018
	HK$'000	HK$'000
Share of the associates' profits/(losses) and total comprehensive income/(losses) for the year	**3,584**	(321)
Aggregate carrying amount of the Group's interests in the associates	**31,784**	25,716

20. Financial Assets at Fair Value through Profit or Loss

	2019	2018
	HK$'000	HK$'000
Unlisted investments, at fair value	**29,554**	28,626

The unlisted investments were designated, upon initial recognition, as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments is provided on that basis to the Group's key management personnel.

As at 31 March 2019, the Group's unlisted investments with an aggregate carrying value of HK$23,733,000 (2018: HK$22,977,000) were pledged as security for the Group's banking facilities, as further detailed in note 28 to the financial statements.

21. Loan Receivable

	2019	2018
	HK$'000	HK$'000
Loan receivable	**17,058**	20,029
Impairment	**(507)**	–
	16,551	20,029

21. Loan Receivable – Continued

The loan receivable was a loan advanced to a non-controlling shareholder of a 67.8%-owned subsidiary of the Group which was secured by the 14.7% equity interest of that subsidiary, interest-free and repayable on or before December 2020.

The movements in the loss allowance for impairment of loan receivable are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**–**	–
Effect of adoption of HKFRS 9 (note 2.2)	**614**	–
At beginning of year (restated)	**614**	–
Reversal of impairment of a loan receivable (note 7)	**(107)**	–
At end of year	**507**	–

An impairment analysis is performed at reporting date by considering the probability of default of the counterparty. As at 31 March 2019, the probability of default applied was 2.97% and the loss given default was estimated to be 100%. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 March 2019 was 2.97%.

The gross carrying amount and the corresponding respective expected credit loss allowance are classified as Stage 1 for the measurement of ECL as at 31 March 2019.

22. Trade Receivables

	2019	2018
	HK$'000	HK$'000
Trade receivables	**296,723**	232,696
Impairment	**(8,645)**	–
	288,078	232,696

Included in the Group's trade receivables are amounts due from associates of HK$28,264,000 (2018: HK$12,247,000), 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019	2018
	HK$'000	HK$'000
Within 30 days	**205,716**	179,458
31 to 60 days	**33,456**	22,458
61 to 90 days	**30,981**	12,938
Over 90 days	**17,925**	17,842
	288,078	232,696

22. Trade Receivables – Continued

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	**–**	–
Effect of adoption of HKFRS 9 (note 2.2)	**4,618**	–
At beginning of year (restated)	**4,618**	–
Impairment losses, net (note 7)	**4,027**	404
Amount written off as uncollectible	**–**	(404)
At end of year	**8,645**	–

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

	Credit impaired receivables	**Current**	**Past due Less than 1 month**	**Past due 1 to 3 months**	**Past due Over 3 months**	**Total**
Expected credit loss rate	**100%**	**0.90%**	**1.14%**	**3.02%**	**19.6%**	**2.91%**
Gross carrying amount (HK$'000)	**719**	**136,846**	**96,185**	**40,678**	**22,295**	**296,723**
Expected credit losses (HK$'000)	**719**	**1,233**	**1,095**	**1,228**	**4,370**	**8,645**

22. Trade Receivables – Continued

Impairment under HKAS 39 for the year ended 31 March 2018

The ageing analysis of the trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$'000
Neither past due nor impaired	183,915
Less than 1 month past due	18,484
1 to 3 months past due	18,627
Over 3 months past due	11,670
	232,696

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

Receivables that were past due but not impaired related to a number of independent customers that had 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 under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

23. Prepayments, Deposits and Other Receivables

	Note	**2019 HK$'000**	2018 HK$'000
Prepayments		**201,117**	94,360
Prepaid land lease payments	15	**3,536**	3,780
Rental and other deposits		**101,416**	51,198
Deposits paid for purchases of items of property, plant and equipment		**93,559**	79,870
Deposits paid for purchases of bus route operating rights		**45,752**	28,780
Other receivables		**112,241**	176,578
		557,621	434,566
Impairment		**(35,344)**	(30,099)
		522,277	404,467
Less: Portion classified as non-current assets		**(314,475)**	(177,829)
Portion classified as current assets		**207,802**	226,638

23. Prepayments, Deposits and Other Receivables – Continued

The Group allows an average credit period ranging from 30 to 90 days for its debtors. An ageing analysis of other receivables that are not individually nor collectively considered to be impaired, based on payment due dates, is as follows:

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	72,556	141,870
Less than 1 month past due	1,908	2,040
1 to 3 months past due	41	44
Over 3 months past due	2,392	2,525
	76,897	146,479

The movements in the loss allowance for impairment of financial assets included in prepayments, deposits and other receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	30,099	27,150
Effect of adoption of HKFRS 9 (note 2.2)	4,278	–
At beginning of year (restated)	34,377	27,150
Impairment losses (note 7)	2,158	–
Exchange realignment	(1,191)	2,949
At end of reporting period	35,344	30,099

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. As at 31 March 2019, the probability of default applied ranged from 0.17% to 26.82% and the loss given default was estimated to be 100%. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

23. Prepayments, Deposits and Other Receivables – Continued

Analysis of the gross carrying amount and movements of impairment allowance of financial assets included in prepayments, deposits and other receivables as at 31 March 2019 is as follows:

	12-months Stage 1 HK$'000	Lifetime ECL not credit-impaired Stage 2 HK$'000	Lifetime ECL credit-impaired Stage 3 HK$'000	Total HK$'000
Gross carrying amount	184,749	–	28,908	213,657
Impairment allowance as at 31 March 2018	–	–	30,099	30,099
Effect of adoption of HKFRS 9 (note 2.2)	4,278	–	–	4,278
At 1 April 2018 (restated)	4,278	–	30,099	34,377
Loss allowance recognised (note 7)	2,158	–	–	2,158
Exchange realignment	–	–	(1,191)	(1,191)
ECL allowance as at 31 March 2019	6,436	–	28,908	35,344

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired receivables of HK$30,099,000 with a carrying amount before provision of HK$30,099,000, of which the related debtors were in financial difficulties and the amount was not expected to be recovered.

24. Cash and Cash Equivalents and Pledged Time Deposits and Restricted Cash

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**292,035**	347,598
Time deposits and restricted cash	**23,712**	89,976
	315,747	437,574
Less: Pledged time deposits and restricted cash for bank loans and performance guarantees/bonds	**(22,759)**	(68,298)
Cash and cash equivalents	**292,988**	369,276

24. Cash and Cash Equivalents and Pledged Time Deposits and Restricted Cash – Continued

As at 31 March 2019, the Group had cash of approximately HK$7,251,000 (2018: HK$52,110,000) which was restricted as to use and mainly to be utilised for the purpose of construction work in respect of the scenic spot in Mainland China.

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 ninety days and a year 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.

25. Trade Payables

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

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**62,096**	41,383
31 to 60 days	**13,007**	12,419
61 to 90 days	**3,390**	3,064
Over 90 days	**9,498**	9,078
	87,991	65,944

Included in the balance is an amount of HK$10,525,000 (2018: Nil) due to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive director and the chairman of the Company.

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

26. Accruals, Other Payables and Deposits Received

	Notes	**2019** **HK$'000**	2018 HK$'000
Accruals and other payables		**257,708**	309,437
Consideration payable for acquisition of subsidiaries	36	**–**	5,000
Contract liabilities	(a)	**81,778**	–
Deferred revenue		**–**	73,964
Deposits received		**16,773**	18,216
Traffic accident compensation payables		**80,200**	78,384
Payables for purchases of items of property, plant and equipment and passenger service licences		**44,606**	56,181
Deferred income in respect of government subsidies received		**23,628**	23,537
Due to non-controlling shareholders		**8,433**	12,193
		513,126	576,912

26. Accruals, Other Payables and Deposits Received – Continued

Note:

(a) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows:

	31 March 2019 HK$'000	1 April 2018 HK$'000
Short-term advances received from customers		
Non-franchised bus and limousine services	**78,889**	71,103
Franchised bus and PLB services	**96**	95
Hotel and tourism services	**1,522**	1,830
Mainland China bus services	**1,271**	936
Total contract liabilities	**81,778**	73,964

Contract liabilities and deferred revenue relate to short-term advances received from customers in Hong Kong and Mainland China.

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

The amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

27. Derivative Financial Instruments

	2019 Assets HK$'000	2018 Assets HK$'000
Cross-currency swap contracts	**1,234**	1,021
	Liabilities HK$'000	Liabilities HK$'000
Interest rate swap contract	**–**	2,055
Cross-currency swap contracts	**–**	871
	–	2,926

The Group entered into interest rate and cross-currency swap contracts to manage its interest rate and foreign currency exposures. At 31 March 2019, the Group had cross-currency swap contracts in place with total notional amounts of HK$497,000,000. At 31 March 2018, the Group had interest rate and cross-currency swap contracts in place with total notional amounts of HK$120,000,000 and HK$497,000,000, respectively. These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net fair value gain on these non-hedging derivatives of HK$1,119,000 (2018: HK$4,389,000) was recognised in the statement of profit or loss during the year.

28. Interest-Bearing Bank and Other Borrowings

	2019			2018		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured (note (a))	3.48	2020-2028	1,424,998	3.20	2019–2028	877,725
Bank loans – unsecured	–	2020	550	4.33	2019	6,715
Other loans – unsecured	–	2020	12,814	1.87	2019	19,913
Finance lease payables (note 29)	3.50	2020	644	3.50	2019	1,624
			1,439,006			905,977
Non-current						
Bank loans – secured (note (a))	3.48	2021-2028	562,059	3.20	2020–2028	757,511
Other loan – unsecured	–	–	–	7.00	2021	9,564
Finance lease payables (note 29)	–	–	–	3.50	2020	641
			562,059			767,716
			2,001,065			1,673,693

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note (b))	1,425,548	884,440
In the second year or on demand after 13 months (note (b))	306,702	505,906
In the third to fifth years, inclusive	174,907	191,348
Beyond five years	80,450	60,257
	1,987,607	1,641,951
Other borrowings repayable:		
Within one year	13,458	21,537
In the second year	–	641
In the third to fifth years, inclusive	–	9,564
	13,458	31,742
	2,001,065	1,673,693

28. Interest-Bearing Bank and Other Borrowings – Continued

Notes:

(a) Further details of secured bank loans of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong		
Secured with corporate guarantees	**1,682,586**	1,436,969
Secured with corporate guarantees and pledged assets*	**166,725**	70,405
	1,849,311	1,507,374
Mainland China		
Secured with pledge of assets#	**137,746**	127,862
	1,987,057	1,635,236

* Certain of the above bank loans in Hong Kong are secured by:

(i) the pledged of deposit of HK$3,001,000 (2018: HK$3,001,000); and

(ii) the pledge of certain financial assets at fair value through profit or loss of HK$23,733,000 (2018: HK$22,977,000) (note 20).

\# Certain of the above bank loans in Mainland China are secured by:

(i) the pledge of time deposits and restricted cash of HK$7,251,000 (2018: HK$52,110,000); and

(ii) the pledge of certain property, plant and equipment of HK$112,559,000 (2018: HK$144,417,000) (note 13).

(b) The bank loans of the Group which contain repayment on demand clause are as follows:

	2019 HK$'000	2018 HK$'000
Repayable on demand	**1,090,628**	716,080
Repayable on demand from 13 months after the end of the reporting period	**205,738**	365,792
	1,296,366	1,081,872

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

	2019 HK$'000	2018 HK$'000
Within one year	**429,680**	509,578
In the second year	**271,984**	299,745
In the third to fifth years, inclusive	**594,702**	272,549
	1,296,366	1,081,872

(c) Except for bank loans of HK$138,296,000 (2018: HK$134,577,000), other loans of HK$12,814,000 (2018: HK$29,477,000) and finance lease payables of HK$644,000 (2018: HK$2,265,000) which are denominated in RMB and bank loans of HK$142,006,000 (2018: HK$313,989,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

(d) In respect of certain bank borrowings in an aggregating amount of HK$207,143,000 as at 31 March 2019 provided to a subsidiary of the Group by a bank (the "Bank"), the Group did not maintain a financial covenant in respect of net bank borrowings over consolidated earnings before interest, tax, depreciation and amortisation which is required to be under 2.7 times as specified in the corresponding bank facility letters. Accordingly, the bank borrowings of HK$207,143,000 advanced by the Bank was classified under current liabilities as at 31 March 2019. As at the date of approval of these financial statements, the Group was in discussion with the Bank to obtain a waiver for this financial covenant and consider it is probable to obtain the waiver for the financial covenant. Having taken into account that (i) there was no event of default; (ii) the Group had made all previously scheduled repayments on time; (iii) the Bank did not demand for immediate payment of the outstanding balances; and (iv) there was no cross-default clause in any of the Group's banking facilities, the Group consider that the non-compliance of the financial covenant would not have significant impact to the Group.

(e) As at 31 March 2019, the Group held bank guarantees in lieu of performance guarantees/bonds amounting to HK$14,030,000 (2018: HK$11,360,000). Such bank guarantees are secured by pledged deposits of HK$12,507,000 (2018: HK$13,187,000).

29. Finance Lease Payables

The Group leased certain of its motor vehicles for its hotel and tourism business. These leases were classified as finance leases and the remaining lease terms were one year (2018: two years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**656**	1,679	**644**	1,624
In the second year	**–**	701	**–**	641
Total minimum finance lease payments	**656**	2,380	**644**	2,265
Future finance charges	**(12)**	(115)		
Total net finance lease payables	**644**	2,265		
Portion classified as current liabilities (note 28)	**(644)**	(1,624)		
Non-current portion (note 28)	**–**	641		

30. Other Long Term Liabilities

	2019	2018
	HK$'000	HK$'000
Deferred income	**101,317**	121,394
Other liabilities	**277**	1,546
	101,594	122,940

Deferred income represents subsidies received from government authorities in respect of the replacement of environmentally friendly commercial 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.

31. 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$'000	Impairment of financial assets at amortised cost HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax liabilities/(assets) at 1 April 2017		144,049	(194)	65,479	5,354	(10,765)	–	(2,393)	201,530
Acquisition of a subsidiary	36	396	–	15,106	–	–	–	–	15,502
Deferred tax charged to the statement of other comprehensive income during the year		–	–	–	44,133	–	–	–	44,133
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	12,554	(13)	(2,586)	(656)	(8,228)	–	4,608	5,679
Exchange differences		31	–	–	3,312	–	–	–	3,343
Gross deferred tax liabilities/(assets) at 31 March 2018		**157,030**	**(207)**	**77,999**	**52,143**	**(18,993)**	**–**	**2,215**	**270,187**
Effect of adoption of HKFRS 9	2.2	**–**	**–**	**–**	**–**	**–**	**(1,569)**	**–**	**(1,569)**
Gross deferred tax liabilities/(assets) at 1 April 2018 (restated)		**157,030**	**(207)**	**77,999**	**52,143**	**(18,993)**	**(1,569)**	**2,215**	**268,618**
Deferred tax charged to the statement of other comprehensive income during the year		**–**	**–**	**–**	**7,905**	**–**	**–**	**–**	**7,905**
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	**19,560**	**13**	**(2,338)**	**(751)**	**2,420**	**(884)**	**(705)**	**17,315**
Exchange differences		**(91)**	**–**	**–**	**118**	**–**	**–**	**–**	**27**
Gross deferred tax liabilities/(assets) at 31 March 2019		**176,499**	**(194)**	**75,661**	**59,415**	**(16,573)**	**(2,453)**	**1,510**	**293,865**

31. Deferred Tax – Continued

For presentation purposes, 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:

	2019 **HK$'000**	2018 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,654**	238
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(296,519)**	(270,425)
	(293,865)	(270,187)

The Group has unrecognised tax losses arising in Hong Kong of HK$15,483,000 (2018: HK$8,296,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of these tax losses have not been recognised on account of the unpredictability of future profit streams.

The Group also has unrecognised tax losses arising in Mainland China of HK$26,176,000 (2018: HK$31,392,000) 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 in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,636,000 at 31 March 2019 (2018: HK$573,000).

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

32. Share Capital

Shares	2019 HK$'000	2018 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
461,686,000 ordinary shares of HK$0.10 each	**46,169**	46,169

Share options

Details of the Company's share option scheme are included in note 33 to the financial statements.

33. Share Option Scheme

On 23 August 2012, a share option scheme (the "Scheme") was adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on the same date and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

Eligible participants of the Scheme 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. Grantees of the share options are entitled to subscribe for new ordinary shares of HK$0.10 each in the share capital of the Company.

The maximum number of share options currently permitted to be granted under the Scheme is 40,890,600, which is an amount equivalent, upon their exercise, to 10% of the issued share capital of the Company at the time of adoption of the Scheme and approximately 8.86% of the issued share capital of the Company as at the date of this report. The maximum number of shares issuable under share options to each eligible participant under the Scheme 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.

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 on the date of offer, subject to any 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. Unless the directors otherwise determine, there is no minimum period for which an option granted under the scheme must be held before it can be exercised.

33. Share Option Scheme – Continued

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.

There were no share options granted, exercised or outstanding under the Scheme during the year and at the end of the reporting period.

Subsequent to the end of the reporting period, on 23 April 2019, a total of 13,500,000 share options were granted to certain employees in respect of their services to the Group in prior years. These share options have an exercise price at HK$4.30 per share and a validity period from 23 April 2019 to 22 April 2029, details of which are included in the announcement of the Company dated 23 April 2019. The closing price of the Company's shares at the date of grant was HK$4.30 per share.

At the date of approval of these financial statements, the Company had 13,500,000 share options outstanding under the Scheme, which represented approximately 2.9% of the Company's shares in issue as at that date.

34. Reserves

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 52 to 53 of the financial statements.

Contributed surplus

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.

Reserve fund

In accordance with the applicable regulations in 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.

Pursuant to the provisions of the Macao Commercial Code, subsidiaries of the Group established in Macau are required to transfer a minimum of 25% of the annual profit after tax to a legal reserve until the reserve equals half of the share capital. Such a transfer has to be approved by the shareholders of the subsidiaries. This reserve is not distributable to shareholders of the subsidiaries.

35. Partly-Owned Subsidiary with Material Non-Controlling Interests

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

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Bipenggou Tourism and its subsidiary	**32.2%**	32.2%

	2019 **HK$'000**	2018 HK$'000
Profit for the year allocated to non-controlling interests:		
Bipenggou Tourism and its subsidiary	**4,246**	2,460
Accumulated balances of non-controlling interests at the reporting date:		
Bipenggou Tourism and its subsidiary	**76,035**	80,676

During the year ended 31 March 2018, the Group acquired an aggregate 49% equity interest in an investment holding company (the "Investment Holding Company"), which owned a 34.3% equity interest (the "Acquired Interest") in Bipenggou Tourism for an aggregate consideration of approximately RMB72,700,000 (approximately HK$86,300,000), together with assumption of payable of approximately RMB5,000,000 (approximately HK$5,900,000) due by a former shareholder. By virtue of the shareholders' arrangement, the Group is exposed or has rights to variable returns from its involvement in the Investment Holding Company and has the ability to affect those returns through its power over the investee (including existing rights that give the Group the current ability to direct the relevant activities).

Having considered the sole asset of the Investment Holding Company is the Acquired Interest and the Group has control over the Investment Holding Company, the directors of the Company are of the opinion that the transaction is in substance, acquisition of additional interest in Bipenggou Tourism. Following completion of the transaction, the Group's effective interest in Bipenggou Tourism was increased from 51.0% to 67.8% and the difference of HK$56,800,000 between the consideration given and the changes in non-controlling interest was recognised in equity.

35. Partly-Owned Subsidiary with Material Non-Controlling Interests – Continued

The following table illustrates the summarised financial information of Bipenggou Tourism and its subsidiary. The amounts disclosed are before any inter-company eliminations:

	2019 **HK$'000**	2018 HK$'000
Revenue	**145,765**	113,050
Total expenses	**(132,577)**	(102,678)
Profit for the year	**13,188**	10,372
Other comprehensive income/(loss) for the year	**(16,205)**	23,328
Total comprehensive income/(loss) for the year	**(3,017)**	33,700
Current assets	**27,733**	78,512
Non-current assets	**399,885**	395,328
Current liabilities	**(69,622)**	(125,775)
Non-current liabilities	**(120,674)**	(97,466)
Net cash flows from operating activities	**40,725**	51,864
Net cash flows used in investing activities	**(25,959)**	(126,395)
Net cash flows from/(used in) financing activities	**(22,378)**	86,999
Net increase/(decrease) in cash and cash equivalents	**(7,612)**	12,468

36. Business Combination

Year ended 31 March 2018

On 4 January 2018, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Welcome Tourist (the "Welcome Acquisition") for a consideration of HK$97.9 million. The transaction was completed on 4 January 2018.

In addition, the Welcome Acquisition had also resulted in an acquisition of additional 6.59% equity interest in China-HK Express, increasing the Group's interest therein from 46.15% to 52.74%. In the opinion of the directors, the Group obtained control of China-HK Express following the completion of the Welcome Acquisition and accordingly, the Group's investment in China-HK Express was reclassified from a 46.15%-owned associate to a 52.74%-owned subsidiary of the Group thereafter.

Welcome Tourist is primarily engaged in the provision of non-franchised bus services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and the PRC. China-HK Express is involved in the provision of bus and travel-related services. The acquisition was part of the Group's strategy to expand its market share of passenger transportation services.

36. Business Combination – Continued

Year ended 31 March 2018 – continued

The aggregate fair values of the identifiable assets and liabilities of Welcome Tourist and China-HK Express were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	**12,003**
Passenger service licences	17	**60,000**
Other intangible assets	18	**23,000**
Trade receivables		**1,642**
Prepayments, deposits and other receivables		**12,338**
Cash and cash equivalents		**11,519**
Accruals, other payables and deposits received		**(24,536)**
Tax payable		**(516)**
Non-controlling interests		**(219)**
Deferred tax liabilities	31	**(15,502)**
Total identifiable net assets at fair value		**79,729**
Goodwill	16	**18,385**
		98,114
Satisfied by:		
Cash		**97,900**
Fair value of 46.15% equity interest in China-HK Express previously held		**214**
		98,114

The fair values of the trade receivables and other receivables as at the respective dates of acquisitions amounted to HK$1,642,000 and HK$11,684,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$1,642,000 and HK$11,684,000, respectively.

The Group incurred transaction costs of HK$211,000 for the acquisitions. These transaction costs were expensed and included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2018.

36. Business Combination – Continued

Year ended 31 March 2018 – continued

An analysis of the cash flows in respect of the acquisitions of Welcome Tourist and China-HK Express is as follows:

	Note	HK$'000
Cash considerations		(97,900)
Increase in other payables for unpaid cash consideration	26	5,000
Cash and cash equivalents acquired		11,519
Net outflow of cash and cash equivalents included in cash flows used in investing activities		(81,381)
Transaction costs of the acquisitions included in cash flows from operating activities		(211)
		(81,592)

Since the acquisition, Welcome Tourist and China-HK Express contributed an aggregate of HK$23,696,000 to the Group's revenue and HK$82,000 to the consolidated profit for the year ended 31 March 2018.

Had the combinations taken place at the beginning of the year ended 31 March 2018, the revenue and the profit of the Group for that year would have been HK$2,593,119,000 and HK$291,630,000, respectively.

37. Disposal of Subsidiaries

Year ended 31 March 2019

During the year, the Group disposed of its entire 99% equity interest in GFTZ Guangbao Transport Co., Ltd. ("Guangbao") for a consideration of HK$300,000. Guangbao was principally engaged in the provision of cargo transportation services in Guangzhou, Mainland China. As at 31 March 2018, the assets and liabilities of Guangbao were classified as a disposal group held for sale. The transaction was completed on 30 September 2018.

The assets and liabilities of Guangbao as at date of disposal were as follows:

	Note	HK$'000
Net assets disposed of:		
Property, plant and equipment		7
Prepayments, deposits and other receivables		751
Cash and cash equivalents		16
Accruals, other payables and deposits received		(658)
		116
Gain on disposal of a subsidiary	5	184
		300
Satisfied by cash		300

37. Disposal of Subsidiaries – Continued

Year ended 31 March 2019 – continued

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

	HK$'000
Cash consideration	**300**
Cash and cash equivalents disposed of	**(16)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**284**

Year ended 31 March 2018

During the year ended 31 March 2018, the Group disposed of its entire 60% equity interest in CQ Everbright to an independent third party for a consideration of RMB30,000 (approximately HK$36,000). The business of CQ Everbright was included in the Hotel and Tourism operating segment. As at 31 March 2017, the assets and liabilities of CQ Everbright were classified as a disposal group held for sale. The transaction was completed on 9 November 2017.

The assets and liabilities of CQ Everbright as at the date of disposal were as follows:

	Note	HK$'000
Net assets disposed of:		
Property, plant and equipment		369
Available-for-sale investment		217
Trade receivables		258
Prepayments, deposits and other receivables		2,419
Cash and cash equivalents		1,683
Trade payables		(2,501)
Accruals, other payables and deposits received		(4,091)
Non-controlling interests		2,539
		893
Exchange equalisation reserve released		49
Loss on disposal of a subsidiary	5	(906)
		36
Satisfied by cash		36

37. Disposal of Subsidiaries – Continued

Year ended 31 March 2018 – continued

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of CQ Everbright is as follows:

	HK$'000
Cash consideration	36
Cash and cash equivalents disposed of	(1,683)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(1,647)

38. Deconsolidation of a Subsidiary

During the year, Xiangyang City Intermediate People's Court (the "Court") approved the liquidation of Ya Jin Hotel Management Limited ("YJHML"), a 60%-owned subsidiary of the Group, and an independent liquidator was appointed by the Court on 24 January 2019. YJHML was principally engaged in hotel management in Hubei, Mainland China.

In the opinion of the directors, the Group is considered to have lost control on YJHML as the Group had no further involvement in the relevant activities of YJHML nor any ability to affect the return thereof.

The assets and liabilities of YJHML as at date of deconsolidation were as follows:

	Notes	**HK'000**
Net assets deconsolidated of:		
Property, plant and equipment	13	**4,220**
Other receivables		**35**
Trade payables		**(383)**
Accruals and other payables		**(7,383)**
Non-controlling interests		**4,630**
		1,119
Exchange equalisation reserve released		**(1,327)**
Gain on deconsolidation of a subsidiary	5	**208**
		–

39. Disposal Group Held for Sale

Year ended 31 March 2018

On 22 November 2017, the Group entered into an equity transfer agreement with an independent third party whereby the Group agreed to dispose of its 100% equity interest in Guangbao for a consideration of HK$300,000. Guangbao is principally engaged in the provision of cargo transportation services in Guangzhou, Mainland China, which is not the core business of the Group. On 28 December 2017, 1% equity interest in Guangbao was transferred to the buyer and the transfer of the remaining 99% equity interest was expected to be completed before the end of 2018. Accordingly, the assets and liabilities of Guangbao as at 31 March 2018 were classified as a disposal group held for sale. The disposal of Guangbao was completed on 30 September 2018 as detailed in note 37 to the financial statements.

The major classes of assets and liabilities of Guangbao classified as held for sale as at 31 March 2018 were as follows:

	Note	HK$'000
Assets		
Property, plant and equipment	13	9
Prepayments, deposits and other receivables		103
Cash and cash equivalents		9
Assets classified as held for sale		121
Liabilities		
Accruals, other payables and deposits received		(709)
Liabilities directly associated with the assets classified as held for sale		(709)
Net liabilities directly associated with the disposal group		(588)
Exchange equalisation reserve		301

40. Notes to the Consolidated Statement of Cash Flows

(a) During the year ended 31 March 2018, the Group had the following major non-cash transactions:

(i) The Group acquired an aggregate 49% equity interest in the Investment Holding Company, which owns a 34.3% equity interest in Bipenggon Tourism, a subsidiary of the Group. As set out in note 35 to the financial statements, it is considered the Group has control over the Investment Holding Company which became a subsidiary of the Group following the completion of the transaction. Accordingly, a loan receivable of HK$35.6 million previously due from the Investment Holding Company was eliminated upon consolidation of the Group.

(ii) 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$3.1 million.

(iii) The Group made advances of HK$1.1 million to non-controlling shareholders of a 67.8% owned subsidiary for additional capital contribution to that subsidiary.

(b) Changes in liabilities arising from financing activities:

2019

	Interest-bearing bank borrowings HK$'000	Other loans HK$'000	Finance lease payables HK$'000
At 1 April 2018	1,641,951	29,477	2,265
Changes from financing cash flows	360,081	(14,753)	(1,474)
Foreign exchange movement	(14,425)	(1,910)	(147)
At 31 March 2019	1,987,607	12,814	644

2018

	Interest-bearing bank borrowings HK$'000	Other loans HK$'000	Finance lease payables HK$'000
At 1 April 2017	1,263,557	12,357	–
Changes from financing cash flows	368,115	14,881	(918)
New finance lease	–	–	3,054
Foreign exchange movement	10,279	2,239	129
At 31 March 2018	1,641,951	29,477	2,265

41. Contingent Liabilities

Save as detailed elsewhere in these financial statements, the Group had no significant contingent liabilities (2018: Nil) at the end of the reporting period,

42. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment properties, motor buses and vehicles and bus route operating rights under operating lease arrangements, with leases negotiated for terms ranging from 1 to 8 years (2018: 1 to 8 years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**6,952**	8,741
In the second to fifth years, inclusive	**1,947**	2,616
	8,899	11,357

(b) As lessee

The Group leases certain of its office properties, ticket counters, 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 8 years (2018: 1 to 8 years) and those for ticket counters, bus depots, terminals, car parks and bus route operating rights are negotiated for terms ranging from 1 to 15 years (2018: 1 to 15 years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000	2018 HK$'000
Office properties, ticket counters, bus depots, terminals and car parks		
Within one year	**47,696**	45,661
In the second to fifth years, inclusive	**43,680**	27,625
After five years	**11,136**	16,704
	102,512	89,990
Bus route operating rights		
Within one year	**72,463**	23,235
In the second to fifth years, inclusive	**122,057**	28,309
After five years	**15,282**	–
	209,802	51,544
	312,314	141,534

43. Commitments

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	61,379	226,294
Capital contribution to a contractual arrangement	14,091	5,000
Construction of buildings, bus terminal structures and scenic area establishments	24,721	5,494
	100,191	236,788

44. 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 28 to the financial statements.

45. 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:

	Notes	2019 HK$'000	2018 HK$'000
Coach rental income, advertising income and administrative service income from associates	(i)	94,238	110,167
Coach rental expense paid to a related party	(ii)	10,525	–

Notes:

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

(ii) The coach rental expense was paid to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive director and the chairman of the Company. The rental expense was charged based on mutually agreed terms and conditions.

(b) Compensation of close family members of the beneficial controlling shareholder and key management personnel of the Group:

	2019 HK$'000	2018 HK$'000
Short term employee benefits	31,648	66,117
Post-employment benefits	1,324	1,553
	32,972	67,670

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transaction mentioned in note(a)(ii) above constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

46. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	29,554	–	–	29,554
Loan receivable	–	–	16,551	16,551
Trade receivables	–	–	288,078	288,078
Financial assets included in prepayments, deposits and other receivables	–	–	178,313	178,313
Derivative financial instruments	–	1,234	–	1,234
Pledged time deposits and restricted cash	–	–	22,759	22,759
Cash and cash equivalents	–	–	292,988	292,988
	29,554	1,234	798,689	829,477

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	87,991
Financial liabilities included in accruals, other payables and deposits received	133,178
Interest-bearing bank and other borrowings	2,001,065
Financial liabilities included in other long term liabilities	277
	2,222,511

46. Financial Instruments by Category – Continued

2018

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	28,626	–	–	28,626
Loan receivable	–	–	20,029	20,029
Trade receivables	–	–	232,696	232,696
Financial assets included in prepayments, deposits and other receivables	–	–	197,677	197,677
Derivative financial instruments	–	1,021	–	1,021
Pledged time deposits and restricted cash	–	–	68,298	68,298
Cash and cash equivalents	–	–	369,276	369,276
	28,626	1,021	887,976	917,623

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	–	65,944	65,944
Financial liabilities included in accruals, other payables and deposits received	–	191,935	191,935
Derivative financial instruments	2,926	–	2,926
Interest-bearing bank and other borrowings	–	1,673,693	1,673,693
Financial liabilities included in other long term liabilities	–	1,546	1,546
	2,926	1,933,118	1,936,044

47. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits and restricted cash, trade receivables, trade payables, the current portions 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 portions of financial assets included in prepayments, deposits and other receivables, a loan receivable, 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 March 2019 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair values of unlisted investments included in financial assets at fair value through profit or loss have been estimated using a valuation technique which incorporates various market observable inputs including quoted prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with creditworthy banks with no recent history of default. Derivative financial instruments, including interest rate and cross 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, interest rate curves prices and exchange rates. The carrying amounts of interest rate and cross currency swaps are the same as their fair values.

47. Fair Value and Fair Value Hierarchy of Financial Instruments – Continued

Fair value hierarchy

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

Assets measured at fair value:

As at 31 March 2019

	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	**–**	**1,234**	**–**	**1,234**
Financial assets at fair value through profit or loss	**–**	**29,544**	**–**	**29,544**
	–	**30,778**	**–**	**30,778**

As at 31 March 2018

	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	–	1,021	–	1,021
Financial assets at fair value through profit or loss	–	28,626	–	28,626
	–	29,647	–	29,647

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 (2018: Nil).

47. Fair Value and Fair Value Hierarchy of Financial Instruments – Continued

Fair value hierarchy – continued

Liabilities measured at fair value:

There was no financial liabilities measured at fair value as at 31 March 2019.

As at 31 March 2018

	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	–	2,926	–	2,926

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 (2018: Nil).

48. 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 swap. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

48. Financial Risk Management Objectives and Policies – Continued

Interest rate risk – continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, assuming that the amounts of borrowings outstanding at the end of the reporting period were outstanding for the whole year with all other variables held constant, of the Group's profit before tax through the impact on floating-rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 March 2019		
Hong Kong dollar	**50**	**(8,412)**
United States dollar	**50**	**(835)**
Renminbi	**50**	**(759)**
Hong Kong dollar	**50**	**8,412**
United States dollar	**50**	**835**
Renminbi	**50**	**759**
31 March 2018		
Hong Kong dollar	50	(5,792)
United States dollar	50	(1,745)
Renminbi	50	(749)
Hong Kong dollar	(50)	5,792
United States dollar	(50)	1,745
Renminbi	(50)	749

48. 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$141,199,000 (2018: HK$170,442,000). 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 under certain circumstances. 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).

	Change in RMB rate	Increase/ (decrease) in profit before tax HK$'000
2019		
If Hong Kong dollar weakens against RMB	**5%**	**4,643**
If Hong Kong dollar strengthens against RMB	**5%**	**(4,643)**
2018		
If Hong Kong dollar weakens against RMB	5%	5,577
If Hong Kong dollar strengthens against RMB	5%	(5,577)

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had certain concentrations of credit risk as 12% (2018: 3%) and 27% (2018: 14%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk from trade receivables are disclosed in note 22 to the financial statements.

48. Financial Risk Management Objectives and Policies – Continued

Credit risk – Continued

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan receivable	17,058	–	–	–	17,058
Trade receivables*	–	–	–	296,723	296,723
Financial assets included in prepayments, deposits and other receivables	184,749	–	28,908	–	213,657
Pledged time deposits and restricted cash	22,759	–	–	–	22,759
Cash and cash equivalents	292,988	–	–	–	292,988
	517,554	–	28,908	296,723	843,185

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

Maximum exposure as at 31 March 2018

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, pledged time deposits and restricted cash, loan receivable, financial assets at fair value through profit or loss, derivative financial instruments 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.

48. 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 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 Group'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:

	2019					
	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	Over 5 years HK$'000	Total HK$'000
Trade payables	57,535	30,456	–	–	–	87,991
Financial liabilities included in accruals, other payables and deposits received	37,057	85,354	10,767	–	–	133,718
Interest-bearing bank and other borrowings (note)	1,298,322	54,757	128,245	532,492	132,774	2,146,590
Finance lease payables	–	388	267	–	–	655
Financial liabilities included in other long term liabilities	–	–	–	277	–	277
	1,392,914	170,955	139,279	532,769	132,774	2,368,691

48. Financial Risk Management Objectives and Policies – Continued

Liquidity risk – continued

	2018					
	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	Over 5 years HK$'000	Total HK$'000
Trade payables	37,725	28,219	–	–	–	65,944
Financial liabilities included in accruals, other payables and deposits received	66,772	87,041	38,122	–	–	191,935
Derivative financial instruments	–	2,926	–	–	–	2,926
Interest-bearing bank and other borrowings (note)	479,115	101,343	352,491	747,102	71,942	1,751,993
Finance lease payables	–	401	1,278	701	–	2,380
Financial liabilities included in other long term liabilities	–	–	–	1,546	–	1,546
	583,612	219,930	391,891	749,349	71,942	2,016,724

Note:

Included in the above interest-bearing bank and other borrowings are term loans with an aggregate carrying amount of HK$1,296,366,000 (2018: HK$1,081,872,000) which contain a repayment on demand clause in the loan agreements 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 amount is classified as "on demand", except for bank loans of HK$205,738,000 (2018: HK$365,792,000) due for repayment after one year which are subject to a repayment on demand condition from 13 months after the end of the reporting period should there be no occurrence of any event of default as stipulated in the bank facility letters. Such bank loans are categorised as repayable in "1 to 5 years".

Notwithstanding the repayment on demand clause and the non-compliance with certain financial covenants of certain bank borrowings as disclosed in note 28 to the financial statements, 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 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 loan agreements, 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 2019	204,996	526,901	1,365,354	132,774	2,230,025
As at 31 March 2018	145,247	452,477	1,110,145	71,942	1,779,811

48. 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 of 31 March 2019, the Group did not maintain one of financial covenants imposed by a bank, details of which are set out in note 28 to the financial statement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

The Group monitors its capital 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 88.2% (2018: 78.9%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$2,001,065,000 (2018: HK$1,673,693,000) over the total equity of HK$2,269,710,000 (2018: HK$2,120,505,000).

In addition to the gearing ratio, the Group also monitors its capital 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 2019, the net current liabilities of the Group of approximately HK$1,216,614,000 (2018: HK$641,735,000) 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 clauses included in bank facility letters; (ii) certain deferred revenue arising from the 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.

49. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**764,151**	814,004
CURRENT ASSETS		
Prepayments	**226**	224
Due from a subsidiary	**51,000**	–
Cash and cash equivalents	**532**	1,121
Total current assets	**51,758**	1,345
CURRENT LIABILITIES		
Accruals and other payables	**329**	337
NET CURRENT ASSETS	**51,429**	1,008
Net assets	**815,580**	815,012
EQUITY		
Issued capital	**46,169**	46,169
Reserves (note)	**769,411**	768,843
Total equity	**815,580**	815,012

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	623,066	70,770	66,068	759,904
Profit and total comprehensive income for the year	–	–	119,743	119,743
Final 2017 dividend	–	–	(55,402)	(55,402)
Interim 2018 dividend	–	–	(55,402)	(55,402)
At 31 March 2018 and at 1 April 2018	623,066	70,770	75,007	768,843
Profit and total comprehensive income for the year	**–**	**–**	**92,905**	**92,905**
Final 2018 dividend	**–**	**–**	**(55,402)**	**(55,402)**
Interim 2019 dividend	**–**	**–**	**(36,935)**	**(36,935)**
At 31 March 2019	**623,066**	**70,770**	**75,575**	**769,411**

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.

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

50. Event after the Reporting Period

On 23 April 2019, 13,500,000 share options were granted to certain employees of the Group, as further detailed in note 33 to the financial statements.

51. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 June 2019.

PARTICULARS OF PROPERTIES

Investment Properties

Location	Use	Tenure	Attributable interest of the Group
Unit 5 on 12th Floor and Lorry Parking Space No.L103 on 1st Floor, Eastern Harbour Centre, No.28 Hoi Chak Street, Hong Kong	Industrial and car parking space	Medium term lease	100%
Ground Floor, No. 370A Portland Street, Kowloon, Hong Kong	Commercial	Medium term lease	100%
The Remaining Portion of Sections A and B of Lot No. 879 and the Remaining Portion of Section C of Lot No. 880 in Demarcation District 92, North District, New Territories, Hong Kong	Agricultural	Medium term lease	100%
Lot Nos. 286, 287 and 289 in Demarcation District 316, Lantau Island, New Territories, Hong Kong	Agricultural	Medium term lease	100%
Level 2, portion of Level 3, Level 4, Level 6, Levels 17-20, No.84 Xiaolongkan New Street, Shapingba District, Chongqing City, the PRC	Commercial	Medium term lease	100%