KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

Carrying you with our Heart

Annual Report
2011/12

We provide

reliable, safe,
affordable and comfortable

transportation services to our customers.

Contents

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

Corporate Information

EXECUTIVE DIRECTORS

Mr. WONG Chung Pak, Thomas *(Chairman)*
Mr. WONG Leung Pak, Matthew
(Chief Executive Officer and Managing Director)
Mr. WONG Wing Pak *(Senior Executive Director)*
Mr. CHENG Wai Po, Samuel
Mr. CHUNG Chak Man, William
Mr. CHENG King Hoi, Andrew
Mr. NG King Yee
Mr. CHAN Yu Kwong, Francis
Mr. MOK Wah Fun, Peter

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

REMUNERATION COMMITTEE

Mr. WONG Chung Pak, Thomas *(Chairman)*
Mr. WONG Leung Pak, Matthew
Mr. CHAN Bing Woon, SBS, JP
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

COMPANY SECRETARY

Mr. CHAN Kwok Kee, Andy

AUTHORISED REPRESENTATIVES

Mr. WONG Chung Pak, Thomas
Mr. WONG Leung Pak, Matthew

AUDITORS

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PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
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PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
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HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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SHARE LISTING

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

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Corporate Profile

When the late Mr. Wong Kwoon Chung launched a car cleaning service in 1948, he would not have envisaged that Kwoon Chung Bus Holdings Limited and its subsidiaries (the "Group") would become one of the largest, if not already the largest, non-franchised bus operators in Hong Kong. The expansion in Mainland China can also be described as dramatic. Today, the Group has operations in several cities and locations in Mainland China.

The growth of the Group reflects the typical industrious and innovative nature of the free market entrepreneurship that helps to make Hong Kong one of the most competitive cities in the world. After over half a century of development, the Group has made its name in the transport history of Hong Kong as a comprehensive bus service provider.

The Group has made its strong presence in student services, and is regarded as the leading school bus service operator. It is also well positioned in resident and employee 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 network has extended to the Hong Kong International Airport ("HKIA") at Chek Lap Kok since 1998. The acquisitions of Tai Fung Coach Company Limited and Trade Travel (Hong Kong) Limited in April 1997 have enabled the Group to become the largest provider — in terms of bus fleet size — of tour buses and coaches to hotels and tour operators in Hong Kong.

New Lantao Bus Company (1973) Limited, a subsidiary of the Group, is the franchised bus operator in Lantau Island. Another subsidiary, Lantau Tours Limited, is the major tour service provider in Lantau Island that offers a wide range of travel packages, covering the new and old sceneries of Lantau.

In September 1999, First Action Developments Limited (a 100% owned subsidiary of NWS Transport Services Limited) acquired approximately 20% (now approximately 28.89%) of the issued share capital of the Company and became the Group's strategic partner. The Group has benefited from the valuable experiences of its new partner in bus fleet management and human resources utilisation.

In November 2003, the Group acquired 100% shares of Trans-Island Limousine Service Limited ("TIL") and all its subsidiaries and CJVs in Hong Kong and Mainland China. TIL is a non-franchised bus operator with a fleet of over 250 buses. Its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of about 230 operating limousines. A portion of the above fleet of vehicles has service licences for cross-border passenger services. In addition, TIL operates a number of service counters at the passenger terminal of the HKIA and Shenzhen Baoan International Airport. Synergy can be achieved to strengthen the Group's operations in the provision of tour, hotel, limousine and cross-border bus services, both in Hong Kong and Mainland China. Since August 2004, a new mode of cross-border bus service has been developed, with a network of six routes operating a 24-hour service between Huanggang of Shenzhen and designated locations in Hong Kong. The Group, through its associated company — All China Express Limited — succeeded in the bidding of three of the above routes. The number of passengers has remained steady.

In August 2004, the Group also acquired a 50% shareholding of GoGo TIL (Cross Border) Transportation Services Co. Ltd. ("GoGo TIL"), which provides cross-border bus services mainly to Taiwanese travellers for routes between the HKIA and various locations in Guangdong Province. The Group's shareholding had increased to 92.3% since early 2006. In order to unify the management, all business of GoGo TIL was transferred to TIL subsequently.

Besides Hong Kong, since 1992, the Group has been trying to realise its vision of the enormous bus transport market in Mainland China, though the path is arduous. After a series of restructuring, the previous co-operative joint venture in Guangzhou, was transformed into a 40% owned equity joint venture ("EJV"), namely Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B") on 1 January 2008, which operates mainly intra-city bus services in Guangzhou Municipal.

Corporate Profile

The Group envisages that domestic, inbound and outbound travel business in Mainland China will grow at speed. The entrance into this market will be beneficial to the Group's existing tour bus business, both in Mainland China and in Hong Kong. The Group may also utilize its bus operation network in Mainland China to advance the development of its travel business, which is expected to become one of the major business of the Group for business diversification. Accordingly, in June 2000, the Group acquired a 60% equity interest in Chongqing Tourism (Group) Co. Ltd., which now together with its group companies operate a hotel, a travel agency company and a tour bus company. The travel agency company — Chongqing Everbright International Travel Service Co. Ltd. — originally holds domestic and inbound travel business licences in Mainland China. In 2002, two years after the Group's acquisition, the company has been granted an outbound travel business licence by the National Tourism Administration Bureau of China. The award has been made at the recommendation of the local Tourism Administration Bureau, in recognition of the company's good record in the expansion of its business and its achievement of various standards set by the relevant authorities. There are only 13 out of over 200 travel agency companies in Chongqing that have been granted this competitive licence. This success further enhances the Group's diversification into the travel business industry in Mainland China.

In October 2002, the Group acquired a 75% equity interest in Top China International Investment Holdings Limited, which held a 70% effective equity interest in GFTZ Xing Hua Tourism Bus Co., Ltd. ("XH Tourism Bus"), and GFTZ Xing Hua International Transport Ltd ("XH International Transport"). These two subsidiaries operated a number of intra-city and long-distance bus routes in Guangzhou respectively. The Group has conducted a feasibility study on this investment and found that Guangzhou and its vicinity, as the hub of the fast growing Greater Pearl River Delta, have great potential for development because of its extending network of roads and the notable reduction in the number of bicycle users. To enlarge our market presence, the Group further acquired a 56% equity interest in Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era") in December 2004. This subsidiary operates a fleet of around 20 buses for 5 long-distance bus routes in Guangdong Province. In January 2008, the intra-city bus business of XH Tourism Bus was merged with GZ2B and in April 2008, GZ New Era had acquired the Group's 100% equity interest in XH International Transport.

In August 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. This subsidiary holds a bus terminal, with around 100 routes and a fleet of around 280 buses, and operates long-distance bus services mainly within Hubei Province, which is located in the central region of Mainland China. In the opinion of the Group, this bus terminal and long-distance bus operation, with its geographical advantage, should have promising potential for future development.

In November 2006, the Group acquired 51% equity interest in Lixian Bipenggou Tourism Development Co., Ltd. after dilution of the original equity interests of the other two equity holders by the capital injection of approximately RMB35 million into this EJV. The local government has granted this subsidiary the right to develop a vast and distinctive scenic site called Miyaluo, in Sichuan Province for 50 years, in which "Bipenggou" is the first scenic spot being developed. The total area of the scenic site of Miyaluo is approximately 613.8 sq.km. Bipenggou is only about 200 km away from Chengdu city. This journey distance would be shortened to about 175 km, once the new highway network will be completed by the local government. The goal of the subsidiary is to develop scenic spots for 'eco-tourism', leisure, business and incentive tours. The major income will be the entrance fee from tourists visiting these scenic spots. This project is at a development stage and the number of visitors is expected to increase at speed after official opening of the scenic spots. However, due to the catastrophic earthquake occurred in Sichuan Province on 12 May 2008, this project development has been involuntarily delayed. The Group will re-plan the development in line with the reconstruction plan of the whole Sichuan tourist areas by the local government.

In April 2011, the Group through TIL, acquired 100% equity interest in Elegant Sun Group Limited and 90% effective equity interest in Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively "Chinalink"). Chinalink is a renowned cross-boundary bus operator in the market and it carries a fleet of more than 70 buses with relevant passenger service licenses and cross-boundary coach quota rights. It mainly runs various long-haul routes, routes servicing the Shenzhen Baoan International Airport, and the route between Huanggang Port at Shenzhen and Tsuen Wan. It also holds a travel agency, which mainly sells bus tickets, air tickets and related travel packages.

Corporate Profile

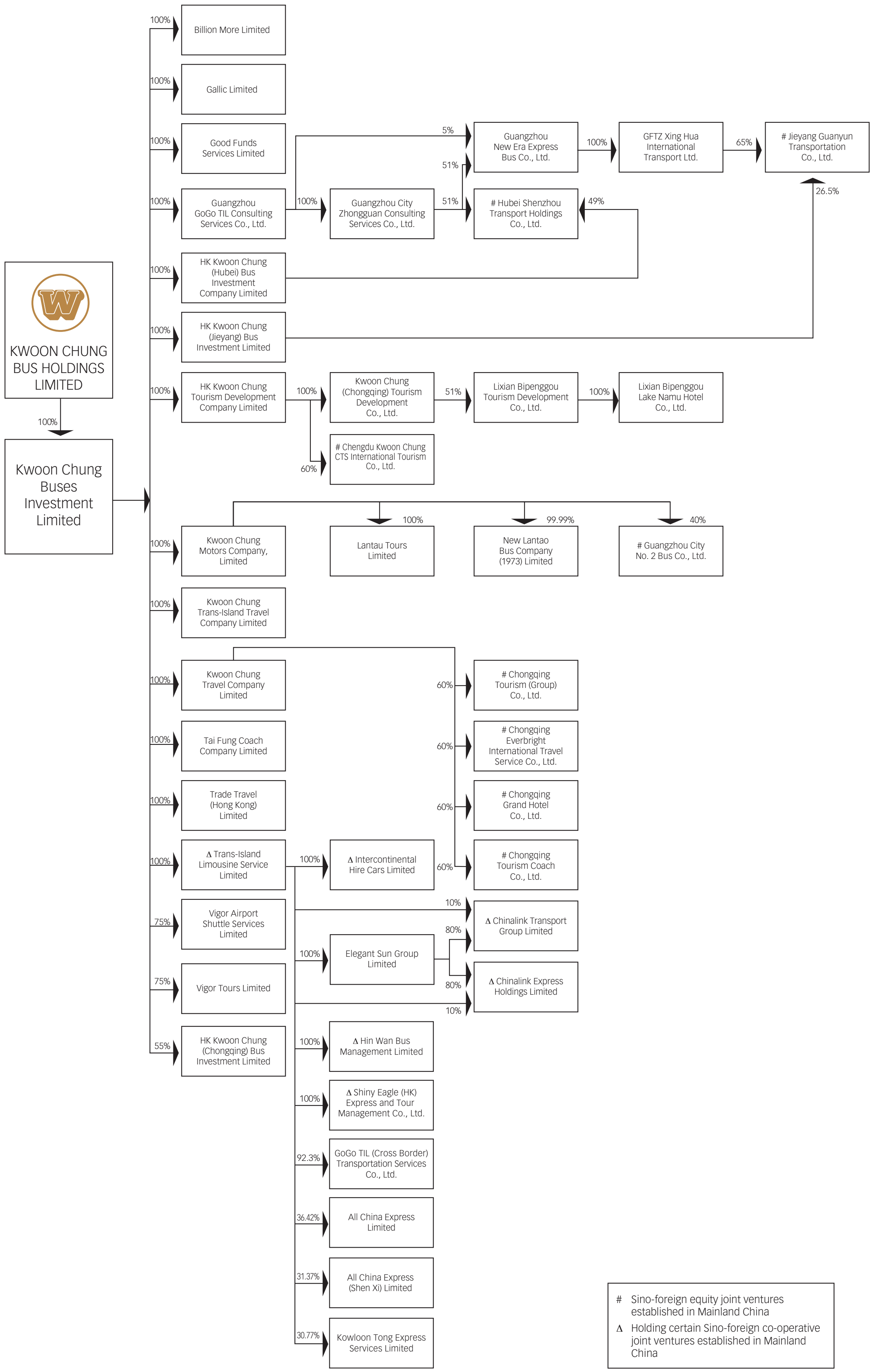
In December 2011, the Group also through TIL, acquired 100% equity interest in six Hin Wan list of companies (collectively "Hin Wan"). Hin Wan is also a renowned cross-boundary bus operator with a fleet of more than 40 buses with certain passenger service licences and cross-boundary coach quota rights. It mainly runs the Zhongshan route, the route between Huanggang Port at Shenzhen and Tsuen Wan, and certain cross-boundary school bus services. It also holds a travel agency licence.

The acquisition of Chinalink and Hin Wan has added significant synergy to the Group's current cross-boundary operations and has amplified the Group's market share in this strategic core business.

Given the enormous and fast developing market, particularly in Mainland China, the Group has full confidence in its future growth in various businesses.

Corporate Structure

31 March 2012



Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2012.

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$103 million. This was a decrease of approximately 15% from that for the previous year of approximately HK$120 million. This decrease was primarily due to: (1) an average increase of salary by 5%; (2) an increase of fuel cost by about 40%; (3) an aggregate provision of about HK$55 million for the issue of share options, an interest rate swap contract, and receivables of Hubei Shenzhou; and (4) during the year, the Group continued to meet various challenges posed by the business environments in Hong Kong and Mainland China. In general, the public bus industry in both Hong Kong and Mainland China had to break path and make headway amid intense competitions posed by the growing transport networks of mass transit systems such as rail and subways.

Nevertheless, the Group still maintained a substantial profit, which is the result of: (1) the rise in profit of the non-franchised transport operations; (2) the continued profit position of the franchised bus operations; (3) an exceptional gain on disposal (net of non-controlling interests) of HK$46 million from the sale of Chongqing public bus operations. The Group's results will be discussed in detail under the sections headed "Review of Operations" and "Future Prospects" below.

DIVIDENDS

The directors resolved not to pay any final dividend (2011: HK2 cents per ordinary share) in respect of the year.

REVIEW OF OPERATIONS

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group included transport services for students, employees, residents, tours and hotels, and the Mainland China/Hong Kong cross-boundary and contract hire services.

The total turnover of this sector for the year was approximately HK$1,361 million (2011: HK$1,073 million), representing an increase of approximately 26.8% from that of prior year. In terms of the size of the bus fleet, the Group continued to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2012, the fleet comprised 981 (2011: 851) non-franchised licensed buses.

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

Trans-Island Limousine Service Limited ("TIL"), a wholly-owned subsidiary of the Group, participated in the joint ventures ("JV") with fellow cross-boundary bus operators in providing three fixed, short-trip, and 24-hour operating routes between Huanggang in Shenzhen and Mongkok/Wanchai/Kam Sheung Road of Hong Kong. TIL also operated regular cross-boundary bus routes between Hong Kong and various cities in Mainland China, mostly within Guangdong Province. The routes via the Huanggang Port experienced intense competition, especially with the Lok Ma Chau Spur Line operated by the MTR, which has advantage in connecting with the subway system and the feeder transport services to other areas of Shenzhen.

TIL continued to operate high-end cross-boundary bus and limousine services between the Hong Kong International Airport ("HKIA") and Dongguan/Guangzhou, mostly for Taiwanese travelers in previous years, and now also for local Chinese and overseas users. A number of fixed routes were diverted to use the Kong Shen Western Corridor via the Shenzhen Bay Port to take advantage of the smoother traffic on this crossing and the convenience of the one-spot-for-two immigration procedure being implemented there. A number of service counters were maintained at the Passenger Terminal Building of HKIA by TIL for its Airport Hotelink and limousine services.

During the year, the Group has acquired three fellow operators: Shiny Eagle Group, 90% equity interest of Chinalink Group, and 991 Group. The acquisitions have strengthened the Group's 'Fly-via Shenzhen', cross boundary student and other long distance cross boundary fixed routes.

Overall, the Group was conscientious in maintaining cost-efficiency through various means, including effective planning, organization and rationalization of routes, and maximization of human resources and the Group's large fleet of buses.

The restraint exercised by the Hong Kong SAR Government ("the Government") in permitting the new registration of non-franchised public buses has been effective in keeping at bay the unwholesome growth of such buses. In general, the Group is in favor of this direction. However, excessive and unwarranted regulations and control by the Government could produce restrictions that would harm than help promote diversity and flexibility of services that the non-franchised bus sector was able to provide. The Group earnestly believes that the non-franchised bus sector has a long-standing and proud history, and the contributions and capability of this sector in serving the general public should not be underestimated. Through membership in the Public Omnibus Operators Association and active participation by a number of its subsidiaries, the Group has continued to reflect the industry's concern to the Government in a responsible manner.

2. Franchised Bus Services in Hong Kong

The Group's franchised bus services in Hong Kong were operated by New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group. As at 31 March 2012, NLB was operating 23 (2011: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 104 (2011: 98) buses. The total turnover of NLB for the year was approximately HK$132.6 million (2011: HK$116.4 million), and it recorded a net profit of approximately HK$9.3 million (2011: HK$8.2 million).

The NLB bus route (B2) servicing Yuen Long-Shenzhen Bay Port and route (B2P) serving Tin Shui Wai — Shenzhen Bay Port have produced profit.

Route 38, a shuttle bus service within Tung Chung New Town, was still the most profitable route. Nonetheless, as the intake of population to Tung Chung has gradually saturated, the growth of this route is also going to be constrained. Moreover, a large majority of bus routes operated by NLB is still at losses, so NLB has to work closely with Transport Department and local community to rationalize some of these loss making routes.

3. Other Transportation Services in Hong Kong

The Group's subsidiaries, namely, Trade Travel (Hong Kong) Limited, TIL, and Vigor Airport Shuttle Services Limited ("Vigor Shuttle") continued to offer onward transfer for tour groups and individual travelers from overseas with pre-arranged bookings. Commercial service counters were stationed at the Arrival Hall of the HKIA to facilitate operation. In addition, Vigor Airport Shuttle Services Limited and Lantau Tours Limited ("LT"), the latter also a wholly owned subsidiary of the Group, catered travel services for tourists visiting Hong Kong and on transit. LT specialized in providing tour services in Lantau Island.

As at 31 March 2012, Intercontinental Hire Cars Limited ("IHC") held by TIL had a fleet of 233 (2011: 228) limousines, of which 115 (2011: 111) had cross-boundary licences. The fleet had been strengthened to cater for the airport and local transfers of clients of numerous hotels in Hong Kong, and for corporate and individual users. IHC also operated cross-boundary transfers to and from Guangdong Province. In addition, "TIL Travel", the travel agency, had several retail outlets to operate business including sale of air tickets and tour packages, including tours to the Ocean Park and Disneyland.

4. Bus Services in Mainland China

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

As at 31 March 2012, this 100% (2011: 100%) owned subsidiary of the Group was running a long-distance transport terminal with 101 (2011: 95) routes, and a fleet of 285 (2011: 281) buses operating mainly long-distance bus services within Hubei Province. This subsidiary had successfully restructured and streamlined its human resources, which were inherited from the once state-owned enterprise, thus enhanced efficiency and competitiveness with substantial result. The share of loss attributable to the Company for the year was approximately HK$6.3 million (2011: a loss of HK$9.6 million). The significant loss was due to provision for accounts receivables for the sale of a piece of land.

b. GFTZ Xing Hua International Transport Ltd. ("XH International Transport")

As at 31 March 2012, XH International Transport (56% owned) was operating 6 (2011: 6) routes, with a fleet of 21 (2011: 27) buses. The share of profit attributable to the Company for the year was approximately HK$1.9 million (2011: HK$1.4 million). Performance improved as a result of the economies of scale achieved through integration of operations with Guangzhou New Era Express Bus Co., Ltd.

c. Guangzhou New Era Express Bus Co., Ltd.

As at 31 March 2012, this 56% (2011: 56%) owned subsidiary was operating a fleet of 21 (2011: 21) buses for 5 (2011: 5) long-distance bus routes within Guangdong Province. The share of profit attributable to the Company for the year was approximately HK$5.9 million (2011: HK$6.1 million). The performance of this subsidiary was relatively stable and satisfactory.

d. Guangzhou City No. 2 Bus Co., Ltd.

This JV commenced operation from 1 January 2008. As at 31 March 2012, the Group owned 40% (2011: 40%) equity interest in this JV, with Guangzhou City No. 2 Public Bus Company and Rongtai Taxi as the other partners. This JV operated 133 routes (2011: 102) with a fleet of 1,805 (2011: 1,733) buses. The share of profit attributable to the Company for the year was approximately HK$15.0 million (2011: HK$8.9 million).

5. Tour, Hotel and Eco-Tourism in Mainland China

a. Chongqing Tourism (Group) Co., Ltd.

This 60% (2011: 60%) owned subsidiary, together with its three-group companies under the same equity-holding structure, continued to operate a hotel, a travel agency company, and a tour bus company. The share of loss attributable to the Company for the year was approximately HK$2.9 million (2011: HK$2.3 million).

The revenues of Chongqing Grand Hotel and the travel agency company could only be maintained as compared with the prior year, and the management had worked hard on the controllable costs as a continuing measure to minimize operating losses. A positive operating cash flow for the year was attained, though at a much smaller scale as compared with the good years.

The operating results of the travel agency company and the tour bus company had turned around from losses to profits for the year. However, the result of the hotel was unfavourable due to sharp increase in consumer price index nationwide in Mainland China during the year which pushed up the hotel's salary and wage costs significantly. This unwarranted situation would be remedied in the coming years as the hotel had started a larger scale of refurbishment by stages which would improve the room occupancy and rent rates resulting considerable increase in revenue and profits eventually.

b. Lixian Bipenggou Tourism Development Co., Ltd.

As at 31 March 2012, the Group owned 51% (2011: 51%) equity interest in this equity joint venture. This JV had procured the right of development of the scenic site of Miyaluo for 50 years. Bipenggou (Bipeng Valley), one of several regions of Miyaluo that is most richly endowed with a magnificent diversity of landscapes, plants, herbs, and wildlife, is ideal for eco-tourism. This JV had, therefore, chosen Bipenggou to launch development and focused resources on upgrading infrastructure and facilities, including the building of a 127-room holiday resort hotel by Lake Namu, which is about 2,000 m. above sea level and an enticing attraction particularly for people who want to get away from the summer heat and refresh in a cool and tranquil ecological environment.

Subject to the completion of the roadwork reconstruction projects by the local government in mid 2012, the scenic site is targeted to officially open to local and overseas tourists in October 2012. The share of loss attributable to the Company for the year was approximately HK$2.7 million (2011: HK$2.5 million).

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 by loans and leases from banks and financial institutions. The total indebtedness outstanding as at 31 March 2012 was approximately HK$826 million (2011: HK$666 million), including interest-bearing bank and other borrowings included in liabilities directly associated with the assets classified as held for sale of HK$152 million in prior year, of which all (2011: HK$626 million) was repayable/renewable within one year or subject to repayment on demand clauses under bank facility agreements. The indebtedness of the Group comprised mainly loans and leases from banks and other financial institutions, and funds were deployed mainly for the purchase of buses and for related investments in Hong Kong and Mainland China. The leverage was approximately 60% (2011: 49%), including interest-bearing bank and other borrowings included in liabilities directly associated with the assets classified as held for sale of HK$152 million in prior year. From experience, the revolving loans in Mainland China can be renewed when they expire. However, to reduce potential risks, the Group will negotiate with the relevant banks for more term loans rather than revolving loans.

FUNDING AND TREASURY POLICY

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

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

HUMAN RESOURCES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is matched with the prevailing market rates. In-house orientation and on-the-job training are arranged for the staff, both in Hong Kong and in Mainland China. Staff members are also encouraged to attend job-related seminars, courses and programs organized by professional or educational institutions.

FUTURE PROSPECTS

In meeting various challenges, the Group will also find opportunities. The main challenges would include: the decline in demand for some of the services provided by the Group, in light of the lingering impact of the global financial crisis; the fuel market turbulence; mounting competitions among fellow bus operators and with other transport service providers; and also the pressure on salary costs in light of prospective inflation.

1. Non-Franchised Bus Services in Hong Kong

While the patronage for the bus services provided to students, employees, residents and contract hire remains fairly stable, in view of the current increase in fuel costs and upwards salary adjustment, the Group plans to negotiate with its clients to increase the bus fares at reasonable levels.

The area of growth is still focused on the cross-boundary traffic between Mainland China and Hong Kong. The favorable factors behind the growth of this market are:

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

ii. more and more Mainland Chinese and travelers from overseas will be prone to use cross-boundary buses, as the service becomes increasingly convenient and affordable;

iii. the road networks of Guangdong Province has greatly improved and thus helped to shorten journey distance and time. It is anticipated that the Shenzhen Bay Port will grow in popularity further when the new "Riverside Highway" connecting Shenzhen and Guangzhou is expected to be completed in the third quarter of 2013;

iv. the policy measures to extend multiple visit visas to Hong Kong to more Mainland Chinese citizens will help to boost the demand for cross-boundary transport services;

v. the comparative advantage of the Group in maintaining well-located reception counters at the HKIA, Huanggang Port and Shenzhen Baoan International Airport ("Shenzhen Airport") will help to build a strong clientele and maintain good business connections for the cross-boundary limousine service;

vi. the collaborative arrangements with various airline companies and the concept of 'Fly via Shenzhen' — using Shenzhen Airport as their base — to include the Group's cross-boundary bus service in their air tickets; and

vii. the integration with the three newly acquired fellow operators has produced synergies and economies of scales. This also helps the Group to maintain its leading position in the various sectors of the cross-boundary bus business.

2. Franchised Bus Services in Hong Kong

The favorable factors include:

i. The bus routes B2 between Yuen Long and Shenzhen Bay Port, and B2P between Tin Shui Wai and Shenzhen Bay Port have continued to produce additional profit. It is hopeful that the patronage and revenue for these routes will rise when western Shenzhen is further developed;

ii. NLB has entered into some agreements with Ngong Ping 360 Limited, which will be mutually beneficial to both parties.

The less favorable factors include:

i. Fuel prices remains turbulent and possibly higher costs;

ii. The opening of the new Tung Chung Road has greatly affected the special route services of NLB, for both weekdays and Sundays/public holidays;

iii. The growth in patronage for bus route 38, the most profitable route of NLB, may slow down as the intake of population into Tung Chung New Town has almost reached saturation.

3. Bus Services in Mainland China

a. Intra-city Bus Transport

The Group has successfully sold its equity joint venture bus operations in Chongqing back to its Chinese JV partners. Earlier to that, the Group has also terminated all its contractual joint venture businesses in other cities. The Group decided to do so because the local government policies regard public transport as a necessity for citizens and not as a business for making profits, hence, it has been extremely difficult for fares to be raised to a level viable for business operation. Under such circumstances, public transport have been relying heavily on government subsidies to bridge the gap but unfortunately such subsidies are not necessarily reliable and adequate.

Now, the Group only owns 40% of Guangzhou City No. 2 Bus Co., Ltd, a jointly controlled entity. Currently, the return on the investment is acceptable. Anyway, the Group does not exclude the possibility of selling this operation if the price is reasonable.

b. Long-distance Bus Transport

The demand for inter-town/city transport has increased steadily and substantially as a result of growing economic and social activities, and improved highway networks. In view of the relatively satisfactory return in operating these routes, the Group will explore the strengthening of long-distance bus services so as to maximize profits.

4. Tour, Hotel, and other Operations

a. Travel and Tourism Services

i. Chongqing Tourism (Group) Co., Ltd.

The travel agency operation within Chongqing Tourism Group continue to develop and promote inbound-outbound packaged tours for travelers to Hong Kong and nearby places, and as sales centre of Bipenggou coordinating fellow travel agency companies in Chongqing are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group — Chongqing Grand Hotel Co., Ltd. — has provided management and training service to the new hotel in Bipenggou for mutual benefits. The hotel in Chongqing will undergo a renovation program in 2012 and 2013 during the slack periods aiming at upgrading from 3-star to a 4-star hotel, without materially affecting annual revenue of the hotel in the coming 2 years, but increasing its revenue on a larger scale after completion of renovation.

ii. *Lixian Bipenggou Tourism Development Co., Ltd.*

Beyond Hong Kong, the Group has joint interest in developing eco-tourism in Bipenggou, Miyaluo, just about 180 km from Chengdu, Mainland China. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. The Sichuan earthquake in 2008 did not cause direct damage to the scenic area, but the external road network connecting to the Site had been subject to vast reconstruction and upgrading. Road traffic has now resumed to normal as of October 2010, with a journey time of four hours from Chengdu. Access will further improve with journey time shortened to two hours when a new expressway is through hopefully by the end of 2012. Recent completion of an electric car roadway at an elevation of 3,000 metres inside Bipenggou is taking visitors even closer to various sites that will deepen their personal experience with mother nature. An exclusive town-house design 127-room hotel in construction inside the Scenic Area has been completed. Bipenggou is stepping up for tourists, which is evidenced by the number of patronage achieving more than 90,000 for the calendar year of 2011.

iii. *Travel and Tour Operations*

A number of the Group's subsidiaries operate tour business or engage in the provision of services for travel agents. These subsidiaries include LT, TIL Travel, Vigor Tours Ltd., and Tai Fung. Taking advantage of the Group's relative strengths in providing transport services to various local tourist attractions, these subsidiaries will further develop packaged/tailored services, and enhance co-ordination to provide integrated service covering transport, tour, and hotel arrangements.

a. Chengdu Kwoon Chung CTS International Tourism Co., Ltd.

The Group has started a small operation with a small fleet of coasters and limousines.

b. Long-distance Bus Terminal

The Group operates a long-distance bus terminal in Hubei Province via its subsidiary, namely, Hubei Shenzhou, and a subsidiary in Nanzhang, a county of Xiangyang City. It is hoped that these terminals remain the hub of long-distance bus operations in the city.

c. Property-related Projects

Hubei Shenzhou is redeveloping and upgrading its central bus station in Xiangyang, and the Group is also considering alternative plans in regard to its tour bus depot in Chongqing. Both projects aim at maximal use of the land resources owned by the Group.

Wong Chung Pak, Thomas
Chairman

Hong Kong
28 June 2012

Financial Highlights

Year ended 31 March 2012

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE BY BUSINESS SEGMENT					
Designated bus route services in Mainland China	**258,036**	792,798	677,020	599,320	548,034
Non-franchised bus services					
Student services	**162,250**	140,403	128,797	127,950	125,175
Resident services	**116,956**	108,518	108,875	107,196	106,875
Employee services	**145,034**	122,069	117,471	113,814	108,141
Tour services	**277,522**	254,139	216,871	206,075	244,805
Mainland China/Hong Kong cross-boundary services	**643,934**	434,460	372,350	352,683	323,517
Bus hire services	**15,614**	13,666	10,817	34,497	11,640
	1,361,310	1,073,255	955,181	942,215	920,153
Franchised bus services	**132,556**	116,416	108,436	94,821	93,931
Travel agency and tour services	**96,813**	65,292	50,166	60,085	139,991
Hotel services	**26,651**	24,546	23,298	22,988	24,368
Corporate and others	**47,780**	32,586	48,958	47,567	58,258
TOTAL REVENUE	**1,923,146**	2,104,893	1,863,059	1,766,996	1,784,735
PROFIT FOR THE YEAR	**136,807**	130,821	80,572	82,564	17,722

BUS FLEET

	Number of buses				
Franchised	**104**	98	98	104	97
Non-franchised	**981**	851	866	866	843
Mainland China CJVs	**0**	0	0	211	339
Mainland China EJVs	**428**	2,244	2,158	1,943	1,940
	1,513	3,193	3,122	3,124	3,219

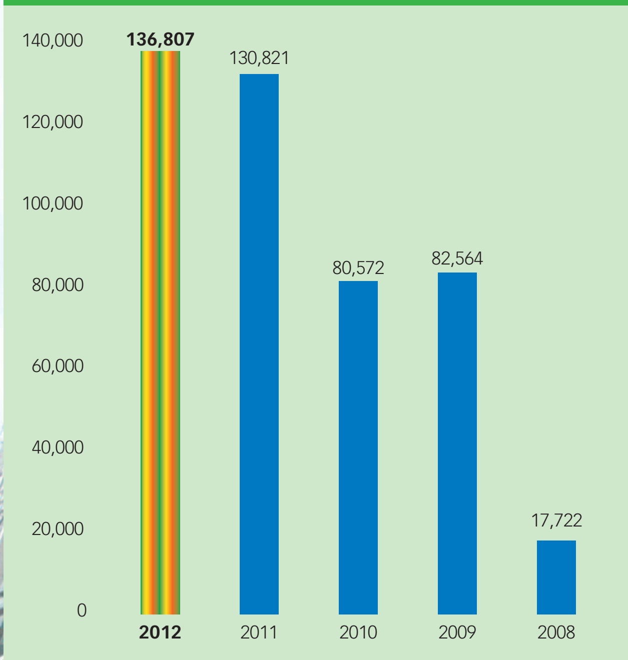
EMPLOYEES

	Number of full-time employees				
Hong Kong operations	**2,957**	2,326	2,107	2,112	2,034
Mainland China operations (CJVs and EJVs)	**1,374**	8,747	8,692	8,910	8,974
	4,331	11,073	10,799	11,022	11,008

Financial Highlights

Year ended 31 March 2012

Profit for the Year (HK$'000)
Year ended 31 March



Revenue (HK$'000)
Year ended 31 March


深港机场中转服务
DRAGONAIR
CATHAY PACIFIC
国泰航空公司
值机服务 Check-In Services
海港城
HARBOUR CITY
优秀合作单位
Disneyland Express
优惠指南
免费取阅


A6
深圳机场中转服务
香港专线
深圳机场福永码头
SHENZHENAIRPORT FUYONG FERRY TERMINAL
至香港机场/澳门 TO HKIA/MAC
A8
直通香港快线
Coach HongKong Express
佐敦 旺角 上环 中环
A9
酒店
HOTEL BOOKING
香港
HONGKONG
香港
Hong Kong
UU
Shenzhen 2011
Summer Universiade
Mascot

Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Wong Chung Pak, Thomas, aged 62 joined the Group in the early 1970s. Mr. Wong is the Chairman of the Group and is responsible for providing leadership for and management of the Board. He graduated from the University of Hong Kong with a Bachelor's Degree of Social Sciences and from the Chinese University of Hong Kong with a Master's Degree of Business Administration. Mr. Wong has over 30 years experience in the bus business. Mr. Wong is the brother of Messrs. Wong Wing Pak and Wong Leung Pak, Matthew. He is also a director of Wong Family Holdings (PTC) Limited, 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.

Mr. Wong Leung Pak, Matthew, aged 56 joined the Group in the early 1970s. Mr. Wong is the Chief Executive Officer and Managing Director of the Group and is responsible for day-to-day management of the business. Mr. Wong has over 30 years experience in the bus business. Mr. Wong is currently the Chairman of the Public Omnibus Operators Association in Hong Kong. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Wing Pak. He is also a director of Wong Family Holdings (PTC) Limited, 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.

Mr. Wong Wing Pak, aged 58 joined the Group in the early 1970s. Mr. Wong is the Senior Executive Director of the Group and is responsible for the operations and human resources management. Mr. Wong has over 30 years experience in the bus business and is a member of the Public Omnibus Operators Association. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Leung Pak, Matthew. He is also a director of Wong Family Holdings (PTC) Limited, 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.

Mr. Cheng Wai Po, Samuel, aged 52 has been an executive director of the Group since 2004. Mr. Cheng is the Managing Director of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance). He graduated from the University of Hong Kong with a Bachelor's Degree of Social Sciences and is a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management Profile

Mr. Chung Chak Man, William, aged 53 has been an executive director of the Group since June 2008. Mr. Chung is the Head of Operations of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance), and a director of Citybus Limited, New World First Bus Services Limited and New Lantao Bus Company (1973) Limited. Mr. Chung holds an MBA degree from the University of South Australia and is a chartered member of The Chartered and Institute of Logistics and Transport in Hong Kong.

Mr. Cheng King Hoi, Andrew, aged 53 is an executive director of the Group and is responsible for the Group's operations in Sichuan Province and Chongqing of 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 the Chairman of the Overseas Teo Chew Entrepreneurs Association Limited, and was awarded 10 Most Outstanding Persons of China Transportation Enterprise Management in 2009. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years.

Mr. Ng King Yee, aged 63 is an executive director of the Group. Mr. Ng graduated from the Chinese University of Hong Kong, with a Bachelor's Degree of 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 operations in Hubei Province and Guangzhou of Mainland China. Mr. Ng joined the Group in 1993. He is also an adviser to the Guangdong Traffic and Transport Association.

Mr. Chan Yu Kwong, Francis, aged 62 is an executive director of the Group. Mr. Chan graduated from the University of Melbourne, Australia, with a Bachelor's Degree of Commerce. He is a fellow member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 1997, he had worked for a major international accounting firm for approximately 15 years. Mr. Chan participates in corporate finance and the Mainland China business department with substantive involvement in the management of travel agency, hotel and tourism related businesses in Chongqing and Sichuan Province. He also participates in the Group's financial reporting functions with the support from the Group's financial controller in Hong Kong.

Mr. Mok Wah Fun, Peter, aged 61 joined the Group in 1996. Mr. Mok is an executive director of the Group and is responsible for general management, public relations and marketing. He graduated from the University of Hong Kong with a Bachelor's Degree of Arts, a Post-Graduate Diploma in Education and a Master's Degree of Social Sciences. He is also a member of the Chartered Institute of Logistics and Transport and the Chartered Management Institute, and a Fellow of the Royal Asiatic Society.

Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 67 has been an independent non-executive director of the Group since 1996. Mr. Chan is a consultant of Yung Yu Yuen & Co., Solicitors and Notaries. He has about 35 years experience in the legal profession. Mr. Chan is involved in numerous public duties including being Chairman of Appeal Board Panel under the Urban Renewal Authority Ordinance and Chairman of the Joint Mediation Helpline Office Ltd. He is also a fellow member of the Hong Kong Institute of Directors, the Chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and a member of the Hospital Authority.

Mr. Sung Yuen Lam, aged 69 has been an independent non-executive director of the Group since 1996. Mr. Sung is the sole proprietor of William Y. L. Sung & Co., Certified Public Accountants, and has about 40 years experience in auditing.

Mr. Lee Kwong Yin, Colin, aged 61 has been an independent non-executive director of the Group since 2004. Mr. Lee graduated from the Chinese University of Hong Kong, with a Master's Degree of Business Administration. He has over 30 years experience in the insurance industry.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 39 joined the Group in 2000 and he is also the financial controller of the Group. Mr. Chan graduated from the Chinese University of Hong Kong, with a Bachelor's Degree of 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 of Hong Kong Limited.

Corporate Governance Report

Maintaining high levels of corporate governance and business ethics is one of the Group's major goals. The Group believes that conducting business in a responsible and reliable way will serve its long term interests and those of its shareholders. 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 an established ethical corporate culture.

THE BOARD OF DIRECTORS

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

As at 31 March 2012, the board comprised 12 directors, including 9 executive directors and 3 independent non-executive directors. The list of all directors is set out under "Corporate Information" on page 2.

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 first 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 "Senior Management Profile" on pages 17 to 19.

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. In addition, the directors have full access to information on the Group and independent professional advice whenever deemed necessary by them.

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

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew 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.

The board held four meetings in 2011/2012. The attendance record of each member of the board in 2011/2012 is set out below:

Directors	Attendance of board meetings in 2011/2012
Executive Directors	
Mr. WONG Chung Pak, Thomas *(Chairman)*	4/4
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	4/4
Mr. WONG Wing Pak *(Senior Executive Director)*	4/4
Mr. CHENG Wai Po, Samuel	3/4
Mr. CHUNG Chak Man, William	4/4
Mr. CHENG King Hoi, Andrew	4/4
Mr. NG King Yee	4/4
Mr. CHAN Yu Kwong, Francis	4/4
Mr. MOK Wah Fun, Peter	4/4
Independent Non-executive Directors	
Mr. CHAN Bing Woon, SBS, JP	4/4
Mr. SUNG Yuen Lam	4/4
Mr. LEE Kwong Yin, Colin	4/4

BOARD COMMITTEES

As an integral part of good corporate governance practices, the board had established the following board committees in 2011/2012 to oversee 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.

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 duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects of the Group. 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. 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. 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 in 2011/2012. The attendance record of each member of the audit committee in 2011/2012 is set out below:

Directors	**Attendance of audit committee meetings in 2011/2012**
Mr. CHAN Bing Woon, SBS, JP *(Chairman)*	2/2
Mr. SUNG Yuen Lam	2/2
Mr. LEE Kwong Yin, Colin	2/2

The Company's interim results for the six months ended 30 September 2011 and annual results for the year ended 31 March 2012 have been reviewed by the audit committee.

Remuneration Committee

The remuneration 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. CHAN Bing Woon, SBS, JP, Mr. SUNG Yuen Lam, Mr. LEE Kwong Yin, Colin, independent non-executive directors, and Mr. WONG Leung Pak, Matthew, executive director. At the discretion of the remuneration committee, executive directors and/or senior management personnel, overseeing the Group's human resources function, may be invited to attend meetings.

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

As mentioned before, the remuneration committee met once during the year ended 31 March 2012 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management. The attendance record of each member of the remuneration committee in 2011/2012 is set out below:

Directors	**Attendance of remuneration committee meeting in 2011/2012**
Mr. WONG Chung Pak, Thomas *(Chairman)*	1/1
Mr. WONG Leung Pak, Matthew	1/1
Mr. CHAN Bing Woon, SBS, JP	1/1
Mr. SUNG Yuen Lam	1/1
Mr. LEE Kwong Yin, Colin	1/1

NOMINATION OF DIRECTORS

Having considered the scale and composition of the board, the Company does not set up a nomination committee. The function of appointment and removal of directors is undertaken by the board. When considering candidates for directorship, the board assesses, among others, experience level, qualifications and independence of candidates, if appropriate. In 2011/2012, there was no appointment nor resignation of directors.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

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 for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year.

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

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

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 38 to 39 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Going concern

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

AUDITORS' REMUNERATION

The audit committee has received a letter from Ernst & Young confirming their independence and objectivity. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2012 are as follows:

	HK$'000
2011/2012 annual audit	2,880,000
Non-audit related services	929,000
	3,809,000

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 risk.

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

During the year under review, the Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Results on any voting conducted by poll will be posted on the websites of the Company and the Stock Exchange after the shareholders' meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at principal place of business in Hong Kong for any inquiries.

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 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. During the year, the Group sold its designated bus business in Chongqing, further details of which are disclosed in note 39(a) to the financial statements. Other than this development, 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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 139.

The directors do not recommend the payment of any dividend in respect of the year.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**1,923,146**	2,104,893	1,863,059	1,766,996	1,784,735
OPERATING PROFIT	**152,884**	149,648	98,450	68,425	111,630
Share of profits and losses of:					
Jointly-controlled entities	**14,965**	8,945	12,523	(2,590)	(8,131)
Associates	**(292)**	(390)	134	(1,393)	(507)
PROFIT BEFORE TAX	**167,557**	158,203	111,107	64,442	102,992
Income tax expense	**(30,750)**	(27,382)	(30,535)	(16,442)	(22,629)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**136,807**	130,821	80,572	48,000	80,363
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**—**	—	—	1,109	(62,641)
Gain on disposal of subsidiaries	**—**	—	—	33,455	—
PROFIT FOR THE YEAR	**136,807**	130,821	80,572	82,564	17,722
Attributable to:					
Owners of the parent	**102,559**	120,041	75,850	62,693	39,548
Non-controlling interests	**34,248**	10,780	4,722	19,871	(21,826)
	136,807	130,821	80,572	82,564	17,722

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,920,568**	2,911,894	2,347,400	2,158,454	2,604,787
TOTAL LIABILITIES	**(1,542,339)**	(1,559,973)	(1,095,255)	(966,950)	(1,436,331)
NON-CONTROLLING INTERESTS	**(165,206)**	(249,031)	(247,136)	(240,160)	(263,781)
	1,213,023	1,102,890	1,005,009	951,344	904,675

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.

PROPERTIES HELD FOR SALE

Details of the properties held for sale of the Group are set out on page 140.

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

At 31 March 2012, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$71,025,000. The reserves available for distribution include the Company's contributed surplus of HK$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of HK$535,007,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 7.7% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 63.2% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 20.2%.

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

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Wong Chung Pak, Thomas
Wong Wing Pak
Wong Leung Pak, Matthew
Cheng Wai Po, Samuel
Chung Chak Man, William
Cheng King Hoi, Andrew
Ng King Yee
Chan Yu Kwong, Francis
Mok Wah Fun, Peter

Independent non-executive directors:

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

In accordance with Bye-law 87 of the Company's bye-laws, Messrs. Wong Chung Pak, Thomas, Ng King Yee, Chan Yu Kwong, Francis and Mok Wah Fun, Peter, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 19 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 of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) 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
Wong Chung Pak, Thomas	3,217,665[(1)]	125,880,981[(2)]	129,098,646	31.59
Wong Wing Pak	2,699,665[(1)]	125,880,981[(2)]	128,580,646	31.46
Wong Leung Pak, Matthew	2,599,665[(1)]	125,880,981[(2)]	128,480,646	31.44
Cheng King Hoi, Andrew	755,556	—	755,556	0.18
Ng King Yee	800,000	—	800,000	0.20
Mok Wah Fun, Peter	100,000	—	100,000	0.02

Notes:

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

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

The interests of the directors in the share options of the Company are separately disclosed in note 36 to the financial statements.

(ii) Long positions in shares of associated corporations

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

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

In addition, Mr. Wong Chung Pak, Thomas, has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as At 31 March 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 36 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

The following share options were outstanding under the scheme during the year:

	Number of share options								Price of the Company's shares***	
Name or category of participant	At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At grant date of options HK$ per share	At exercise date of options# HK$ per share
Directors										
Wong Chung Pak, Thomas	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	4,000,000	—	—	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,500,000	4,000,000	—	—	5,500,000					
Wong Wing Pak	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	4,000,000	—	—	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,500,000	4,000,000	—	—	5,500,000					
Wong Leung Pak, Matthew	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	4,000,000	—	—	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,500,000	4,000,000	—	—	5,500,000					
Cheng King Hoi, Andrew	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	—	600,000	—	—	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,200,000	900,000	—	—	2,100,000					
Ng King Yee	500,000	—	(500,000)	—	—	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.870
	200,000	—	(200,000)	—	—	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	1.870
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	—	600,000	—	—	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	700,000	900,000	(700,000)	—	900,000					

Name or category of participant	At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2012	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	Price of the Company's shares*** At exercise date of options# HK$ per share
	Number of share options									
Directors *(Continued)*										
Chan Yu Kwong, Francis	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	—	600,000	—	—	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,200,000	900,000	—	—	2,100,000					
Mok Wah Fun, Peter	1,000,000	—	(300,000)	—	700,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.760
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	—	600,000	—	—	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	1,200,000	900,000	(300,000)	—	1,800,000					
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					
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					
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					

Name or category of participant	Number of share options: At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2012	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
Shareholders										
In aggregate	3,500,000	—	—	—	3,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	—	2,400,000	—	—	2,400,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	3,500,000	2,400,000	—	—	5,900,000					
Suppliers of goods or services										
In aggregate	2,500,000	—	—	—	2,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Other employees										
In aggregate	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	2,300,000	—	(200,000)	—	2,100,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	1.785
	300,000	—	—	—	300,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	2,500,000	—	—	2,500,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	—	25,300,000	—	—	25,300,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	3,600,000	27,800,000	(200,000)	—	31,200,000					
	18,400,000	47,300,000	(1,200,000)	—	64,500,000					

* *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

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

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

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

At the end of the reporting period, the Company had 64,500,000 share options outstanding under the scheme, which represented approximately 15.78% of the Company's shares in issue as at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issuance of 64,500,000 additional ordinary shares of the Company and additional share capital of HK$6,450,000 and share premium of HK$85,203,000 (before issue expenses).

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

At 31 March 2012, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest Personal	Corporate	Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
Wong Chung Pak, Thomas	Joint interest	1,217,665	—	—	138,198,646	
	Founder of a discretionary trust	—	125,880,981[1]	2,400,000		
	Beneficial owner	2,000,000	—	5,500,000		33.81
	Interest of spouse	—	—	1,200,000		
Tso Anna	Joint interest	1,217,665	—	—	138,198,646	
	Beneficial owner	—	—	1,200,000		
	Interest of spouse	2,000,000	125,880,981	7,900,000		33.81
Wong Leung Pak, Matthew	Joint interest	599,665	—	—	138,880,646	
	Founder of a discretionary trust	—	125,880,981[1]	2,400,000		
	Beneficial owner	2,000,000	—	5,500,000		33.98
	Interest of spouse	—	—	2,500,000		
Ng Lai Yee, Christina	Joint interest	599,665	—	—	138,880,646	
	Beneficial owner	—	—	2,500,000		
	Interest of spouse	2,000,000	125,880,981	7,900,000		33.98
Wong Wing Pak	Joint interest	699,665	—	—	136,480,646	
	Founder of a discretionary trust	—	125,880,981[1]	2,400,000		
	Beneficial owner	2,000,000	—	5,500,000		33.39
Tang Kit Ling, Louise	Joint interest	699,665	—	—	136,480,646	33.39
	Interest of spouse	2,000,000	125,880,981	7,900,000		
Equity Trustee Limited	Trustee	—	125,880,981	2,400,000	128,280,981	31.39
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	—	125,880,981[1]	2,400,000	128,280,981	31.39
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	—	118,093,019[2]	6,000,000[4]	124,093,019	30.36
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	—	118,093,019[2]	6,000,000[4]	124,093,019	30.36

Name	Capacity	Number of ordinary shares held and nature of interest Personal	Corporate	Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
NWS Service Management Limited ("NWSSM-BVI")(3)	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
NWS Service Management Limited ("NWSSM-Cayman Islands")(3)	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
New World Development Company Limited ("NWD")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Enrich Group Limited ("EGL")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Chow Tai Fook Capital Limited ("CTFCL")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
Cheng Yu Tung Family (Holdings II) Limited ("CYTFHL-II")	Interest of a controlled corporation	—	118,093,019(2)	6,000,000(4)	124,093,019	30.36
First Action Developments Limited ("First Action")	Beneficial owner	—	118,093,019(2)	3,500,000	121,593,019	29.75
Cathay International Corporation	Beneficial owner	—	79,028,000	—	79,028,000	19.34

Notes:

(1) Each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew, holds one-third of the shares in WFHL and they are deemed to be interested in the 125,880,981 shares which are directly held by WFHL. These 125,880,981 shares represent approximately 30.80% of the issued share capital of the Company.

(2) At 31 March 2012, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly- owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 60% equity shares in NWSH; CTFEL owned approximately 42% equity shares in NWD; CTFEL was a wholly-owned subsidiary of CTFHL; CTFHL was approximately 74% owned by CTFCL; and CTFCL was owned by CYTFHL as to approximately 49% and CYTFHL-II as to approximately 47%. At 31 March 2012, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CTFHL, CTFCL, CYTFHL, and CYTFHL-II was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 28.89% of the issued share capital of the Company.

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

(4) At 31 March 2012, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. At 31 March 2012, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as At 31 March 2012, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

On 22 December 2010, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of one year commencing on 1 January 2011 at a monthly charge, including rental and related management charges, of HK$269,000. On 10 January 2012, the agreement was renewed for a period of one year commencing on 1 January 2012 and the monthly charge was increased to HK$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK$77,000.

All the above charges were determined with reference to open market rates or based on the actual disbursement basis. The total rental and related expenses paid by the Group for the year amounted to HK$4,889,000 (2011: HK$3,736,000).

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

The Company is considering various ways to ensure the minimum percentage of public float be maintained in compliance with the relevant Listing Rules at the earliest possible moment.

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 Chung Pak, Thomas
Chairman

Hong Kong
28 June 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

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 40 to 139, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated income statement, 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 (continued)

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
28 June 2012

Consolidated Income Statement

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	*5*	**1,923,146**	2,104,893
Cost of services rendered		**(1,560,318)**	(1,734,268)
Gross profit		**362,828**	370,625
Other income and gains	*5*	**142,114**	79,106
Administrative expenses		**(297,160)**	(269,654)
Other expenses, net		**(40,570)**	(13,526)
Finance costs	*6*	**(14,328)**	(16,903)
Share of profits and losses of:			
Jointly-controlled entities		**14,965**	8,945
Associates		**(292)**	(390)
PROFIT BEFORE TAX	*7*	**167,557**	158,203
Income tax expense	*10*	**(30,750)**	(27,382)
PROFIT FOR THE YEAR		**136,807**	130,821
Attributable to:			
Owners of the parent	*11*	**102,559**	120,041
Non-controlling interests		**34,248**	10,780
		136,807	130,821
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*		
Basic		**25.1 cents**	30.1 cents
Diluted		**24.6 cents**	29.6 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 2012

	Note	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR		**136,807**	130,821
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation		**8,199**	—
Exchange differences on translation of foreign operations		**12,874**	22,646
Change in fair value of available-for-sale investments		**(375)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**20,698**	22,646
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**157,505**	153,467
Attributable to:			
Owners of the parent	*11*	**118,658**	133,407
Non-controlling interests		**38,847**	20,060
		157,505	153,467

Consolidated Statement of Financial Position

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,165,733**	971,416
Investment properties	15	**59,900**	42,350
Prepaid land lease payments	16	**44,931**	46,328
Other intangible assets	17	**545,497**	64,622
Goodwill	18	**187,104**	17,874
Interests in jointly-controlled entities	20	**136,809**	122,552
Interests in associates	21	**1,677**	1,748
Available-for-sale investments	22	**17,927**	229
Financial asset at fair value through profit or loss	23	**13,498**	—
Deposits paid for purchases of items of property, plant and equipment		**10,174**	10,244
Deposits and other receivables	25	**11,197**	151,502
Deferred tax assets	34	**858**	—
Total non-current assets		**2,195,305**	1,428,865
CURRENT ASSETS			
Properties/interests in properties held for sale		**73,347**	73,990
Inventories		**23,104**	18,537
Trade receivables	24	**124,830**	105,914
Prepayments, deposits and other receivables	25	**177,038**	125,101
Tax recoverable		**7,575**	3,849
Pledged time deposits	26, 30	**10,650**	2,717
Cash and cash equivalents	26	**299,013**	353,703
		715,557	683,811
Assets of disposal groups classified as held for sale	39(b)	**9,706**	799,218
Total current assets		**725,263**	1,483,029
CURRENT LIABILITIES			
Trade payables	27	**74,966**	52,263
Accruals, other payables and deposits received	28	**448,223**	311,630
Tax payable		**27,751**	28,224
Derivative financial instruments	29	**17,954**	741
Interest-bearing bank and other borrowings	30	**825,745**	513,193
		1,394,639	906,051
Liabilities directly associated with the assets classified as held for sale	39(b)	**1,011**	530,433
Total current liabilities		**1,395,650**	1,436,484
NET CURRENT ASSETS/(LIABILITIES)		**(670,387)**	46,545
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,524,918**	1,475,410

Consolidated Statement of Financial Position

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Due to joint venturers	*32*	—	19,792
Other long term liabilities	*33*	**23,090**	17,829
Deferred tax liabilities	*34*	**123,599**	85,868
Total non-current liabilities		**146,689**	123,489
Net assets		**1,378,229**	1,351,921
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*35*	**40,871**	40,751
Reserves	*37(a)*	**1,172,152**	1,053,989
Proposed final dividend	*12*	—	8,150
		1,213,023	1,102,890
Non-controlling interests		**165,206**	249,031
Total equity		**1,378,229**	1,351,921

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 37(a))*	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 *(note 37(a))*	Reserve fund HK$'000 *(note 37(a))*	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010		39,491	523,211	10,648	(1,855)	28,653	2,285	9,695	44,776	324,411	23,694	1,005,009	247,136	1,252,145
Profit for the year		—	—	—	—	—	—	—	—	120,041	—	120,041	10,780	130,821
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	13,366	—	—	13,366	9,280	22,646
Total comprehensive income for the year		—	—	—	—	—	—	—	13,366	120,041	—	133,407	20,060	153,467
Transfer of depreciation on leasehold buildings		—	—	—	—	(2,260)	—	—	—	2,260	—	—	—	—
Disposal of a subsidiary	*39(a)*	—	—	—	—	—	—	—	(3,830)	—	—	(3,830)	(13,344)	(17,174)
Dividends paid/payable to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	(4,821)	(4,821)
Final 2010 dividend declared		—	—	—	—	—	—	—	—	—	(23,694)	(23,694)	—	(23,694)
Issue of shares	*35*	1,260	10,783	—	—	—	—	—	—	—	—	12,043	—	12,043
Interim 2011 dividend	*12*	—	—	—	—	—	—	—	—	(20,045)	—	(20,045)	—	(20,045)
Proposed final 2011 dividend	*12*	—	—	—	—	—	—	—	—	(8,150)	8,150	—	—	—
Transfer from retained profits		—	—	—	—	—	992	2,709	—	(3,701)	—	—	—	—
At 31 March 2011		40,751	533,994*	10,648*	(1,855)*	26,393*	3,277*	12,404*	54,312*	414,816*	8,150	1,102,890	249,031	1,351,921

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

		Attributable to owners of the parent														
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Enterprise expansion fund HK$'000	Reserve fund HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
				(note 37(a))					*(note 37(a))*	*(note 37(a))*						
At 1 April 2011		40,751	533,994	10,648	(1,855)	–	26,393	–	3,277	12,404	54,312	414,816	8,150	1,102,890	249,031	1,351,921
Profit for the year		–	–	–	–	–	–	–	–	–	–	102,559	–	102,559	34,248	136,807
Other comprehensive income for the year:																
Gain on property revaluation		–	–	–	–	–	8,199	–	–	–	–	–	–	8,199	–	8,199
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	8,275	–	–	8,275	4,599	12,874
Change in fair value of available-for-sale investments		–	–	–	–	–	–	(375)	–	–	–	–	–	(375)	–	(375)
Total comprehensive income for the year		–	–	–	–	–	8,199	(375)	–	–	8,275	102,559	–	118,658	38,847	157,505
Transfer of depreciation on leasehold buildings		–	–	–	–	–	(2,064)	–	–	–	–	2,064	–	–	–	–
Transfer from property, plant and equipment to investment properties		–	–	–	–	–	(8,617)	–	–	–	–	8,617	–	–	–	–
Acquisitions of subsidiaries	38	–	–	–	–	–	–	–	–	–	–	–	–	–	27,160	27,160
Disposal of subsidiaries	39(a)	–	–	–	–	–	(1,547)	–	(3,277)	(11,278)	(15,192)	1,547	–	(29,747)	(72,351)	(102,098)
Dividends paid/payable to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	(77,481)	(77,481)
Final 2011 dividend declared	12	–	–	–	–	–	–	–	–	–	–	(18)	(8,150)	(8,168)	–	(8,168)
Issue of shares	35	120	1,013	–	–	–	–	–	–	–	–	–	–	1,133	–	1,133
Equity-settled share option arrangements	36	–	–	–	–	28,257	–	–	–	–	–	–	–	28,257	–	28,257
At 31 March 2012		40,871	535,007*	10,648*	(1,855)*	28,257*	22,364*	(375)*	–*	1,126*	47,395*	529,585*	–	1,213,023	165,206	1,378,229

* These reserve accounts comprise the consolidated reserves of HK$1,172,152,000 (2011: HK$1,053,989,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**167,557**	158,203
Adjustments for:			
Finance costs	*6*	**14,328**	16,903
Share of profits and losses of jointly-controlled entities		**(14,965)**	(8,945)
Share of profits and losses of associates		**292**	390
Bank interest income	*5*	**(1,912)**	(2,289)
Other interest income	*5*	**—**	(513)
Dividend income from available-for-sale unlisted investments	*5*	**(179)**	(519)
Gain on disposal of subsidiaries	*39(a)*	**(83,276)**	(12,904)
Amortisation of intangible assets	*7*	**16,397**	8,381
Depreciation	*7*	**156,810**	181,909
Gain on disposal of properties held for sale	*5*	**(8,793)**	(173)
Fair value gain on investment properties	*5, 7*	**(850)**	(5,550)
Fair value loss on derivative financial instruments	*7*	**17,213**	19
Fair values loss on financial asset at fair value through profit or loss	*7*	**2,705**	—
Write-back of impairment of an amount due from a jointly-controlled entity	*7*	**—**	(4,977)
Loss on disposal of items of property, plant and equipment, net	*7*	**8,170**	9,537
Recognition of prepaid land lease payments	*7*	**3,098**	3,876
Recognition of deferred income		**(3,728)**	(1,408)
Impairment of other receivables	*7*	**9,976**	2,869
Impairment of trade receivables	*7*	**33**	1,671
Write-off of other receivables	*7*	**—**	1,651
Equity-settled share option expense	*36*	**28,257**	—
		311,133	348,131
Increase in balances with jointly-controlled entities		**708**	9,197
Decrease in amounts due from associates		**69**	—
Increase/(decrease) in balances with joint venturers		**(16,170)**	2,503
Increase in inventories		**(3,129)**	(1,985)
Increase in trade receivables		**(2,554)**	(24,699)
Increase in prepayments, deposits and other receivables		**(33,997)**	(25,503)
Increase in trade payables		**60,482**	1,688
Increase in accruals, other payables and deposits received		**94,864**	95,301
Increase in other long term liabilities		**8,933**	3,662
Cash generated from operations		**420,339**	408,295

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash generated from operations		**420,339**	408,295
Bank interest received		**1,912**	2,289
Other interest income received		**—**	513
Interest paid		**(14,282)**	(16,562)
Interest element on finance lease rental payments		**(46)**	(341)
Hong Kong profits taxes paid		**(6,556)**	(15,849)
Overseas taxes paid		**(26,456)**	(13,496)
Net cash flows from operating activities		**374,911**	364,849
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from available-for-sale unlisted investments		**179**	519
Deposits paid for purchases of items of property, plant and equipment		**(10,328)**	(25,297)
Proceeds from disposal of items of property, plant and equipment		**15,052**	11,454
Purchases of items of property, plant and equipment		**(308,981)**	(338,475)
Proceeds from disposal of properties held of sales		**12,198**	2,022
Additions to intangible assets		**(2,000)**	(28,016)
Additions to available-for-sale investments		**(18,064)**	(2,027)
Additions to financial asset at fair value through profit or loss		**(16,203)**	—
Advances to associates		**—**	729
Acquisitions of subsidiaries	*38*	**(477,811)**	—
Deposits paid for acquisitions of subsidiaries	*25*	**—**	(137,152)
Deposits paid on purchase of land	*25*	**—**	(7,222)
Consideration received from disposal of subsidiaries		**101,306**	20,454
Decrease/(increase) in pledged time deposits		**20,924**	(36,667)
Increase in pledged other deposits		**—**	(338)
Increase in restricted cash		**—**	(103,446)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**4,934**	(12,321)
Net cash flows used in investing activities		**(678,794)**	(655,783)

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	35	**1,133**	12,043
Drawdown of new bank loans		**447,931**	372,879
Drawdown of other loans		**7,874**	21,158
Repayment of bank loans		**(165,839)**	(118,768)
Repayment of other loans		**—**	(19,921)
Capital element of finance lease rental payments		**(2,359)**	(14,363)
Increase/(decrease) in amounts due to joint venturers		**(19,792)**	98,416
Dividend paid		**(8,168)**	(43,739)
Dividend paid to non-controlling shareholders		**(77,481)**	(10,494)
Net cash flows from financing activities		**183,299**	297,211
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(120,584)**	6,277
Cash and cash equivalents at beginning of year		**404,104**	390,780
Effect of foreign exchange rate changes, net		**3,083**	7,047
CASH AND CASH EQUIVALENTS AT END OF YEAR		**286,603**	404,104
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**254,517**	319,143
Non-pledged time deposits with original maturity of less than three months when acquired		**31,841**	17,548
Cash and short term deposits attributable to disposal group classified as held for sale	39(b)	**245**	67,413
Cash and cash equivalents as stated in the statement of financial position		**286,603**	404,104
Non-pledged time deposits with original maturity of more than three months when acquired		**12,655**	17,012
Cash and cash equivalents as stated in the consolidated statement of financial position		**299,258**	421,116

Statement of Financial Position

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**674,335**	645,725
CURRENT ASSETS			
Prepayments	25	**196**	194
Bank balances	26	**853**	494
Total current assets		**1,049**	688
CURRENT LIABILITIES			
Accruals and other payables	28	**224**	206
NET CURRENT ASSETS		**825**	482
Net assets		**675,160**	646,207
EQUITY			
Issued capital	35	**40,871**	40,751
Reserves	37(b)	**634,289**	597,306
Proposed final dividend	12	**—**	8,150
Total equity		**675,160**	646,207

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

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 bus services
- provision of coach hiring services
- provision of travel-related services
- provision of other transportation services
- provision of tour services
- provision of hotel services

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, 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. Disposal groups 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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 44 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in *Annual Improvements 2009-2011 Cycle* issued in June 2012[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is 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 reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

The Group's other jointly-controlled entity is a Sino-foreign co-operative joint venture in respect of which the venturers' profit-sharing ratios and share of net assets upon the expiration of the joint venture period are not in proportion to their capital contribution ratios but are defined in the joint venture contract. The Group's interest in the jointly-controlled entity is carried at cost plus its share of the post-acquisition results of the joint venture, in accordance with the defined profit-sharing ratios, less accumulated amortisation of investment cost and any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities *(continued)*

Amortisation of investment costs is calculated on the straight-line basis to write off the shortfall of the payback of investment upon the expiry of the joint venture period over the life of the jointly-controlled entity.

Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

When an interest in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 it measures 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 either 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 costs are expensed as incurred.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and 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 to sell, 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 income statement 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 any 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and leasehold 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 income statement 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 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 income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

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 and 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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than 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.

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 income statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement 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 as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic lives of 3 to 30 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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 other income and gains or finance costs in the income statement. 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 at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under 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 included in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and 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 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 the 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 income statement, 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 income statement. 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 income statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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 and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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 income statement.

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 derecognised when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. 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 future write-off is later recovered, the recovery is credited to the income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 income statement, is removed from other comprehensive income and recognised in the income statement.

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. The determination of what is "significant" or ''prolonged" requires judgement. "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 income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

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

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 selling 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 income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

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 income statement 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 income statement.

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.

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 income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swap, 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 income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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 a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months from 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.

Properties held for sale

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 income statement.

Income tax

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

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

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

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 jointly-controlled entities, 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 jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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 over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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

Revenue recognition

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

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

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

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

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

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

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through 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.

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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. 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 determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on 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 jointly-controlled entities 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 ruling at the end of the reporting period and their income statements 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 income statement.

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 payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements.

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. 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 income statement 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 payment transactions *(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 payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

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

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 certain 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 income statement as they become payable in accordance with the rules of the central pension scheme.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Income taxes

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

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

Estimation uncertainty

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

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

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

(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 to sell and its value in use. The calculation of the fair value less costs to sell 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(iii) Net realisable value of inventories

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

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

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

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

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

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

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

(vii) Impairment of loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(viii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with eligible participants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 36 to the financial statements.

(ix) 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 products and services and has six reportable operating segments as follows:

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

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

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

(d) the tour segment engages in travel agency and tour service businesses in Hong Kong and Mainland China;

(e) the hotel segment includes the provision of hotel services in Mainland China; and

(f) 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 2012

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales	258,036	1,361,310	132,556	96,813	26,651	47,780	—	1,923,146
Intersegment sales	—	15,392	350	67	—	—	(15,809)	—
Other revenue	19,501	34,575	2,979	3,977	324	47	(2,565)	58,838
Total	277,537	1,411,277	135,885	100,857	26,975	47,827	(18,374)	1,981,984
Segment results	18,537	97,000	16,763	463	(5,121)	(29,033)	—	98,609
Reconciliation:								
Gain on disposal of subsidiaries								83,276
Finance costs								(14,328)
Profit before tax								167,557
Segment assets	540,130	1,853,608	115,192	253,057	92,288	15,785	—	2,870,060
Reconciliation:								
Unallocated assets								50,508
Total assets								2,920,568
Segment liabilities	188,142	260,526	12,681	63,978	18,372	3,591	—	547,290
Reconciliation:								
Unallocated liabilities								995,049
Total liabilities								1,542,339

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2012 *(continued)*

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of profits and losses of:							
— a jointly-controlled entity	14,965	—	—	—	—	—	14,965
— associates	—	(292)	—	—	—	—	(292)
Capital expenditure	101,816	721,809	7,521	81,131	1,106	—	913,383*
Amortisation of intangible assets	2,897	13,500	—	—	—	—	16,397
Bank interest income	1,108	755	—	12	32	5	1,912
Depreciation	14,299	124,051	13,268	2,269	2,908	15	156,810
Recognition of prepaid land lease payments	2,543	7	—	—	548	—	3,098
Impairment/(write-back of impairment) of trade receivables	334	—	—	(301)	—	—	33
Impairment of other receivables	9,976	—	—	—	—	—	9,976
Fair value gain on investment properties	—	850	—	—	—	—	850
Loss/(gain) on disposal of items of property, plant and equipment, net	4,401	4,408	(534)	(110)	5	—	8,170

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2011

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales	792,798	1,073,255	116,416	65,292	24,546	32,586	—	2,104,893
Intersegment sales	—	14,804	283	46	—	—	(15,133)	—
Other revenue	41,708	31,956	2,959	1,152	1,482	—	(2,440)	76,817
Total	834,506	1,120,015	119,658	66,490	26,028	32,586	(17,573)	2,181,710
Segment results	40,029	110,609	18,227	(3,895)	(1,747)	(1,021)	—	162,202
Reconciliation:								
Gain on disposal of a subsidiary								12,904
Finance costs								(16,903)
Profit before tax								158,203
Segment assets	1,618,440	926,876	88,379	125,633	77,656	5,766	—	2,842,750
Reconciliation:								
Unallocated assets								69,144
Total assets								2,911,894
Segment liabilities	646,282	80,560	5,765	11,756	12,731	1,981	—	759,075
Reconciliation:								
Unallocated liabilities								800,898
Total liabilities								1,559,973

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2011 *(continued)*

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of profits and losses of:							
— a jointly-controlled entity	8,945	—	—	—	—	—	8,945
— associates	(378)	(12)	—	—	—	—	(390)
Capital expenditure	169,727	342,737	13,418	22,675	565	—	549,122*
Amortisation of intangible assets	4,991	3,390	—	—	—	—	8,381
Bank interest income	1,868	298	—	44	72	7	2,289
Depreciation	56,758	109,311	12,041	1,008	2,777	14	181,909
Recognition of prepaid land lease payments	3,346	7	—	—	523	—	3,876
Write-back of impairment of an amount due from a jointly-controlled entity	(4,977)	—	—	—	—	—	(4,977)
Impairment of trade receivables	1,309	222	—	—	—	140	1,671
Impairment of other receivables	2,869	—	—	—	—	—	2,869
Write-off of other receivables	1,651	—	—	—	—	—	1,651
Fair value gain on investment properties	—	—	—	—	—	5,550	5,550
Loss/(gain) on disposal of items of property, plant and equipment, net	6,342	3,128	72	—	(5)	—	9,537

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2012 **HK$'000**	2011 HK$'000
Hong Kong	**1,571,149**	1,239,727
Mainland China	**351,997**	865,166
	1,923,146	2,104,893

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

(b) Non-current assets

	2012 **HK$'000**	2011 HK$'000
Hong Kong	**1,370,647**	946,312
Mainland China	**653,889**	358,024
	2,024,536	1,304,336

The non-current asset information above is based on the location of assets and excludes interests in jointly-controlled entities 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 (2011: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Revenue		
Provision of designated bus route services	**258,036**	792,798
Provision of non-franchised bus services	**1,361,310**	1,073,255
Provision of franchised bus services	**132,556**	116,416
Provision of tour services	**96,813**	65,292
Provision of hotel services	**26,651**	24,546
Provision of other transportation services	**47,780**	32,586
	1,923,146	2,104,893
Other income		
Bank interest income	**1,912**	2,289
Other interest income	**—**	513
Gross rental income	**15,143**	13,040
Advertising income	**1,834**	3,521
Government subsidies *(note (i))*	**3,964**	13,013
Dividend income from available-for-sale unlisted investments	**179**	519
Others	**20,571**	19,471
	43,603	52,366
Gains		
Fair value gains on investment properties	**850**	5,550
Foreign exchange differences, net	**5,592**	8,113
Gain on disposal of subsidiaries	**83,276**	12,904
Gain on disposal of properties held for sale	**8,793**	173
	98,511	26,740
	142,114	79,106

Note:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**14,181**	16,562
Bank loans and other loans wholly repayable after five years	**101**	—
Finance leases	**46**	341
	14,328	16,903

7. PROFIT BEFORE TAX

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

	Group 2012 HK$'000	2011 HK$'000
Amortisation of intangible assets *(notes (i) & (ii))*	**16,397**	8,381
Auditors' remuneration	**2,880**	1,950
Depreciation *(note (ii))*	**156,810**	181,909
Employee benefit expense *(note (ii))*		
(including directors' remuneration — *note 8*):		
Wages, salaries and bonuses	**608,393**	744,415
Other welfare benefits	**14,079**	20,301
Equity-settled share option expense	**26,178**	—
Pension scheme contributions *(note (iii))*	**31,661**	46,341
	680,311	811,057
Rental income less direct operating expenses of HK$180,000 (2011: HK$168,000)	**(14,963)**	(12,872)
Fair value loss on derivative financial instruments *(note (i))*	**17,213**	19
Fair value gains on investment properties	**(850)**	(5,550)
Fair value loss on financial asset at fair value through profit or loss *(note (i))*	**2,705**	—
Minimum lease payments under operating leases *(note (ii))*:		
Land and buildings	**11,158**	7,553
Bus depots, terminals and car parks	**56,344**	51,012
Motor buses and coaches and bus route operating rights	**83,824**	60,098
	151,326	118,663

7. PROFIT BEFORE TAX *(continued)*

	Group 2012 HK$'000	2011 HK$'000
Recognition of prepaid land lease payments	**3,098**	3,876
Write-back of impairment of an amount due from a jointly-controlled entity *(note (i))*	**—**	(4,977)
Impairment of trade receivables *(note (i))*	**33**	1,671
Impairment of other receivables *(note (i))*	**9,976**	2,869
Write-off of other receivables *(note (i))*	**—**	1,651
Loss on disposal of items of property, plant and equipment, net *(note (i))*	**8,170**	9,537

Notes:

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

(ii) The cost of services rendered for the year amounted to HK$1,560,318,000 (2011: HK$1,734,268,000) and included amortisation of intangible assets of HK$16,397,000 (2011: HK$8,129,000), depreciation charges of HK$135,409,000 (2011: HK$161,972,000), employee benefit expense of HK$520,325,000 (2011: HK$668,057,000) and operating lease rentals of HK$140,430,000 (2011: HK$111,399,000).

(iii) As at 31 March 2012, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2011: Nil).

8. DIRECTORS' REMUNERATION

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

	Group 2012 HK$'000	2011 HK$'000
Fees	**405**	345
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**17,106**	16,653
Equity-settled share option expense	**11,084**	—
Pension scheme contributions	**1,440**	1,419
	29,630	18,072
	30,035	18,417

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2012			
Chan Bing Woon, SBS, JP	**135**	**334**	**469**
Sung Yuen Lam	**135**	**334**	**469**
Lee Kwong Yin, Colin	**135**	**334**	**469**
	405	**1,002**	**1,407**
2011			
Chan Bing Woon, SBS, JP	125	—	125
Sung Yuen Lam	125	—	125
Lee Kwong Yin, Colin	95	—	95
	345	—	345

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, discretionary bonuses and other benefits HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Wong Chung Pak, Thomas	—	4,060	2,566	330	6,956
Wong Leung Pak, Matthew	—	4,060	2,566	330	6,956
Wong Wing Pak	—	4,320	2,566	354	7,240
Cheng Wai Po, Samuel	—	—	—	—	—
Chung Chak Man, William	—	—	—	—	—
Cheng King Hoi, Andrew	—	1,415	596	131	2,142
Ng King Yee	—	830	596	77	1,503
Chan Yu Kwong, Francis	—	1,415	596	131	2,142
Mok Wah Fun, Peter	—	1,006	596	87	1,689
	—	17,106	10,082	1,440	28,628
2011					
Wong Chung Pak, Thomas	—	3,699	—	304	4,003
Wong Leung Pak, Matthew	—	3,659	—	304	3,963
Wong Wing Pak	—	3,959	—	328	4,287
Cheng Wai Po, Samuel	—	—	—	—	—
Chung Chak Man, William	—	—	—	—	—
Lee Yin Ching, Stanley*	—	931	—	84	1,015
Cheng King Hoi, Andrew	—	1,350	—	124	1,474
Ng King Yee	—	765	—	70	835
Chan Yu Kwong, Francis	—	1,350	—	124	1,474
Mok Wah Fun, Peter	—	940	—	81	1,021
	—	16,653	—	1,419	18,072

* *Mr. Lee Yin Ching, Stanley resigned as an executive director of the Company on 1 February 2011.*

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

Details of the share options granted to the directors are set out in note 36 to the financial statements.

9. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during the years ended 31 March 2012 and 2011 are directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK$'000	HK$'000
Current:		
Hong Kong		
Charge for the year	**18,194**	10,635
Overprovision in prior years	**(1,191)**	(3,786)
Mainland China		
Charge for the year	**11,005**	12,691
Deferred *(note 34)*	**2,742**	7,842
Total tax charge for the year	**30,750**	27,382

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group — 2012

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	151,301		16,256		167,557	
Tax at the statutory tax rate	24,965	16.5	4,064	25.0	29,029	
Adjustment in respect of current tax of prior periods	(1,191)		—		(1,191)	
Profits and losses attributable to jointly-controlled entities and associates	48		(3,741)		(3,693)	
Income not subject to tax	(15,514)		(309)		(15,823)	
Expenses not deductible for tax	16,352		6,423		22,775	
Tax losses utilised from previous periods	(5,286)		(186)		(5,472)	
Tax losses not recognised	422		4,703		5,125	
Tax charge at the Group's effective tax rate	19,796	13.1	10,954	67.4	30,750	18.4

Group — 2011

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	120,220		37,983		158,203	
Tax at the statutory tax rate	19,836	16.5	9,496	25.0	29,332	
Lower tax rate for specific provinces or enacted by local authorities	—		(64)		(64)	
Adjustment in respect of current tax of prior periods	(3,786)		—		(3,786)	
Profits and losses attributable to jointly-controlled entities and associates	2		(2,142)		(2,140)	
Land appreciation tax ("LAT")	—		171		171	
Tax effect of LAT	—		(43)		(43)	
Income not subject to tax	(1,815)		(3,889)		(5,704)	
Expenses not deductible for tax	689		2,181		2,870	
Tax losses not recognised	21		6,725		6,746	
Tax charge at the Group's effective tax rate	14,947	12.4	12,435	32.7	27,382	17.3

The share of tax charge attributable to jointly-controlled entities amounting to HK$5,797,000 (2011: HK$3,805,000), is included in "Share of profits and losses of jointly-controlled entities" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2012 includes a loss of HK$2,269,000 (2011: HK$223,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Additional 2011 final — HK$2.0 cents per ordinary share	18	—
Interim — Nil (2011: HK5.0 cents) per ordinary share	—	20,045
Proposed final — Nil (2011: HK2.0 cents) per ordinary share	—	8,150
	18	28,195

Actual 2011 final dividend paid was HK$8,168,000, of which HK$18,000 was paid in respect of shares issued for employee share options exercised after 31 March 2011 and whose names appeared on the Company's register of members on 31 August 2011.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$102,559,000 (2011: HK$120,041,000), and the weighted average number of ordinary shares of 408,127,858 (2011: 398,669,288) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$102,559,000 (2011: HK$120,041,000), and the weighted average number of ordinary shares of 408,127,858 (2011: 398,669,288) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,715,532 (2011: 6,937,633) assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2012									
At cost or valuation:									
At beginning of year	104,870	88,593	2,845	16,814	1,088,458	56,352	36,184	115,363	1,509,479
Additions	—	—	39	3,676	157,048	7,255	4,891	99,487	272,396
Acquisitions of subsidiaries (*note 38*)	—	—	—	597	95,190	1,526	93	—	97,406
Disposals	(12,353)	—	—	(1,247)	(75,857)	(1,901)	(5,415)	—	(96,773)
Revaluation surplus at date of transfer to investment properties	8,199	—	—	—	—	—	—	—	8,199
Transfer to investment properties	(21,024)	—	—	—	—	—	—	—	(21,024)
Exchange realignment	1,925	3,469	—	324	4,295	830	54	5,307	16,204
At 31 March 2012	81,617	92,062	2,884	20,164	1,269,134	64,062	35,807	220,157	1,785,887
Accumulated depreciation and impairment:									
At beginning of year	36,747	22,189	2,354	13,009	404,339	36,077	23,348	—	538,063
Provided during the year	4,076	2,238	105	4,011	136,999	4,728	4,653	—	156,810
Disposals	(7,947)	—	—	(1,587)	(57,979)	(1,783)	(4,255)	—	(73,551)
Transfer to investment properties	(4,324)	—	—	—	—	—	—	—	(4,324)
Exchange realignment	468	881	—	257	1,165	350	35	—	3,156
At 31 March 2012	29,020	25,308	2,459	15,690	484,524	39,372	23,781	—	620,154
Net book value:									
At 31 March 2012	52,597	66,754	425	4,474	784,610	24,690	12,026	220,157	1,165,733

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2011									
At cost or valuation:									
At beginning of year	138,655	85,943	2,627	14,296	1,517,752	57,915	65,711	79,287	1,962,186
Additions	1,305	99	218	569	241,930	5,960	3,438	100,185	353,704
Reclassification	1,676	—	—	—	59,130	346	2,005	(63,157)	—
Disposals	(2,711)	—	—	(1,980)	(159,222)	(4,858)	(7,225)	(750)	(176,746)
Assets included in disposal groups classified as held for sale *(note 39(b))*	(55,537)	—	—	—	(632,542)	(6,641)	(29,089)	(4,651)	(728,460)
Exchange realignment	21,482	2,551	—	3,929	61,410	3,630	1,344	4,449	98,795
At 31 March 2011	104,870	88,593	2,845	16,814	1,088,458	56,352	36,184	115,363	1,509,479
Accumulated depreciation and impairment:									
At beginning of year	33,132	19,210	2,259	9,118	632,507	38,077	37,336	—	771,639
Provided during the year	7,183	2,131	95	2,385	157,210	4,532	8,373	—	181,909
Disposals	(2,406)	—	—	(1,337)	(141,696)	(4,708)	(5,608)	—	(155,755)
Assets included in disposal groups classified as held for sale *(note 39(b))*	(19,751)	—	—	—	(289,735)	(3,316)	(17,481)	—	(330,283)
Exchange realignment	18,589	848	—	2,843	46,053	1,492	728	—	70,553
At 31 March 2011	36,747	22,189	2,354	13,009	404,339	36,077	23,348	—	538,063
Net book value:									
At 31 March 2011	68,123	66,404	491	3,805	684,119	20,275	12,836	115,363	971,416

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

Analysis of cost and valuation:

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2012									
Analysis of cost or valuation:									
At cost	—	92,062	2,884	20,164	1,269,134	64,062	35,807	220,157	1,704,270
At valuation	81,617	—	—	—	—	—	—	—	81,617
	81,617	92,062	2,884	20,164	1,269,134	64,062	35,807	220,157	1,785,887
31 March 2011									
Analysis of cost or valuation:									
At cost	—	88,593	2,845	16,814	1,088,458	56,352	36,184	115,363	1,404,609
At valuation	104,870	—	—	—	—	—	—	—	104,870
	104,870	88,593	2,845	16,814	1,088,458	56,352	36,184	115,363	1,509,479

The Group's leasehold lands included in property, plant and equipment with a net carrying amount of HK$5,022,000 (2011: HK$12,403,000) are situated in Hong Kong and are held under medium term leases.

The net carrying amount of the Group's leasehold lands held under finance leases at 31 March 2012 amounted to HK$5,022,000 (2011: HK$12,403,000).

At 31 March 2010, the Group's buildings were revaluated individually by the directors of the Group with reference to the valuations performed by Savills Valuation and Professional Services Limited and Midland Surveyors Limited, independent professionally qualified valuers, using either the depreciated replacement cost method or comparison method, where appropriate and recent prices of similar properties. In the opinion of the directors, the fair values of the leasehold buildings were approximately the same as the carrying values of the respective assets at 31 March 2012.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$29,799,000 (2011: HK$38,164,000) as at 31 March 2012.

At 31 March 2012, certain of the Group's property, plant and equipment of HK$104,307,000 (2011: HK$52,962,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

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

Certain of the Group's motor buses and vehicles with an aggregate net carrying amount of HK$26,105,000 as at 31 March 2011 were held under finance leases as set out in note 31 to the financial statements.

15. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 April	**42,350**	36,800
Net gain from a fair value adjustment	**850**	5,550
Transfer from owner-occupied property	**16,700**	—
Carrying amount at 31 March	**59,900**	42,350

Certain of the Group's investment properties with a carrying amount of HK$58,400,000 (2011: HK$41,000,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

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

The Group's investment properties were revalued on 31 March 2012 by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, at HK$59,900,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 April		**49,354**	74,103
Recognised during the year		**(3,098)**	(3,876)
Assets included in disposal groups classified as held for sale	*39(b)*	**—**	(24,037)
Exchange realignment		**1,816**	3,164
Carrying amount at 31 March		**48,072**	49,354
Current portion included in prepayments, deposits and other receivables	*25*	**(3,141)**	(3,026)
Non-current portion		**44,931**	46,328

Certain of the Group's leasehold lands amounting to HK$29,038,000 (2011: HK$30,228,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

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

	Group 2012 HK$'000	2011 HK$'000
Long term lease	**395**	401
Medium term leases	**47,677**	48,953
	48,072	49,354

17. OTHER INTANGIBLE ASSETS

Group

	Passenger service licences HK$'000	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Advertising rights HK$'000	Total HK$'000
31 March 2012						
Cost at 1 April 2011, net of accumulated amortisation	35,058	29,564	—	—	—	64,622
Additions	2,000	—	—	—	—	2,000
Acquisitions of subsidiaries *(note 38)*	267,900	168,459	57,504	959	—	494,822
Amortisation provided during the year	—	(16,397)	—	—	—	(16,397)
Exchange realignment	—	450	—	—	—	450
At 31 March 2012	304,958	182,076	57,504	959	—	545,497
At 31 March 2012:						
Cost	304,958	213,962	57,504	959	—	577,383
Accumulated amortisation	—	(31,886)	—	—	—	(31,886)
Net carrying amount	304,958	182,076	57,504	959	—	545,497
31 March 2011						
Cost at 1 April 2010, net of accumulated amortisation	16,758	24,080	—	—	6,153	46,991
Additions	18,300	22,677	—	—	—	40,977
Amortisation provided during the year	—	(8,129)	—	—	(252)	(8,381)
Assets included in disposal groups classified as held for sale *(note 39(b))*	—	(9,998)	—	—	(6,166)	(16,164)
Exchange realignment	—	934	—	—	265	1,199
At 31 March 2011	35,058	29,564	—	—	—	64,622
At 31 March 2011:						
Cost	35,058	44,631	—	—	—	79,689
Accumulated amortisation	—	(15,067)	—	—	—	(15,067)
Net carrying amount	35,058	29,564	—	—	—	64,622

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

18. GOODWILL

	Group 2012 HK$'000	2011 HK$'000
Cost at beginning of year, net of accumulated impairment	**17,874**	18,426
Acquisitions of subsidiaries *(note 38)*	**169,230**	—
Assets included in disposal groups classified as held for sale *(note 39(b))*	**—**	(552)
Carrying value at end of reporting period	**187,104**	17,874
At 31 March 2012:		
Cost	**191,503**	22,273
Accumulated impairment	**(4,399)**	(4,399)
Net carrying amount	**187,104**	17,874

Impairment testing of goodwill and intangible assets with indefinite lives

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

- Designated bus cash-generating unit
- Non-franchised bus cash-generating unit

The recoverable amounts of the designated bus cash-generating unit and the non-franchised bus cash-generating unit have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a ten-year period, which approximate to the average useful lives of motor buses and vehicles. The discount rate applied to the cash flow projections is 3.02% (2011: 3.02%). This rate does not exceed the average long term growth rate for the relevant markets.

18. GOODWILL *(continued)*

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

	Designated bus		Non-franchised bus		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**11,967**	11,967	**175,137**	5,907	**187,104**	17,874
Carrying amount of intangible assets with indefinite lives	**—**	—	**362,462**	35,058	**362,462**	35,058

Key assumptions were used in the value in use calculation of the designated bus and the non-franchised bus cash-generating units for the years ended 31 March 2012 and 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences and trade name:

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

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

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

19. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**577,087**	574,655
Capital contribution in respect of employee share-based compensation	**26,178**	—
	674,335	645,725

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

19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2012	2011	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.**+	People's Republic of China ("PRC")/ Mainland China	Renminbi ("RMB")5,000,000	**60**	60	Tour operations
Chongqing Grand Hotel Co., Ltd.**+	PRC/Mainland China	RMB35,000,000	**60**	60	Hotel operations
Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.**+∞	PRC/Mainland China	RMB62,672,087	**—**	42.15*	Provision of bus and travel-related services
Chongqing Kwoon Chung Public Transport Co., Ltd.**+∞	PRC/Mainland China	RMB90,000,000	**—**	30.25*	Provision of bus and travel-related services
Chongqing Tourism Coach Co., Ltd.**+	PRC/Mainland China	RMB8,000,000	**60**	60	Provision of coach hire services
Chongqing Tourism (Group) Co., Ltd.**+	PRC/Mainland China	RMB56,600,000	**60**	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK$900	**100**	100	Property holding
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	**100**	100	Provision of coach hire and travel-related services
Guangzhou New Era Express Bus Co., Ltd.**^+	PRC/Mainland China	RMB20,000,000	**56**	56	Provision of bus and travel-related services
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	Ordinary HK$46,261,682	**55**	55	Investment holding
HK Kwoon Chung (Harbin) Bus Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2012	2011	Principal activities
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
HK Kwoon Chung (Jieyang) Bus Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Hubei Shenzhou Transport Holdings Co., Ltd.**^+	PRC/Mainland China	RMB131,843,807	**100**	100	Provision of bus and travel-related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Provision of travel-related services
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus, coach hire and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Kwoon Chung (China) Development Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Investment holding
Jieyang Guanyun Transportation Company Limited**+~	PRC/Mainland China	RMB22,891,755	**60.63**	60.63	Provision of bus and travel-related services
Lantau Tours Limited	Hong Kong	Ordinary HK$750,000	**100**	100	Provision of coach hire and tour services
Lixian Bipenggou Tourism Development Company Limited***+	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 bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Provision of coach hire and travel-related services

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2012	2011	Principal activities
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Provision of hiring services of limousines, minibuses and coaches
GFTZ Xing Hua International Transport Limited***+	PRC/Mainland China	RMB15,000,000	**56**	56	Provision of bus and travel-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 coach hire services
Intercontinental Hire Cars Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of bus and coach hire services
Guangzhou City Zhongguan Consulting Services Company Limited^+	PRC/Mainland China	RMB5,000,000	**100**	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited^+	PRC/Mainland China	RMB500,000	**100**	100	Investment holding
Shiny Eagle (Hong Kong) Express and Tour Management Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	—	Provision of bus and coach hire services
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**100**	—	Investment holding
Chinalink Express Holdings Limited	Hong Kong	Ordinary HK$35,000,000	**90**	—	Investment holding
Chinalink Transport Group Limited	Hong Kong	Ordinary HK$100	**90**	—	Investment holding
Chinalink Bus Company Limited	Hong Kong	Ordinary HK$10,000	**90**	—	Provision of bus and travel-related services

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2012	2011	Principal activities
Hin Wan Bus Management Limited	Hong Kong	Ordinary HK$100,000	**100**	—	Provision of bus and coach hire services
Jin Yuan Tai Hong Kong Limited	Hong Kong	Ordinary HK$100,000	**100**	—	Provision of bus and coach hire services
Hi Lee (Hong Kong) Transportation Company Limited	Hong Kong	Ordinary HK$800,000	**98.75**	—	Provision of hiring services of limousines

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

* *Subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them*

** *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.*

∞ *The Group's interests in these subsidiaries were classified as disposal groups held for sale as at 31 March 2011. Further details of which are set out in note 39(b) to the financial statements.*

~ *The Group's interest in this subsidiary was classified as a disposal group held for sale as at 31 March 2012 and 2011. Further details of which are set out in note 39(b) to the financial statements.*

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

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2012 HK$'000	Group 2011 HK$'000
Unlisted investments, at cost	**20,433**	20,433
Share of net assets of a jointly-controlled entity	**158,163**	143,198
Share of post-acquisition results	**1,297**	1,297
Less: Accumulated amortisation and impairment	**(20,433)**	(20,433)
	159,460	144,495
Due from jointly-controlled entities	**9,964**	9,869
Due to a jointly-controlled entity	**(33,701)**	(32,898)
Loan to a jointly-controlled entity	**1,086**	1,086
	(22,651)	(21,943)
	136,809	122,552

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal jointly-controlled entities are as follows:

Name	Place of registration	Registered capital	Tenure	Percentage of Voting power	Percentage of Ownership interest and profit sharing	Principal activities
Shantou Kwoon Chung Bus Co., Ltd. ("Shantou KC") # *(note)*	PRC	HK$20,460,000	20 years expiring on 10 October 2015	50	50*	Provision of bus services
Guangzhou City No.2 Public Bus Co., Ltd.	PRC	HK$190,000,000	30 years expiring on 8 October 2024	40	40	Provision of bus services

* *55% for the first three years and 50% from the fourth year onwards*

In accordance with the joint venture agreement, the title to all assets of the jointly-controlled entity will revert to the joint venture partner in Mainland China at the end of the contractual period.

Note: In the prior year, the Group entered into a termination agreement with the joint venture partner of Shantou KC to early terminate the joint venture agreement, pending the approval from relevant government authorities.

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

Both of the above investments in jointly-controlled entities are indirectly held by the Company.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2012 HK$'000	2011 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	**82,153**	110,226
Non-current assets	**220,136**	233,200
Current liabilities	**(114,475)**	(159,257)
Non-current liabilities	**(9,787)**	(25,479)
Net assets	**178,027**	158,690

Share of the jointly-controlled entity's results:

	2012 HK$'000	2011 HK$'000
Revenue	**296,171**	272,850
Other income	**202,750**	139,149
	498,921	411,999
Total expenses	**(478,159)**	(399,249)
Income tax	**(5,797)**	(3,805)
Profit after tax	**14,965**	8,945

21. INTERESTS IN ASSOCIATES

	Group	
	2012 HK$'000	2011 HK$'000
Share of net assets	**256**	258
Due from associates	**1,421**	1,490
	1,677	1,748

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

21. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held/registered paid up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2012	2011	Principal activities
Chongqing Wansheng Transportation Centre Co. Ltd*#~	RMB8,400,000	PRC	—	40	Provision of bus and travel-related services
All China Express Limited#	63 ordinary shares of HK$1 each	Hong Kong	**36.26**	36.26	Provision of bus and travel-related services
China-HongKong Express Limited#	180,000 ordinary shares of HK$1 each	Hong Kong	**39.56**	—	Provision of bus and travel-related services
Kowloon Tong Express Services Limited#	14 ordinary shares of HK$1 each	Hong Kong	**35.90**	35.90	Provision of bus and travel-related services
Qijiang County Bus Terminal Co. Ltd.*#~	RMB637,830	PRC	—	33.33	Provision of bus terminal management services
All China Express (Shen Xi) Limited#	16 ordinary shares of HK$1 each	Hong Kong	**31.37**	31.37	Provision of bus and travel-related services

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

* *Limited liability companies established in the PRC*

~ *The Group's interests in these associates were classified as disposal groups held for sale as at 31 March 2011. Further details of which are set out in note 39(b) to the financial statements.*

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

21. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2012 HK$'000	2011 HK$'000
Assets	26,346	26,051
Liabilities	33,033	24,302
Revenues	244,747	239,231
Loss after tax	(2,494)	(834)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012 HK$'000	2011 HK$'000
Unlisted equity investment in Mainland China, at cost	238	229
Unlisted investment fund in Hong Kong, at fair value	17,689	—
	17,927	229

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

As at the end of the reporting period, certain unlisted equity investment with a carrying amount of HK$238,000 (2011: HK$229,000) 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 them in the near future.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$375,000 (2011: Nil).

As at 31 March 2012, the Group's unlisted investment fund with a carrying value of HK$17,689,000 (2011: Nil) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted investment at fair value	**13,498**	—

The unlisted investment as at 31 March 2012 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 2012, the Group's unlisted investment with a carrying value of HK$13,498,000 (2011: Nil) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

24. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**129,384**	110,492
Impairment	**(4,554)**	(4,578)
	124,830	105,914

Included in the Group's trade receivables are amounts due from associates of HK$8,493,000 (2011: HK$8,177,000), which are repayable within 90 days.

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

24. TRADE RECEIVABLES *(continued)*

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**4,578**	2,749
Impairment losses recognised *(note 7)*	**33**	1,671
Amount written off as uncollectible	**(222)**	—
Exchange realignment	**165**	158
At 31 March	**4,554**	4,578

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$4,554,000 (2011: HK$4,578,000) with a carrying amount before provision of HK$4,875,000 (2011: HK$5,049,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

The aged analysis of the Group's trade receivables as at the end of the reporting period that are not individually nor collectively considered to be impaired, based on the payment due date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**95,192**	68,559
Less than 1 month past due	**13,715**	25,063
1 to 3 months past due	**7,880**	7,864
Over 3 months past due	**7,722**	3,957
	124,509	105,443

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

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prepayments		**40,894**	26,813	**196**	194
Prepaid land lease payments	16	**3,141**	3,026	**—**	—
Rental and other deposits		**27,354**	29,923	**—**	—
Deposits paid for purchase of land		**—**	7,222	**—**	—
Deposits paid for acquisitions of subsidiaries *(note)*		**—**	137,152	**—**	—
Due from joint venturers	32	**20,818**	923	**—**	—
Deferred expense	28	**16,626**	16,018	**—**	—
Loan to a related party		**1,300**	—	**—**	—
Other receivables		**96,851**	64,250	**—**	—
		206,984	285,327	**196**	194
Impairment		**(18,749)**	(8,724)	**—**	—
		188,235	276,603	**—**	—
Less: Portion classified under non-current assets		**(11,197)**	(151,502)	**—**	—
Portion classified under current assets		**177,038**	125,101	**196**	194

Note: During the year ended 31 March 2011, the Group entered into various individual acquisition agreements with unrelated third parties to acquire the entire equity interests in a total of eleven companies (the "Shiny Eagle Group"), which are primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China, for an aggregate consideration of HK$164.6 million. As at 31 March 2011, an aggregate amount of HK$137 million was paid to the various vendors as deposits for the acquisitions. The transactions were completed during the current year, as further detailed in note 38(a) to the financial statements.

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 in 10 yearly instalments commencing from December 2012. The maximum amount outstanding during the year is HK$1,300,000.

The Group allows an average credit period ranging from 30 to 90 days for its debtors. An aged analysis of the Group's amounts due from joint venturers, loan to a related party and other receivables, that are not considered to be impaired, based on the payment due date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**76,168**	27,668
Less than 1 month past due	**4,973**	19,736
1 to 3 months past due	**707**	911
Over 3 months past due	**10,975**	1,007
	92,823	49,322

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movements in provision for impairment of amounts due from joint venturers and other receivables are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**8,724**	7,753
Impairment losses recognised *(note 7)*	**9,976**	2,869
Included in disposal groups classified as held for sale	**—**	(2,257)
Exchange realignment	**49**	359
At 31 March	**18,749**	8,724

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$18,749,000 (2011: HK$8,724,000) with a carrying amount before provision of HK$26,146,000 (2011: HK$15,851,000), of which the related debtors are in financial difficulties and only a portion of the amount is expected to be recovered.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**254,517**	319,143	**853**	494
Time deposits		**55,146**	37,277	**—**	—
		309,663	356,420	**853**	494
Less: Pledged time deposits for bank loans	*30*	**(10,650)**	(2,717)	**—**	—
Cash and cash equivalents		**299,013**	353,703	**853**	494

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.

27. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	HK$'000
Current to 30 days	**53,079**	37,219
31 to 60 days	**7,163**	3,509
61 to 90 days	**7,068**	4,878
Over 90 days	**7,656**	6,657
	74,966	52,263

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

28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accruals and other payables		**263,124**	161,982	**224**	206
Deposits received		**15,262**	8,068	**—**	—
Deposit for disposal of interests in properties held for sale *(note)*		**81,988**	78,989	**—**	—
Traffic accident compensation payables		**29,299**	23,957	**—**	—
Payables for acquisitions of items of property, plant and equipment		**13,752**	16,248	**—**	—
Receipt in advance		**40,159**	21,768	**—**	—
Due to joint venturers	*32*	**4,639**	618	**—**	—
		448,223	311,630	**224**	206

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

28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED *(continued)*

Note: For the purpose of better utilising the Group's resources, the Group has reorganised and restructured certain transportation facilities in Mainland China. As a result, in November 2006 and September 2009, the Group entered into a cooperative agreement, an equity transfer agreement and supplemental agreements (collectively, the "Transfer Agreements") with an independent third party (the "Purchaser") to dispose of a piece of land in Mainland China (the "Land"), together with the establishments, for a consideration of RMB66.5 million (HK$82.0 million). Pursuant to the Transfer Agreements, the Group injected the Land and the Purchaser injected cash capital into a joint venture (the "Joint Venture") in exchange for the equity interest as to 70% and 30%, respectively. The Group's entire 70% equity interest therein will then be transferred to the Purchaser by two stages: (i) 60%, upon receipt of the entire consideration of RMB66.5 million; and (ii) 10%, upon completion of demolition procedures of the establishments and relocation of the existing inhabitants on the Land. In addition, pursuant to the Transfer Agreements, the entire sale proceeds, after deducting direct transaction costs, shall be returned to the Purchaser, if the approval from the relevant government authorities cannot be obtained in respect of the transfer of the equity interest in the Joint Venture to the Purchaser.

As at 31 March 2012, the entire sale consideration of RMB66.5 million (HK$82.0 million) was received by the Group from the Purchaser which was recorded as a deposit received for disposal of a property held for sale. The Group also transferred its 60% equity interest in the Joint Venture to the Purchaser, thereby reducing the Group's interest therein to 10%. In the opinion of the Company's directors, the Group's obligations under the Transfer Agreements have not been discharged and the Group still retains significant risks of ownership over the Land should the relevant government approval not be obtained. Accordingly, the Land of RMB39.4 million (HK$48.5 million) continued to be included in interests in properties held for sale while the establishments of RMB2.0 million (HK$2.5 million) were recorded as interests in properties held for sale. In addition, the related tax liabilities totalling RMB13.5 million (HK$16.6 million) were accrued for and the tax expenses have been deferred until the Group's obligations attached to the Transfer Agreements are fulfilled and the sale becomes unconditional. The transaction is expected to be completed before the end of 2012 and the gain on disposal is estimated to be HK$14.4 million.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	Liabilities	Liabilities
	2012	2011
	HK$'000	HK$'000
Interest rate swap contracts	**17,894**	687
Foreign currency swap contracts	**60**	54
	17,954	741

The Group entered into interest rate swap and foreign currency swap contracts to manage its interest rate and foreign currency exchange rate exposures, respectively. At 31 March 2012, the Group had swap contracts in place with a total notional amount of HK$155,835,000 (2011: HK$116,499,000). 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$17,213,000 (2011: HK$19,000) were charged to the consolidated income statement during the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables *(note 31)*	**—**	**—**	**—**	1.61	2012	3,113
Bank loans — secured *(note (a))*	**2.42**	**2013–2019**	**784,442**	3.02	2012–2016	470,289
Other loan — unsecured	**—**	**2013**	**41,303**	—	2012	39,791
			825,745			513,193

	2012 HK$'000	2011 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(note (a))*	**784,442**	470,289
Other borrowing repayable:		
Within one year	**41,303**	42,904
	825,745	513,193

Notes:

(a) Term loans of the Group with carrying amounts of HK$784,442,000 (2011: HK$470,289,000) containing repayment on demand clauses have been classified in total as current liabilities. Accordingly, portions of the bank loans due for repayment after one year with carrying amounts of HK$569,548,000 (2011: HK$323,754,000) have been reclassified 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 2012 HK$'000	2011 HK$'000
Within one year	**214,894**	146,535
In the second year	**189,515**	114,685
In the third to fifth years, inclusive	**317,894**	209,069
Beyond five years	**62,139**	—
	784,442	470,289

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(b) The Group's bank loans and other borrowings are secured by:

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

(ii) the pledge of certain time deposits;

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

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

(v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$850,000,000 (2011: HK$470,000,000) under a debenture given by the Company.

(c) Except for bank loans of HK$49,221,000 (2011: HK$34,881,000) and other loan of HK$41,303,000 (2011: HK$39,791,000) which are denominated in RMB and bank loans of HK$33,609,000 (2011: HK$37,519,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

31. FINANCE LEASE PAYABLES

At 31 March 2011, the Group leased certain of its motor buses and vehicles for its transportation business. These leases were classified as finance leases. The finance leases were fully settled during the current year.

At 31 March 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2012 HK$'000**	Minimum lease payments 2011 HK$'000	**Present value of minimum lease payments 2012 HK$'000**	Present value of minimum lease payments 2011 HK$'000
Amounts payable within one year and total minimum finance lease payments	—	3,150	—	3,113
Future finance charges	—	(37)		
Total net finance lease payables	—	3,113		
Portion classified as current liabilities *(note 30)*	—	(3,113)		
Non-current portion	—	—		

32. BALANCES WITH JOINT VENTURERS

The amounts classified under current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

The amount classified under non-current liabilities was unsecured, interest-free and was fully repaid during the year.

33. OTHER LONG TERM LIABILITIES

	Group 2012 HK$'000	2011 HK$'000
Deferred income	**21,785**	16,223
Other liabilities	**1,305**	1,606
	23,090	17,829

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

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 acquisitions of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax 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 2010		93,682	—	—	1,042	1,536	(4,297)	168	92,131
Deferred tax charged/(credited) to the income statement during the year	10	11,276	—	—	8	—	(3,002)	(440)	7,842
Liabilities included in disposal groups classified as held for sale	39(b)	(14,312)	—	—	—	—	—	—	(14,312)
Exchange differences		207	—	—	—	—	—	—	207
Gross deferred tax liabilities/(assets) at 31 March 2011 and at 1 April 2011		90,853	—	—	1,050	1,536	(7,299)	(272)	85,868
Acquisitions of subsidiaries	38	10,308	(861)	27,954	—	—	(3,223)	—	34,178
Deferred tax charged/(credited) to the income statement during the year	10	(1,829)	550	(1,555)	140	(1,536)	5,440	1,532	2,742
Exchange differences		(47)	—	—	—	—	—	—	(47)
Gross deferred tax liabilities/(assets) at 31 March 2012		99,285	(311)	26,399	1,190	—	(5,082)	1,260	122,741

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:

	2012 HK$'000	2011 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**858**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(123,599)**	(85,868)
	(122,741)	(85,868)

34. DEFERRED TAX *(continued)*

The Group has tax losses in Mainland China of HK$29,764,000 (2011: HK$77,936,000) 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 jointly-controlled entities in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2012, there was no significant unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

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

35. SHARE CAPITAL

Shares

	2012 HK$'000	2011 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
408,706,000 (2011: 407,506,000) ordinary shares of HK$0.10 each	**40,871**	40,751

The subscription rights attaching to 1,200,000 (2011: 12,600,000) share options were exercised at an average subscription price of HK$0.94 (2011: HK$0.96) per share (note 36), resulting in the issue of 1,200,000 (2011: 12,600,000) shares of HK$0.10 each for a total cash consideration, before expenses, of HK$1,133,000 (2011: HK$12,043,000).

Share options

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

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 26 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme 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 Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in that period. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer. A consideration of HK$1 is payable on acceptance of the offer of the grant of an option. The exercise period of the share options granted is determinable by the directors, and commences 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 or the expiry date of the Scheme, if earlier.

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.

36. SHARE OPTION SCHEME *(continued)*

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

	2012		2011	
	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	0.97	18,400	0.97	31,200
Granted during the year	1.58	47,300	—	—
Forfeited during the year	—	—	1.20	(200)
Exercised during the year	0.94	(1,200)	0.96	(12,600)
At 31 March	1.42	64,500	0.97	18,400

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.80 per share (2011: HK$1.85 per share).

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

31 March 2012

Number of options '000	Exercise price* HK$ per share	Exercise period
9,700	0.844	23 July 2003 to 22 July 2013
2,200	1.200	5 September 2003 to 4 September 2013
5,300	1.126	21 September 2004 to 20 September 2014
6,700	1.950	21 March 2011 to 20 March 2021
40,600	1.522	10 October 2011 to 9 October 2021
64,500		

36. SHARE OPTION SCHEME *(continued)*

31 March 2011

Number of options '000	Exercise price* HK$ per share	Exercise period
10,500	0.844	23 July 2003 to 22 July 2013
2,300	1.200	5 September 2003 to 4 September 2013
5,600	1.126	21 September 2004 to 20 September 2014
18,400		

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

The fair value of the share options granted during the year was HK$28,257,000 (HK$0.5369 to HK$0.8661 each) (2011: Nil) of which the Group recognised a share option expense of HK$28,257,000 (2011: Nil) during the year ended 31 March 2012.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012
Dividend yield (%)	**1.58–1.75**
Expected volatility (%)	**40.77–41.55**
Historical volatility (%)	**40.77–41.55**
Risk-free interest rate (%)	**1.42–2.85**
Expected life of options (year)	**9.86–9.97**
Weighted average share price (HK$ per share)	**1.71–1.90**

36. SHARE OPTION SCHEME *(continued)*

The expected life of the options is based on the historical data over the past years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 1,200,000 share options exercised during the year resulted in the issue of 1,200,000 ordinary shares of the Company and new share capital of HK$120,000 and share premium of HK$1,013,000 (before issue expenses), as further detailed in note 35 to the financial statements.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 64,500,000 share options outstanding under the Scheme, which represented approximately 15.8% of the Company's shares in issue as at those dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issuance of 64,500,000 additional ordinary shares of the Company and additional share capital of HK$6,450,000 and share premium of HK$85,203,000 (before issue expenses).

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 44 to 45 of the financial statements.

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

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

37. RESERVES *(continued)*

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2010		523,211	70,770	—	(24,085)	569,896
Profit and total comprehensive income for the year		—	—	—	44,822	44,822
Issue of shares		10,783	—	—	—	10,783
Interim 2011 dividend	*12*	—	—	—	(20,045)	(20,045)
Proposed final 2011 dividend	*12*	—	—	—	(8,150)	(8,150)
At 31 March 2011 and at 1 April 2011		533,994	70,770	—	(7,458)	597,306
Profit and total comprehensive income for the year		—	—	—	7,731	7,731
Additional 2011 dividend	*12*	—	—	—	(18)	(18)
Issue of shares		1,013	—	—	—	1,013
Equity-settled share option arrangements	*36*	—	—	28,257	—	28,257
At 31 March 2012		**535,007**	**70,770**	**28,257**	**255**	**634,289**

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 payment transactions in note 2.4 to the financial statements. The amount will be transferred to the share premium account when related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

38. BUSINESS COMBINATIONS

As part of the Group's strategy to expand its market share of cross-border bus operation and motor vehicle hire operation in Hong Kong, the Group made the following acquisitions during the year:

(a) Acquisition of the Shiny Eagle Group

On 1 April 2011, the Group acquired 100% equity interests in a total of eleven companies (the "Shiny Eagle Group") from unrelated third parties. The Shiny Eagle Group is primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase consideration for the acquisition was in the form of cash of HK$164,600,000, with HK$1,172,000 remained outstanding as at the end of the reporting period.

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

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	*14*	25,978
Other intangible assets	*17*	129,866
Accruals		(72)
Deferred tax liabilities	*34*	(13,632)
Total identifiable net assets at fair value		142,140
Goodwill on acquisition	*18*	22,460
Satisfied by cash		164,600

The Group incurred transaction costs of HK$438,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

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 Shiny Eagle Group is as follows:

	HK$'000
Cash consideration	(164,600)
Decrease in deposits paid for acquisitions of subsidiaries	137,152
Increase in other payable for unpaid cash consideration	1,172
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(26,276)
Transaction costs of the acquisition included in cash flows from operating activities	(438)
	(26,714)

38. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of the Shiny Eagle Group *(continued)*

Since the acquisition, the Shiny Eagle Group contributed HK$8,416,000 to the Group's turnover and HK$2,533,000 to the consolidated profit for the year ended 31 March 2012.

(b) Acquisition of the Elegant Sun Group

On 31 July 2011, the Group acquired a 100% equity interest in Elegant Sun Group Limited and additional 10% equity interests in each of Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively, the "Elegant Sun Group") from unrelated third parties. The Elegant Sun Group is primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase consideration for the acquisition was in the form of cash of HK$330,000,000, which was fully paid during the year.

The Group has elected to measure the non-controlling interests in the Elegant Sun Group at the non-controlling interests' proportionate share of the Elegant Sun Group's identifiable net assets.

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

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	*14*	64,829
Other intangible assets	*17*	261,886
Interest in an associate		250
Deferred tax assets	*34*	40
Trade receivables		7,863
Prepayments, deposits and other receivables		14,713
Tax recoverable		300
Cash and cash equivalents		3,632
Trade payables		(5,211)
Accruals, other payables and deposits received		(48,521)
Deferred income		(5,851)
Tax payable		(891)
Interest-bearing bank borrowings		(3,524)
Deferred tax liabilities	*34*	(18,253)
Non-controlling interests		(27,126)
Total identifiable net assets at fair value		244,136
Goodwill on acquisition	*18*	85,864
Satisfied by cash		330,000

38. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of the Elegant Sun Group *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$7,863,000 and HK$7,820,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$7,863,000 and HK$7,820,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK$931,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

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 Elegant Sun Group is as follows:

	HK$'000
Cash consideration	(330,000)
Cash and cash equivalents acquired	3,632
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(326,368)
Transaction costs of the acquisition included in cash flows from operating activities	(931)
	(327,299)

Since the acquisition, the Elegant Sun Group contributed HK$131,012,000 to the Group's turnover and HK$4,975,000 to the consolidated profit for the period from 1 August 2011 to 31 March 2012.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,977,444,000 and HK$139,710,000, respectively.

(c) Acquisitions of JYT and the Hin Wan Group

On 22 December 2011, the Group acquired a 100% equity interest in Jin Yuan Tai Hong Kong Limited ("JYT") and 100% equity interests in a total of six Hong Kong incorporated companies (the "Hin Wan Group") from unrelated third parties. JYT and the Hin Wan Group are primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase considerations for the acquisitions of JYT and the Hin Wan Group were in the form of cash of HK$40,000,000 and HK$120,000,000, with HK$4,000,000 and HK$32,000,000 remained outstanding as at the end of the reporting period, respectively.

38. BUSINESS COMBINATIONS *(continued)*

(c) Acquisitions of JYT and the Hin Wan Group *(continued)*

The aggregate fair values of the identifiable assets and liabilities of JYT and the Hin Wan Group as at the date of acquisitions were as follows:

	Notes	**Fair value recognised on acquisitions** HK$'000
Property, plant and equipment	*14*	4,663
Other intangible assets	*17*	102,111
Interest in an associate		40
Deferred tax assets	*34*	823
Trade receivables		4,800
Prepayments, deposits and other receivables		4,448
Tax recoverable		93
Cash and cash equivalents		7,194
Trade payables		(1,461)
Accruals, other payables and deposits received		(11,415)
Deferred income		(2,027)
Deferred tax liabilities	*34*	(2,878)
Total identifiable net assets at fair value		106,391
Goodwill on acquisitions	*18*	53,609
Considerations		160,000

The fair values of the trade receivables and other receivables as at the date of acquisitions amounted to HK$4,800,000 and HK$268,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$4,800,000 and HK$268,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK$511,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

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

38. BUSINESS COMBINATIONS *(continued)*

(c) Acquisitions of JYT and the Hin Wan Group *(continued)*

An analysis of the cash flows in respect of the acquisitions of JYT and the Hin Wan Group is as follows:

	HK$'000
Cash considerations	(160,000)
Cash and cash equivalents acquired	7,194
Increase in other payable for unpaid cash considerations	36,000
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(116,806)
Transaction costs of the acquisitions included in cash flows from operating activities	(511)
	(117,317)

Since the acquisitions, JYT and the Hin Wan Group contributed HK$3,316,000 to the Group's turnover and HK$2,473,000 to the consolidated profit for the period from 23 December 2011 to 31 March 2012.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,972,684,000 and HK$144,600,000, respectively.

(d) Acquisition of Hi Lee

On 31 December 2011, the Group acquired a 98.75% interest in Hi Lee (Hong Kong) Transportation Company Limited ("Hi Lee") from unrelated third parties. Hi Lee is primarily engaged in the provision of hiring services of limousines in Hong Kong. The purchase consideration for the acquisition was in the form of cash of HK$10,000,000, which was fully paid during the year.

The Group has elected to measure the non-controlling interests in Hi Lee at the non-controlling interests' proportionate share of Hi Lee's identifiable net assets.

The fair values of the identifiable assets and liabilities of Hi Lee as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	*14*	1,936
Other intangible assets	*17*	959
Trade receivables		3,057
Prepayments, deposits and other receivables		1,220
Tax recoverable		132
Cash and cash equivalents		1,639
Trade payables		(483)
Accruals and other payables		(4,095)
Interest-bearing bank borrowings		(1,350)
Deferred tax liabilities	*34*	(278)
Non-controlling interests		(34)
Total identifiable net assets at fair value		2,703
Goodwill on acquisition	*18*	7,297
Satisfied by cash		10,000

38. BUSINESS COMBINATIONS *(continued)*

(d) Acquisition of Hi Lee *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,057,000 and HK$1,109,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$3,057,000 and HK$1,109,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK$82,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

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 Hi Lee is as follows:

	HK$'000
Cash consideration	(10,000)
Cash and cash equivalents acquired	1,639
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(8,361)
Transaction costs of the acquisition included in cash flows from operating activities	(82)
	(8,443)

Since the acquisition, Hi Lee contributed HK$6,777,000 to the Group's turnover and HK$613,000 to the consolidated profit for the period from 1 January 2012 to 31 March 2012.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,939,522,000 and HK$135,837,000, respectively.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

Year ended 31 March 2012

During the year, the Group disposed of its entire 42.2% equity interest in Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd. ("CQ New Town") and its entire 30.3% equity interest in Chongqing Kwoon Chung Public Transport Co., Ltd. ("KC Public Transport") (collectively, the "Chongqing Designated Bus Group") to Chongqing City Public Traffic Holdings (Group) Co., Ltd. ("Chongqing Traffic"), the PRC joint venture partner of Chongqing Designated Bus Group, for a total consideration of RMB230 million (approximately HK$276 million). The transactions were completed on 19 May 2011 for KC Public Transport and on 23 June 2011 for CQ New Town.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Disposal of subsidiaries *(continued)*

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

	2012 HK$'000
Net assets disposed of:	
Property, plant and equipment	468,281
Prepaid land lease payments	15,365
Other intangible assets	16,521
Goodwill	552
Interests in associates	28,297
Available-for-sale investments	9,856
Inventories	6,241
Trade receivables	22,749
Prepayments, deposits and other receivables	66,428
Pledged time deposits	24,371
Cash and cash equivalents	114,694
Trade payables	(75,353)
Accruals, other payables and deposits received	(306,661)
Tax payable	(6,171)
Interest-bearing bank and other borrowings	(135,908)
Deferred tax liabilities	(14,440)
Enterprise expansion fund	(3,277)
Reserve fund	(11,278)
Non-controlling interests	(72,351)
	147,916
Exchange equalisation reserve released	(15,192)
Gain on disposal of subsidiaries	83,276
Satisfied by:	
Cash*	216,000

* *Cash consideration of HK$216 million is net of transaction costs and PRC capital gain tax of HK$44 million and HK$16 million, respectively.*

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Disposal of subsidiaries *(continued)*

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

	HK$'000
Cash consideration	216,000
Cash and cash equivalents disposed of	(114,694)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	101,306

Year ended 31 March 2011

During the year ended 31 March 2011, the Group disposed of its 70% equity interest in GFTZ Xing Hua Tourism Bus Co. Ltd. ("Tourism Bus") to the non-controlling interests in exchange for all assets and liabilities of Tourism Bus, other than a piece of land. Tourism Bus was previously engaged in designated bus services and was inactive as at the date of disposal. The transaction was completed on 22 April 2010.

The assets and liabilities of Tourism Bus as at the date of disposal were as follows:

	2011 HK$'000
Net liabilities disposed:	
Property held for sale	4,270
Non-controlling interests	(13,344)
	(9,074)
Exchange equalisation reserve released	(3,830)
Gain on disposal of a subsidiary	12,904
Net consideration	—

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposal groups held for sale

In order to better utilise the Group's resources on businesses with greater potentials, the Group entered into equity transfer agreements with independent third parties to dispose of the following designated bus operation in Mainland China:

(i) On 24 March 2011, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire 62.9% equity interest in Jieyang Guanyun Transportation Co., Ltd. and its entire 60.4% equity interest in Jieyang City Xing Hua Auto Repair Co., Ltd. (collectively, the "Jieyang Designated Bus Group") for a consideration of RMB2.1 million (approximately HK$2.6 million) and assumption of amount payable by the Jieyang Designated Bus Group to the Group of RMB10.9 million (approximately HK$13.4 million). The Jieyang Designated Bus Group is part of the Group's designated bus operation in Guangdong province, Mainland China. This transaction is scheduled to be completed before end of 2012 and is expected to result in a gain on disposal before tax of approximately HK$7.3 million. As at 31March 2012 and 31 March 2011, the consolidated assets and liabilities of the Jieyang Designated Bus Group were classified as a disposal group held for sale.

(ii) On 11 January 2011, the Group entered into equity transfer agreements ("Chongqing Agreements") with Chongqing Traffic, the PRC joint venture partner of Chongqing Designated Bus Group, whereby the Group agreed to dispose of the Chongqing Designated Bus Group to Chongqing Traffic for a total consideration of RMB230 million (approximately HK$276 million). The Chongqing Designated Bus Group is primarily engaged in the provision of designated bus services in Chongqing, Mainland China. The above transactions were completed in May 2011. Following the completion of the disposal of the Chongqing Designated Bus Group, the Group discontinued all of its designated bus operation in Chongqing, Mainland China. As at 31 March 2011, the assets and liabilities of the Chongqing Designated Bus Group were classified as a disposal group held for sale.

As at 31 March 2012

The major classes of assets and liabilities of the Jieyang Designated Bus Group classified as held for sale as at 31 March 2012 are as follows:

	Jieyang Designated Bus Group HK$'000
Assets	
Property, plant and equipment	239
Prepaid land lease payments	8,375
Prepayments and other receivables	847
Cash and cash equivalents	245
Assets classified as held for sale	9,706
Liabilities	
Accruals, other payables and deposits received	(1,011)
Liabilities directly associated with the assets classified as held for sale	(1,011)
Net assets directly associated with the disposal group	8,695

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposal groups held for sale *(continued)*

As at 31 March 2011

The major classes of assets and liabilities of the Chongqing Designated Bus Group and the Jieyang Designated Bus Group classified as held for sale as at 31 March 2011 are as follows:

	Notes	Chongqing Designated Bus Group HK$'000	Jieyang Designated Bus Group HK$'000	Total HK$'000
Assets				
Property, plant and equipment	*14*	397,947	230	398,177
Prepaid land lease payments	*16*	15,968	8,069	24,037
Other intangible assets	*17*	16,164	—	16,164
Goodwill	*18*	552	—	552
Interests in associates		27,268	—	27,268
Available-for-sale investments		9,755	—	9,755
Deposits paid for purchases of items of property, plant and equipment		15,052	—	15,052
Inventories		7,590	—	7,590
Trade receivables		21,944	—	21,944
Prepayments, deposits and other receivables		41,677	42	41,719
Pledged other deposits		22,439	—	22,439
Pledged time deposits		40,139	—	40,139
Restricted cash		106,969	—	106,969
Cash and cash equivalents		66,413	1,000	67,413
Assets classified as held for sale		789,877	9,341	799,218

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposal groups held for sale *(continued)*

	Notes	Chongqing Designated Bus Group HK$'000	Jieyang Designated Bus Group HK$'000	Total HK$'000
Liabilities				
Trade payables		(29,745)	—	(29,745)
Accruals, other payables and deposits received		(219,831)	(1,083)	(220,914)
Due to Chongqing Traffic				
— consideration received		(106,902)	—	(106,902)
Tax payable		(6,120)	—	(6,120)
Interest-bearing bank and other borrowings		(152,440)	—	(152,440)
Deferred tax liabilities	*34*	(14,312)	—	(14,312)
Liabilities directly associated with the assets classified as held for sale		(529,350)	(1,083)	(530,433)
Net assets directly associated with the disposal groups		260,527	8,258	268,785
Asset revaluation reserve		5,668	—	5,668
Exchange equalisation reserve		18,128	—	18,128

40. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK$1,503,205,000 (2011: HK$1,140,759,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 31 March 2012, 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$759,071,000 (2011: HK$508,857,000).

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

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2012, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	5,726	5,935
In the second to fifth years, inclusive	5,955	4,759
	11,681	10,694

(b) As lessee

The Group leases certain of its office properties, bus depots, terminals, car parks and bus route operating rights under operating lease arrangements. Leases for office properties are negotiated for terms ranging from 1 to 30 years and those for bus depots, terminals, car parks and bus route operating rights are negotiated for terms ranging from 1 to 30 years.

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	31,888	18,164
In the second to fifth years, inclusive	38,797	10,382
After five years	—	12,904
	70,685	41,450

42. COMMITMENTS

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

	2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	**53,693**	76,783
Acquisitions of subsidiaries	**—**	27,448
Construction of a scenic site and a plant for repair and maintenance	**76,070**	152,686
	129,763	256,917

At the end of the reporting period, the Company had no significant commitments.

43. PLEDGE OF ASSETS

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

44. CONNECTED AND 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 connected and/or related parties during the year:

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
Rental expenses paid to joint venturer of a subsidiary	*(i)*	**196**	1,105
Coach rental income and administrative service income from associates	*(ii)*	**90,628**	25,698
Bus washing charges paid to related companies	*(iii), (iv)*	**200**	199
Purchases of fuel from related companies	*(iii), (iv)*	**30,893**	20,713
Rental and related expenses paid to a related company	*(v)*	**4,889**	3,736

Notes:

(i) In 1999, KC Public Transport entered into an agreement with Chongqing Traffic, a non-controlling shareholder of KC Public Transport, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of RMB852,000, which was determined between both parties with reference to the open market rentals at the time when the lease agreements were entered into. Pursuant to the agreement, KC Public Transport paid rental expenses amounting to approximately HK$196,000 (2011: HK$1,105,000) to Chongqing Traffic during the year.

(ii) 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.

44. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(iii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a 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. The agreement was subsequently renewed and commencing on 1 November 2007, the bus washing charges were determined at a monthly amount of HK$16,400. On 22 June 2010, the agreement was further renewed and the monthly charge was increased to HK$16,650 commencing on 1 August 2010. The aggregate fee related to bus washing services was HK$200,000 (2011: HK$199,000). The aggregate purchases of fuel from NWFB amounted to HK$16,911,000 (2011: HK$11,384,000).

(iv) 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 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. The agreement was subsequently renewed and commencing on 1 July 2008, 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 charges were determined at a fixed rate of HK$18 per vehicle. On 30 June 2010, the agreement was revised and the bus washing charges were increased to HK$18.30 per vehicle commencing on 1 July 2010. No bus washing services were provided by CTB during the current and prior years. The aggregate purchases from CTB amounted to HK$13,982,000 (2011: HK$9,329,000).

(v) On 22 December 2010, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of one year commencing on 1 January 2011 at a monthly charge, including rental and related management charges, of HK$269,000. On 10 January 2012, the agreement was renewed for a period of one year commencing on 1 January 2012 and the monthly charge was increased to HK$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK$77,000. The total rental and related expenses paid by the Group for the year amounted to HK$4,889,000 (2011: HK$3,736,000).

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

The related party transactions in respect of items (a)(iii), (iv) and (v) above also constitute continuing connected transactions, respectively, as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group — 2012

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 jointly-controlled entities	—	9,964	—	9,964
Loan to a jointly-controlled entity	—	1,086	—	1,086
Due from associates	—	1,421	—	1,421
Available-for-sale investments	—	—	17,927	17,927
Financial asset at fair value through profit or loss	13,498	—	—	13,498
Trade receivables	—	124,830	—	124,830
Financial assets included in prepayments, deposits and other receivables	—	127,574	—	127,574
Pledged time deposits	—	10,650	—	10,650
Cash and cash equivalents	—	299,013	—	299,013
	13,498	574,538	17,927	605,963

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a jointly-controlled entity	—	33,701	33,701
Trade payables	—	74,966	74,966
Financial liabilities included in accruals, other payables and deposits received	—	190,792	190,792
Derivative financial instruments	17,954	—	17,954
Interest-bearing bank and other borrowings *(note 30)*	—	825,745	825,745
Due to joint venturers	—	4,639	4,639
Financial liabilities included in other long term liabilities *(note 33)*	—	1,305	1,305
	17,954	1,131,148	1,149,102

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group — 2011

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial investments HK$'000	Total HK$'000
Due from jointly-controlled entities	9,869	—	9,869
Loan to a jointly-controlled entity	1,086	—	1,086
Due from associates	1,490	—	1,490
Available-for-sale investment	—	229	229
Trade receivables	105,914	—	105,914
Financial assets included in prepayments, deposits and other receivables	86,372	—	86,372
Pledged time deposits	2,717	—	2,717
Cash and cash equivalents	353,703	—	353,703
	561,151	229	561,380

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a jointly-controlled entity	—	32,898	32,898
Trade payables	—	52,263	52,263
Financial liabilities included in accruals, other payables and deposits received	—	168,080	168,080
Derivative financial instruments	741	—	741
Interest-bearing bank and other borrowings *(note 30)*	—	513,193	513,193
Due to joint venturers	—	20,410	20,410
Financial liabilities included in other long term liabilities *(note 33)*	—	1,606	1,606
	741	788,450	789,191

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2012	2011
	HK$'000	HK$'000
Cash and bank balances	**853**	494
Due from subsidiaries	**577,087**	574,655
	577,940	575,149

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Accrual and other payables	**224**	206

46. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The fair values of the non-current portion of deposits and other receivables, balances with jointly-controlled entities, associates and joint venturers, 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 on similar terms, credit risk and remaining maturities.

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

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

46. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 March 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment fund	17,689	—	—	17,689
Financial asset at fair value through profit or loss	—	13,498	—	13,498
	17,689	13,498	—	31,187

The Group did not have any financial asset measured at fair value as at 31 March 2011.

The Company did not have any financial asset measured at fair value as at 31 March 2012 and 2011.

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 (2011: Nil).

Liabilities measured at fair value:

Group

As at 31 March 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	—	17,954	—	17,954

46. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Fair value hierarchy *(continued)*

As at 31 March 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	—	741	—	741

The Company did not have any financial liability measured at fair value as at 31 March 2012 and 2011.

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 (2011: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2012 and 2011 would have decreased/increased the Group's profit before tax by HK$3,502,000 and HK$2,086,000, respectively. For Renminbi floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31March 2012 and 2011 would have decreased/increased the Group's profit before tax by HK$243,000 and HK$580,000, respectively. For United States dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2012 would have decreased/increased the Group's profit before tax by HK$168,000 (2011: Nil).

For the interest rate swaps, a 50 basis point increase/decrease in interest rates at 31 March 2012 would have decreased/increased the Group's profit before tax by HK$777,000 (2011: Nil).

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 currency.

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$133,796,000 (2011: HK$105,123,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

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
2012		
If Hong Kong dollar weakens against RMB	**5%**	**2,517**
If Hong Kong dollar strengthens against RMB	**(5%)**	**(2,517)**
2011		
If Hong Kong dollar weakens against RMB	5%	2,425
If Hong Kong dollar strengthens against RMB	(5%)	(2,425)

Credit risk

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

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

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, other interest-bearing loans and finance leases.

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 Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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	2012				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to a jointly-controlled entity	33,701	—	—	—	33,701
Trade payables	55,124	14,232	5,610	—	74,966
Financial liabilities included in accruals, other payables and deposits received	69,543	76,517	44,732	—	190,792
Derivative financial instruments	—	17,954	—	—	17,954
Interest-bearing bank and other borrowings *(note)*	825,745	—	—	—	825,745
Due to joint venturers	4,042	—	597	—	4,639
Financial liabilities included in other long term liabilities	—	—	—	1,305	1,305
	988,155	108,703	50,939	1,305	1,149,102

Group	2011				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to a jointly-controlled entity	32,898	—	—	—	32,898
Trade payables	37,735	7,749	6,192	587	52,263
Financial liabilities included in accruals, other payables and deposits received	60,709	97,842	8,648	881	168,080
Derivative financial instruments	—	741	—	—	741
Interest-bearing bank and other borrowings *(note)*	510,080	1,832	1,318	—	513,230
Due to joint venturers	—	—	618	19,792	20,410
Financial liabilities included in other long term liabilities	—	—	—	1,606	1,606
	641,422	108,164	16,776	22,866	789,228

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Note:

Included in the above interest-bearing bank and other borrowings are term loans with carrying amounts of HK$784,442,000 (2011: HK$470,289,000). The loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

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

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2012	**56,521**	**160,499**	**537,856**	**69,924**	**824,800**
As at 31 March 2011	31,933	99,672	352,949	—	484,554

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$759,295,000 (2011: HK$361,950,000) as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 3 months.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed financial covenants set out in certain of its banking facilities as at 31 March 2012, and there was no indication of any breach of covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31March 2012 and 31 March 2011.

The Group monitors the capital management position using a gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. At the end of the reporting period, the gearing ratio is 60% (2011: 49%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$825,745,000 (2011: HK$665,633,000) (including interest-bearing bank and other borrowings included in liabilities directly associated with the assets classified as held for sale as at 31 March 2011 of HK$152,440,000), over the total equity of HK$1,378,229,000 (2011: HK$1,351,921,000).

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2012.

Particulars of Properties

31 March 2012

PROPERTIES HELD FOR SALE

Location	Use	Site area (sq.m.)	Tenure	Attributable interest of the Group
湖北省襄樊市 樊城區人民路 Lot: 8-7-3	Industrial	3,542	Medium term lease	100%
重慶市渝北區 龍溪鎮寨子坪	Transportation use	16,990	Medium term lease	60%