KWOON CHUNG BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 306)

ANNUAL REPORT 2014/15

Contents

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

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SENIOR MANAGEMENT

Mr. Wong Cheuk Tim, Timothy
Mr. Cheng King Hoi, Andrew
Mr. Mok Wah Fun, Peter
Mr. Lee Yin Ching, Stanley
Mr. Ng King Yee
Ms. Lee Shuk Wah, Teresa
Mr. Chan Chung Yee, Alan

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy

AUTHORISED REPRESENTATIVES UNDER PART 16 OF THE COMPANIES ORDINANCE

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

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

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

AUDITORS

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

PRINCIPAL BANKERS

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

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

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
Fax: (852) 3753 4885

CUSTOMER SERVICES

Tel: (852) 2578 1178
Fax: (852) 2562 3399 / 2561 1778
Email: info@kcbh.com.hk

As compared with other modes of cross-boundary transport, the Group provides comfortable and point-to-point cross-boundary bus services with guaranteed seats. Part of the services is around the clock.

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 already made its name in the transport history of Hong Kong as one of the largest non-franchised public bus and limousine operators in Hong Kong. As at 31 March 2015, the fleet of the Group comprised approximately 1,002 non-franchised public buses and 271 limousines.

HONG KONG SEGMENT

The Group, through its flagship wholly-owned subsidiaries, Kwoon Chung Motors Company, Limited ("KCM") and Good Funds Services Limited ("Good Funds"), has made its strong presence in student, tour, hotel, resident, employee and cross-boundary non-franchised public bus services. Every morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work or study. The acquisitions of 100% equity interests in Tai Fung Coach Company Limited ("Tai Fung") and Trade Travel (Hong Kong) Limited ("Trade Travel") in 1997 have enabled the Group to become the largest provider of tour buses and coaches to hotels and tour operators in Hong Kong.

New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group, is the franchised bus operator in Lantau Island. NLB also runs the franchised cross-boundary route B2 between Shenzhen Bay Port and Yuen Long. Another subsidiary of the Group, Lantau Tours Limited, is a tour service provider in Lantau Island, which offers a wide range of travel packages, covering the new and old sceneries of Lantau.

In 2003, when Hong Kong was recovering from 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 non-franchised bus operator focusing mainly on cross-boundary bus business while Intercontinental Limousine Company Limited ("ILC") (which has taken up all business of Intercontinental Hire Cars Limited, a subsidiary of TIL, since April 2015) is a limousine service provider. A major portion of the fleet of vehicles of TIL and ILC hold cross-boundary licences. Since 2004, a new mode of cross-boundary bus service at Huanggang Port has been developed, with a network of six routes operating a 24-hour shuttle service between Huanggang Port and designated locations in Hong Kong. TIL, through its associated company, All China Express Limited, succeeded in the bidding of three of the above routes.

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

In 2011, TIL acquired 90% 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 mainly runs various long-distance routes, routes servicing the Shenzhen Baoan International Airport, and the 24-hour shuttle between Huanggang Port and Tsuen Wan. 991 mainly runs the Zhongshan route, the route between Huanggang Port and Tsuen Wan, and maintains a position of prominence in cross-boundary school bus services. Each of the companies also holds a travel agency company. In June 2014, the Group further acquired 100% equity interest in Pengyun Transport group ("Pengyun"). Pengyun is a cross-boundary bus operator based in Shenzhen. In December 2014, TIL's shareholding in Chinalink had increased to 100%.

Corporate Profile

MAINLAND CHINA SEGMENT

Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B"), which operates mainly urban bus services in Guangzhou, is a 40% owned equity joint venture ("EJV") of the Group. On 29 June 2015, the Group entered into an equity transfer agreement to dispose of all of its 40% equity interest in GZ2B. The transaction is expected to be completed by the end of 2015.

In 2000, the Group acquired 60% equity interest in Chongqing Tourism (Group) Co. Ltd. ("CQ Tourism"), which together with its fellow companies operate a 3-star 26-storey hotel, namely Chongqing Grand Hotel and a travel agency company, namely Chongqing Everbright International Travel Service Co. Ltd. ("CQ Everbright") in Chongqing. CQ Everbright holds domestic, inbound and outbound travel business licences.

In 2002, the Group acquired 52.5% effective equity interest in GFTZ Xing Hua International Transport Ltd ("GZ Xing Hua"). In 2004, the Group acquired 56% equity interest in Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era"). Both companies operate long-distance bus routes within Guangdong Province. In 2008, upon certain restructuring, GZ New Era had acquired 100% equity interest in GZ Xing Hua. On 27 March 2015, the Group entered into two equity transfer agreements to dispose of all of its 56% equity interests in GZ New Era and GZ Xing Hua. The transactions were completed in April 2015.

In 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou"), which operates a long-distance bus terminal and related bus services to and from Xiangyang, Hubei Province. Being located at the commercial hub of Xiangyang, the geographical position of this bus terminal is considered very advantageous.

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

CHANGES IN SHAREHOLDINGS IN THE COMPANY

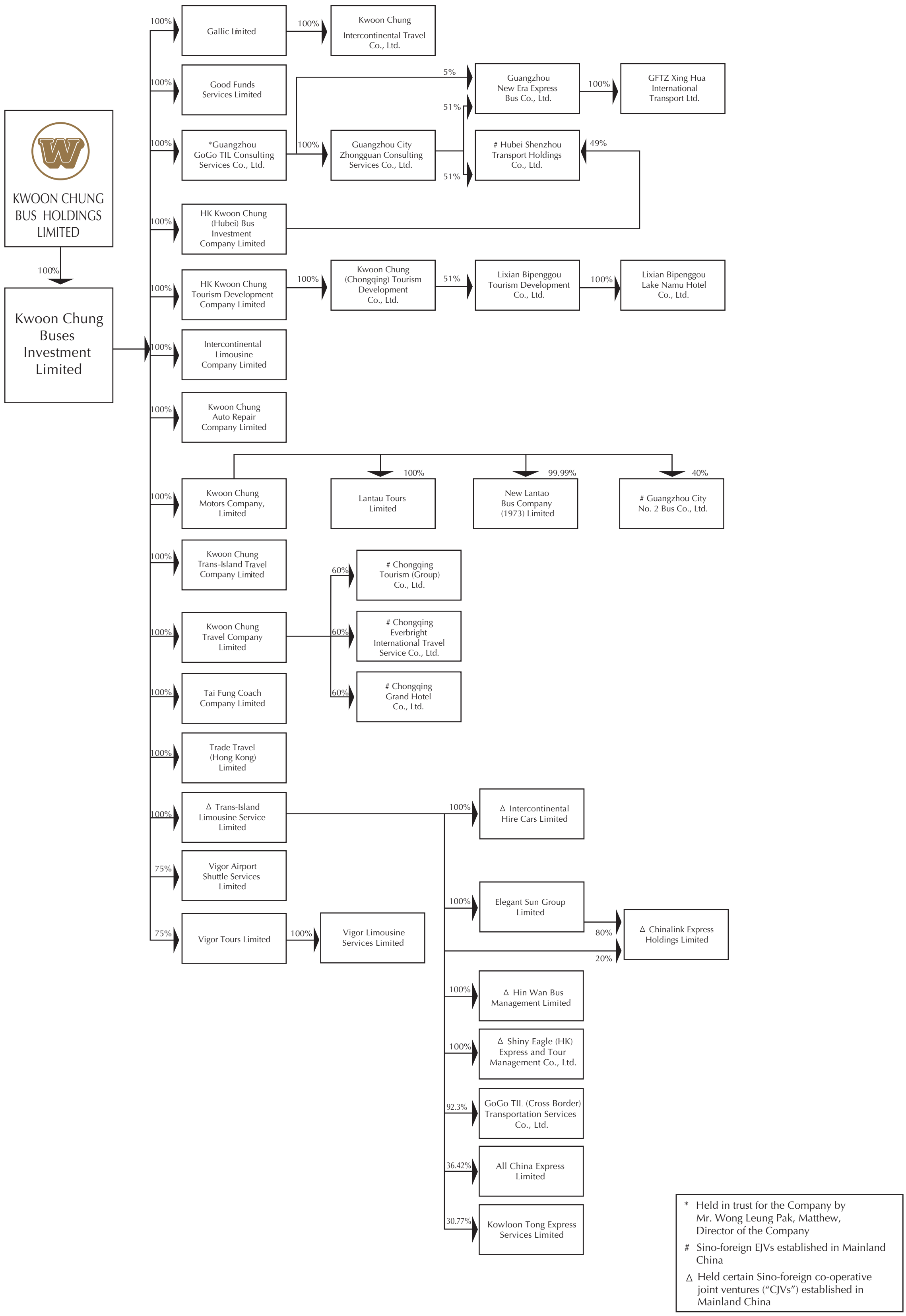
The Company has been listed on the Main Board of the Stock Exchange since September 1996. In 1999, First Action Developments Limited ("First Action"), an affiliated company of New World Development Company Limited (stock code: 17. HK), acquired approximately 20% of the issued share capital of the Company. Up to 1 April 2014, the shareholding of First Action in the Company had increased to approximately 29.48%. 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, an executive Director and 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 ("WFHL"), 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 pursuant to the Hong Kong Code on Takeovers and Mergers, Basic Faith became the largest and the controlling shareholder of the Company. The cash offer was completed on 21 May 2014 and 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 Mainland China market is enormous and fast growing, the Group has full confidence in its continuing development in various businesses.

Corporate Structure

As at 31 March 2015



Financial Highlights

For the year ended 31 March 2015

	Year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus and limousine					
Mainland China/Hong Kong cross-boundary service	**990,709**	917,454	860,046	685,726	461,369
Tour bus and limousine services	**307,144**	316,197	320,570	277,522	254,139
Student service	**216,778**	202,661	182,590	162,250	140,403
Employee service	**195,471**	177,204	156,961	145,034	122,069
Resident service	**136,264**	127,928	120,680	116,956	108,518
Other contract hire services	**23,933**	15,750	17,164	15,614	13,666
	1,870,299	1,757,194	1,658,011	1,403,102	1,100,164
Franchised bus	**165,755**	151,472	141,932	132,556	116,416
Mainland China bus	**123,042**	126,742	116,544	263,197	797,806
Tourism	**176,512**	126,335	134,660	96,813	65,292
Hotel	**26,293**	27,363	23,469	26,651	24,546
Others	**208**	210	882	827	669
TOTAL REVENUE	**2,362,109**	2,189,316	2,075,498	1,923,146	2,104,893
PROFIT FOR THE YEAR	**379,409**	158,446	117,529	136,947	130,829

	As at 31 March				
	2015	2014	2013	2012	2011
BUS FLEET			Number of buses		
Non-franchised bus	**1,002**	1,003	992	981	851
Franchised bus	**115**	112	108	104	98
Mainland China subsidiaries	**639**	619	619	664	2,244
	1,756	1,734	1,719	1,749	3,193

"Sea of Clouds in Snowy Mountains", one of the magnificent sceneries of Bipenggou

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Leung Pak, Matthew, aged 59 joined the Group in the early 1970s. Mr. Wong was the Chief Executive Officer and Managing Director of the Company until 1 June 2014 and has been appointed as the Chairman of the Company since 2 June 2014. He is responsible for providing leadership to, and overseeing the functioning of the board (the "Board") of directors (the "Directors") 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. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Wing Pak (both being executive Directors before their resignation on 2 June 2014), the father of Messrs. Wong Cheuk On, James (being an executive Director with effect from 21 May 2014) and Wong Cheuk Tim, Timothy (a member of senior management of the Group), and the father-in-law of Mr. Lo Man Po (being an executive Director with effect from 21 May 2014). He is the sole director of Basic Faith, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). He was also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 2 April 2014.

Mr. Wong Cheuk On, James, aged 31 (appointed on 21 May 2014) holds a Bachelor's Degree in Mathematics from the University of California, Berkeley, United States. Mr. Wong joined the Group in 2011 and has been appointed as the Chief Executive Officer of the Company since 2 June 2014. He is responsible for the general management and operations of the Group. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew (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 (being an executive Director with effect from 21 May 2014).

Mr. Lo Man Po, aged 37 (appointed on 21 May 2014) holds a Bachelor's Degree in Business Administration (major in Finance and Marketing) from the Western Michigan University, United States. Mr. Lo joined the Group in 2004. He is responsible for the general management and operations of the Group. Mr. Lo is the son-in-law of Mr. Wong Leung Pak, Matthew (an executive Director), and the brother-in-law of Messrs. Wong Cheuk On, James (being an executive Director with effect from 21 May 2014) and Wong Cheuk Tim, Timothy (a member of senior management of the Group).

Mr. Wong Chung Pak, Thomas, aged 65 (resigned on 2 June 2014) joined the Group in the early 1970s. Mr. Wong was the Chairman of the Company until 1 June 2014 and was responsible for providing leadership to, and overseeing the functioning of the Board. He graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences and from The Chinese University of Hong Kong with a Master's Degree in Business Administration. Mr. Wong has over 40 years experience in the bus business. Mr. Wong is the brother of Messrs. Wong Wing Pak (an executive Director before his resignation on 2 June 2014) and Wong Leung Pak, Matthew (an executive Director). He was also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 2 April 2014.

Biographical Details of Directors and Senior Management

Mr. Wong Wing Pak, aged 61 (resigned on 2 June 2014) joined the Group in the early 1970s. Mr. Wong was the senior executive Director of the Company until 1 June 2014 and was responsible for the operations and human resources management. Mr. Wong has over 40 years experience in the bus business. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas (an executive Director before his resignation on 2 June 2014) and Wong Leung Pak, Matthew (an executive Director). He was also a director of WFHL, which had an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 2 April 2014.

Mr. Cheng Wai Po, Samuel, aged 55 (resigned on 21 May 2014) had been an executive Director of the Company since 2004. Mr. Cheng is the managing director of Citybus Limited ("CTB") and New World First Bus Services Limited ("NWFB") (the latter had an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 2 April 2014). He graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences and is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chung Chak Man, William, aged 56 (resigned on 21 May 2014) had been an executive Director of the Company since June 2008. Mr. Chung is the Head of Operations and a director of CTB and NWFB (the latter had an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO until 2 April 2014). Mr. Chung holds an MBA degree from the University of South Australia and is a chartered member of The Chartered Institute of Logistics and Transport in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 70 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 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 the chairman of Hospital Governing Committee, Castle Peak Hospital and Siu Lam Hospital. He was appointed as an independent non-executive director of China Bio-Med Regeneration Technology Limited, which is listed on the Stock Exchange (stock code: 8158.HK).

Mr. Sung Yuen Lam, aged 72 has been an independent non-executive Director of the Company since 1996. Mr. Sung is the sole proprietor of William Y. L. Sung & Co., Certified Public Accountants, and has over 40 years experience in the accounting profession.

Mr. Lee Kwong Yin, Colin, aged 64 has been an independent non-executive Director of the Company since 2004. Mr. Lee graduated from The Chinese University of Hong Kong, with a Master's Degree in Business Administration. He has over 30 years experience in the insurance profession.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Wong Cheuk Tim, Timothy, aged 26 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 (an executive Director), the brother of Mr. Wong Cheuk On, James and the brother-in-law of Mr. Lo Man Po (both being executive Directors with effect from 21 May 2014).

Mr. Cheng King Hoi, Andrew, aged 56 is the Co-Head of China Business of the Group and is responsible for the Group's tourism and hotel operations in Chongqing and Sichuan Province and bus operations in Hubei and Guangdong 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, which is listed on the Stock Exchange (stock code: 238.HK).

Mr. Mok Wah Fun, Peter, aged 64 joined the Group in 1996. Mr. Mok is the Head of Corporate Affairs of the Group and is responsible for general management, public relations and marketing. He graduated from The University of Hong Kong with a Bachelor Degree of Arts, Post-Graduate Diploma in Education and a Master's Degree in Social Sciences. He holds a Juris Doctor from City University of Hong Kong and Post-Graduate Certificate in Laws from The University of Hong Kong. He is also a member of the Chartered Institute of Logistics and Transport and the Chartered Management Institute, and a Fellow of the Royal Geographical Society and the Royal Asiatic Society.

Mr. Lee Yin Ching, Stanley, aged 63 is the Head of Business Development (Employee & Resident Services) of the Group and is responsible for business development and bus fleet management. Mr. Lee has been the chairman of a charitable body since 1992. Prior to joining the Group in 1978, Mr. Lee had 6 years experience in container terminal operation. Mr. Lee has about 30 years experience in bus business.

Biographical Details of Directors and Senior Management

Mr. Ng King Yee, aged 66 is the Co-Head of China Business of the Group. Mr. Ng graduated from The Chinese University of Hong Kong, with a Bachelor's Degree in Business Administration. He has been admitted as a member of the Chartered institute of Transport of the United Kingdom. Mr. Ng is responsible for the Group's bus operations in Hubei and Guangdong Province, Mainland China. Mr. Ng joined the Group in 1993. He is also an adviser to the Guangdong Traffic and Transport Association.

Ms. Lee Shuk Wah, Teresa, aged 59 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 48 is the managing director of Chinalink (wholly owned subsidiaries 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 member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, The Institute of Chartered Secretaries and Administrators in UK, The Hong Kong Institute of Company Secretaries and The Hong Kong Institute of Directors. He is an associate of the Institute of Certified Management Accountants of Australia, and The Hong Kong Institute of Bankers. He is awarded with "Chartered Banker" by the Chartered Institute of Bankers in Scotland, UK. He is also a Standing Member of the Chinese People's Political Consultative Conference of Yunfu City of Guangdong Province and Secretarial General of China Hong Kong Macau Boundary Crossing Bus Association and Honorary Standing Director of Guangdong's Association For Promotion of Cooperation Between Guangdong, Hong Kong and Macao. Mr. Chan has been appointed to be the member of Board of Review (Inland Revenue) of HKSAR from 2009 to 2011. Currently, He is also an independent non-executive director and chairman of the audit committee of UBA Investments Limited (stock code: 768.HK) and the Upbest Group Limited (stock code: 335.HK), which are listed on the Stock Exchange.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 42 joined the Group in 2000 and he is also the Chief Financial Officer of the Group. Mr. Chan graduated from The Chinese University of Hong Kong, with a Bachelor's Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked for a major international accounting firm and the Stock Exchange.

Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2015.

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$383.0 million, which represents a hike of approximately 132.1% from that of the previous year of approximately HK$165.0 million. The substantial growth in profit is mainly due to the improvement in results of: (1) the non-franchised bus segment; (2) the joint venture of urban bus business in Guangzhou in the Mainland China bus segment; and (3) the scenic area business in the tourism segment in current year. The Group's results will be discussed in detail under "Management Discussion and Analysis".

DIVIDENDS

An interim dividend and the first special dividend of HK8 cents (2014: HK2 cents) and HK2 cents (2014: Nil) per ordinary share, respectively, in respect of the year were paid on 23 December 2014. The second special dividend of HK80 cents (2014: Nil) was paid on 30 March 2015. The Board recommends the payment of a final dividend of HK12 cents (2014: HK10 cents) per ordinary share in respect of the year. Subject to approval by shareholders of the Company in the forthcoming general meeting of the Company, the proposed final dividend will be paid on or about Wednesday, 26 August 2015 to the shareholders whose names appear on the register of members on Thursday, 20 August 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company which will be held on 12 August 2015, the register of members of the Company will be closed from Monday, 10 August 2015 to Wednesday, 12 August 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 August 2015.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 18 August 2015 to Thursday, 20 August 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 August 2015.

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
Chairman

Hong Kong
30 June 2015

Management Discussion and Analysis

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$383.0 million, which represents a hike of approximately 132.1% from that of the previous year of approximately HK$165.0 million. The substantial growth in profit is mainly due to the improvement in results of: (1) the non-franchised bus segment; (2) the joint venture of urban bus business in Guangzhou in the Mainland China bus segment; and (3) the scenic area business in the tourism segment in current year. The Group's results 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 and Local Limousine Segments

The non-franchised public bus and limousine services provided by the Group include: (1) Mainland China/Hong Kong cross-boundary transport and (2) local transport in Hong Kong, which includes student, employee, resident, tour, hotel, and contract hire services. In terms of the size of bus fleet, the Group continues to be the largest non-franchised public bus operator in Hong Kong. As at 31 March 2015, the fleet comprised of approximately 1,002 (2014: 1,003) non-franchised public buses.

KCM, Good Funds and Tai Fung are the Group's wholly-owned subsidiaries that provide premium, safe and reliable local non-franchised bus services over the years for a broad high-end corporate and individual clientele, including schools, major employers, housing estates, tours, hotels, airlines, travel agencies, shopping malls, etc. The performance of these subsidiaries remains relatively stable, and they continue to provide a sound profit-making base for the Group in Hong Kong.

TIL and Chinalink, wholly-owned subsidiaries of the Group, participate in the joint ventures with other fellow bus operators to provide a number of fixed, short-trip, and 24-hour cross-boundary shuttle routes between Huanggang, Shenzhen and Mongkok/Wanchai/Kam Sheung Road/Tsuen Wan. TIL and Chinalink also operate regular cross-boundary bus routes between Hong Kong and various cities in Guangdong and Guangxi Provinces. However, the routes via the Huanggang Port have experienced intense competition, especially with the Lok Ma Chau Spur Line operated by the MTR. A number of fixed routes are diverted to go through the Western Corridor via the Shenzhen Bay Port.

Vigor Shuttle, the Group's 75% owned subsidiary, continue to offer onward transfers for tour groups and individual travelers from overseas with pre-arranged bookings.

As at 31 March 2015, the Group owned a fleet of about 271 (2014: 238) limousines, about 144 of which hold cross-boundary licences. 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 Group also operates cross-boundary limousine transfers to and from Guangdong Province.

Since 2012, the Group has acquired four more fellow cross-boundary bus operators, namely Shiny Eagle group, Chinalink, 991 and Pengyun. These acquisitions, bringing about synergy, have strengthened the Group's 'Fly-via Shenzhen' services, cross-boundary student bus services and other long-distance fixed routes.

The improvement in results of the non-franchised bus segment is mainly due to: (1) the relative decline in fuel costs by approximately 14.3%; (2) economies of scale as a result of the acquisitions of some fellow cross-boundary bus operators as mentioned above; and (3) rationalisation of the fleet schedules.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS – CONTINUED

1. Non-franchised Bus and Local Limousine Segments – continued

While the results for the local transport services will remain profitable, in view of the current increase in operating costs and pressure for salary increment, the Group will continue to negotiate with its clients to adjust the local bus fares to reasonable levels.

The future growth of the non-franchised bus segment may focus more on the Mainland China/Hong Kong cross-boundary transport. The favorable factors behind the growth of this sector are:

i. many Mainland Chinese visitors will continue to come to Hong Kong for business and personal reasons;

ii. more Mainland Chinese visitors will travel by cross-boundary buses, as the service becomes increasingly accessible. The Shenzhen Bay Port has grown in popularity further after the recent completion of the new "Riverside Highway" connecting Shenzhen and Guangzhou; and

iii. the horizontal integration with the four newly acquired fellow bus operators has brought about synergies and economies of scales.

In view of the recent speedy growth of the local limousine market, in June 2015, the Group had acquired 100% equity interests in Parklane Limousine Service Limited and Airport Shuttle Services Limited (collectively, the "Parklane Group") for a consideration of HK$35 million. The Parklane Group owns approximately 83 limousines with local hire car permits. The Group aims at strengthening its local limousine fleet and developing a mobile application, which will be launched in 2016 to facilitate clients' limousine booking. The Group expects the local limousine segment will become one of the Group's core businesses in the foreseeable future.

2. Franchised Bus Segment

The Group's franchised bus services in Hong Kong are operated by NLB, a 99.99% (2014: 99.99%) owned subsidiary of the Group. As at 31 March 2015, NLB was operating 23 (2014: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 115 (2014: 112) buses.

The cross-boundary routes, namely B2 servicing Yuen Long-Shenzhen Bay Port and B2P servicing Tin Shui Wai-Shenzhen Bay Port, are still profitable routes, though a declining trend is noted. A large majority of other bus routes are at losses. In order to maintain its service standards, NLB has to work closely with the Transport Department and the local community to rationalise some of these loss-making routes.

It is expected that the collaboration agreements with Ngong Ping 360 Limited will continue to be mutually beneficial to both parties.

3. Mainland China Bus Segment

i. Hubei Shenzhou

As at 31 March 2015, this 100% (2014: 100%) owned subsidiary of the Group was running a long-distance bus terminal and related bus business in Xiangyang, Hubei Province. Hubei Shenzhou incurred a mild loss in its results for the year. However, given the advantageous geographical position of the bus terminal, the Group is confident that Hubei Shenzhou will turn around in its performance soon.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS – CONTINUED

3. Mainland China Bus Segment – continued

ii. GZ New Era and GZ Xing Hua

As at 31 March 2015, GZ New Era and GZ Xing Hua, both 56% (2014: 56%) owned subsidiaries, were operating a fleet of buses for long-distance routes in Guangdong Province. The results of these subsidiaries during the year are profitable and stable.

The demand for long-distance bus transport has increased steadily as a result of growing economic and social activities and improved highway networks. These subsidiaries, nevertheless, have to face mounting competition from the parallel high-speed rails and other railways. Hence on 27 March 2015, the Group entered into two equity transfer agreements with an independent third party to dispose of all of its 56% equity interests in GZ New Era and GZ Xing Hua at a consideration of RMB28,000,000. The transactions had been completed in April 2015.

iii. GZ2B

As at 31 March 2015, the Group owned 40% (2014: 40%) equity interest in GZ2B. During the year, GZ2B turned around to make a substantial profit owing to significant increase in receipt of government subsidies. As a result, the impairment provision made in prior year on the Group's interest in GZ2B of approximately HK$21,168,000 had been reversed, which was included in "Other expenses, net" on the face of the consolidated statement of profit or loss. On 18 March 2015, the Group entered into an equity transfer agreement with an independent third party to dispose of all of its 40% equity interest in GZ2B at a consideration of RMB170,000,000. On 29 June 2015, the above transaction was terminated after the exercise of the right of first refusal by Guangzhou City No. 2 Public Bus Company ("GZ2PB"), a Sino joint venture partner of GZ2B and the Group entered into another equity transfer agreement with GZ2PB to dispose of all of its 40% equity interest in GZ2B at the same consideration. The transaction is expected to be completed by the end of 2015. After completion of the transaction, the Group shall not maintain urban bus business any more. Further details of the transactions have been disclosed in the announcements of the Company dated 19 March 2015 and 30 June 2015, respectively.

4. Tourism and Hotel Segments

i. Local Tourism Businesses

A number of the Group's subsidiaries hold travel agency licenses and have specialised in providing tour services to visitors to Hong Kong. The Group will further develop packaged/tailored services, and enhance co-ordination to provide integrated services covering transport, tour, and hotel arrangements.

ii. CQ Tourism

This 60% (2014: 60%) owned subsidiary, together with its two fellow group companies, continue to operate a 3-star 23-storey hotel and a travel agency company in Chongqing. One of the main reasons for the continuation in loss during the year is the reinforcement of the "Clean Governance" policy announced by the Central Government of Mainland China in November 2012. As a result, the hotel and travel businesses of CQ Tourism have been adversely affected since December 2012 onwards unexpectedly. The Group is finding ways to transform the business model of the hotel and stop further losses.

Management Discussion and Analysis

REVIEW OF OPERATIONS AND FUTURE PROSPECTS – CONTINUED

3. Mainland China Bus Segment – continued

iii. Bipenggou Tourism

As at 31 March 2015, the Group owned 51% (2014: 51%) equity interest in Bipenggou Tourism. The scenic area of Bipenggou has gained more popularity in Sichuan Province and the patronage has been stepping up. The number of tourists for 2014 reached approximately 423,000 as compared with approximately 228,000 for 2013. As a result, the financial results excluding intercompany interest expenses almost broke even during the year, as compared to a significant loss in prior year. It is forecasted that the number of tourists will increase to approximately 600,000 in 2015.

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 2015, the total outstanding indebtedness was approximately HK$1,218 million (2014: HK$727 million), which was primarily either repayable/renewable within one year, or repayable after one year but subject to repayment on demand clauses under bank facility agreements. The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars and Renminbi respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2015, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 78.6% (2014: 44.7%).

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 minimize 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 minimize such risks.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2015, the total number of full-time employees of the Group was approximately 4,300. 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 organized by professional or educational institutions, no matter in Hong Kong or overseas.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Preserving the highest levels of corporate governance and business ethics is one of the Group's major objectives. The Group trusts that conducting business in an ethical and reliable way will maximize 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 2015, 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 (the "Listing Rules") on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 2015.

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

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

Corporate Governance Report

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

Executive Directors

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

Independent non-executive Directors

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

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

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

During the period from 1 April 2014 to 1 June 2014, the positions of the Chairman and Chief Executive Officer were held by Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew, respectively. Following the resignation of Mr. Wong Chung Pak, Thomas as an executive Director on 2 June 2014, Mr. Wong Leung Pak, Matthew and Mr. Wong Cheuk On, James, were appointed as the Chairman and Chief Executive Officer, respectively. Their respective responsibilities are clearly defined and set out in writing.

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

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

Independent Non-Executive Directors

During the year ended 31 March 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

The audit committee held two meetings during the year ended 31 March 2015. 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 22.

The Company's interim results for the six months ended 30 September 2014 and annual results for the year ended 31 March 2015 have been reviewed by the audit committee.

Remuneration Committee

During the period from 1 April 2014 to 1 June 2014, the remuneration committee consisted of two executive Directors and three independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP, independent non-executive Director, as the chairman. Other members are Mr. Sung Yuen Lam, Mr. Lee Kwong Yin, Colin, both being independent non-executive Directors, and Mr. Wong Leung Pak, Matthew, Mr. Wong Chung Pak, Thomas, both being executive Directors. On 2 June 2014, Mr. Wong Chung Pak, Thomas ceased to be a member of the remuneration committee following his resignation as an executive Director and no replacement was made to fill the vacancy in the committee. At the discretion of the remuneration committee, executive Directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

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

The remuneration committee normally meets annually for reviewing the remuneration policy and structure of the Company and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The remuneration committee shall consult 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.

The remuneration committee met once during the year ended 31 March 2015 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 5 highest paid employees for the year ended 31 March 2015 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 March 2015, the remuneration of the senior management is listed as below by band:

Band of Remuneration (HK$)	**Number of Persons**
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	1

The attendance record of each member of the remuneration committee is set out under "Attendance Record of Directors and Committee Members on page 22.

Nomination Committee

During the period from 1 April 2014 to 1 June 2014, the nomination committee consists of two executive Directors and three independent non-executive Directors with Mr. Wong Chung Pak, Thomas, executive director, as the chairman. Other members are Mr. Wong Leung Pak, Matthew, being an executive Director, and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam, Mr. Lee Kwong Yin, Colin, being independent non-executive Directors. On 2 June 2014, Mr. Wong Chung Pak, Thomas resigned as an executive Director of the Company and ceased to be the chairman and member of the committee and Mr. Wong Leung Pak, Matthew, was appointed as the chairman of the committee.

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

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

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

During the year ended 31 March 2015, 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 22.

Corporate Governance

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

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

Attendance Record of Directors and Committee Members

During the year ended 31 March 2015, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each Director at the Board and Board committees and the general meetings of the Company held during the year ended 31 March 2015 is set out in the table below:

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS AND COMPANY SECRETARY

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

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

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

During the year ended 31 March 2015, the Company organized 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.

During the year ended 31 March 2015, 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 2014/2015 under Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the auditors' report on pages 41 to 42 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 2015 which give a true and fair view of the financial position of the Group.

Corporate Governance Report

Going Concern

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

AUDITORS' REMUNERATION

The audit committee has 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 2015 are as follows:

	HK$'000
2014/2015 annual audit	3,000
Non-audit related services	1,043
	4,043

INTERNAL CONTROLS

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

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

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

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

During the year ended 31 March 2015, the Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

During the year ended 31 March 2015, the Company has not made any changes to its bye-laws. A latest version of the Company's bye-laws is also available on the Company's website and the Stock Exchange's website.

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

SHAREHOLDERS' RIGHTS

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

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.

Corporate Social Responsibility Report

BACKGROUND

Since the introduction of a doctrine on corporate social responsibility ("CSR"), the Group has continued to encounter intense challenges in this respect, in particular, those with emphasis on environment impact and traffic control. The Group has the mass clienteles (both local and cross-boundary) as its major sources of passengers and revenue, supplemented by individual and institutional customers.

A policy on CSR has been devised by the Group to address these concerns, with a view that this policy could be sustainable and adaptable to social changes, and would adapt to these changes accordingly.

In order to ascertain that the CSR of the Group could fulfill the above requisites, the following strategies have been established:

i. To successfully define the various issues associated with the Group's CSR;

ii. To develop a strategic business response to social and market changes;

iii. To initiate action individually, or with fellow public transport operators, in order to accomplish its goals in CSR; and

iv. To communicate the results of these actions to the community and the government.

OUR PRODUCTS AND SERVICES

The Group is a public bus and limousine service provider in Hong Kong. The Group provides local and cross-boundary passenger transportation services for students, employees, residents, tourists, hotels with contract hire services for both individual and corporate clients.

FUNDAMENTALS OF OUR CSR

In view of globalization and its impact towards the transport sector, the Group has witnessed its clientele gradually changing from mainly students service to members of general public in all sectors with its suppliers also diversified.

Providers of public transportation service have created a linkage with it's target customers: passengers, supervisory authorities, and in different sectors of the industry as well as the community. The CSR will allow these publics to understand the work of the respective service providers.

The structure of the service providers is also changing, in the case of the Group, with the escalating customers' expectation, e.g. more interaction with customers. In addition, the service providers are no longer monopolizing the service. Competition would require these companies to become more market-oriented.

As the services of the Group have become market-oriented, there are rising expectations from customers, particularly passengers frequently using the Group's services. Together with competition from members of the industry, these market forces obliged the Group to be continuously professional and creative in providing its services. Market forces may require the Group to re-examine its service standards, especially in area of safety, fleet management, punctuality, reliability and service fee.

Corporate Social Responsibility Report

DEFINING OUR CSR

The Group's CSR can be defined as the set of standards of behavior that the Group subscribes in order to make its impact on society positive and constructive. The production and selling of goods and services, business ethics, environmental practices, recruitment and employment conditions, approach to equal opportunities and investment in the community are examples of such impact.

Corporate Community Investment is one of the important mechanisms in developing and measuring business standards. It is also an essential tool of the Group's CSR, involving a practicable set of programmes and processes that enable the Group to bring the skill and time of its employees for community need.

The following standards are applicable in various levels of the Group's operations:

i. Workplace – through the introduction of equal opportunities employment by adhering to current legislation governing equal opportunities

ii. Supplies – through dissemination of safeguarding of the Group's standards in business ethics

iii. Market – sounding out the Group's obligations to consumers

iv. Community – contributing to the development of the society, in particular, those community sectors that are deprived of these benefits

OUR STAKEHOLDERS

The Group has a number of stakeholders, to whom the Group's CSR is properly addressed:

i. Employees – drivers, supervisors, maintenance staff, administrative and clerical staff, personnel, management

ii. Government – Transport Bureau, Transport Department, District Office and District Council

iii. Customers – passengers, individual and corporate clients

iv. Suppliers – vehicle manufacturers and distributors, parts suppliers, fuel companies, and services suppliers such as banks, utilities and Octopus

v. Communities – neighbourhoods which are served by the Group's network of bus services

vi. Investors – indirect investors in the Company, which is listed on the Stock Exchange

vii. Public services – non-government organizations (NGOs)

viii. Business partners – joint venture partners in transport-related businesses, e.g. schools, major enterprises, and prestigious residential estates

Corporate Social Responsibility Report

INSIGHT FOR OUR CSR OBLIGATIONS

Corporate Governance

The Group, as a public service provider and a public listed company, is highly visible, as the buses would frequently serve members of the general public. The Group and its vehicles have set a good example and adhered to high service standard as a leader of the public transport sector.

In addition, the Group adheres to the standard of measurement of service by the HKSAR government and works closely with the Independent Commission Against Corruption on matters pertinent to corruption prevention.

The Group has established a code of conduct for the employees, so they can work with suppliers without prejudice.

Equal Opportunities

The Group advocates equal opportunities in employment, and in the provision of its services, facilitates passengers with disabilities when boarding and alighting from buses while waiting at pick up points.

Safety and Environment

Road accidents can cause serious bodily injury and even death, and may also result in legal claims. These can also result in poor image of a company. The Group warrants providing alert and defensive driving programmes for the drivers continually.

In order to cope with the changing and improving code of practice regarding environmental friendly measures for bus operations, efforts are put into areas of using cleaner fuel, procuring up-to-date technologies that could alleviate the negative impact of pollution.

Drivers and other workers may feel under pressure to work for long hours without rest. The Group's CSR ensures that a support network could be available for the employees on workplace safety and that working hours are reasonable and their levels of health are satisfactory.

ESTABLISHING OUR GUIDELINES FOR EFFECTIVE CORPORATE INTEGRITY

There is no one precise standard of corporate integrity. The management principles, corporate history, local culture, nature of business and regulatory mechanisms have to be taken into consideration. The following features serve as the fundamentals in the establishment of such guidelines.

i. The corporate obligations are shared and accepted by members of the Group. These are clearly communicated to all levels of staff.

ii. Members of senior management are personally committed, trustworthy, and willing to achieve those values that the corporate advocate. They are trained and have acquired the decision-making skill, knowledge, and competencies needed to make ethically sound decisions and act accordingly. The actions are seen to be just and fair and beneficial to the society.

iii. These values are reflected in the day to day functioning of the Group.

iv. The Group's systems and structures are able to support the implementation of these values.

Corporate Social Responsibility Report

OUR QUANTIFIED CSR MEASURES

The followings are material performances of the Group in the enhancement of its CSR, with direct bearing on its services and target publics:

1. New Business Opportunities

Through the careful planning programmes for the forthcoming future, the Group explores new clienteles and develops services pending eventual approval given by the Transport Department. The ongoing exercise is for the benefit of the community and could bring in additional revenue to the Group.

2. Environmental Responsibility

Procurements of new Euro V and Euro VI coaches for the fleet replace older vehicles with less environmental friendly engines; and trail run on hybrid-powered and electric-powered buses are welcomed by customers, e.g. major residential estates, schools and employers. Under the support from the Pilot Green Transport Fund, four units of electric-powered single deck buses (EBuses) have been procured by KCM and Good Funds for trial run at various residents' service roots. Under separate funding, NLB has received direct funding of HKD20 million for the procurement of four units of EBuses to be deployed in 2015/2016 for trial run at its routes B2 and 38.

3. Health Care

The Group has introduced regular medical examination for drivers who are aged 60 or over, as attachment to the Group's medical insurance scheme.

4. Charitable Services

We are working closely with NGOs in their charitable services. We have an open mind to work together with other institutions in promoting charitable services for the community.

5. Collaboration with Educational Institutions

The Group has continued to work closely with the Institute of Vocational Education (IVE) of the Hong Kong Vocational Training Council (VTC) in providing internship-training programmes for full time students from IVE. These students are retained by various subsidiaries in Hong Kong for their internship, which formed an integral part of their diploma training programme. A representative from the Group has been appointed External Examiner of IVE in overseeing one of their Diploma Programmes, and sits on the Committee on Management and Supervisory Training (CMST) of VTC.

6. Equal Opportunities Initiatives

The Group is in support of the Hong Kong Federation of Employers' initiative in equal opportunities employment and would follow any statutory provisions as stipulated by the Equal Opportunities Commission.

7. Recognition of the Group's CSR Efforts

In recognition of the Group's CSR efforts under the leadership of Mr. Wong Leung Pak, Matthew, the Chairman, The Open University of Hong Kong has conferred on him the title of Honorary University Fellow in 2014.

During the year ended 31 March 2015, the Group had made handsome donation and sponsorship mainly to the following charities and communities/district group:

Donee
The Open University of Hong Kong
Southern District Recreation and Sports Association Limited
The Hong Kong Anti-Cancer Society
Aberdeen Dragon Boat Race Committee

During the year, the Company was awarded the Hong Kong Outstanding Enterprise 2014 by Economic Digest and both KCM and Tai Fung, the Company's flagship wholly-owned subsidiaries, were awarded the Caring Company Logo 2014/15 by The Hong Kong Council of Social Service. The Company, Tai Fung and Holiday Rental (operated by Trade Travel) continued to be members of the Quality Tourism Services Association of Hong Kong.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2015 and the financial position of the Company and the Group at that date are set out in the financial statements on pages 43 to 144.

An interim dividend and the first special dividend of HK8 cents and HK2 cents per ordinary share, respectively, in respect of the year were paid on 23 December 2014. The second special dividend of HK80 cents was paid on 30 March 2015. The Board recommends the payment of a final dividend of HK12 cents per ordinary share in respect of the year to the shareholders whose names appear on the register of members on 20 August 2015 (subject to approval by shareholders of the Company in the forthcoming annual general meeting of the Company). This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,362,109**	2,189,316	2,075,498	1,923,146	2,104,893
OPERATING PROFIT	**390,691**	222,181	180,754	152,884	149,648
Share of profits and losses of:					
Joint ventures	**50,720**	(14,400)	(13,078)	14,965	8,945
Associates	**(30)**	(1)	(11)	(292)	(390)
PROFIT BEFORE TAX	**441,381**	207,780	167,665	167,557	158,203
Income tax expense	**(61,972)**	(49,334)	(50,136)	(30,610)	(27,374)
PROFIT FOR THE YEAR	**379,409**	158,446	117,529	136,947	130,829
Attributable to:					
Owners of the parent	**382,971**	165,035	116,942	102,699	120,049
Non-controlling interests	**(3,562)**	(6,589)	587	34,248	10,780
	379,409	158,446	117,529	136,947	130,829

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,593,832**	3,072,045	2,972,056	2,920,568	2,911,894
TOTAL LIABILITIES	**(2,043,824)**	(1,446,608)	(1,463,301)	(1,541,708)	(1,559,482)
NON-CONTROLLING INTERESTS	**(79,263)**	(122,214)	(162,818)	(165,206)	(249,031)
	1,470,745	1,503,223	1,345,937	1,213,654	1,103,381

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in notes 35 and 36, to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to approximately HK$174,923,000, of which approximately HK$55,402,000 has been proposed as 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 donation and sponsorship to certain charities and communities/district group.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases from the Group's five largest suppliers accounted for 63.6% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 30.8%.

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

Independent non-executive Directors:

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

According to bye-law 87 of the Company's bye-laws, Messrs. Sung Yuen Lam and Lee Kwong Yin, Colin 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, Sung Yuen Lam and Lee Kwong Yin, Colin, 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 8 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 2015 are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2015, 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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 March 2015, 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

Name of Director	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital (%)
Mr. Wong Leung Pak, Matthew	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 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. He was deemed to be interested in the 231,322,636 shares held by Basic Faith pursuant to the SFO.

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "Share Option Schemes" below.

2. Long Positions in Shares of Associated Corporations

Mr. Wong Leung Pak, Matthew, Director of the Company, held the entire equity interest in Guangzhou GoGo TIL Consulting Services Co., Ltd. and 1 ordinary share in Peng Yun Transportation Enterprises Co., Ltd., subsidiaries of the Company, in trust for the benefit of the Company.

Save as disclosed above, as at 31 March 2015, none of the Directors and chief executive 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 Schemes" 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.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 36 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 April 2014	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31 March 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	Price of the Company's shares: At grant date of options** HK$ per share	At exercise date of options# HK$ per share
Directors										
Mr. Wong Leung Pak, Matthew	1,500,000	–	(1,500,000)	–	–	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	2.310
	4,000,000	–	(4,000,000)	–	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.310
	5,500,000	–	(5,500,000)	–	–					
Mr. Wong Cheuk On, James (appointed on 21 May 2014)	2,000,000	–	(2,000,000)	–	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.310
Mr. Lo Man Po (appointed on 21 May 2014)	2,000,000	–	(2,000,000)	–	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.310
	200,000	–	(200,000)	–	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	2.310
	2,200,000	–	(2,200,000)	–	–					
Mr. Wong Chung Pak, Thomas (resigned on 2 June 2014)	1,500,000	–	(1,500,000)	–	–	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	2.290
	4,000,000	–	(4,000,000)	–	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.290
	5,500,000	–	(5,500,000)	–	–					
Mr. Wong Wing Pak (resigned on 2 June 2014)	1,500,000	–	(1,500,000)	–	–	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	2.290
	4,000,000	–	(4,000,000)	–	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.290
	5,500,000	–	(5,500,000)	–	–					
Mr. Chan Bing Woon, SBS, JP	200,000	–	–	(200,000)	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	(300,000)	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	(500,000)	–					

Name or category of participant	Number of share options: At 1 April 2014	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31 March 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	Price of the Company's shares: At grant date of options** HK$ per share	At exercise date of options# HK$ per share
Directors *(continued)*										
Mr. Sung Yuen Lam	200,000	–	–	(200,000)	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	(300,000)	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	(500,000)	–					
Mr. Lee Kwong Yin, Colin	200,000	–	–	(200,000)	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	(300,000)	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	(500,000)	–					
Shareholder	2,400,000	–	–	(2,400,000)	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
Other employees										
In aggregate	800,000	–	(800,000)	–	–	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	2.305
	3,500,000	–	(2,200,000)	(1,300,000)	–	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	2.304
	23,100,000	–	(16,980,000)	(6,120,000)	–	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	2.302
	27,400,000	–	(19,980,000)	(7,420,000)	–					
	52,000,000	–	(40,680,000)	(11,320,000)	–					

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

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

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

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

At 31 March 2015, the interests or short positions of the persons (other than a Director or 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.

(2) Ms. Ng Lai Yee, Christina is the spouse of Mr. Wong Leung Pak, Matthew and she was deemed to be interested in all the shares in which Mr. Wong Leung Pak, Matthew 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 2015, 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 connected transaction, certain details of which are disclosed in compliance with the disclosure requirements of Chapter 14A of the Listing Rules:

On 12 December 2014, the Company through TIL, its indirect 100% owned subsidiary, acquired from Mr. Chan Chung Yee, Alan ("Alan Chan"), the 10% non-controlling shareholder of Chinalink (a 90% owned subsidiary of TIL) and a connected person of the Company, the remaining 10% of the entire issued share capital of Chinalink at an aggregate consideration of HK$45,000,000. The transaction was completed during the year.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires issuers to maintain at least 25% of their total number of listed securities in public hands at all times. Based on information that is publicly available to the Company and within knowledge of Directors as at the latest practicable date prior to the issue of this annual report, immediately following the completion and settlement of the placing on 23 July 2014 (details of which are set out in the announcement of the Company dated 18 July 2014) and as at the latest practicable date prior to the issue of this annual report, more than 25% of the issued share capital of the Company was held by the public.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

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

ON BEHALF OF THE BOARD

Wong Leung Pak, Matthew
Chairman

Hong Kong
30 June 2015

Independent Auditors' Report

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

We have audited the consolidated financial statements of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 144, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 June 2015

Consolidated Statement of Profit or Loss

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**2,362,109**	2,189,316
Cost of services rendered		**(1,728,503)**	(1,692,626)
Gross profit		**633,606**	496,690
Other income and gains	5	**90,332**	105,248
Administrative expenses		**(305,237)**	(293,029)
Other expenses, net		**4,375**	(65,875)
Finance costs	6	**(32,385)**	(20,853)
Share of profits and losses of:			
A joint venture		**50,720**	(14,400)
Associates		**(30)**	(1)
PROFIT BEFORE TAX	7	**441,381**	207,780
Income tax expense	10	**(61,972)**	(49,334)
PROFIT FOR THE YEAR		**379,409**	158,446
Attributable to:			
Owners of the parent	11	**382,971**	165,035
Non-controlling interests		**(3,562)**	(6,589)
		379,409	158,446
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK83.6 cents**	HK39.5 cents
Diluted		**HK83.3 cents**	HK38.7 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**379,409**	158,446
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Change in fair value	23	**306**	(421)
Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	5	**(475)**	–
		(169)	(421)
Exchange differences on translation of foreign operations		**(497)**	1,116
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(666)**	695
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**378,743**	159,141
Attributable to:			
Owners of the parent		**382,266**	165,548
Non-controlling interests		**(3,523)**	(6,407)
		378,743	159,141

Consolidated Statement of Financial Position

31 March 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,316,572**	1,143,782
Investment properties	15	**39,600**	26,040
Prepaid land lease payments	16	**58,117**	61,817
Goodwill	17	**171,512**	169,403
Passenger service licences	18	**362,829**	345,509
Other intangible assets	19	**328,029**	291,581
Interest in a joint venture	21	**–**	84,738
Interests in associates	22	**355**	385
Available-for-sale investments	23	**241**	18,473
Financial asset at fair value through profit or loss	24	**14,882**	14,323
Prepayments, deposits and other receivables	26	**114,813**	118,648
Deferred tax assets	34	**292**	366
Total non-current assets		**2,407,242**	2,275,065
CURRENT ASSETS			
Inventories		**36,092**	27,565
Trade receivables	25	**146,382**	133,823
Prepayments, deposits and other receivables	26	**142,502**	131,283
Tax recoverable		**16,504**	1,570
Pledged time deposits	27	**36,735**	15,723
Cash and cash equivalents	27	**565,360**	387,381
		943,575	697,345
Property held for sale	38	**750**	–
Interest in a joint venture held for sale	21	**160,982**	–
Assets of a disposal group classified as held for sale	40	**81,283**	99,635
Total current assets		**1,186,590**	796,980
CURRENT LIABILITIES			
Trade payables	28	**69,529**	65,350
Accruals, other payables and deposits received	29	**478,731**	413,887
Tax payable		**40,329**	50,223
Derivative financial instruments	30	**12,175**	12,950
Interest-bearing bank and other borrowings	31	**1,217,088**	726,526
		1,817,852	1,268,936
Liabilities directly associated with the assets classified as held for sale	40	**14,445**	19,591
Total current liabilities		**1,832,297**	1,288,527
NET CURRENT LIABILITIES		**(645,707)**	(491,547)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,761,535**	1,783,518

Consolidated Statement of Financial Position

31 March 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**467**	749
Other long term liabilities	33	**79,887**	32,144
Deferred tax liabilities	34	**131,173**	125,188
Total non-current liabilities		**211,527**	158,081
Net assets		**1,550,008**	1,625,437
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**46,169**	42,101
Reserves	37(a)	**1,369,174**	1,419,021
Proposed final dividend	12	**55,402**	42,101
		1,470,745	1,503,223
Non-controlling interests		**79,263**	122,214
Total equity		**1,550,008**	1,625,437

Wong Leung Pak, Matthew
Director

Wong Cheuk On, James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2015

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(a))	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve fund HK$'000 (note 37(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent													
At 1 April 2013		41,061	536,421	10,648	(1,855)	28,257	29,682	590	1,126	49,855	641,940	8,212	1,345,937	162,818	1,508,755
Profit for the year		–	–	–	–	–	–	–	–	–	165,035	–	165,035	(6,589)	158,446
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	934	–	–	934	182	1,116
Change in fair value of available-for-sale investments	23	–	–	–	–	–	–	(421)	–	–	–	–	(421)	–	(421)
Total comprehensive income for the year		–	–	–	–	–	–	(421)	–	934	165,035	–	165,548	(6,407)	159,141
Transfer of depreciation on buildings		–	–	–	–	–	(2,044)	–	–	–	2,044	–	–	–	–
Disposal of subsidiaries	39	–	–	–	–	–	–	–	–	(1,343)	–	–	(1,343)	(546)	(1,889)
Dividends paid/payable to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(12,833)	(12,833)
Distribution to non-controlling interests upon deregistration of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(20,818)	(20,818)
Issue of shares upon exercise of share options	35, 36	1,040	9,179	–	–	(322)	–	–	–	–	–	–	9,897	–	9,897
Final 2013 dividend declared	12	–	–	–	–	–	–	–	–	–	(196)	(8,212)	(8,408)	–	(8,408)
Interim 2014 dividend	12	–	–	–	–	–	–	–	–	–	(8,408)	–	(8,408)	–	(8,408)
Proposed final 2014 dividend	12	–	–	–	–	–	–	–	–	–	(42,101)	42,101	–	–	–
At 31 March 2014		42,101	545,600*	10,648*	(1,855)*	27,935*	27,638*	169*	1,126*	49,446*	758,314*	42,101	1,503,223	122,214	1,625,437

Consolidated Statement of Changes in Equity

Year ended 31 March 2015

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(a))	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve fund HK$'000 (note 37(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent													
At 1 April 2014		42,101	545,600	10,648	(1,855)	27,935	27,638	169	1,126	49,446	758,314	42,101	1,503,223	122,214	1,625,437
Profit for the year		–	–	–	–	–	–	–	–	–	382,971	–	382,971	(3,562)	379,409
Other comprehensive loss for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(536)	–	–	(536)	39	(497)
Change in fair value of available-for-sale investments	23	–	–	–	–	–	–	306	–	–	–	–	306	–	306
Reclassification adjustment for gain on disposal of an available-for-sale investment	5	–	–	–	–	–	–	(475)	–	–	–	–	(475)	–	(475)
Total comprehensive income for the year		–	–	–	–	–	–	(169)	–	(536)	382,971	–	382,266	(3,523)	378,743
Transfer of depreciation on buildings		–	–	–	–	–	(2,280)	–	–	–	2,280	–	–	–	–
Transfer of share option reserve upon the forfeiture or cancellation of share options		–	–	–	–	(7,244)	–	–	–	–	7,244	–	–	–	–
Acquisition of non-controlling interests	20	–	–	–	–	–	–	–	–	–	(14,670)	–	(14,670)	(30,330)	(45,000)
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	770	–	770	(493)	277
Dividends paid/payable to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(8,605)	(8,605)
Issue of shares upon exercise of share options	35, 36	4,068	77,466	–	–	(20,691)	–	–	–	–	–	–	60,843	–	60,843
Final 2014 dividend declared	12	–	–	–	–	–	–	–	–	–	(4,068)	(42,101)	(46,169)	–	(46,169)
Interim 2015 dividend	12	–	–	–	–	–	–	–	–	–	(36,935)	–	(36,935)	–	(36,935)
First special 2015 dividend	12	–	–	–	–	–	–	–	–	–	(9,234)	–	(9,234)	–	(9,234)
Second special 2015 dividend	12	–	–	–	–	–	–	–	–	–	(369,349)	–	(369,349)	–	(369,349)
Proposed final 2015 dividend	12	–	–	–	–	–	–	–	–	–	(55,402)	55,402	–	–	–
At 31 March 2015		46,169	623,066*	10,648*	(1,855)*	–	25,358*	–	1,126*	48,910*	661,921*	55,402	1,470,745	79,263	1,550,008

* These reserve accounts comprise the consolidated reserves of HK$1,369,174,000 (2014: HK$1,419,021,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**441,381**	207,780
Adjustments for:			
Share of loss/(gain) of a joint venture		**(50,720)**	14,400
Share of losses of associates		**30**	1
Bank interest income	5	**(1,557)**	(2,388)
Dividend income from unlisted available-for-sale investments	5	**(403)**	(787)
Fair value gains on investment properties	5	**(2,160)**	(740)
Fair value gain on financial asset at fair value through profit or loss	5	**(559)**	(269)
Fair value gain on derivative financial instruments	5	**(775)**	(7,428)
Gain on disposal of an available-for-sale investment	5	**(475)**	–
Gain on disposal of subsidiaries	5, 39	**–**	(44,855)
Gain on disposal of motor buses and vehicles together with passenger service licences	5	**(40,276)**	–
Finance costs	6	**32,385**	20,853
Recognition of deferred income		**(12,156)**	(6,653)
Amortisation of intangible assets	7	**12,349**	26,105
Depreciation	7	**199,863**	192,111
Recognition of prepaid land lease payments	7	**3,852**	3,827
Impairment of trade receivables	7	**3,677**	1,599
Impairment of other receivables	7	**–**	9,129
Impairment of goodwill	7	**–**	11,015
Impairment/(reversal of impairment) of interest in a joint venture	7	**(21,168)**	21,168
Write-off of interest in a joint venture	7	**–**	1,268
Write-off of interest in an associate	7	**–**	1,200
Write-off of items of property, plant and equipment	7	**–**	16,248
Loss on disposal of items of property, plant and equipment, net	7	**2,316**	2,007
		565,604	465,591
Decrease in balances with joint venturers		**9,376**	9,593
Decrease in balances with associates		**–**	80
Increase in inventories		**(8,607)**	(3,665)
Decrease/(increase) in trade receivables		**(18,126)**	10,770
Increase in prepayments, deposits and other receivables		**(30,568)**	(43,409)
Decrease in restricted cash		**624**	5,825
Increase/(decrease) in trade payables		**4,368**	(6,189)
Increase/(decrease) in accruals, other payables and deposits received		**(8,647)**	55,511
Decrease in other long term liabilities		**(328)**	(7,631)
Cash generated from operations		**513,696**	486,476

Consolidated Statement of Cash Flows

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Cash generated from operations		**513,696**	486,476
Bank interest received		**1,557**	2,388
Interest paid		**(31,439)**	(20,792)
Interest element of finance lease rental payments		**(30)**	(61)
Hong Kong profits tax paid		**(74,289)**	(25,741)
Overseas taxes paid		**(8,113)**	(7,880)
Net cash flows from operating activities		**401,382**	434,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from unlisted available-for-sale investments		**403**	787
Deposits paid/payables for purchases of items of property, plant and equipment		**(45,334)**	(80,443)
Proceed from disposal of an unlisted available-for-sale investment		**18,539**	–
Proceeds from disposal of items of property, plant and equipment		**8,977**	4,096
Proceeds from disposal of motor buses and vehicles together with passenger service licences, net		**51,290**	–
Proceeds from disposal of non-current assets held for sale		**14,662**	–
Purchases of items of property, plant and equipment		**(305,692)**	(139,981)
Acquisition of subsidiaries	38	**(56,981)**	–
Acquisition of non-controlling interests	20	**(45,000)**	–
Additions to passenger service licences		**–**	(24,800)
Additions to other intangible assets		**(38,000)**	(36,344)
Additions to prepaid land lease payments	16	**–**	(396)
Deposits received for proposed disposals of subsidiaries and a joint venture		**36,562**	–
Considerations received from disposal of subsidiaries	39	**–**	40,137
Receipts of government subsidies		**64,143**	20,152
Decrease in an amount due to a joint venture		**(10,551)**	–
Decrease/(increase) in pledged time deposits		**(21,012)**	2,023
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**34,149**	(926)
Net cash flows used in investing activities		**(293,845)**	(215,695)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	35	**60,843**	9,897
Drawdown of new bank loans, net of debt establishment costs		**978,032**	203,438
Repayment of bank loans		**(488,797)**	(231,323)
Repayment of other loan		**–**	(28,580)
Capital element of finance lease rental payments		**(273)**	(241)
Capital contribution by non-controlling interests		**277**	–
Dividends paid		**(461,687)**	(16,816)
Dividends paid to non-controlling shareholders of subsidiaries		**(8,605)**	(12,833)
Net cash flows from/(used in) financing activities		**79,790**	(76,458)

Consolidated Statement of Cash Flows

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**187,327**	142,237
Cash and cash equivalents at beginning of year		**403,153**	262,522
Effect of foreign exchange rate changes, net		**(1,523)**	(1,606)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**588,957**	403,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**564,815**	360,948
Non-pledged time deposits with original maturity of less than three months when acquired		**545**	5,920
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	20,513
Cash and cash equivalents as stated in the consolidated statement of financial position		**565,360**	387,381
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(20,513)
Cash and short term deposits attributable to a disposal group classified as held for sale	40	**23,597**	49,921
Non-pledged time deposits with original maturity of more than three months when acquired attributable to a disposal group classified as held for sale		**–**	(13,636)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**588,957**	403,153

Statement of Financial Position

31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**843,003**	734,409
CURRENT ASSETS			
Prepayments	26	**222**	197
Bank balances	27	**8,680**	1,035
Total current assets		**8,902**	1,232
CURRENT LIABILITIES			
Accruals and other payables	29	**7,747**	260
NET CURRENT ASSETS		**1,155**	972
Net assets		**844,158**	735,381
EQUITY			
Issued capital	35	**46,169**	42,101
Reserves	37(b)	**742,587**	651,179
Proposed final dividend	12	**55,402**	42,101
Total equity		**844,158**	735,381

Wong Leung Pak, Matthew
Director

Wong Cheuk On, James
Director

Notes to Financial Statements

31 March 2015

1. CORPORATE INFORMATION

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

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

- provision of non-franchised, franchised and Mainland China bus services
- provision of local limousine services
- provision of tourism and related services
- provision of hotel 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.

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, which because the Company has not early adopted the revised Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, investment properties, certain available-for-sale investments, financial asset at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Non-current assets and 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 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.1 BASIS OF PREPARATION – CONTINUED

Basis of consolidation – continued

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

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

2.2 RESTATEMENT AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 Restatement

In the prior year, on 18 December 2013, the Group entered into an equity transfer agreement (the "DG Equity Transfer Agreement") with an independent third party, Dongguan City Bangge Electronic Machineries Co., Ltd. 東莞市邦閣電子機械有限公司 ("DG Bangge"), whereby the Group agreed to dispose of its entire 100% effective interest in Guangzhou City Zhongguan Consulting Services Co., Ltd. 廣州市中貫諮詢服務有限公司 ("GZ Zhongguan") and its subsidiaries (the "Zhongguan Designated Bus Group") for a consideration of RMB8.95 million (approximately HK$11.2 million) and assumption of an amount payable by the Zhongguan Designated Bus Group to the Group of RMB55 million (approximately HK$68.6 million) (the "DG Transaction"). GZ Zhongguan held a 51% effective interest in each of its 3 major subsidiaries, Hubei Shenzhou Transport Holdings Co., Ltd. 湖北神州運業集團有限公司 ("Hubei Shenzhou"), Guangzhou New Era Express Bus Co., Ltd. 廣州市新時代快車有限公司 ("GZ New Era") and GTFZ Xing Hua International Transport Limited 廣州保稅區興華國際運輸有限公司 ("GZ Xing Hua"). The Zhongguan Designated Bus Group is primarily engaged in the provision of designated bus services in Hubei Province and Guangzhou, Mainland China. The DG Transaction was expected to be completed before the end of 2014. The assets and liabilities of the Zhougguan Designated Bus Group as at 31 March 2014 were classified as a disposal group held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("HKFRS 5").

During the year, on 17 March 2015, the Group was informed by DG Bangge that it would not proceed to complete the DG Transaction within a reasonable time. The Group and DG Bangge had in good faith entered into a deed of termination to terminate the DG Transaction. On 27 March 2015, the Group entered into another equity transfer agreement with an independent third party to dispose of the Group's entire 56% equity interest in GZ New Era and GZ Xing Hua, of which 51% was held by GZ Zhongguan. Details of the transaction were set out in note 40 to the financial statements.

As at the end of the reporting period, the directors of the Company considered that the assets and liabilities of GZ Zhongguan and Hubei Shenzhou no longer met the requirements of a disposal group held for sale in accordance with HKFRS 5. Accordingly, a restatement was made to (i) reclassify the assets and liabilities of GZ Zhongguan and Hubei Shenzhou as at 31 March 2014 out of the disposal group classified as held for sale; and (ii) measure the carrying amounts of the assets and liabilities of GZ Zhongguan and Hubei Shenzhou in accordance with the requirements of HKFRS 5.

2.2 RESTATEMENT AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – CONTINUED

2.2.1 Restatement – continued

The effects of the restatement on the consolidated statement of financial position as at 31 March 2014 are summarised as follows:

	HK$'000
Increase in property, plant and equipment	**81,494**
Increase in prepaid land lease payments	**46,638**
Increase in other intangible assets	**1,738**
Increase in inventories	**578**
Increase in trade receivables	**1,911**
Increase in prepayments, deposits and other receivables	**27,783**
Increase in cash and cash equivalents	**56,806**
Decrease in assets of a disposal group classified as held for sale	**(216,948)**
Increase in trade payables	**(16,599)**
Increase in accruals, other payables and deposits received	**(87,252)**
Increase in tax payable	**(20,325)**
Increase in interest-bearing bank and other borrowings	**(47,988)**
Increase in other long term liabilities	**(1,309)**
Increase in deferred tax liabilities	**(1,313)**
Decrease in liabilities directly associated with the assets classified as held for sale	**174,786**
Change in net assets	–

2.2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]

[1] Effective from 1 July 2014

Other than explained below regarding the impact of amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011), HKAS 32, HKAS 39, HKFRS 2 and HKFRS 3, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.2 RESTATEMENT AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – CONTINUED

2.2.2 Changes in accounting policies and disclosures – continued

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

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(e) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

In addition, the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 March 2016. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Interests in associates and a joint venture

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

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

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

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

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

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

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

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

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 non-current assets/disposal groups 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment and depreciation – continued

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 is 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.

Investment properties

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

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

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

Non-current assets and disposal groups held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

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

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets – continued

Available-for-sale financial investments

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

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

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derecognition of financial assets – continued

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

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

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of financial assets – continued

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial liabilities – continued

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition 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 borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

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

Cash and cash equivalents

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

For the purpose of the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income tax – continued

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government grants

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Deferred revenue

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Share-based payments – continued

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

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

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

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

Other employee benefits

Paid leave carried forward

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

Pension schemes

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Dividends

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

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

Related parties

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

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

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

or

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Income taxes

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

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

Non-current asset and a disposal group held for sale classification

The Group determines whether the Group's assets qualifies as held for sale and the assets and liabilities of certain subsidiaries qualify as a disposal group held for sale. The Group considers whether (a) they are available for immediate sales in their present conditions; (b) the actions to complete the sales are initiated and expected to be completed within one year; and (c) the sales are highly probable.

When the Group's assets and the assets and liabilities of certain subsidiaries fulfills the above criteria, they will be classified as assets held for sale or a disposal group held for sale, where appropriate. As at 31 March 2015, the Group's interest in a joint venture was classified as held for sale while the assets and liabilities of GZ New Era and GZ Xing Hua were classified as a disposal group held for sale. Further details are included in notes 2.2.1, 21 and 40 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

Estimation uncertainty

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

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

The Group determines whether the 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 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 17, 18 and 19 to the financial statements.

(ii) Impairment of non-financial assets

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

(iii) Estimation of fair value of investment properties 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 14 and 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

Estimation uncertainty – continued

(iv) Useful lives of intangible assets with finite useful lives

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

Following a review of the estimated useful lives of the Group's intangible assets in the current year, the estimated useful lives of certain bus route operating rights were assessed to change from finite to indefinite as it was considered that there was no longer a foreseeable limit to the period over which these bus route operating rights are expected to generate economic benefits to the Group.

The change in accounting estimates is accounted for prospectively from 1 April 2014. The effect of the above change in the estimated useful lives of certain bus route operating rights resulted in a decrease in amortisation of intangible assets of HK$15,116,000 and HK$11,435,000 for the year ended 31 March 2015 and the year ending 31 March 2016, respectively.

(v) Impairment of loans and receivables

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

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

(vi) Fair value of financial instruments

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

4. OPERATING SEGMENT INFORMATION

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

(a) the non-franchised bus segment includes the provision of non-franchised bus hire services and travel-related services;

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

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

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

(e) the tourism segment engages in travel agency and tour services in Hong Kong and Mainland China and the operation of a scenic area in Sichuan, Mainland China;

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2015

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:									
External sales	1,704,348	165,951	165,755	123,042	176,512	26,293	208	–	2,362,109
Intersegment sales	24,963	13,414	77	–	–	–	28	(38,482)	–
Other revenue	71,699	582	2,674	16,516	536	72	45	(1,792)	90,332
Total	1,801,010	179,947	168,506	139,558	177,048	26,365	281	(40,274)	2,452,441
Segment results	352,262	12,844	8,864	92,582	12,864	(4,995)	(655)	–	473,766
Reconciliation:									
Finance costs									(32,385)
Profit before tax									441,381
Segment assets	2,418,489	68,581	124,962	454,727	346,167	103,096	9,156	–	3,525,178
Reconciliation:									
Unallocated assets									68,654
Total assets									3,593,832
Segment liabilities	331,592	1,485	21,127	165,645	98,969	13,716	10,058	–	642,592
Reconciliation:									
Unallocated liabilities									1,401,232
Total liabilities									2,043,824

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2015 – continued

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:								
Share of profits and losses of:								
– a joint venture	–	–	–	50,720	–	–	–	50,720
– associates	(30)	–	–	–	–	–	–	(30)
Capital expenditure*	340,371	375	1,671	21,087	69,216	28	–	432,748
Amortisation of intangible assets	10,213	321	–	1,815	–	–	–	12,349
Bank interest income	986	–	1	482	36	12	40	1,557
Depreciation	138,486	12,360	15,255	7,439	23,111	3,210	2	199,863
Recognition of prepaid land lease payments	7	–	–	3,258	22	565	–	3,852
Impairment of trade receivables	2,058	55	–	–	–	1,564	–	3,677
Reversal of impairment of interest in a joint venture	–	–	–	(21,168)	–	–	–	(21,168)
Gain on disposal of motor buses and vehicles together with passenger service licences	40,276	–	–	–	–	–	–	40,276
Fair value gains on investment properties	2,160	–	–	–	–	–	–	2,160
Loss/(gain) on disposal of items of property, plant and equipment, net	1,802	–	4	479	39	(8)	–	2,316

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2014

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000 (Restated)	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000 (Restated)
Segment revenue:									
External sales	1,590,335	166,859	151,472	126,742	126,335	27,363	210	–	2,189,316
Intersegment sales	17,603	16,559	50	–	–	–	30	(34,242)	–
Other revenue	38,022	834	2,703	16,983	3,974	19	10	(2,152)	60,393
Total	1,645,960	184,252	154,225	143,725	130,309	27,382	250	(36,394)	2,249,709
Segment results	228,939	8,587	10,153	(29,077)	(30,701)	(3,598)	(525)	–	183,778
Reconciliation:									
Gain on disposal of subsidiaries									44,855
Finance costs									(20,853)
Profit before tax									207,780
Segment assets	2,006,725	77,118	125,338	406,326	297,459	106,508	2,116	–	3,021,590
Reconciliation:									
Unallocated assets									50,455
Total assets									3,072,045
Segment liabilities	298,507	2,944	17,591	131,937	62,817	14,543	2,633	–	530,972
Reconciliation:									
Unallocated liabilities									915,636
Total liabilities									1,446,608

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2014 – continued

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

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	HK$'000
Hong Kong	**2,075,874**	1,942,578
Mainland China	**286,235**	246,738
	2,362,109	2,189,316

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

(b) Non-current assets

	2015	2014
	HK$'000	HK$'000
		(Restated)
Hong Kong	**1,543,381**	1,425,281
Mainland China	**848,091**	731,499
	2,391,472	2,156,780

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

Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2014: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2015	2014
	HK$'000	HK$'000
Revenue		
Provision of non-franchised bus services	**1,704,348**	1,590,335
Provision of local limousine services	**165,951**	166,859
Provision of franchised bus services	**165,755**	151,472
Provision of Mainland China bus services	**123,042**	126,742
Provision of tourism services	**176,512**	126,335
Provision of hotel services	**26,293**	27,363
Provision of other transportation services	**208**	210
	2,362,109	2,189,316
Other income		
Bank interest income	**1,557**	2,388
Gross rental income	**6,091**	5,592
Advertising income	**2,731**	2,771
Government subsidies (note)	**12,156**	11,531
Dividend income from unlisted available-for-sale investments	**403**	787
Others	**23,149**	20,116
	46,087	43,185
Gains		
Fair value gains on investment properties	**2,160**	740
Fair value gain on financial asset at fair value through profit or loss	**559**	269
Fair value gain on derivative financial instruments	**775**	7,428
Foreign exchange differences, net	**–**	8,771
Gain on disposal of an available-for-sale investment	**475**	–
Gain on disposal of subsidiaries	**–**	44,855
Gain on disposal of motor buses and vehicles together with passenger service licences	**40,276**	–
	44,245	62,063
	90,332	105,248

Note:

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

Notes to Financial Statements

31 March 2015

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**31,439**	20,792
Finance leases	**30**	61
Amortisation of debt establishment costs	**916**	–
	32,385	20,853

7. PROFIT BEFORE TAX

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

	Group	
	2015	2014
	HK$'000	HK$'000
Amortisation of intangible assets (note (ii))	**12,349**	26,105
Auditors' remuneration	**3,485**	2,700
Depreciation (note (ii))	**199,863**	192,111
Employee benefit expense (note (ii)) (including directors' remuneration (note 8)):		
Wages, salaries, bonuses and other benefits	**747,906**	710,953
Pension scheme contributions (note (iii))	**48,594**	38,286
	796,500	749,239

7. PROFIT BEFORE TAX – CONTINUED

	Group 2015 HK$'000	2014 HK$'000
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**71**	53
Fair value gain on derivative financial instruments	**(775)**	(7,428)
Fair value gains on investment properties	**(2,160)**	(740)
Fair value gain on financial asset at fair value through profit or loss	**(559)**	(269)
Minimum lease payments under operating leases (note (ii)):		
Land and buildings	**24,531**	23,811
Bus depots, terminals and car parks	**76,523**	67,193
Motor buses and coaches and bus route operating rights	**114,195**	97,365
	215,249	188,369
Recognition of prepaid land lease payments	**3,852**	3,827
Impairment of trade receivables (note (i))	**3,677**	1,599
Impairment of other receivables (note (i))	**–**	9,129
Impairment of goodwill (note (i))	**–**	11,015
Impairment/(reversal of impairment) of interest in a joint venture (note (i))	**(21,168)**	21,168
Write-off of interest in a joint venture (note (i))	**–**	1,268
Write off of interest in an associate (note (i))	**–**	1,200
Write-off of items of property, plant and equipment (note (i))	**–**	16,248
Loss on disposal of items of property, plant and equipment, net (note (i))	**2,316**	2,007
Gain on disposal of an available-for-sale investment	**(475)**	–
Foreign exchange differences, net (note (i))	**1,785**	(8,771)

Notes:

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

(ii) The cost of services rendered for the year amounted to HK$1,728,503,000 (2014: HK$1,692,626,000) and included amortisation of intangible assets of HK$12,349,000 (2014: HK$26,105,000), depreciation charges of HK$178,899,000 (2014: HK$173,288,000), employee benefit expense of HK$640,493,000 (2014: HK$592,219,000) and operating lease rentals of HK$197,331,000 (2014: HK$171,383,000).

(iii) As at 31 March 2015, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2014: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Fees	**670**	530
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**24,029**	16,747
Pension scheme contributions	**548**	1,143
	24,577	17,890
	25,247	18,420

(a) Independent non-executive directors

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

	2015	2014
	HK$'000	HK$'000
Chan Bing Woon, SBS, JP	**270**	190
Sung Yuen Lam	**200**	170
Lee Kwong Yin, Colin	**200**	170
	670	530

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' REMUNERATION – CONTINUED

(b) Executive directors

	Fees HK$'000	Salaries, discretionary bonuses and other benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Wong Leung Pak, Matthew	**–**	**13,333**	**378**	**13,711**
Wong Chung Pak, Thomas*	**–**	**682**	**56**	**738**
Wong Wing Pak*	**–**	**722**	**60**	**782**
Wong Cheuk On, James#	**–**	**4,593**	**29**	**4,622**
Lo Man Po#	**–**	**4,699**	**25**	**4,724**
Cheng Wai Po, Samuel*	**–**	**–**	**–**	**–**
Chung Chak Man, William*	**–**	**–**	**–**	**–**
	–	**24,029**	**548**	**24,577**
2014				
Wong Leung Pak, Matthew	–	7,669	389	8,058
Wong Chung Pak, Thomas	–	4,409	365	4,774
Wong Wing Pak	–	4,669	389	5,058
Cheng Wai Po, Samuel	–	–	–	–
Chung Chak Man, William	–	–	–	–
	–	16,747	1,143	17,890

* Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William resigned as executive directors of the Company on 21 May 2014. Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak resigned as executive directors of the Company on 2 June 2014. Accordingly, the above directors' remuneration only included remuneration before their resignation as executive directors of the Company.

Mr. Wong Cheuk On, James and Mr. Lo Man Po were appointed as executive directors of the Company on 21 May 2014. Accordingly, the above directors' remuneration only included remuneration after their appointment as executive directors of the Company. Mr. Wong Cheuk On, James is also the chief executive of the Company.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, discretionary bonuses and other benefits	**14,577**	7,304
Pension scheme contributions	**656**	162
	15,233	7,466

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	
	2015	2014
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$10,500,001 to HK$11,000,000	**1**	–
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	Group	
	2015	2014
	HK$'000	HK$'000
Current:		
Hong Kong		
Charge for the year	**46,040**	49,206
Overprovision in prior years	**(2,928)**	(3,031)
Mainland China		
Charge for the year	**14,993**	11,894
Overprovision in prior years	**(341)**	–
Deferred (note 34)	**4,208**	(8,735)
Total tax charge for the year	**61,972**	49,334

10. INCOME TAX – CONTINUED

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

Group – 2015

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	**320,867**		**120,514**		**441,381**	
Tax at the statutory tax rate	**52,943**	**16.5**	**30,129**	**25.0**	**83,072**	
Adjustments in respect of current tax of prior periods	**(2,928)**		**(341)**		**(3,269)**	
Profits and losses attributable to a joint venture and associates	**5**		**(12,680)**		**(12,675)**	
Income not subject to tax	**(9,261)**		**(191)**		**(9,452)**	
Expenses not deductible for tax, net	**7,133**		**(3,639)**		**3,494**	
Tax losses utilised from previous periods	**(248)**		**(1,343)**		**(1,591)**	
Tax losses not recognised	**66**		**2,327**		**2,393**	
Tax charge at the Group's effective tax rate	**47,710**	**14.9**	**14,262**	**11.8**	**61,972**	**14.0**

Group – 2014

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

The share of tax charge attributable to a joint venture amounting to HK$14,723,400 (2014: HK$3,092,000), is included in "Share of profit and loss of a joint venture" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2015 includes a loss of HK$4,379,000 (2014: HK$235,000) (excluding dividend income of HK$514,000,000 (2014: HK$57,000,000)) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2015	2014
	HK$'000	HK$'000
Additional final – HK10 cents (2013: HK2 cents) per ordinary share	**4,068**	196
Interim – HK8 cents (2014: HK2 cents) per ordinary share	**36,935**	8,408
First special – HK2 cents (2014: Nil) per ordinary share	**9,234**	–
Second special – HK80 cents (2014: Nil) per ordinary share	**369,349**	–
Proposed final – HK12 cents (2014: HK10 cents) per ordinary share	**55,402**	42,101
	474,988	50,705

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

Actual 2014 final dividend paid was HK$46,169,000, of which HK$4,068,000 was paid in respect of shares issued for share options exercised after 31 March 2014 and whose names appeared on the Company's register of members on 15 August 2014.

13. 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$382,971,000 (2014: HK$165,035,000), and the weighted average number of ordinary shares of 458,138,463 (2014: 417,518,329) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$382,971,000 (2014: HK$165,035,000), and the weighted average number of ordinary shares of 458,138,463 (2014: 417,518,329) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,581,687 (2014: 9,187,272) assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal 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 2015										
At cost or valuation:										
At beginning of year (restated)	82,770	112,780	3,045	25,245	1,364,005	70,621	38,776	221,238	32,982	1,951,462
Additions	437	–	372	3,491	295,632	13,487	12,743	–	59,942	386,104
Disposals	(597)	–	–	(693)	(134,631)	(1,016)	(6,604)	–	–	(143,541)
Acquisitions of subsidiaries (note 38)	–	–	–	–	532	–	–	–	–	532
Reclassification	–	–	25,053	4,455	–	894	–	41,400	(71,802)	–
Exchange realignment	40	222	(24)	(39)	108	(28)	6	493	92	870
At 31 March 2015	82,650	113,002	28,446	32,459	1,525,646	83,958	44,921	263,131	21,214	2,195,427
Accumulated depreciation and impairment:										
At beginning of year (restated)	24,849	29,535	2,304	15,617	652,311	44,528	22,789	15,747	–	807,680
Provided during the year	4,036	2,298	1,376	4,172	160,615	6,643	5,334	15,389	–	199,863
Disposals	(521)	–	–	(575)	(120,377)	(963)	(6,398)	–	–	(128,834)
Exchange realignment	20	70	–	(2)	34	(4)	5	23	–	146
At 31 March 2015	28,384	31,903	3,680	19,212	692,583	50,204	21,730	31,159	–	878,855
Net book value:										
At 31 March 2015	54,266	81,099	24,766	13,247	833,063	33,754	23,191	231,972	21,214	1,316,572

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Group

	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 2014										
At cost or valuation:										
At beginning of year	83,053	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,924,681
Additions	1,989	–	358	4,457	86,754	6,956	8,843	–	37,223	146,580
Disposals	–	–	–	(4,108)	(35,706)	(3,448)	(3,994)	–	–	(47,256)
Disposals of subsidiaries (note 39)	(2,243)	–	–	–	(721)	(733)	–	–	–	(3,697)
Assets included in a disposal group classified as held for sale (note 40) (restated)	–	–	–	(732)	(49,651)	(382)	(75)	–	–	(50,840)
Write-off	–	–	–	–	–	–	–	(16,951)	–	(16,951)
Reclassification	–	17,441	–	–	–	–	–	69,006	(86,447)	–
Exchange realignment	(29)	(474)	(1)	94	(70)	30	(54)	(1,181)	630	(1,055)
At 31 March 2014 (restated)	82,770	112,780	3,045	25,245	1,364,005	70,621	38,776	221,238	32,982	1,951,462
Accumulated depreciation and impairment:										
At beginning of year	23,086	27,339	2,185	16,837	551,184	42,656	20,854	2,416	–	686,557
Provided during the year	3,887	2,287	119	3,487	156,978	5,126	5,967	14,260	–	192,111
Disposals	–	–	–	(4,025)	(30,918)	(2,269)	(3,941)	–	–	(41,153)
Disposals of subsidiaries (note 39)	(2,125)	–	–	–	(507)	(704)	–	–	–	(3,336)
Assets included in a disposal group classified as held for sale (note 40) (restated)	–	–	–	(732)	(24,410)	(303)	(67)	–	–	(25,512)
Write-off	–	–	–	–	–	–	–	(703)	–	(703)
Exchange realignment	1	(91)	–	50	(16)	22	(24)	(226)	–	(284)
At 31 March 2014 (restated)	24,849	29,535	2,304	15,617	652,311	44,528	22,789	15,747	–	807,680
Net book value:										
At 31 March 2014 (restated)	57,921	83,245	741	9,628	711,694	26,093	15,987	205,491	32,982	1,143,782

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Analysis of cost or valuation:

Group

	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 2015										
Analysis of cost or valuation:										
At cost	**–**	**113,002**	**28,446**	**32,459**	**1,525,646**	**83,958**	**44,921**	**263,131**	**21,214**	**2,112,777**
At valuation	**82,650**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**82,650**
	82,650	**113,002**	**28,446**	**32,459**	**1,525,646**	**83,958**	**44,921**	**263,131**	**21,214**	**2,195,427**
31 March 2014										
Analysis of cost or valuation:										
At cost (restated)	–	112,780	3,045	25,245	1,364,005	70,621	38,776	221,238	32,982	1,868,692
At valuation (restated)	82,770	–	–	–	–	–	–	–	–	82,770
	82,770	112,780	3,045	25,245	1,364,005	70,621	38,776	221,238	32,982	1,951,462

The Group's leasehold land held under finance leases are included in property, plant and equipment with a net carrying amount of HK$4,595,000 (2014: HK$4,738,000), which are situated in Hong Kong and are held under medium term leases.

Certain of the Group's motor buses and vehicles with an aggregate net carrying amount of HK$638,000 (2014: HK$986,000) were held under finance leases as set out in note 32 to the financial statements.

At 31 March 2015, certain of the Group's property, plant and equipment of HK$111,099,000 (2014: HK$172,128,000 (restated)) were pledged to secure banking facilities granted to the Group as set out in note 31 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 43(a) to the financial statements.

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

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The Group's leasehold land and buildings were revaluated individually by the directors of the Company with reference to the valuations as at 31 March 2013 performed by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using either the depreciated replacement cost method, or recent prices of similar properties, where appropriate. In the opinion of the directors, the fair values of the leasehold land and buildings were approximately the same as the carrying values of the respective assets at 31 March 2015.

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$26,201,000 (2014: HK$27,127,000 (restated)) as at 31 March 2015.

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 2015 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	–	–	**19,859**	**19,859**
Commercial properties	–	–	**34,407**	**34,407**
	–	–	**54,266**	**54,266**

	Fair value measurement as at 31 March 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000 (Restated)	Total HK$'000 (Restated)
Recurring fair value measurement for:				
Bus depots	–	–	20,784	20,784
Commercial properties	–	–	37,137	37,137
	–	–	57,921	57,921

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 (2014: Nil).

14. 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 2013	21,710	38,257	59,967
Additions	–	1,989	1,989
Depreciation	(926)	(2,961)	(3,887)
Disposals of subsidiaries	–	(118)	(118)
Exchange realignment	–	(30)	(30)
Carrying amount at 31 March 2014 and at 1 April 2014 (restated)	20,784	37,137	57,921
Additions	–	437	437
Depreciation	(925)	(3,111)	(4,036)
Disposals	–	(76)	(76)
Exchange realignment	–	20	20
Carrying amount at 31 March 2015	19,859	34,407	54,266

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$8,300 to HK$16,000
		Depreciation rate (p.a.)	2%
Commercial properties	Market comparison method	Price per square foot	HK$1,100 to HK$17,000

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

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

15. INVESTMENT PROPERTIES

	Group	
	2015	2014
	HK$'000	HK$'000
Carrying amount at 1 April	**26,040**	25,300
Acquisition of subsidiaries (note 38)	**11,400**	–
Net gain from a fair value adjustment	**2,160**	740
Carrying amount at 31 March	**39,600**	26,040

As at 31 March 2014, certain of the Group's investment properties with a carrying amount of HK$23,540,000 were pledged to secure banking facilities granted to the Group as set out in note 31 to the financial statements.

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

The Group's investment properties consist of an agricultural land, an industrial property and a car parking space in Hong Kong. The directors of the Company have determined that the investment properties consist of three classes of asset, i.e., agricultural land, industrial property and car parking space, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2015 based on valuations performed by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, at HK$39,600,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a) to the financial statements.

Fair value hierarchy

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

	Fair value measurement as at 31 March 2015 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	**–**	**–**	**12,300**	**12,300**
Industrial property	**–**	**–**	**24,600**	**24,600**
Car parking space	**–**	**–**	**2,700**	**2,700**
	–	**–**	**39,600**	**39,600**

15. INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy – continued

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

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

	Agricultural land HK$'000	**Industrial property** HK$'000	**Car parking space** HK$'000	**Total** HK$'000
Carrying amount at 1 April 2013	–	23,300	2,000	25,300
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	–	240	500	740
Carrying amount at 31 March 2014 and at 1 April 2014	–	23,540	2,500	26,040
Acquisition of subsidiaries (note 38)	11,400	–	–	11,400
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	900	1,060	200	2,160
Carrying amount at 31 March 2015	12,300	24,600	2,700	39,600

15. INVESTMENT PROPERTIES – CONTINUED

Fair value hierarchy – continued

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average) 2015	2014
Agricultural land	Market comparison method	Price per square foot	HK$90 to HK$660 (HK$490)	–
Industrial property	Market comparison method	Price per square foot	HK$10,500 to HK$12,500 (HK$11,000)	HK$10,000 to HK$11,000 (HK$10,000)
Car parking space	Market comparison method	Price per unit	HK$2,650,000 to HK$2,800,000 (HK$2,700,000)	HK$2,300,000 to HK$2,700,000 (HK$2,500,000)

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

16. PREPAID LAND LEASE PAYMENTS

	Note	Group 2015 HK$'000	2014 HK$'000 (Restated)
Carrying amount at 1 April		**65,611**	69,133
Additions		**–**	396
Recognised during the year		**(3,852)**	(3,827)
Exchange realignment		**162**	(91)
Carrying amount at 31 March		**61,921**	65,611
Current portion included in prepayments, deposits and other receivables	26	**(3,804)**	(3,794)
Non-current portion		**58,117**	61,817

At 31 March 2015, certain of the Group's leasehold land amounting to HK$12,048,000 (2014: HK$16,543,000 (restated)) were pledged to secure banking facilities granted to the Group as set out in note 31 to the financial statements.

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

	Group 2015 HK$'000	2014 HK$'000 (Restated)
Long term lease	**374**	381
Medium term leases	**61,547**	65,230
	61,921	65,611

17. GOODWILL

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Cost at beginning of year, net of accumulated impairment	**169,403**	187,104
Acquisition of subsidiaries (note 38)	**2,109**	–
Impairment during the year	**–**	(11,015)
Assets included in a disposal group classified as held for sale (note 40)	**–**	(6,686)
Carrying value at end of reporting period	**171,512**	169,403
At 31 March:		
Cost	**186,673**	184,564
Accumulated impairment	**(15,161)**	(15,161)
Net carrying amount	**171,512**	169,403

Impairment testing of goodwill and 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 group of cash-generating units; and
- Local limousine group of cash-generating units.

The recoverable amounts of the cash-generating units within the non-franchised bus group and the local limousine group have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period, which approximate to the average useful lives of motor buses and vehicles. The discount rate applied to the cash flow projections was 10.8% (2014: 5.8%). The growth rate used to extrapolate the cash flows of the non-franchised bus and the local limousine groups of cash-generating units was 3% (2014: 3%). The rate does not exceed the long term average growth rates for the relevant markets.

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

	Non-franchised bus		Local limousine		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**164,215**	162,106	**7,297**	7,297	**171,512**	169,403
Carrying amount of passenger service licences	**362,829**	345,509	**–**	–	**362,829**	345,509
Carrying amount of other intangible assets with indefinite useful lives	**195,682**	57,504	**–**	–	**195,682**	57,504

17. GOODWILL – CONTINUED

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

Assumptions were used in the value in use calculation of the non-franchised bus and the local limousine groups of cash-generating units for the years ended 31 March 2015 and 31 March 2014. 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.

18. PASSENGER SERVICE LICENCES

	Group	
	2015	2014
	HK$'000	HK$'000
Cost at beginning of year	**345,509**	320,709
Additions	**–**	24,800
Acquisition of subsidiaries (note 38)	**24,920**	–
Disposals	**(7,600)**	–
At 31 March	**362,829**	345,509
At 31 March:		
Cost and carrying amount	**362,829**	345,509

Passenger service licences are allocated to the non-franchised bus group of cash-generating units. Details of impairment testing are set out in note 17 to the financial statements.

19. OTHER INTANGIBLE ASSETS

Group	**Bus route operating rights HK$'000**	**Trade name HK$'000**	**Customer relationships HK$'000**	**Total HK$'000**
31 March 2015				
Cost at 1 April 2014, net of accumulated amortisation (restated)	**233,757**	**57,504**	**320**	**291,581**
Additions	**38,000**	**–**	**–**	**38,000**
Acquisition of subsidiaries (note 38)	**10,690**	**–**	**–**	**10,690**
Amortisation provided during the year	**(12,029)**	**–**	**(320)**	**(12,349)**
Exchange realignment	**107**	**–**	**–**	**107**
At 31 March 2015	**270,525**	**57,504**	**–**	**328,029**
At 31 March 2015:				
Cost	**357,361**	**57,504**	**959**	**415,824**
Accumulated amortisation	**(86,836)**	**–**	**(959)**	**(87,795)**
Net carrying amount	**270,525**	**57,504**	**–**	**328,029**

Group	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2014				
Cost at 1 April 2013, net of accumulated amortisation	215,792	57,504	639	273,935
Additions	46,593	–	–	46,593
Amortisation provided during the year	(25,786)	–	(319)	(26,105)
Assets included in a disposal group classified as held for sale (note 40) (restated)	(2,875)	–	–	(2,875)
Exchange realignment	33	–	–	33
At 31 March 2014 (restated)	233,757	57,504	320	291,581
At 31 March 2014:				
Cost (restated)	308,603	57,504	959	367,066
Accumulated amortisation (restated)	(74,846)	–	(639)	(75,485)
Net carrying amount (restated)	233,757	57,504	320	291,581

Certain bus route operating rights with indefinite useful lives and trade name are allocated to the non-franchised bus group of cash-generating units. Details of impairment testing are set out in note 17 to the financial statements.

20. INTERESTS IN SUBSIDIARIES

	Company 2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**771,933**	637,483
Capital contribution in respect of employee share-based compensation	**–**	25,856
	843,003	734,409

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued share/ registered capital	Percentage of equity interest attributable to the Company# 2015	2014	Principal activities
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$6,000	**100**	100	Investment holding
Chongqing Everbright International Travel Co., Ltd. 重慶光大國際旅行社有限公司*+	PRC/Mainland China	Renminbi ("RMB")5,000,000	**60**	60	Provision of tourism services
Chongqing Grand Hotel Co., Ltd. 重慶大酒店有限公司*+	PRC/Mainland China	RMB35,000,000	**60**	60	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	Ordinary HK$900	**100**	100	Leasing of properties and investment holding
Kwoon Chung Intercontinental Travel Company Limited	Hong Kong	Ordinary HK$1,200,000	**100**	100	Provision of limousine hire services
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	**100**	100	Provision of bus and travel-related services
Guangzhou New Era Express Bus Co., Ltd. 廣州市新時代快車有限公司*^+~	PRC/Mainland China	RMB20,000,000	**56**	56	Provision of bus and bus-related services
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding

20. INTERESTS IN SUBSIDIARIES – CONTINUED

Name	Place of incorporation/ registration and business	Issued share/ registered capital	Percentage of equity interest attributable to the Company# 2015	2014	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	Ordinary HK$1	**100**	100	Investment holding
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Lantau Tours Limited	Hong Kong	Ordinary HK$750,000	**100**	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited 理縣畢棚溝旅遊開發有限公司**+	PRC/Mainland China	RMB68,896,000	**51**	51	Development and management of a scenic area
New Lantao Bus Company (1973) Limited∞	Hong Kong	Ordinary HK$29,116,665	**99.99**	99.99	Provision of franchised bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Provision of bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Provision of coach hire and related management services
GFTZ Xing Hua International Transport Limited 廣州保税區興華國際運輸有限公司**+~	PRC/Mainland China	RMB15,000,000	**56**	56	Provision of bus and bus-related services
Trans-Island Limousine Service Limited∞	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$30,000,000	**100**	100	Provision of bus and travel-related services
Intercontinental Hire Cars Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of bus and travel-related services

20. INTERESTS IN SUBSIDIARIES – CONTINUED

Name	Place of incorporation/ registration and business	Issued share/ registered capital	Percentage of equity interest attributable to the Company# 2015	2014	Principal activities
Guangzhou City Zhongguan Consulting Services Company Limited 廣州市中貫諮詢服務有限公司*+	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
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	100	Investment holding
Chinalink Express Holdings Limited∞	Hong Kong	Ordinary HK$35,000,000	**100**	90	Investment holding
Chinalink Bus Company Limited	Hong Kong	Ordinary HK$2	**100**	90	Provision of bus and travel-related services
Vigor Tours Limited	Hong Kong	Ordinary HK$500,000	**75**	75	Provision local tour services and investment holding
Vigor Airport Shuttle Services Limited	Hong Kong	Ordinary HK$1,000,000	**75**	75	Provision of airport shuttle bus and motor vehicle hire services
Vigor Limousines Services Limited	Hong Kong	Ordinary HK$550,000	**75**	75	Provision of limousine hire services and investment holding
Hi Lee (Hong Kong) Transportation Company Limited	Hong Kong	Ordinary HK$800,000	**74.06**	74.06	Provision of limousine hire services
Peng Yun Transportation Enterprises Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	–	Provision of bus and travel-related services

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

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

** Limited companies established in the PRC

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

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

∞ Certain issued shares of these subsidiaries were pledged to secure banking facilities granted to the Group as at 31 March 2014.

~ The Group's interests in these subsidiaries were classified as a disposal group held for sale as at 31 March 2015 and 2014. Further details of which are set out in note 40 to the financial statements.

20. INTERESTS IN SUBSIDIARIES – CONTINUED

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.

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

	2015	2014
Percentage of equity interest held by non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries (collectively, the "Chinalink Group")*	**–**	10%
Chongqing Grand Hotel Co., Ltd.	**40%**	40%
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**49%**	49%

	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries*	**4,165**	3,956
Chongqing Grand Hotel Co., Ltd.	**(1,790)**	(1,931)
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**(11,018)**	(17,976)
Dividends paid to non-controlling interests:		
Chinalink Express Holdings Limited and its subsidiaries*	**1,516**	2,240
Accumulated balances of non-controlling interests at the reporting date:		
Chinalink Express Holdings Limited and its subsidiaries*	**–**	27,680
Chongqing Grand Hotel Co., Ltd.	**23,422**	25,150
Lixian Bipenggou Tourism Development Company Limited and its subsidiary	**4,715**	15,739

* During the current year, the Group acquired from Mr. Chan Chung Yee, Alan, the non-controlling shareholder of the Chinalink Group and a key management personnel of the Group, the remaining 10% equity interests in Chinalink Express Holdings Limited and Chinalink Transport Group Limited for an aggregate consideration of HK$45,000,000. Thereafter, the Chinalink Group became wholly-owned subsidiaries of the Group. The above disclosures in relation to the Chinalink Group were made for the period from 1 April 2014 up to the date of acquisition of the 10% non-controlling interests acquired by the Group.

Notes to Financial Statements

31 March 2015

20. INTERESTS IN SUBSIDIARIES – CONTINUED

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

2015	Chongqing Grand Hotel Co., Ltd. HK$'000	Lixian Bipenggou Tourism Development Company Limited and its subsidiary HK$'000
Revenue	26,293	80,331
Total expenses	(30,769)	(102,816)
Loss for the year	(4,476)	(22,485)
Other comprehensive income/(loss)	157	(14)
Total comprehensive loss for the year	(4,319)	(22,499)
Current assets	7,755	45,886
Non-current assets	101,298	370,307
Current liabilities	(51,308)	(406,571)
Non-current liabilities	–	–
Net cash flows from operating activities	7,689	78,973
Net cash flows from/(used in) investing activities	32	(69,216)
Net cash flows from/(used in) financing activities	(7,211)	27,509
Net increase in cash and cash equivalents	510	37,266

20. INTERESTS IN SUBSIDIARIES – CONTINUED

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

21. INTEREST IN A JOINT VENTURE

	Group	
	2015	2014
	HK$'000	HK$'000
Share of net assets	**160,982**	116,251
Impairment#	**–**	(21,168)
Asset classified as held for sale	**(160,982)**	–
	–	95,083
Due to a joint venture	**–**	(10,345)
	–	84,738

\# During the year, an impairment loss of HK$21,168,000 was reversed (2014: an impairment loss of HK$21,168,000 was recognised) in respect of the Group's interest in a joint venture due to the increase in the recoverable amount of the interest in the joint venture. As at 31 March 2015, the recoverable amount of the Group's interest in the joint venture of HK$176,671,000 (2014: HK$95,083,000) was determined based on a fair value less costs of disposal calculation with reference to a committed purchase price by an independent willing buyer (2014: a value in use calculation). The fair value measurement of the Group's interest in the joint venture in the current year is categorised within Level 2 of the fair value hierarchy. The discount rate applied in the value in use calculation in the prior year was 3.02%. The reversal of impairment loss (2014: impairment loss) is recorded within other expenses, net in the consolidated statement of profit or loss.

The amount due to a joint venture was unsecured, interest-free and fully repaid during the year.

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

				Percentage of		
Name	**Place of registration and business**	**Registered capital**	**Tenure**	**Voting power**	**Ownership interest and profit sharing**	**Principal activities**
Guangzhou City No.2 Public Bus Co., Ltd. 廣州市第二巴士有限公司 ("GZ2B")	PRC/Mainland China	HK$190,000,000	30 years expiring on 8 October 2024	40	40	Provision of bus services

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

On 18 March 2015, the Group entered into an equity transfer agreement (the "GZ Jumbo Agreement") with Guangzhou Jumbo Bus Company Limited 廣州珍寶巴士有限公司 ("GZ Jumbo Bus"), an independent third party, to dispose of all of its 40% equity interest in GZ2B, which is a Sino-foreign equity joint venture incorporated in Mainland China and is principally engaged in the urban bus business in Guangzhou, Mainland China, for a consideration of RMB170 million (approximately HK$212.5 million) (the "GZ Jumbo Transaction"). The completion of the GZ Jumbo Transaction is subject to certain terms and conditions, including among others, the approval of the GZ Jumbo Transaction by the board of directors of GZ2B within 60 days from the date of the GZ Jumbo Agreement. A deposit of RMB20 million (approximately HK$25 million) was received from GZ Jumbo Bus which was included in "accruals, other payables and deposits received" in the consolidated statement of financial position as at 31 March 2015.

21. INTEREST IN A JOINT VENTURE – CONTINUED

Subsequent to the end of the reporting period, on 12 May 2015, Guangzhou City No. 2 Public Bus Company 廣州市第二公共汽車公司 ("GZ2PB"), the 56.73% joint venture partner of GZ2B, notified the Group of its intention to exercise its right of first refusal in accordance with the right stipulated in the articles of association of GZ2B. On 29 June 2015, a termination agreement was entered into between the Group and GZ Jumbo Bus to terminate the GZ Jumbo Agreement whereby the Group refunded the deposit of RMB20 million and compensated RMB20 million to GZ Jumbo pursuant to the terms stipulated therein. On the same date, the Group entered into an equity transfer agreement with GZ2PB (the "GZ2PB Agreement") to dispose of the Group's entire 40% equity interest in GZ2B under the same terms and for the same consideration as the GZ Jumbo Transaction (the "GZ2PB Transaction"). The GZ2PB Transaction is expected to be completed before the end of 2015 and the gain on disposal, net of transaction costs, is estimated to be HK$15.7 million. The Group's interest in GZ2B as at 31 March 2015 was classified as an interest in a joint venture held for sale.

GZ2B, which is considered a material joint venture of the Group, acts as the Group's bus service operator in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of GZ2B as at 31 March 2014 adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014 HK$'000
Cash and cash equivalents	126,439
Other current assets	92,726
Current assets	219,165
Non-current assets	399,531
Financial liabilities, excluding trade and other payables and provisions	(71,811)
Other current liabilities	(239,574)
Current liabilities	(311,385)
Non-current financial liabilities, excluding trade and other payables and provisions	(69,603)
Net assets	237,708
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	40%
Group's share of net assets of the joint venture	95,083
Due to a joint venture	(10,345)
Carrying amount of the investment	84,738

	2014 HK$'000
Revenue	735,708
Interest income	2,305
Depreciation	(126,141)
Interest expenses	(8,868)
Income tax expense	(7,730)
Loss and total comprehensive loss for the year	(36,000)
Dividend received	6,507

22. INTERESTS IN ASSOCIATES

	Group 2015 HK$'000	Group 2014 HK$'000
Share of net assets	**214**	244
Due from an associate	**141**	141
	355	385

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2015	2014	Principal activities
All China Express Limited#	63 ordinary shares	Hong Kong	**36.26**	36.26	Provision of bus and travel-related services
China-HongKong Express Limited#	180,000 ordinary shares	Hong Kong	**39.56**	39.56	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
All China Express (Shen Xi) Limited*#	16 ordinary shares	Hong Kong	–	31.37	Provision of bus and travel-related services

* This associate was deregistered during the year.

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

22. INTERESTS IN ASSOCIATES – CONTINUED

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

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

	2015	2014
	HK$'000	HK$'000
Share of the associates' loss and total comprehensive loss for the year	**(30)**	(1)
Aggregate carrying amount of the Group's interests in the associates	**355**	385

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2015	2014
	HK$'000	HK$'000
Unlisted equity investment in Mainland China, at cost	**241**	240
Unlisted investment fund in Hong Kong, at fair value	**–**	18,233
	241	18,473

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

As at the end of the reporting period, an unlisted equity investment with a carrying amount of HK$241,000 (2014: HK$240,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$306,000 (2014: gross loss of HK$421,000).

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

24. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2015	2014
	HK$'000	HK$'000
Unlisted investment, at fair value	**14,882**	14,323

The unlisted investment as at 31 March 2015 was designated, upon initial recognition, as financial asset at fair value through profit or loss as it is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investment is provided on that basis to the Group's key management personnel.

As at 31 March 2015, the Group's unlisted investment with a carrying value of HK$14,882,000 (2014: HK$14,323,000) was pledged as security for the Group's banking facilities, as further detailed in note 31 to the financial statements.

25. TRADE RECEIVABLES

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Trade receivables	**150,352**	137,783
Impairment	**(3,970)**	(3,960)
	146,382	133,823

Included in the Group's trade receivables are amounts due from associates of HK$11,763,000 (2014: HK$8,647,000), which are repayable within 90 days.

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

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Within 30 days	**113,682**	97,826
31 to 60 days	**17,817**	21,731
61 to 90 days	**6,358**	8,501
Over 90 days	**8,525**	5,765
	146,382	133,823

25. TRADE RECEIVABLES – CONTINUED

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
At 1 April	**3,960**	3,968
Impairment losses recognised (note 7)	**3,677**	1,599
Amount written off as uncollectible	**(3,677)**	(1,599)
Exchange realignment	**10**	(8)
At 31 March	**3,970**	3,960

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$3,970,000 (2014: HK$3,960,000 (restated)) with a carrying amount before provision of HK$4,063,000 (2014: HK$4,054,000 (restated)). The individually impaired trade receivables relate to customers who were in financial difficulties.

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Neither past due nor impaired	**118,473**	104,227
Less than 1 month past due	**12,127**	16,293
1 to 3 months past due	**8,578**	9,771
Over 3 months past due	**7,111**	3,438
	146,289	133,729

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

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2015	2014	**2015**	2014
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(Restated)		
Prepayments		**41,906**	36,872	**222**	197
Prepaid land lease payments	16	**3,804**	3,794	**–**	–
Rental and other deposits		**61,222**	37,899	**–**	–
Deposits paid for purchases of items of property, plant and equipment		**61,089**	80,412	**–**	–
Deposits paid for acquisitions of equity investments		**–**	19,575	**–**	–
Due from joint venturers		**552**	371	**–**	–
Loan to a related party		**910**	1,040	**–**	–
Other receivables		**117,937**	100,001	**–**	–
		287,420	279,964	**222**	197
Impairment		**(30,105)**	(30,033)	**–**	–
		257,315	249,931	**222**	197
Less: Portion classified as non-current assets		**(114,813)**	(118,648)	**–**	–
Portion classified as current assets		**142,502**	131,283	**222**	197

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

The loan to a related party, a director of which is also a director of the Company, is unsecured, bears interest at 1% per annum and is repayable by 10 yearly instalments commencing from December 2012. The maximum amount outstanding during the year is HK$1,040,000.

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Reatated)
Neither past due nor impaired	**85,376**	59,514
Less than 1 month past due	**1,958**	2,280
1 to 3 months past due	**101**	1,933
Over 3 months past due	**1,859**	7,652
	89,294	71,379

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – CONTINUED

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
At 1 April	**30,033**	21,095
Impairment losses recognised (note 7)	**–**	9,129
Exchange realignment	**72**	(191)
At 31 March	**30,105**	30,033

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$30,105,000 (2014: HK$30,033,000 (restated)) with a carrying amount before provision of HK$30,105,000 (2014: HK$30,033,000 (restated)), of which the related debtors were in financial difficulties and the amount is not expected to be recovered.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
	Note	**2015**	2014	**2015**	2014
		HK$'000	HK$'000	**HK$'000**	HK$'000
			(Restated)		
Cash and bank balances		**564,815**	360,948	**8,680**	1,035
Time deposits		**37,280**	42,156	**–**	–
		602,095	403,104	**8,680**	1,035
Less: Pledged time deposits for bank loans	31	**(36,735)**	(15,723)	**–**	–
Cash and cash equivalents		**565,360**	387,381	**8,680**	1,035

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

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28. TRADE PAYABLES

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Current to 30 days	**43,617**	43,702
31 to 60 days	**9,483**	5,515
61 to 90 days	**4,218**	5,755
Over 90 days	**12,211**	10,378
	69,529	65,350

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

29. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Accruals and other payables	**256,205**	230,497	**7,747**	260
Deposits received	**20,041**	32,609	**–**	–
Deposits received for proposed disposals of subsidiaries and a joint venture	**36,562**	–	**–**	–
Traffic accident compensation payables	**50,417**	41,652	**–**	–
Payables for acquisitions of items of property, plant and equipment	**15,755**	8,916	**–**	–
Deferred revenue	**70,481**	85,447	**–**	–
Deferred income in respect of government subsidies received	**12,788**	8,869	**–**	–
Due to joint venturers	**16,482**	5,897	**–**	–
	478,731	413,887	**7,747**	260

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

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2015 Liabilities HK$'000	Group 2014 Liabilities HK$'000
Interest rate swap contracts	**12,175**	12,950

The Group entered into interest rate swap contracts to manage its interest rate exposure. At 31 March 2015, the Group had swap contracts in place with a total notional amount of HK$120,000,000 (2014: HK$122,500,000). These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The changes in the fair value of these non-hedging derivatives amounting to HK$775,000 (2014: HK$7,428,000) were credited to the consolidated statement of profit or loss during the year.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%) (Restated)	Maturity	HK$'000 (Restated)
Current						
Finance lease payables (note 32)	**3.30**	**2016**	**282**	3.30	2015	273
Bank loans – secured (note (a))	**2.87**	**2016-2020**	**1,136,739**	3.14	2015-2019	622,084
Bank loans – unsecured (note (a))	**2.22**	**2016-2018**	**66,365**	3.75	2015-2018	90,500
Other loan – unsecured	**–**	**2016**	**13,702**	–	2015	13,669
			1,217,088			726,526
Non-current						
Finance lease payables (note 32)	**3.30**	**2017-2018**	**467**	3.30	2016-2018	749
			1,217,555			727,275

31. INTEREST-BEARING BANK AND OTHER BORROWINGS – CONTINUED

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note (a))	**1,203,104**	712,584
Other borrowings repayable:		
Within one year	**13,984**	13,942
In the second year	**292**	283
In the third to fifth years, inclusive	**175**	466
	14,451	14,691
	1,217,555	727,275

Notes:

(a) Certain term loans of the Group with carrying amounts of HK$1,192,512,000 (2014: HK$701,166,000 (restated)) contain repayment on demand clauses. Accordingly, portions of the bank loans due for repayment after one year with carrying amounts of HK$903,184,000 (2014: HK$429,815,000 (restated)) have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

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

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Within one year	**289,328**	271,351
In the second year	**324,043**	178,359
In the third to fifth years, inclusive	**579,141**	251,456
	1,192,512	701,166

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

(i) the pledge of certain property, plant and equipment of HK$111,099,000 (2014: HK$172,128,000 (restated)) and prepaid land lease payments of HK$12,048,000 (2014: HK$16,543,000 (restated)) (notes 14 and 16);

(ii) the pledge of certain time deposits of HK$36,735,000 (2014: HK$15,723,000) (note 27);

(iii) the pledge of financial asset at fair value through profit or loss of HK$14,882,000 (2014: HK$14,323,000) (note 24);

(iv) the pledge of investment properties of HK$23,540,000, certain issued shares of certain subsidiaries indirectly held by the Company and an available-for-sale investment of HK$18,233,000 as at 31 March 2014 (notes 15, 20 and 23), which were released during the year; and

(v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$706,000,000 under debentures given by the Company as at 31 March 2014, which were released during the year.

(c) Except for bank loans of HK$94,350,000 (2014: HK$136,385,000 (restated)) and other loan of HK$13,702,000 (2014: HK$13,669,000) which are denominated in RMB and bank loans of HK$13,625,000 (2014: HK$14,175,000) 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 of HK$134,299,000 as at 31 March 2015 provided to certain subsidiaries of the Group by a bank (the "Bank"), the Group had not maintained certain financial covenants as specified in the corresponding bank facility letters during the year ended 31 March 2015. Subsequent to the end of the reporting period, on 9 June 2015, the Group received from the Bank a one-off waiver in writing on such financial covenants and the Bank did not demand for immediate payment of the outstanding balance.

32. FINANCE LEASE PAYABLES

The Group leases certain of its motor buses and vehicles for its transportation business. These leases are classified as finance leases and have remaining lease terms of three (2014: four) years.

At 31 March 2015, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2015 HK$'000**	Minimum lease payments 2014 HK$'000	**Present value of minimum lease payments 2015 HK$'000**	Present value of minimum lease payments 2014 HK$'000
Amounts payable:				
Within one year	**303**	303	**282**	273
In the second year	**303**	303	**292**	283
In the third to fifth years, inclusive	**176**	479	**175**	466
Total minimum finance lease payments	**782**	1,085	**749**	1,022
Future finance charges	**(33)**	(63)		
Total net finance lease payables	**749**	1,022		
Portion classified as current liabilities (note 31)	**(282)**	(273)		
Non-current portion (note 31)	**467**	749		

33. OTHER LONG TERM LIABILITIES

	Group	
	2015	2014
	HK$'000	HK$'000 (Restated)
Deferred income	**78,902**	30,835
Other liabilities	**985**	1,309
	79,887	32,144

Deferred income represents subsidies received from government authorities in respect of the replacement of environmental 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.

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34. DEFERRED TAX

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

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax liabilities/(assets) at 1 April 2013		111,683	(204)	24,340	2,596	(3,233)	(839)	134,343
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	(8,139)	(14)	(2,059)	(404)	2,360	(479)	(8,735)
Liabilities included in a disposal group classified as held for sale (restated)	40	(786)	–	–	–	–	–	(786)
Gross deferred tax liabilities/(assets) at 1 April 2014 and at 31 March 2014 (restated)		**102,758**	**(218)**	**22,281**	**2,192**	**(873)**	**(1,318)**	**124,822**
Acquisition of subsidiaries	38	**–**	**–**	**1,852**	**–**	**–**	**–**	**1,852**
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	**6,286**	**27**	**(1,153)**	**(451)**	**222**	**(723)**	**4,208**
Exchange differences		**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Gross deferred tax liabilities/(assets) at 31 March 2015		**109,043**	**(191)**	**22,980**	**1,741**	**(651)**	**(2,041)**	**130,881**

34. DEFERRED TAX – CONTINUED

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

	2015 **HK$'000**	2014 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**292**	366
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(131,173)**	(125,188)
	(130,881)	(124,822)

The Group has unrecognised tax losses in Mainland China of HK$48,959,000 (2014: HK$43,914,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 March 2015, there was no significant unrecognised deferred tax liability (2014: Nil).

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

35. SHARE CAPITAL

Shares	2015 HK$'000	2014 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
461,686,000 (2014: 421,006,000) ordinary shares of HK$0.10 each	**46,169**	42,101

The subscription rights attaching to 40,680,000 (2014: 10,400,000) share options were exercised at an average subscription price of HK$1.50 (2014: HK$0.95) per share (note 36), resulting in the issue of 40,680,000 (2014: 10,400,000) shares of HK$0.10 each for a total cash consideration, before expenses, of HK$60,843,000 (2014: HK$9,897,000).

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 36 to the financial statements.

36. SHARE OPTION SCHEMES

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

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

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

36. SHARE OPTION SCHEMES – CONTINUED

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

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

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

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

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

	2015		**2014**	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 April	**1.54**	52,000	1.44	62,600
Exercised during the year	**1.50**	(40,680)	0.95	(10,400)
Forfeited during the year	**1.93**	(2,530)	1.20	(200)
Cancelled during the year	**1.61**	(8,790)	–	–
At 31 March	**–**	–	1.54	52,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.30 per share (2014: HK$1.80 per share).

36. SHARE OPTION SCHEMES – CONTINUED

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

31 March 2014

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

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

The 40,680,000 share options exercised during the year resulted in the issue of 40,680,000 ordinary shares of the Company and new share capital of HK$4,068,000 and share premium of HK$77,466,000 (before issue expenses), as further detailed in note 35 to the financial statements.

At the end of the reporting period, the Company did not have any outstanding share options.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 47 to 48 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.

37. RESERVES – CONTINUED

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2013		536,421	70,770	28,257	814	636,262
Profit and total comprehensive income for the year		–	–	–	56,765	56,765
Issue of shares upon exercise of share options	35	9,179	–	(322)	–	8,857
Additional final 2013 dividend	12	–	–	–	(196)	(196)
Interim 2014 dividend	12	–	–	–	(8,408)	(8,408)
Proposed final 2014 dividend	12	–	–	–	(42,101)	(42,101)
At 31 March 2014 and at 1 April 2014		545,600	70,770	27,935	6,874	651,179
Profit and total comprehensive income for the year		**–**	**–**	**–**	**509,621**	**509,621**
Issue of shares upon exercise of share options	35	**77,466**	**–**	**(20,691)**	**–**	**56,775**
Transfer of share option reserve upon the forfeiture or cancellation of share options		**–**	**–**	**(7,244)**	**7,244**	**–**
Additional final 2014 dividend	12	**–**	**–**	**–**	**(4,068)**	**(4,068)**
Interim 2015 dividend	12	**–**	**–**	**–**	**(36,935)**	**(36,935)**
First special 2015 dividend	12	**–**	**–**	**–**	**(9,234)**	**(9,234)**
Second special 2015 dividend	12	**–**	**–**	**–**	**(369,349)**	**(369,349)**
Proposed final 2015 dividend	12	**–**	**–**	**–**	**(55,402)**	**(55,402)**
At 31 March 2015		**623,066**	**70,770**	**–**	**48,751**	**742,587**

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.

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

38. BUSINESS COMBINATION

On 16 June 2014, the Group acquired 100% equity interests in Peng Yun Transport Enterprises Company Limited, Shenzhen City Coach Transport Travel Services Co., Ltd. 深圳市汽運旅游服務有限公司 and Shenzhen City Peng Yun Transport Co., Ltd. 深圳市鵬運交通有限公司 (collectively, the "Peng Yun Group") from an independent third party for an aggregate consideration of HK$95,804,000 (the "Peng Yun Acquisition"). The Peng Yun Group is primarily engaged in the provision of cross-boundary passenger and cargo transportation services between Hong Kong and Mainland China.

The acquisition was made as part of the Group's strategy to expand its market share of cross-boundary passenger transportation services. Accordingly, it is the Group's strategic plan to dispose of the cargo transportation operation and certain assets of the Peng Yun Group, which were not related to cross-boundary passenger transportation services, after the completion of the Peng Yun Acquisition.

The aggregate fair values of the identifiable assets and liabilities of the Peng Yun Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition HK$'000**
Property, plant and equipment	14	532
Investment property	15	11,400
Passenger service licences	18	24,920
Other intangible assets	19	10,690
Trade receivables		61
Prepayments, deposits and other receivables		191
Cash and cash equivalents		19,248
Other non-current assets held for sale*		29,665
Accruals, other payables and deposits received		(958)
Tax payable		(202)
Deferred tax liabilities	34	(1,852)
Total identifiable net assets at fair value		93,695
Goodwill on acquisition	17	2,109
Satisfied by cash		95,804

* Subsequent to the acquisition of the Peng Yun Group, the Group disposed of certain other non-current assets held for sale with an aggregate carrying amount of HK$28,915,000 to independent third parties for an aggregate consideration of HK$28,915,000. As at 31 March 2015, an aggregate unpaid consideration receivable of HK$14,253,000 from such disposals was included in "prepayments, deposits and other receivables" in the consolidated statement of financial position. As at 31 March 2015, the remaining other non-current asset held for sale represented a property held for sale with a carrying amount of HK$750,000.

38. BUSINESS COMBINATION – CONTINUED

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$61,000 and HK$40,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$61,000 and HK$40,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK$262,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of the Peng Yun Group is as follows:

	HK$'000
Cash considerations	(95,804)
Cash and cash equivalents acquired	19,248
Deposits paid	19,575
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(56,981)
Transaction costs of the acquisition included in cash flows from operating activities	(262)
	(57,243)

Since the acquisition, the Peng Yun Group did not have contribution to the Group's turnover and contributed loss of HK$1,095,000 to the consolidated profit of the Group for the year ended 31 March 2015.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$2,365,379,000 and HK$379,776,000, respectively.

39. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2014

During the year ended 31 March 2014, the Group had the following transactions for disposal of subsidiaries:

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

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

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

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

39. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2014 – continued

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

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

40. DISPOSAL GROUP HELD FOR SALE

On 27 March 2015, the Group entered into two equity transfer agreements with Guangzhou Anxun Tianyu Asset Management Co., Ltd. 廣州安迅天宇資產管理有限公司, an independent third party, to dispose of the Group's entire 56% equity interests in GZ New Era and GZ Xing Hua for an aggregate consideration of RMB28 million (approximately HK$35.0 million) (the "Anxun Transactions"). The businesses of GZ New Era and GZ Xing Hua were included in the Mainland China bus operating segment. An aggregate deposit of RMB9.24 million (approximately HK$11.6 million) was received by the Group and was included in "accruals, other payables and deposits received" in the consolidated statement of financial position as at 31 March 2015. The Anxun Transactions were completed in April 2015. Accordingly, the assets and liabilities of GZ New Era and GZ Xing Hua were classified as a disposal group held for sale as at the end of the reporting period.

40. DISPOSAL GROUP HELD FOR SALE – CONTINUED

The major classes of assets and liabilities of GZ New Era and GZ Xing Hua classified as held for sale as at 31 March 2015 and 31 March 2014 are as follows:

	2015 HK$'000
Assets	
Property, plant and equipment	**32,551**
Goodwill	**6,686**
Other intangible assets	**2,882**
Inventories	**824**
Trade receivables	**10,998**
Prepayments, deposits and other receivables	**3,745**
Cash and cash equivalents	**23,597**
Assets classified as held for sale	**81,283**
Liabilities	
Trade payables	**(1,230)**
Accruals, other payables and deposits received	**(7,701)**
Tax payable	**(4,726)**
Deferred tax liabilities	**(788)**
Liabilities directly associated with the assets classified as held for sale	**(14,445)**
Net assets directly associated with the disposal group	**66,838**
Exchange equalisation reserve	**7,996**

	Notes	2014 HK$'000 (Restated)
Assets		
Property, plant and equipment	14	25,328
Goodwill	17	6,686
Other intangible assets	19	2,875
Inventories		734
Trade receivables		9,051
Prepayments, deposits and other receivables		4,416
Restricted cash		624
Cash and cash equivalents		49,921
Assets classified as held for sale		99,635
Liabilities		
Trade payables		(1,084)
Accruals, other payables and deposits received		(13,413)
Tax payable		(4,308)
Deferred tax liabilities	34	(786)
Liabilities directly associated with the assets classified as held for sale		(19,591)
Net assets directly associated with the disposal group		80,044
Exchange equalisation reserve		7,973

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the prior year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,263,000.

42. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK$1,291,988,000 (2014: HK$1,509,947,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 31 March 2015, the banking facilities granted to the subsidiaries subject to guarantees and debentures given to the banks by the Company were utilised to the extent of approximately HK$1,132,705,000 (2014: HK$620,335,000).

At the end of the reporting period, the Group had no significant contingent liabilities (2014: Nil).

43. 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.

At 31 March 2015, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**9,666**	3,891
In the second to fifth years, inclusive	**17,396**	7,103
After five years	**361**	1,193
	27,423	12,187

(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 5 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.

At 31 March 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**61,093**	45,234
In the second to fifth years, inclusive	**77,584**	47,790
After five years	**3,123**	5,489
	141,800	98,513

Notes to Financial Statements

31 March 2015

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	**172,456**	161,294
Capital contribution to a subsidiary	**5,000**	5,000
Construction of bus terminal structures	**2,830**	66,291
	180,286	232,585

At the end of the reporting period, the Company had no significant commitments (2014: Nil).

45. 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 31 to the financial statements.

46. RELATED PARTY TRANSACTIONS

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

		Group	
		2015	2014
	Notes	**HK$'000**	HK$'000
Coach rental income and administrative service income from associates	(i)	**100,336**	97,132
Bus washing charges paid to a former related company	(ii), (iii)	**–**	216
Purchases of fuel from former related companies	(ii), (iii)	**–**	25,202
Rental and related expenses paid to a former related company	(iv)	**–**	5,667
Purchase of motor vehicles with passenger service licences from a former related company	(v)	**–**	28,000

46. RELATED PARTY TRANSACTIONS – CONTINUED

(a) – continued

Notes:

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

(ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a former shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group for the Group's own consumption. There were several subsequent renewals of the agreement. Commencing on 1 August 2012 and 1 May 2013, the monthly bus washing charge was increased to HK$17,260 and HK$18,010, respectively. The aggregate fee related to bus washing services was HK$216,000 in the prior year. The aggregate purchases of fuel from NWFB amounted to HK$11,655,000 in the prior year.

(iii) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company, entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a former shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB for NLB's own consumption. There were several subsequent renewals of the agreement. Commencing on 1 July 2010, the refuelling charge was determined at a fixed rate of HK$0.65 per litre for the total quantity of fuel refuelled and the bus washing charge was determined at a fixed rate of HK$18.3 per vehicle. Commencing on 1 July 2012, the bus washing charge was increased to HK$20 per vehicle and commencing on 1 May 2013, the refuelling charge was increased to HK$0.72 per litre. No bus washing services were provided by CTB during the current and prior years. The aggregate purchases of fuel from CTB amounted to HK$13,547,000 in the prior year.

(iv) On 9 March 2005, the Company entered into a tenancy agreement with NWFB for the lease of office premises. There were several subsequent renewals of the agreement. Commencing on 1 January 2013, the total monthly charge was determined at HK$408,000. The total rental and related expenses paid by the Group amounted to HK$5,667,000 in the prior year.

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

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

	Group	
	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**51,915**	37,419
Post-employment benefits	**1,521**	1,825
	53,436	39,244

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

In the prior year, the related party transactions in respect of items (a) (ii), (iii) and (iv), and that in respect of item (a)(v) above also constituted continuing connected transactions and connected transaction respectively, as defined in Chapter 14A of the Listing Rules.

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2015

Financial assets

	Financial asset at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial investments HK$'000	Total HK$'000
Due from an associate	–	141	–	141
Available-for-sale investment	–	–	241	241
Financial asset at fair value through profit or loss	14,882	–	–	14,882
Trade receivables	–	146,382	–	146,382
Financial assets included in prepayments, deposits and other receivables	–	150,516	–	150,516
Pledged time deposits	–	36,735	–	36,735
Cash and cash equivalents	–	565,360	–	565,360
	14,882	899,134	241	914,257

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	–	69,529	69,529
Financial liabilities included in accruals, other payables and deposits received	–	196,162	196,162
Derivative financial instruments	12,175	–	12,175
Interest-bearing bank and other borrowings	–	1,217,555	1,217,555
Financial liabilities included in other long term liabilities	–	985	985
	12,175	1,484,231	1,496,406

47. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

Group – 2014

Financial assets

	Financial asset at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000 (Restated)	Available-for-sale financial investments HK$'000	Total HK$'000 (Restated)
Due from an associate	–	141	–	141
Available-for-sale investments	–	–	18,473	18,473
Financial asset at fair value through profit or loss	14,323	–	–	14,323
Trade receivables	–	133,823	–	133,823
Financial assets included in prepayments, deposits and other receivables	–	109,278	–	109,278
Pledged time deposits	–	15,723	–	15,723
Cash and cash equivalents	–	387,381	–	387,381
	14,323	646,346	18,473	679,142

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000 (Restated)	Total HK$'000 (Restated)
Due to a joint venture	–	10,345	10,345
Trade payables	–	65,350	65,350
Financial liabilities included in accruals, other payables and deposits received	–	147,113	147,113
Derivative financial instruments	12,950	–	12,950
Interest-bearing bank and other borrowings	–	727,275	727,275
Financial liabilities included in other long term liabilities	–	1,309	1,309
	12,950	951,392	964,342

47. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

Company

Financial assets

	Loans and receivables	
	2015	2014
	HK$'000	HK$'000
Bank balances	**8,680**	1,035
Due from subsidiaries	**771,933**	637,483
	780,613	638,518

Financial liabilities

	Financial liabilities at amortised cost	
	2015	2014
	HK$'000	HK$'000
Accruals and other payables	**7,747**	260

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, 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, balances with a joint venture and associates, interest-bearing bank and other borrowings and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of an unlisted available-for-sale investment fund in Hong Kong is based on quoted market prices. The fair value of an unlisted investment included in financial asset at fair value through profit or loss has been estimated using a valuation technique which incorporates various market observable inputs including quoted prices. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in the consolidated statement of profit or loss, is reasonable, and that it was the most appropriate value at the end of the reporting period.

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

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

Fair value hierarchy

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

Assets measured at fair value:

Group

As at 31 March 2015

	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**
Financial asset at fair value through profit or loss	**–**	**14,882**	**–**	**14,882**

As at 31 March 2014

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

The Company did not have any financial asset measured at fair value as at 31 March 2015 and 2014.

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 (2014: Nil).

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

Fair value hierarchy – continued

Liabilities measured at fair value:

Group

As at 31 March 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**–**	**12,175**	**–**	**12,175**

As at 31 March 2014

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

The Company did not have any financial liability measured at fair value as at 31 March 2015 and 2014.

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 (2014: Nil).

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2015 and 2014 would have decreased/increased the Group's profit before tax by HK$5,476,000 and HK$2,810,000, respectively. For RMB floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2015 and 2014 would have decreased/increased the Group's profit before tax by HK$438,000 and HK$648,000 (restated), respectively. For United States dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2015 and 2014 would have decreased/increased the Group's profit before tax by HK$68,000 and HK$71,000, respectively.

For the interest rate swaps, a 50 basis point increase/decrease in interest rates at 31 March 2015 would have decreased the Group's profit before tax by HK$830,000 (2014: HK$808,000) and increased the Groups's profit before tax by HK$3,114,000 (2014: HK$6,783,000), respectively.

49. 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$224,759,000 (2014: HK$203,012,000 (restated)). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

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

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**
	%	**HK$'000**
2015		
If Hong Kong dollar weakens against RMB	**5%**	**5,371**
If Hong Kong dollar strengthens against RMB	**5%**	**(5,371)**
2014		
If Hong Kong dollar weakens against RMB	5%	3,543
If Hong Kong dollar strengthens against RMB	(5%)	(3,543)

Credit risk

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

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, pledged time deposits, an amount due from an associate, available-for-sale investments, financial asset at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees and debentures, further details of which are disclosed in note 42 to the financial statements.

49. 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:

Group

	2015				
	No fixed terms of repayment/ on demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	30,525	38,944	60	–	69,529
Financial liabilities included in accruals, other payables and deposits received	81,167	105,033	9,962	–	196,162
Derivative financial instruments	–	12,175	–	–	12,175
Interest-bearing bank and other borrowings (note)	1,210,554	76	6,967	479	1,218,076
Financial liabilities included in other long term liabilities	–	–	–	985	985
	1,322,246	156,228	16,989	1,464	1,496,927

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk – continued

Group

	2014				
	No fixed terms of repayment/ on demand HK$'000 (Restated)	Less than 3 months HK$'000 (Restated)	3 to less than 12 months HK$'000 (Restated)	1 to 5 years HK$'000 (Restated)	Total HK$'000 (Restated)
Due to a joint venture	10,345	–	–	–	10,345
Trade payables	22,404	40,768	2,178	–	65,350
Financial liabilities included in accruals, other payables and deposits received	57,956	76,324	12,833	–	147,113
Derivative financial instruments	–	12,950	–	–	12,950
Interest-bearing bank and other borrowings (note)	719,165	76	7,793	782	727,816
Financial liabilities included in other long term liabilities	–	–	–	1,309	1,309
	809,870	130,118	22,804	2,091	964,883

Note:

Included in the above interest-bearing bank and other borrowings are term loans with carrying amounts of HK$1,192,512,000 (2014: HK$701,166,000 (restated)). The loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause and the non-compliance with certain financial covenants of certain bank borrowings as disclosed in note 31 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 loans which contain a repayment on-demand clause, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 March 2015	79,055	242,587	951,781	1,273,423
As at 31 March 2014 (restated)	125,850	163,470	448,609	737,929

The maturity profile of the Company's financial liabilities, and guarantees and debentures given to banks in connection with facilities granted to subsidiaries in an amount of HK$1,299,735,000 (2014: HK$620,595,000) as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 3 months.

Notes to Financial Statements

31 March 2015

49. 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2014.

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 78.6% (2014: 44.7% (restated)), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$1,217,555,000 (2014: HK$727,275,000 (restated)) over the total equity of HK$1,550,008,000 (2014: HK$1,625,437,000).

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 2015, the net current liabilities of the Group of approximately HK$645,707,000 (2014: HK$491,547,000 (restated)) 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.

50. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in the financial statements, the Group had the following significant events after the reporting period:

(a) On 2 January 2015, the Group entered into an equity transfer agreement with an independent third party to acquire a 60% equity interest in DMC Hong Kong Limited ("DMC") for a consideration of HK$1, plus a contingent consideration which is dependent on future financial performance of DMC for a maximum period of 3 consecutive years starting from the year ending 31 March 2016. DMC is primarily engaged in the provision of travel services. The transaction was completed in April 2015.

(b) On 5 June 2015, the Group entered into an equity transfer agreement with independent third parties to acquire 100% equity interests in Parklane Limousine Service Limited and Airport Shuttle Services Limited (the "Parklane Group") for a consideration of HK$35 million. The Parklane Group is primarily engaged in the provision of local limousine hire services. The transaction was completed in June 2015.

Because the above acquisitions were effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about these acquisitions.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2015.