KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

Growing *Business*
Moving Forward

Annual Report **2012/13**


畢棚溝
BIPENGGOU
四季山水·山水世界
World Resort · Resort World
VOLVO
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3821

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
(resigned from the board on 5 December 2012)
Mr. NG King Yee
(resigned from the board on 5 December 2012)
Mr. CHAN Yu Kwong, Francis
(resigned from the board on 5 December 2012)
Mr. MOK Wah Fun, Peter
(resigned from the board on 5 December 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Bing Woon, SBS, JP
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

AUDIT COMMITTEE

Mr. CHAN Bing Woon, SBS, JP *(Chairman)*
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. CHAN Bing Woon, SBS, JP *(Chairman)*
Mr. WONG Chung Pak, Thomas
Mr. WONG Leung Pak, Matthew
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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Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

REGISTERED OFFICE

Clarendon House
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Bermuda

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PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
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Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

SHARE LISTING

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

CORPORATE WEBSITE ADDRESS AND INQUIRIES

website: http://www.kcbh.com.hk
Email: contact@kcm.com.hk

CORPORATE PROFILE

HISTORY

When the late Mr. Wong Kwoon Chung launched a car cleaning service in 1948, he would not have envisaged that Kwoon Chung Bus Holdings Limited 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, in particular the cross-boundary bus service, 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.

HONG KONG OPERATIONS

The Group has made its strong presence in student services, and is regarded as the leading school bus service operator. It is also well positioned in resident, employee and cross-boundary services. Every morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work or study. The 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 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% (approximately 28.76% as at 31 March 2013) of the issued share capital of the Company and became the Group's strategic partner. The Group has benefited from the valuable experiences of this new partner in bus fleet management and human resources utilisation.

When Hong Kong was still recovering from its lowest ebb in 2003, the Group had cast a vote of confidence in Hong Kong and acquired 100% 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 270 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 licences for cross-boundary 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-boundary bus services. Since 2004, a new mode of cross-boundary bus service has been developed, with a network of six routes operating a 24-hour service between Huanggang 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 2004, the Group further acquired a 50% shareholding of GoGo TIL (Cross Border) Transportation Services Co. Ltd. ("GoGo TIL"), which provides cross-boundary bus services mainly to Taiwanese travellers for routes between the HKIA and various locations in Guangdong Province. The Group's shareholding had increased to 92.3% since 2006. In order to unify the management, all business of GoGo TIL was transferred to TIL subsequently.

CORPORATE PROFILE

In view of the increasing demand for cross-boundary travel, 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 120 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.

In December 2011, the Group through TIL, further acquired 100% equity interest in six Hin Wan 991 group of companies (collectively "Hin Wan 991"). Hin Wan 991 is another renowned cross-boundary bus operator with a fleet of more than 40 buses with certain passenger service licences and cross-boundary coach quota rights, and holds a travel agency licence. It mainly runs the Zhongshan route, the route between Huanggang Port at Shenzhen and Tsuen Wan, and maintains a position of prominence in cross-boundary school bus services. The acquisition of Chinalink and Hin Wan 991 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.

MAINLAND CHINA OPERATIONS

Besides Hong Kong, since 1992, the Group has been trying to realise its vision of the enormous 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") in 2008, which operates mainly intra-city bus services in Guangzhou Municipal.

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 for business diversification. Accordingly in 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, the EJV 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 EJV's good record in the expansion of its business and its achievement of various standards set by the relevant authorities.

In 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 2004. This subsidiary operates a fleet of around 20 buses for 5 long-distance bus routes in Guangdong Province. In 2008, the intra-city bus business of XH Tourism Bus was merged with GZ2B and GZ New Era had acquired the Group's 100% equity interest in XH International Transport.

CORPORATE PROFILE

The Group has always kept an eye on the bus terminal business. In 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. Hubei Province is located in the central region and is considered an important transportation hub in the long history of Mainland China. In the opinion of the Group, this bus terminal and long-distance bus operation, with its geographical advantage, have promising potential for future development.

With a view to further developing the tourism business, in 2006, the Group acquired 51% equity interest in Lixian Bipenggou Tourism Development Co., Ltd. by 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 175 km away from Chengdu city, after the new highway network was completed by the local government in 2012. 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 and hotel room rentals from tourists visiting these scenic spots. However, owing to the catastrophic "5.12 Earthquake" occurred in Sichuan Province in 2008, this project development has been involuntarily delayed. The Group has re-planned the development in line with the reconstruction plan of the whole Sichuan tourist areas by the local government. After a series of promotion effort and construction of qualified tourism facilities, Bipenggou has been awarded 4A National Scenic Spot since late 2012 and the number of visitors is increasing at speed.

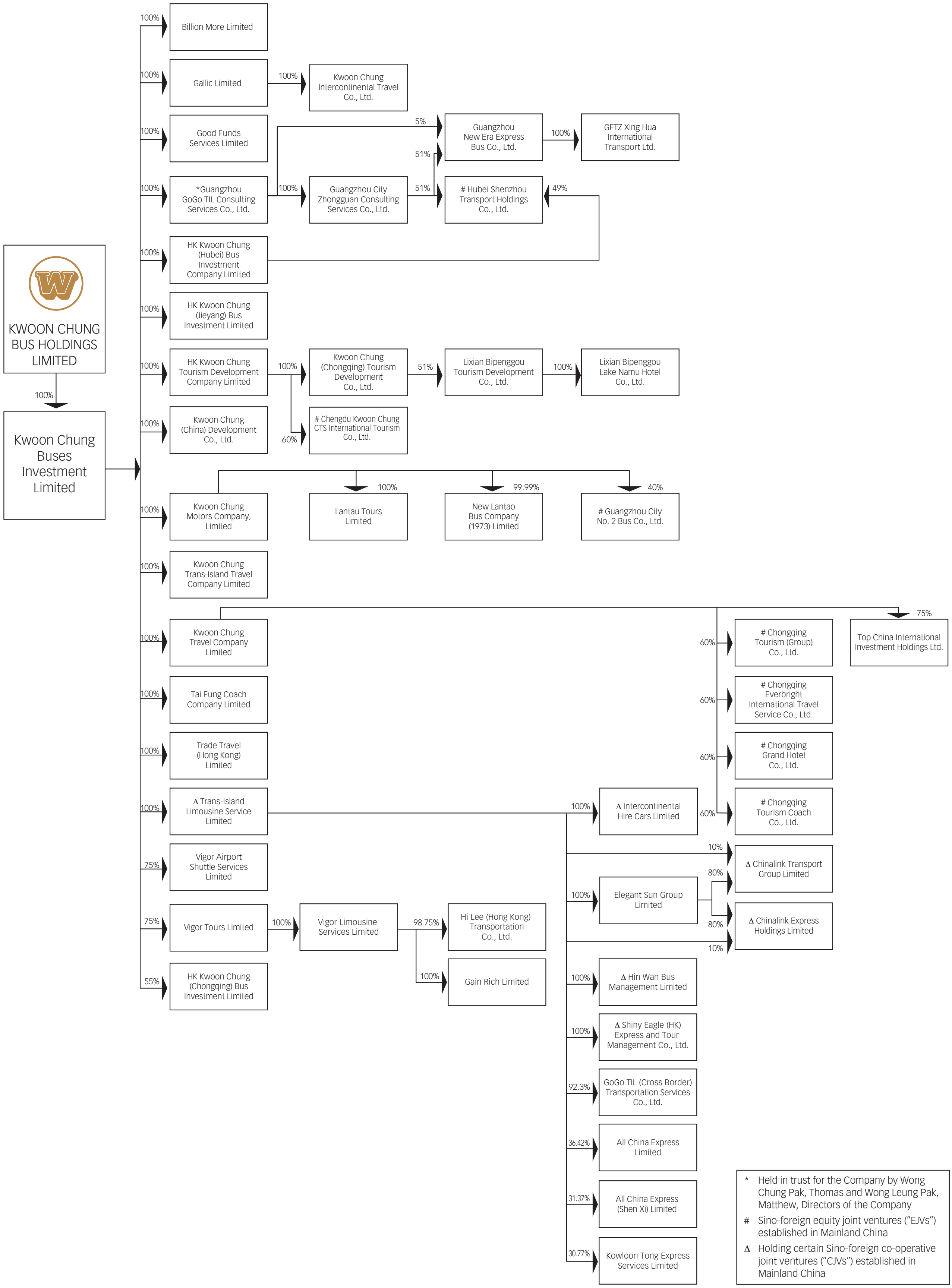
VISION

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

The newly renovated Xiangyang Bus Transport Terminal of Hubei Shenzhou Transport group is classified as National Grade 1 Bus Terminal.

CORPORATE STRUCTURE

31 March 2013



FINANCIAL HIGHLIGHTS

Year ended 31 March 2013

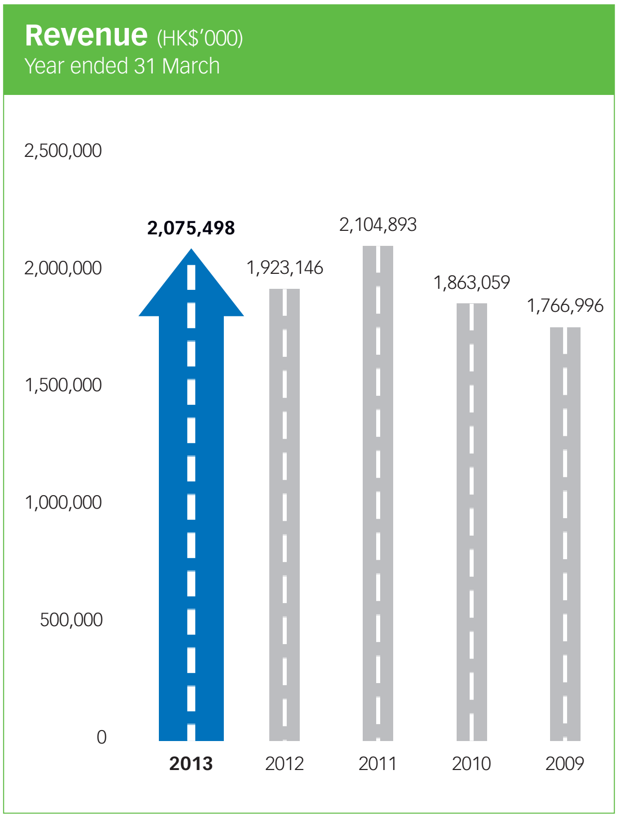
The amounts for each year in the financial highlights have been adjusted for the effects of the retrospective changes in the accounting policy affecting deferred tax on investment properties, as detailed in note 2.2 to the financial statements, and the reclassification of segment revenue, as detailed in note 4 to the financial statements.

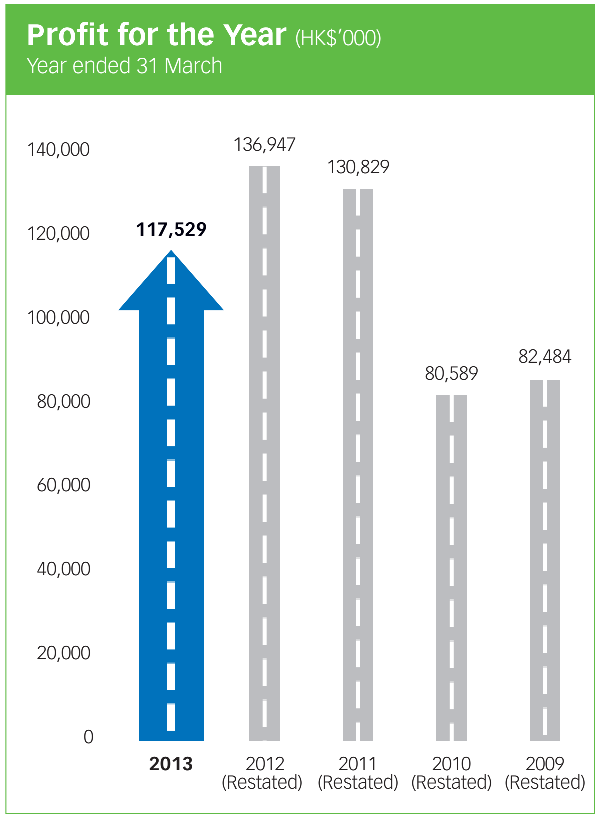
	Year ended 31 March				
	2013 HK$'000	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus services					
Mainland China/Hong Kong cross-boundary services	**860,046**	685,726	461,369	414,778	392,326
Tour bus services	**320,570**	277,522	254,139	216,871	206,075
Student services	**182,590**	162,250	140,403	128,797	127,950
Resident services	**120,680**	116,956	108,518	108,875	107,196
Employee services	**156,961**	145,034	122,069	117,471	113,814
Other bus hire services	**17,164**	15,614	13,666	10,817	34,497
	1,658,011	1,403,102	1,100,164	997,609	981,858
Franchised bus services	**141,932**	132,556	116,416	108,436	94,821
Mainland China bus services	**116,544**	263,197	797,806	682,906	606,300
Tourism services	**134,660**	96,813	65,292	50,166	60,085
Hotel services	**23,469**	26,651	24,546	23,298	22,988
Others	**882**	827	669	644	944
TOTAL REVENUE	**2,075,498**	1,923,146	2,104,893	1,863,059	1,766,996
PROFIT FOR THE YEAR	**117,529**	136,947	130,829	80,589	82,484
Attributable to:					
Owners of the parent	**116,942**	102,699	120,049	75,867	62,613
Non-controlling interests	**587**	34,248	10,780	4,722	19,871
	117,529	136,947	130,829	80,589	82,484

	As at 31 March				
	2013	2012	2011	2010	2009
BUS FLEET					
	Number of buses				
Non-franchised	**992**	981	851	866	866
Franchised	**108**	104	98	98	104
Mainland China EJVs	**371**	428	2,244	2,158	1,943
Mainland China CJVs	**0**	0	0	0	211
	1,471	1,513	3,193	3,122	3,124
EMPLOYEES					
	Number of full-time employees				
Hong Kong operations	**2,893**	2,957	2,326	2,107	2,112
Mainland China operations (EJVs and CJVs)	**1,355**	1,374	8,747	8,692	8,910
	4,248	4,331	11,073	10,799	11,022

FINANCIAL HIGHLIGHTS

Year ended 31 March 2013





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Chung Pak, Thomas, aged 63

joined the Group in the early 1970s. Mr. Wong is the Chairman of the Group and is responsible for providing leadership to, and overseeing the functioning of the Board. He graduated from the University of Hong Kong with a Bachelor's Degree in Social Sciences and from the Chinese University of Hong Kong with a Master's Degree in Business Administration. Mr. Wong has about 35 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 57

joined the Group in the early 1970s. Mr. Wong is the Chief Executive Officer and Managing Director of the Group and 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. Mr. Wong has about 35 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 59

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 about 35 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 53

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 in Social Sciences and is a member of the Hong Kong Institute of Certified Public Accountants.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung Chak Man, William, aged 54

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 54
(resigned from the board on 5 December 2012)

was an executive director of the Group and is responsible for the Group's tourism operations in Sichuan Province and bus operations in Hubei Province 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, and the 13th World Outstanding Chinese Award in 2013. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years.

Mr. Ng King Yee, aged 64
(resigned from the board on 5 December 2012)

was an executive director of the Group. Mr. Ng graduated from the Chinese University of Hong Kong, with a Bachelor's Degree in Business Administration. He has been admitted as a member of the Chartered Institute of Transport of the United Kingdom. Mr. Ng is responsible for the Group's bus operations in Hubei 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 63
(resigned from the board on 5 December 2012)

was an executive director of the Group. Mr. Chan graduated from the University of Melbourne, Australia, with a Bachelor's Degree in 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 62
(resigned from the board on 5 December 2012)

joined the Group in 1996. Mr. Mok was 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 in Social Sciences. In 2013, he was awarded Juris Doctor, City University of Hong Kong. He is also a member of the Chartered Institute of Logistics and Transport and the Chartered Management Institute, and a Fellow of the Royal Asiatic Society.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 68 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 38 years experience in the legal profession. Mr. Chan is involved in numerous public duties including being Chairman of the Joint Mediation Helpline Office Ltd. He is also a fellow member of the Hong Kong Institute of Directors, the Immediate-past Chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and a member of the Hospital Authority.

Mr. Sung Yuen Lam, aged 70 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 62 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 in Business Administration. He has over 30 years experience in the insurance industry.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 40 joined the Group in 2000 and he is also the financial controller of the Group. Mr. Chan graduated from the Chinese University of Hong Kong, with a Bachelor's Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked for a major international accounting firm and The Stock Exchange of Hong Kong Limited.

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2013.

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$116.9 million. This was an increase of approximately 13.9% from that for the previous year of approximately HK$102.7 million (restated). The substantial profit is the result of: (1) the rise in profit of the non-franchised transport operations particularly as a consequence of the full-year effect of and synergy with the acquisition of Chinalink Group and Hin Wan 991 Group; (2) the continued profit position of the franchised bus operations; (3) exceptional gains of about HK$23.3 million due to the disposal of a piece of land in Hong Kong and about HK$7.1 million due to the revaluation of an investment property in Hong Kong; and (4) gain on disposal of Jieyang Guanyun amounting to about HK$8.1 million. The Group's results will be discussed in detail under the sections headed "Review of Operations" and "Future Prospects" below.

The Group, however, has to face various challenges during the year. The general business environment has still been tough for the industry, both in Hong Kong and Mainland China. In particular, mounting local and imported inflation has led to rising operating costs, such as wages and fuel costs. In general, the public bus industry in both Hong Kong and Mainland China has to break path and make headway amid intense competitions posed by the growing transport networks of mass transit systems such as rail and subways.

PROPOSED FINAL DIVIDEND

The board of directors recommends the payment of a final dividend of HK2.0 cents (2012: nil) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Wednesday, 11 September 2013 to the shareholders on the register of members on Monday, 2 September 2013.

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, Mainland China/Hong Kong cross-boundary and contract hire services.

The total turnover of this sector for the year was approximately HK$1,628 million (2012: HK$1,361 million), representing an increase of approximately 20% 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 2013, the fleet comprised of 992 (2012: 981) 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 profit-making 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 a number of fixed, short-trip, and 24-hour operating routes including those between Huanggang in Shenzhen and Mongkok/Wanchai/Kam Sheung Road in 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 Western Corridor via the Shenzhen Bay Port to take advantage of the smoother traffic on this crossing and the convenience of the co-location of boundary facilities 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.

Over last year, the Group has acquired three fellow operators: Shiny Eagle Group, 90% equity interest of Chinalink Group, and Hin Wan 991 Group. These 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% (2012: 99.99%) owned subsidiary of the Group. As at 31 March 2013, NLB was operating 23 (2012: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 108 (2012: 104) buses. The total turnover of NLB for the year was approximately HK$141.9 million (2012: HK$132.6 million), and it recorded a net profit of approximately HK$9.8 million (2012: HK$9.3 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, continued to be 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 Shuttle 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 2013, Intercontinental Hire Cars Limited ("IHC") held by TIL had a fleet of 230 (2012: 233) limousines, a portion of which 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 Hong Kong Disneyland.

4. Bus Services in Mainland China

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

As at 31 March 2013, this 100% (2012: 100%) owned subsidiary of the Group was running a long-distance transport terminal with 107 (2012: 101) routes, and a fleet of 285 (2012: 285) 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 substantially improved result. The loss attributable to the Company for the year was approximately HK$36.9 million (2012: HK$6.3 million). The increase in loss was due to significant provision for employee compensation after mediation by the local government for settlement of previous disputes with the employees.

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

As at 31 March 2013, XH International Transport 56% (2012: 56%) owned was operating 5 (2012: 6) routes, with a fleet of 20 (2012: 21) buses. The share of profit attributable to the Company for the year was approximately HK$1.4 million (2012: HK$1.9 million). The performance of this subsidiary was relatively stable and satisfactory.

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

As at 31 March 2013, this 56% (2012: 56%) owned subsidiary was operating a fleet of 21 (2012: 21) buses for 5 (2012: 5) long-distance bus routes within Guangdong Province. The share of profit attributable to the Company for the year was approximately HK$2.2 million (2012: HK$5.9 million). The performance of this subsidiary was relatively stable and satisfactory.

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

This JV commenced operation from 1 January 2008. As at 31 March 2013, the Group owned 40% (2012: 40%) equity interest in this JV, with Guangzhou City No. 2 Public Bus Company and Rongtai Taxi as the other partners. This JV operated 158 routes (2012: 133) with a fleet of 1,893 (2012: 1,805) buses. The share of loss attributable to the Company for the year was approximately HK$13.1 million (2012: a profit of HK$15.0 million). The deterioration in performance was due to increase in operating costs.

5. **Hotel and Tourism Operations in Mainland China**

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

This 60% (2012: 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$5.9 million (2012: HK$2.9 million).

The increase in loss was mainly due to the renovation work of Chongqing Grand Hotel causing temporary suspension of 10 floors out of total 14 floors for rental purpose until end of November 2012. It had been hoped that the renovated rooms with higher room rates would recover certain losses incurred during the first eight months and carry on to long term benefits in respect of revenue and upgrading to 4-star hotel. However, after the closing ceremony of the 18th National Congress of Communist Party of China ("CPC") in November 2012, a senior leader of the Central Commission for Discipline Inspection of CPC, called for a clean Party and asked CPC members to refrain from mediocrity, laziness, undiscipline and luxurious lifestyles. Certainly this is a healthy long term goal, but the reaction of the nationwide government officials and the general economy caused immediate slow-down of domestic activities of certain businesses including travel and restaurants. The travel and hotel businesses of Chongqing Tourism Group were adversely affected from December 2012 onwards unexpectedly. Nevertheless, the management kept on working hard on the controllable costs to minimize operating losses and on the balance of cashflows. Subsequent to the financial year, the revenue of Chongqing Grand Hotel has steadily improved.

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

As at 31 March 2013, the Group owned 51% (2012: 51%) equity interest in this equity JV. This JV had procured the right of development of the scenic spot 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.

After the completion of the roadwork reconstruction projects by the local government in mid 2012, the scenic spot has been officially opened to local and overseas tourists since October 2012. The share of loss attributable to the Company for the year was approximately HK$66,000 (2012: HK$2.7 million). The number of patrons for the year was approximately 180,000 (2012: 100,000). The forecast of number of patrons for the coming year was approximately 200,000. After a series of construction of qualified tourism facilities and promotion effort, Bipenggou has been awarded 4A National Scenic Spot since late 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by term loans from banks and other financial institutions. The total indebtedness outstanding as at 31 March 2013 was approximately HK$783 million (2012: HK$826 million), which was either: (1) repayable/renewable within one year or (2) repayable after one year but subject to repayment on demand clauses under bank facility agreements. The indebtedness of the Group comprised mainly term loans from banks and other financial institutions, and funds were deployed mainly for the purchase of buses and for related investments in Hong Kong and Mainland China. The leverage was approximately 51.9% (2012: 59.9%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations, with an aim to minimize financial risks. All 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, especially visitors from Europe; 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, their purchasing power is strengthened owing to appreciation of Renminbi;

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 after the new "Riverside Highway" connecting Shenzhen and Guangzhou is completed;

iv. the policy measures to extend multiple entry visas to Hong Kong to more visitors from Mainland China 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 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

i. Intra-city Bus Transport

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

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.

ii. 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. Hotel, Tourism and other Operations

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

The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd., Chongqing Everbright International Travel Service Co., Ltd., will continue. Apart from promoting inbound/outbound packaged tours for travelers to Hong Kong and nearby places, preparations as sales centre of Bipenggou coordinating fellow travel agency companies in Chongqing has established to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this tourism group, Chongqing Grand Hotel Co., Ltd., has provided initial stage of management service and training to the new holiday resort hotel in Bipenggou for mutual benefits. The city hotel in Chongqing has completed a renovation program by the end of 2012 aiming at upgrading from a 3-star to a 4-star hotel, and increasing its revenue on a larger scale in future. Due to the unexpected change of political and economic climates as discussed in "Review of Operations" section before, the results after November 2012 were unfavourable. Subsequent to March 2013, there were signs of recovery.

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 spot, but the external road network connecting to the scenic spot had been subject to vast reconstruction and upgrading. Road traffic had resumed to normal as of October 2010, with a journey time of four hours from Chengdu. Access further improves with journey time shortened to two hours after a new expressway has been through since 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 spot has been completed. Bipenggou is stepping up for tourists, which is evidenced by the number of patronage for the current year achieving approximately 180,000 as compared with last year's approximately 100,000. The award of 4A National Scenic Spot since late 2012 has enhanced the popularity of this scenic spot nationwide and internationally at large.

iii. Travel and other 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, Kwoon Chung Trans-Island Travel, Kwoon Chung Intercontinental 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. As the JV has small economies of scale, the Group does not exclude the possibility of selling its shares back to its Sino-partner at a reasonable price.

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 has been redeveloping and upgrading its central bus station in Xiangyang, and the Group is also considering alternative plans regarding 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 2013


廣東環島大陸通旅運有限公司
SCANIA
環島 大陸通
MU 1769


深圳机场 SZIA
港深飛
深港飛
HK-SZ Airports Link
预办登机
Upstream Check-in
深港机场中转旅客休息室
Shenzhen - Hong Kong Airports Link Passenger Lounge
海港城
HARBOUR CITY

Maintaining high levels of corporate governance and business ethics is always 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 a long-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 2013, the board comprised 8 directors, including 5 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Biographical details and the relationships among the members of the board are disclosed under "Biographical Details of Directors and Senior Management" on pages 9 to 11.

During the year ended 31 March 2013, the board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

The board is also responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code (the "CG Code").

The board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") and employee written guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman and Chief Executive Officer

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

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong 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 2012/2013. The attendance record of each director at the board meetings and the annual general meeting in 2012/2013 are set out below:

Directors	Attendance of annual general meeting in 2012	Attendance of board meetings in 2012/2013
Executive Directors		
Mr. WONG Chung Pak, Thomas *(Chairman)*	Yes	4/4
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	Yes	4/4
Mr. WONG Wing Pak *(Senior Executive Director)*	Yes	4/4
Mr. CHENG Wai Po, Samuel	Yes	4/4
Mr. CHUNG Chak Man, William	Yes	4/4
Mr. CHENG King Hoi, Andrew (resigned from the board on 5 December 2012)	Yes	3/3
Mr. NG King Yee (resigned from the board on 5 December 2012)	Yes	3/3
Mr. CHAN Yu Kwong, Francis (resigned from the board on 5 December 2012)	Yes	3/3
Mr. MOK Wah Fun, Peter (resigned from the board on 5 December 2012)	Yes	3/3
Independent Non-executive Directors		
Mr. CHAN Bing Woon, SBS, JP	Yes	4/4
Mr. SUNG Yuen Lam	Yes	4/4
Mr. LEE Kwong Yin, Colin	Yes	4/4

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

BOARD COMMITTEES

As an integral part of good corporate governance practices, the board had established the following board committees in 2012/2013 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. The terms of reference of these committees are posted on the websites of the Company and the Stock Exchange and available to shareholders upon request.

Audit Committee

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

The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects 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 performed by the internal audit department, which is headed by a qualified professional. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the board after each meeting.

The audit committee held two meetings in 2012/2013. The attendance record of each member of the audit committee in 2012/2013 is set out below:

Directors	Attendance of audit committee meetings in 2012/2013
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 2012 and annual results for the year ended 31 March 2013 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. CHAN Bing Woon, SBS, JP, independent non-executive director, as the chairman. Other members are Mr. SUNG Yuen Lam, Mr. LEE Kwong Yin, Colin, independent non-executive directors, and Mr. WONG Chung Pak, Thomas, Mr. WONG Leung Pak, Matthew, executive directors. 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 2013 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management. Details of the remuneration of each director and the members of senior management for the year ended 31 March 2013 are set out in note 8 to the financial statements.

The attendance record of each member of the remuneration committee in 2012/2013 is set out below:

Directors	Attendance of remuneration committee meeting in 2012/2013
Mr. CHAN Bing Woon, SBS, JP *(Chairman)*	1/1
Mr. WONG Chung Pak, Thomas	1/1
Mr. WONG Leung Pak, Matthew	1/1
Mr. SUNG Yuen Lam	1/1
Mr. LEE Kwong Yin, Colin	1/1

Nomination Committee

The nomination committee consists of two executive directors and three independent non-executive directors with Mr. WONG Chung Pak, Thomas, executive director, as the chairman. Other members are Mr. WONG Leung Pak, Matthew, executive director, and Mr. CHAN Bing Woon, SBS, JP, Mr. SUNG Yuen Lam, Mr. LEE Kwong Yin, Colin, independent non-executive directors. The principal duties of the nomination committee include reviewing the board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors. When considering candidates for directorship, the remuneration committee assesses, among others, experience level, qualifications and independence of candidates, if appropriate. In 2012/2013, the Company held one meeting to review the structure, size and composition of the board and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting, and to deal with the resignation of four executive directors. The attendance record of each member of the nomination committee in 2012/2013 is set out below:

Directors	Attendance of nomination committee meeting in 2012/2013
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

COMPLIANCE WITH THE CG CODE AND THE MODEL CODE

The board is of the view that the Company has complied with the code provisions in the CG Code as set out in Appendix 14 of the Listing Rules throughout the year.

The Company has adopted the Model Code as set out in Appendix 10 of 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS AND COMPANY SECRETARY

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

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

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

During the year ended 31 March 2013, the Company organized a training session conducted by the qualified professionals for all directors on directors' duties and responsibilities, corporate governance and update on Listing Rule amendments. The following directors attended seminar and training session arranged by a professional firm:

Directors	Topic
Executive Directors Mr. WONG Chung Pak, Thomas Mr. WONG Wing Pak Mr. WONG Leung Pak, Matthew Mr. CHENG Wai Po, Samuel Mr. CHUNG Chak Man, William Mr. CHENG King Hoi, Andrew (resigned from the board on 5 December 2012) Mr. NG King Yee (resigned from the board on 5 December 2012) Mr. CHAN Yu Kwong, Francis (resigned from the board on 5 December 2012) Mr. MOK Wah Fun, Peter (resigned from the board on 5 December 2012) *Independent Non-Executive Directors* Mr. CHAN Bing Woon, SBS, JP Mr. SUNG Yuen Lam Mr. LEE Kwong Yin, Colin	Re-cap of the existing Listing Rules and update on Listing Rules amendments

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

During the year ended 31 March 2013, Mr. Chan Kwok Kee, Andy, company secretary of the Company, had attended the relevant training. He has satisfied the training requirement for the year of 2012/2013 under Rule 3.29 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the auditors' report on pages 42 to 43 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 2013 are as follows:

	HK$'000
2012/2013 annual audit	2,470
Non-audit related services	809
	3,279

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 (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

SHAREHOLDERS' RIGHTS

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

(i) Convening a Special General Meeting by Shareholders

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

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

(ii) Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act 1981 of Bermuda or the Company's Bye-laws. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening a special general meeting following the procedures as set out in the paragraph above.

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

(iii) Putting Forward Enquiries to the Board

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

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

Primary Contact Person

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

Name:	Mr. Chan Kwok Kee, Andy, company secretary
Address:	3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong
Fax:	(+852) 2505 6615/2807 2272
Email:	andychan@kcm.com.hk

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 143.

The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year to the shareholders on the register of members on 2 September 2013.

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 and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting deferred tax on investment properties, as detailed in note 2.2 to the financial statements.

RESULTS

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**2,075,498**	1,923,146	2,104,893	1,863,059	1,766,996
OPERATING PROFIT	**180,754**	152,884	149,648	98,450	68,425
Share of profits and losses of:					
Jointly-controlled entities	**(13,078)**	14,965	8,945	12,523	(2,590)
Associates	**(11)**	(292)	(390)	134	(1,393)
PROFIT BEFORE TAX	**167,665**	167,557	158,203	111,107	64,442
Income tax expense	**(50,136)**	(30,610)	(27,374)	(30,518)	(16,522)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**117,529**	136,947	130,829	80,589	47,920
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	–	–	–	1,109
Gain on disposal of subsidiaries	**–**	–	–	–	33,455
PROFIT FOR THE YEAR	**117,529**	136,947	130,829	80,589	82,484
Attributable to:					
Owners of the parent	**116,942**	102,699	120,049	75,867	62,613
Non-controlling interests	**587**	34,248	10,780	4,722	19,871
	117,529	136,947	130,829	80,589	82,484

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**2,972,056**	2,920,568	2,911,894	2,347,400	2,158,454
TOTAL LIABILITIES	**(1,463,301)**	(1,541,708)	(1,559,482)	(1,094,772)	(966,484)
NON-CONTROLLING INTERESTS	**(162,818)**	(165,206)	(249,031)	(247,136)	(240,160)
	1,345,937	1,213,654	1,103,381	1,005,492	951,810

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. Further details of the Group's investment properties are set out on page 144.

PROPERTIES HELD FOR SALE

Details of the properties held for sale of the Group are set out on page 144.

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 33 and 34, 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 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$79,796,000, of which HK$8,212,000 has been proposed as final dividend for the year. The reserves available for distribution include the Company's contributed surplus of HK$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of HK$536,421,000, 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 7.5% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 57.5% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 16.24%.

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 Leung Pak, Matthew	
Wong Wing Pak	
Cheng Wai Po, Samuel	
Chung Chak Man, William	
Cheng King Hoi, Andrew	(resigned from the board on 5 December 2012)
Ng King Yee	(resigned from the board on 5 December 2012)
Chan Yu Kwong, Francis	(resigned from the board on 5 December 2012)
Mok Wah Fun, Peter	(resigned from the board on 5 December 2012)

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 Wing Pak, Chan Bing Woon, SBS, JP, Sung Yuen Lam and Lee Kwong Yin, Colin, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board 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 2013, 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 pursuant to the Model Code were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
WONG Chung Pak, Thomas	3,217,665[1]	125,880,981[2]	129,098,646	31.44
WONG Wing Pak	2,699,665[1]	125,880,981[2]	128,580,646	31.31
WONG Leung Pak, Matthew	2,599,665[1]	125,880,981[2]	128,480,646	31.29

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 the section headed "Share option schemes" below.

(ii) Long positions in shares of associated corporations

Name of associated Corporation	Name of director	Number of shares#	Class of shares
Good Funds Services Limited*	Wong 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, and Mr. Wong Leung Pak, Matthew have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company.

Save as disclosed above, as at 31 March 2013, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 34 to the financial statements.

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

Name or category of participant	Number of share options					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 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2013				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	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Wong Wing Pak	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Wong Leung Pak, Matthew	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	5,500,000	–	–	–	5,500,000					
Cheng King Hoi, Andrew (resigned from the board on 5 December 2012)	1,000,000	–	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	N/A
	200,000	–	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	300,000	–	–	–	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	600,000	–	–	–	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	2,100,000	–	–	–	2,100,000					
Ng King Yee (resigned from the board on 5 December 2012)	300,000	–	–	–	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	600,000	–	–	–	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	900,000	–	–	–	900,000					

Name or category of participant	Number of share options: At 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares***: At grant date of options HK$ per share	At exercise date of options# HK$ per share
Directors *(Continued)*										
Chan Yu Kwong, Francis (resigned from the board on 5 December 2012)	1,000,000	–	(500,000)	–	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	1.4860
	200,000	–	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	300,000	–	–	–	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	600,000	–	–	–	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	2,100,000	–	(500,000)	–	1,600,000					
Mok Wah Fun, Peter (resigned from the board on 5 December 2012)	700,000	–	(400,000)	–	300,000	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	1.5875
	200,000	–	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	300,000	–	–	–	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	600,000	–	–	–	600,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	1,800,000	–	(400,000)	–	1,400,000					
Chan Bing Woon, SBS, JP	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					
Sung Yuen Lam	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					
Lee Kwong Yin, Colin	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	500,000	–	–	–	500,000					

Name or category of participant	Number of share options: At 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2013	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	0.8440	0.9000	N/A
	2,400,000	–	–	–	2,400,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	5,900,000	–	–	–	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	0.8440	0.9000	N/A
Other employees										
In aggregate	1,000,000	–	(1,000,000)	–	—	28 July 2003	23 July 2003 to 22 July 2013	0.8440	0.9000	1.5200
	2,200,000	–	–	–	2,200,000	2 October 2003	5 September 2003 to 4 September 2013	1.2000	1.1700	N/A
	200,000	–	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.1260	1.1600	N/A
	2,500,000	–	–	–	2,500,000	1 April 2011	21 March 2011 to 20 March 2021	1.9500	1.9000	N/A
	25,300,000	–	–	–	25,300,000	30 November 2011	10 October 2011 to 9 October 2021	1.5220	1.4800	N/A
	31,200,000	–	(1,000,000)	–	30,200,000					
	64,500,000	–	(1,900,000)	–	62,600,000					

* *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 62,600,000 share options outstanding under the share option schemes, which represented approximately 15.25% 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 issue of 62,600,000 additional ordinary shares of the Company and additional share capital of HK$6,260,000 and share premium of HK$83,789,000 (before issue expenses).

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

At 31 March 2013, 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:

		Number of ordinary shares held and nature of interest				
Name	Capacity	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		33.66
	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		33.66
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		33.82
	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		33.82
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		33.24
Tang Kit Ling, Louise	Joint interest	699,665	–	–	136,480,646	33.24
	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	31.24
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	–	125,880,981[1]	2,400,000	128,280,981	31.24

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
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
NWS Service Management Limited ("NWSSM-BVI")(3)	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
NWS Service Management Limited ("NWSSM-Cayman Islands")(3)	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
New World Development Company Limited ("NWD")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
Enrich Group Limited ("EGL")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
Chow Tai Fook Capital Limited ("CTFCL")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	–	118,093,019(2)	6,000,000(4)	124,093,019	30.22
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	30.22

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
First Action Developments Limited ("First Action")	Beneficial owner	–	118,093,019(2)	3,500,000	121,593,019	29.61
Cathay International Corporation	Beneficial owner	–	79,028,000	–	79,028,000	19.25

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 30.66% of the issued share capital of the Company.

(2) At 31 March 2013, 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 61% equity shares in NWSH; CTFEL owned approximately 41% 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 2013, 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 28.76% 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 2013, 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 2013, 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 2013, 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. On 29 January 2013, the above two agreements were further renewed for two years at a total monthly charge of about HK$408,000.

All the above charges were determined with reference to open market rates or based on the actual disbursement basis. The total rental and related expenses paid by the Group for the year amounted to HK$5,147,000 (2012: HK$4,889,000).

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 2013

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 44 to 143, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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

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 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 June 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013

	Notes	**2013 HK$'000**	2012 HK$'000 (Restated)
REVENUE	5	**2,075,498**	1,923,146
Cost of services rendered		**(1,651,804)**	(1,560,318)
Gross profit		**423,694**	362,828
Other income and gains	5	**110,930**	142,114
Administrative expenses		**(275,433)**	(297,160)
Other expenses, net		**(60,793)**	(40,570)
Finance costs	6	**(17,644)**	(14,328)
Share of profits and losses of:			
Jointly-controlled entities		**(13,078)**	14,965
Associates		**(11)**	(292)
PROFIT BEFORE TAX	7	**167,665**	167,557
Income tax expense	10	**(50,136)**	(30,610)
PROFIT FOR THE YEAR		**117,529**	136,947
Attributable to:			
Owners of the parent	11	**116,942**	102,699
Non-controlling interests		**587**	34,248
		117,529	136,947
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**28.5 cents**	25.2 cents
Diluted		**28.0 cents**	24.6 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 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
PROFIT FOR THE YEAR		**117,529**	136,947
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation		**12,349**	8,199
Income tax effect		**(2,037)**	–
		10,312	8,199
Exchange differences on translation of foreign operations		**3,922**	12,874
Change in fair value of available-for-sale investments		**965**	(375)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**15,199**	20,698
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**132,728**	157,645
Attributable to:			
Owners of the parent	*11*	**130,622**	118,798
Non-controlling interests		**2,106**	38,847
		132,728	157,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	**31 March 2013 HK$'000**	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	**1,238,124**	1,165,733	971,416
Investment properties	*15*	**25,300**	59,900	42,350
Prepaid land lease payments	*16*	**65,339**	44,931	46,328
Other intangible assets	*17*	**594,644**	545,497	64,622
Goodwill	*18*	**187,104**	187,104	17,874
Interests in jointly-controlled entities	*20*	**123,422**	136,809	122,552
Interests in associates	*21*	**1,666**	1,677	1,748
Available-for-sale investments	*22*	**18,895**	17,927	229
Financial asset at fair value through profit or loss	*23*	**14,054**	13,498	–
Deposits paid for purchases of items of property, plant and equipment		**5,336**	10,174	10,244
Deposits and other receivables	*25*	**34,565**	11,197	151,502
Deferred tax assets	*32*	**420**	858	–
Total non-current assets		**2,308,869**	2,195,305	1,428,865
CURRENT ASSETS				
Properties/interests in properties held for sale		**20,857**	73,347	73,990
Inventories		**24,654**	23,104	18,537
Trade receivables	*24*	**155,248**	124,830	105,914
Prepayments, deposits and other receivables	*25*	**140,806**	177,038	125,101
Tax recoverable		**1,662**	7,575	3,849
Pledged time deposits	*26, 30*	**17,733**	10,650	2,717
Restricted cash	*26*	**6,449**	–	–
Cash and cash equivalents	*26*	**295,778**	299,013	353,703
		663,187	715,557	683,811
Assets of disposal groups classified as held for sale	*37(b)*	**–**	9,706	799,218
Total current assets		**663,187**	725,263	1,483,029
CURRENT LIABILITIES				
Trade payables	*27*	**72,643**	74,966	52,263
Accruals, other payables and deposits received	*28*	**395,502**	448,223	311,630
Tax payable		**30,195**	27,751	28,224
Derivative financial instruments	*29*	**20,378**	17,954	741
Interest-bearing bank and other borrowings	*30*	**783,314**	825,745	513,193
		1,302,032	1,394,639	906,051
Liabilities directly associated with the assets classified as held for sale	*37(b)*	**–**	1,011	530,433
Total current liabilities		**1,302,032**	1,395,650	1,436,484
NET CURRENT ASSETS/(LIABILITIES)		**(638,845)**	(670,387)	46,545
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,670,024**	1,524,918	1,475,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Due to joint venturers		–	–	19,792
Other long term liabilities	31	26,506	23,090	17,829
Deferred tax liabilities	32	134,763	122,968	85,377
Total non-current liabilities		161,269	146,058	122,998
Net assets		1,508,755	1,378,860	1,352,412
EQUITY				
Equity attributable to owners of the parent				
Issued capital	33	41,061	40,871	40,751
Reserves	35(a)	1,296,664	1,172,783	1,054,480
Proposed final dividend	12	8,212	–	8,150
		1,345,937	1,213,654	1,103,381
Non-controlling interests		162,818	165,206	249,031
Total equity		1,508,755	1,378,860	1,352,412

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

		Attributable to owners of the parent														
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 35(a))*	Capital reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Enterprise expansion fund HK$'000 *(note 35(a))*	Reserve fund HK$'000 *(note 35(a))*	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011																
As previously reported		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
Prior year adjustment	2.2	–	–	–	–	–	–	–	–	–	–	491	–	491	–	491
As restated		40,751	533,994	10,648	(1,855)	–	26,393	–	3,277	12,404	54,312	415,307	8,150	1,103,381	249,031	1,352,412
Profit for the year (as restated)		–	–	–	–	–	–	–	–	–	–	102,699	–	102,699	34,248	136,947
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	22	–	–	–	–	–	–	(375)	–	–	–	–	–	(375)	–	(375)
Total comprehensive income for the year		–	–	–	–	–	8,199	(375)	–	–	8,275	102,699	–	118,798	38,847	157,645
Transfer of depreciation on buildings		–	–	–	–	–	(2,064)	–	–	–	–	2,064	–	–	–	–
Transfer from property, plant and equipment to investment properties		–	–	–	–	–	(8,617)	–	–	–	–	8,617	–	–	–	–
Acquisitions of subsidiaries	36	–	–	–	–	–	–	–	–	–	–	–	–	–	27,160	27,160
Disposal of subsidiaries	37(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	33	120	1,013	–	–	–	–	–	–	–	–	–	–	1,133	–	1,133
Equity-settled share option arrangements	34	–	–	–	–	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*	530,216*	–	1,213,654	165,206	1,378,860

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Notes	Attributable to owners of the parent												Non-controlling interests	Total equity
		Issued capital	Share premium account	Contributed surplus	Capital reserve	Share option reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve fund	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note 35(a))					*(note 35(a))*						
At 1 April 2012															
As previously reported		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
Prior year adjustment	2.2	–	–	–	–	–	–	–	–	–	631	–	631	–	631
As restated		40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	530,216	–	1,213,654	165,206	1,378,860
Profit for the year		–	–	–	–	–	–	–	–	–	116,942	–	116,942	587	117,529
Other comprehensive income for the year:															
Gains on property revaluation, net of tax		–	–	–	–	–	10,312	–	–	–	–	–	10,312	–	10,312
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	2,403	–	–	2,403	1,519	3,922
Change in fair value of available-for-sale investments	22	–	–	–	–	–	–	965	–	–	–	–	965	–	965
Total comprehensive income for the year		–	–	–	–	–	10,312	965	–	2,403	116,942	–	130,622	2,106	132,728
Transfer of depreciation on buildings		–	–	–	–	–	(1,903)	–	–	–	1,903	–	–	–	–
Transfer upon disposal of building		–	–	–	–	–	(1,091)	–	–	–	1,091	–	–	–	–
Disposal of subsidiaries	37(a)	–	–	–	–	–	–	–	–	57	–	–	57	(749)	(692)
Dividends paid/payable to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(3,745)	(3,745)
Issue of shares	33	190	1,414	–	–	–	–	–	–	–	–	–	1,604	–	1,604
Proposed final 2013 dividend	12	–	–	–	–	–	–	–	–	–	(8,212)	8,212	–	–	–
At 31 March 2013		41,061	536,421*	10,648*	(1,855)*	28,257*	29,682*	590*	1,126*	49,855*	641,940*	8,212	1,345,937	162,818	1,508,755

* *These reserve accounts comprise the consolidated reserves of HK$1,296,664,000 (2012: HK$1,172,783,000 (restated)) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**167,665**	167,557
Adjustments for:			
Finance costs	*6*	**17,644**	14,328
Share of profits and losses of jointly-controlled entities		**13,078**	(14,965)
Share of losses of associates		**11**	292
Bank interest income	*5*	**(1,019)**	(1,912)
Dividend income from available-for-sale unlisted investments	*5*	**(524)**	(179)
Gain on disposal of subsidiaries	*37(a)*	**(8,130)**	(83,276)
Gain on disposal of properties held for sale	*5*	**(14,804)**	(8,793)
Gain on disposal of an investment property	*5*	**(23,300)**	–
Fair value gains on investment properties	*5,7*	**(7,100)**	(850)
Gain on disposal of intangible asset	*5*	**(300)**	–
Amortisation of intangible assets	*7*	**20,709**	16,397
Depreciation	*7*	**170,832**	156,810
Fair value loss on derivative financial instruments	*7*	**2,424**	17,213
Fair values loss/(gain) on financial asset at fair value through profit or loss	*7*	**(556)**	2,705
Loss on disposal of items of property, plant and equipment, net	*7*	**4,727**	8,170
Recognition of prepaid land lease payments	*7*	**4,173**	3,098
Recognition of deferred income		**(3,731)**	(3,728)
Impairment of other receivables	*7*	**2,059**	9,976
Impairment of trade receivables	*7*	**5,777**	33
Equity-settled share option expense	*34*	**–**	28,257
		349,635	311,133
Increase in balances with jointly-controlled entities		**–**	708
Decrease in amounts due from associates		**–**	69
Decrease in balances with joint venturers		**(2,491)**	(16,170)
Increase in inventories		**(1,517)**	(3,129)
Increase in trade receivables		**(36,014)**	(2,554)
Decrease/(increase) in prepayments, deposits and other receivables		**22,285**	(33,997)
Increase in restricted cash		**(6,449)**	–
Increase/(decrease) in trade payables		**(2,610)**	60,482
Increase in accruals, other payables and deposits received		**11,325**	94,864
Increase in other long term liabilities		**8,436**	8,933
Cash generated from operations		**342,600**	420,339

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash generated from operations		**342,600**	420,339
Bank interest received		**1,019**	1,912
Interest paid		**(17,644)**	(14,282)
Interest element of finance lease rental payments		**–**	(46)
Hong Kong profits taxes paid		**(20,452)**	(6,556)
Overseas taxes paid		**(11,251)**	(26,456)
Net cash flows from operating activities		**294,272**	374,911
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from available-for-sale unlisted investments		**524**	179
Deposits paid for purchases of items of property, plant and equipment		**(5,291)**	(10,328)
Proceeds from disposal of items of property, plant and equipment		**14,679**	15,052
Purchases of items of property, plant and equipment		**(234,179)**	(308,981)
Proceeds from disposal of an investment property		**65,000**	–
Proceeds from disposal of properties held for sale		**–**	12,198
Additions to intangible assets		**(71,651)**	(2,000)
Proceeds from disposal of intangible asset		**2,200**	–
Additions to prepaid land lease payments		**(22,449)**	–
Additions to available-for-sale investments		**–**	(18,064)
Additions to financial asset at fair value through profit or loss		**–**	(16,203)
Acquisitions of subsidiaries	*36*	**–**	(477,811)
Deposits paid on purchases of intangible assets	*25*	**(10,249)**	–
Consideration received from disposal of subsidiaries		**16,002**	101,306
Decrease/(increase) in pledged time deposits		**(7,094)**	20,924
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(20,421)**	4,934
Net cash flows used in investing activities		**(272,929)**	(678,794)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	33	**1,604**	1,133
Drawdown of new bank loans		**166,523**	447,931
Drawdown of other bank loans		**–**	7,874
Repayment of bank loans		**(210,705)**	(165,839)
Capital element of finance lease rental payments		**–**	(2,359)
Decrease in amounts due to joint venturers		**–**	(19,792)
Dividend paid		**–**	(8,168)
Dividend paid to non-controlling shareholders		**(3,745)**	(77,481)
Net cash flows from/(used in) financing activities		**(46,323)**	183,299
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,980)**	(120,584)
Cash and cash equivalents at beginning of year		**286,603**	404,104
Effect of foreign exchange rate changes, net		**899**	3,083
CASH AND CASH EQUIVALENTS AT END OF YEAR		**262,522**	286,603
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**254,276**	254,517
Non-pledged time deposits with original maturity of less than three months when acquired		**8,246**	31,841
Cash and cash equivalents attributable to a disposal group classified as held for sale	37(b)	**–**	245
Cash and cash equivalents as stated in the consolidated statement of cash flows		**262,522**	286,603
Non-pledged time deposits with original maturity of more than three months when acquired		**33,256**	12,655
Cash and cash equivalents as stated in the consolidated statement of financial position		**295,778**	299,258

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*19*	**684,627**	674,335
CURRENT ASSETS			
Prepayments	*25*	**196**	196
Bank balances	*26*	**964**	853
Total current assets		**1,160**	1,049
CURRENT LIABILITIES			
Accruals and other payables	*28*	**252**	224
NET CURRENT ASSETS		**908**	825
Net assets		**685,535**	675,160
EQUITY			
Issued capital	*33*	**41,061**	40,871
Reserves	*35(b)*	**636,262**	634,289
Proposed final dividend	*12*	**8,212**	–
Total equity		**685,535**	675,160

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 other transportation services
- provision of travel-related services
- provision of tourism 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 classified as property, plant and equipment, 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 group held for sale is stated at the lower of its carrying amount and fair value 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 2013. 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 it 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 revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

	2013 **HK$'000**	2012 HK$'000
Consolidated income statement for the year ended 31 March		
Decrease in income tax expense	**1,056**	140
Increase in profit for year	**1,056**	140
Increase in basic earnings per share (HK cent)	**0.26**	0.03
Increase in diluted earnings per share (HK cent)	**0.25**	0.03
Consolidated statement of financial position at 31 March		
Decrease in deferred tax liabilities and total non-current liabilities	**(1,687)**	(631)
Increase in net assets and reserves	**1,687**	631
Consolidated statement of financial position at 1 April 2011		
Decrease in deferred tax liabilities and total non-current liabilities		(491)
Increase in net assets and reserves		491

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 — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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 a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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 an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the 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
Scenic spot establishments	8 to 37 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, or 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.

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the 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 recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and 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 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.

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, or 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 and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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 in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

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 or other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the 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 current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and 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 future taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the 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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 prevailing 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 payments

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

The cost of equity-settled transactions 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 34 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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

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

Other employee benefits

Paid leave carried forward

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

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Income taxes

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

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

Estimation uncertainty

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

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

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

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

Estimation uncertainty *(continued)*

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs 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.

(iii) Net realisable value of inventories

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

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

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

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

Estimation uncertainty *(continued)*

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

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

(vii) Impairment of loans and receivables

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

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

(viii) Share-based payments

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 payments 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 payments are disclosed in note 34 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 judgment 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 non-franchised bus segment includes the provision of non-franchised bus hire services and travel-related services;

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

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

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

(e) the hotel segment includes the provision of hotel services in Chongqing, 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.

During the current year, the Group further streamlined and aligned its "Mainland China bus" segment and "Non-franchised bus" segment, the Group changed the internal reporting structure for resources allocation decision-making and performance assessment. Accordingly, the directors consider it is appropriate to report certain revenue, which was previously reported under the "Others" segment, under the "Mainland China bus" segment and the "Non-franchised bus" segment.

To conform with the current year's presentation, certain segment revenue of the "Others" segment for the year ended 31 March 2012 has been reclassified and disclosed under the "Mainland China bus" segment and "Non-franchised bus" segment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2013

	Non-franchised bus HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales	1,658,011	141,932	116,544	134,660	23,469	882	–	2,075,498
Intersegment sales	17,149	97	–	40	–	–	(17,286)	–
Other revenue	62,241	3,106	31,531	8,158	169	–	(2,405)	102,800
Total	1,737,401	145,135	148,075	142,858	23,638	882	(19,691)	2,178,298
Segment results	189,707	21,910	(30,918)	5,309	(7,077)	(1,752)	–	177,179
Reconciliation:								
Gain on disposal of subsidiaries								8,130
Finance costs								(17,644)
Profit before tax								167,665
Segment assets	1,951,279	125,958	436,571	292,256	110,919	2,309	–	2,919,292
Reconciliation:								
Unallocated assets								52,764
Total assets								2,972,056
Segment liabilities	279,909	22,300	116,347	50,035	23,914	2,146	–	494,651
Reconciliation:								
Unallocated liabilities								968,650
Total liabilities								1,463,301

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2013 *(continued)*

	Non-franchised bus HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of losses of:							
— a jointly-controlled entity	–	–	(13,078)	–	–	–	(13,078)
— associates	(11)	–	–	–	–	–	(11)
Capital expenditure	199,715	13,957	4,205	19,055	20,224	64,259	321,415
Amortisation of intangible assets	17,675	–	3,034	–	–	–	20,709
Bank interest income	194	–	744	72	9	–	1,019
Depreciation	137,333	13,230	11,051	6,717	2,497	4	170,832
Recognition of prepaid land lease payments	7	–	3,602	7	557	–	4,173
Impairment of trade receivables	5,777	–	–	–	–	–	5,777
Impairment of other receivables	–	–	2,059	–	–	–	2,059
Fair value gains on investment properties	7,100	–	–	–	–	–	7,100
Loss/(gain) on disposal of items of property, plant and equipment, net	2,339	(115)	2,422	10	71	–	4,727

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2012

	Non-franchised bus HK$'000	Franchised bus HK$'000	Mainland China bus HK$'000	Tourism HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales (as restated)	1,403,102	132,556	263,197	96,813	26,651	827	–	1,923,146
Intersegment sales	15,392	350	–	67	–	–	(15,809)	–
Other revenue	34,575	2,979	19,501	3,977	324	47	(2,565)	58,838
Total	1,453,069	135,885	282,698	100,857	26,975	874	(18,374)	1,981,984
Segment results	97,000	16,763	18,537	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	1,853,608	115,192	540,130	253,057	92,288	15,785	–	2,870,060
Reconciliation:								
Unallocated assets								50,508
Total assets								2,920,568
Segment liabilities	260,526	12,681	188,142	63,978	18,372	3,591	–	547,290
Reconciliation:								
Unallocated liabilities (as restated)								994,418
Total liabilities								1,541,708

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2012 *(continued)*

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

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
Hong Kong	**1,832,905**	1,571,149
Mainland China	**242,593**	351,997
	2,075,498	1,923,146

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

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
Hong Kong	**1,551,349**	1,370,647
Mainland China	**599,063**	653,889
	2,150,412	2,024,536

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 (2012: 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	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Revenue		
Provision of non-franchised bus services	**1,658,011**	1,403,102
Provision of franchised bus services	**141,932**	132,556
Provision of Mainland China bus services	**116,544**	263,197
Provision of tourism services	**134,660**	96,813
Provision of hotel services	**23,469**	26,651
Provision of other transportation services	**882**	827
	2,075,498	1,923,146
Other income		
Bank interest income	**1,019**	1,912
Gross rental income	**5,384**	15,143
Advertising income	**2,684**	1,834
Government subsidies *(note (i))*	**10,258**	3,964
Dividend income from available-for-sale unlisted investments	**524**	179
Others	**30,973**	20,571
	50,842	43,603
Gains		
Fair value gains on investment properties	**7,100**	850
Foreign exchange differences, net	**5,898**	5,592
Gain on disposal of subsidiaries	**8,130**	83,276
Gain on disposal of properties held for sale	**14,804**	8,793
Gain on disposal of an investment property	**23,300**	–
Gain on disposal of intangible asset	**300**	–
Fair value gain on financial asset at fair value through profit or loss	**556**	–
	60,088	98,511
	110,930	142,114

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 2013 HK$'000	2012 HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**13,732**	14,181
Bank loans wholly repayable after five years	**3,912**	101
Finance leases	**–**	46
	17,644	14,328

7. PROFIT BEFORE TAX

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

	Group 2013 HK$'000	2012 HK$'000
Amortisation of intangible assets *(note (ii))*	**20,709**	16,397
Auditors' remuneration	**2,470**	2,880
Depreciation *(note (ii))*	**170,832**	156,810
Employee benefit expense *(note (ii))*		
(including directors' remuneration *(note 8)*):		
Wages, salaries, bonuses and other benefits	**672,666**	622,472
Equity-settled share option expense	**–**	26,178
Pension scheme contributions *(note (iii))*	**33,587**	31,661
	706,253	680,311

7. PROFIT BEFORE TAX *(continued)*

	Group	
	2013	2012
	HK$'000	HK$'000
Rental income less direct operating expenses of HK$43,000 (2012: HK$180,000)	**(5,341)**	(14,963)
Fair value loss on derivative financial instruments *(note (i))*	**2,424**	17,213
Fair value gains on investment properties	**(7,100)**	(850)
Fair value loss/(gain) on financial asset at fair value through profit or loss	**(556)**	2,705
Minimum lease payments under operating leases *(note (ii))*:		
Land and buildings	**16,486**	11,158
Bus depots, terminals and car parks	**67,918**	56,344
Motor buses and coaches and bus route operating rights	**115,438**	83,824
	199,842	151,326
Recognition of prepaid land lease payments	**4,173**	3,098
Impairment of trade receivables *(note (i))*	**5,777**	33
Impairment of other receivables *(note (i))*	**2,059**	9,976
Loss on disposal of items of property, plant and equipment, net *(note (i))*	**4,727**	8,170

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$1,651,804,000 (2012: HK$1,560,318,000) and included amortisation of intangible assets of HK$20,709,000 (2012: HK$16,397,000), depreciation charges of HK$153,524,000 (2012: HK$135,409,000), employee benefit expense of HK$556,531,000 (2012: HK$520,325,000) and operating lease rentals of HK$184,506,000 (2012: HK$140,430,000).

(iii) As at 31 March 2013, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2012: 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	
	2013	2012
	HK$'000	HK$'000
Fees	**515**	405
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**16,294**	17,106
Equity-settled share option expense	**–**	11,084
Pension scheme contributions	**1,350**	1,440
	17,644	29,630
	18,159	30,035

During the year ended 31 March 2012, certain directors were granted share options, in respect of their services to the Group, under a share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The options were immediately vested as at the date of grant and the fair value of such options, which had been recognised in the prior year's income statement, was determined as at the date of grant. The amount included in the financial statements for the prior year was 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
2013			
Chan Bing Woon, SBS, JP	**185**	**–**	**185**
Sung Yuen Lam	**165**	**–**	**165**
Lee Kwong Yin, Colin	**165**	**–**	**165**
	515	**–**	**515**
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

There were no other emoluments payable to the independent non-executive directors during the year (2012: 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
2013					
Wong Chung Pak, Thomas	**–**	**4,190**	**–**	**341**	**4,531**
Wong Leung Pak, Matthew	**–**	**4,390**	**–**	**353**	**4,743**
Wong Wing Pak	**–**	**4,450**	**–**	**365**	**4,815**
Cheng Wai Po, Samuel	**–**	**–**	**–**	**–**	**–**
Chung Chak Man, William	**–**	**–**	**–**	**–**	**–**
Cheng King Hoi, Andrew*	**–**	**1,010**	**–**	**90**	**1,100**
Ng King Yee*	**–**	**592**	**–**	**53**	**645**
Chan Yu Kwong, Francis*	**–**	**953**	**–**	**88**	**1,041**
Mok Wah Fun, Peter*	**–**	**709**	**–**	**60**	**769**
	–	**16,294**	**–**	**1,350**	**17,644**
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

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

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

Details of the share options granted to the directors were set out in note 34 to the financial statements.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: five) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2012: Nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, discretionary bonuses and other benefits	**4,533**	–
Pension scheme contributions	**29**	–
	4,562	–

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

	Number of employees	
	2013	2012
HK$2,000,001 to HK$2,500,000	**2**	–

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Current:		
Hong Kong		
Charge for the year	**23,446**	18,194
Overprovision in prior years	**(2,304)**	(1,191)
Mainland China		
Charge for the year	**12,245**	11,005
LAT	**6,567**	–
Deferred *(note 32)*	**10,182**	2,602
Total tax charge for the year	**50,136**	30,610

10. INCOME TAX *(continued)*

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

Group — 2013

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

Group — 2012

	Hong Kong		Mainland China		Total	
	HK$'000 (Restated)	%	HK$'000	%	HK$'000 (Restated)	%
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	
Adjustments in respect of current tax of previous 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	(15,654)		(309)		(15,963)	
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	19,656	13.0	10,954	67.4	30,610	18.3

The share of tax credit attributable to jointly-controlled entities amounting to HK$3,522,000 (2012: tax charge of HK$5,797,000), 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 2013 includes a profit of HK$8,771,000 (2012: loss of HK$2,269,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Additional 2011 final — HK$2.0 cents per ordinary share	**–**	18
Proposed final — HK$2.0 cents (2012: Nil) per ordinary share	**8,212**	–
	8,212	18

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

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$116,942,000 (2012: HK$102,699,000 (restated)), and the weighted average number of ordinary shares of 409,724,356 (2012: 408,127,858) 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$116,942,000 (2012: HK$102,699,000 (restated)), and the weighted average number of ordinary shares of 409,724,356 (2012: 408,127,858) in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,219,274 (2012: 8,715,532) assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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 36)*	–	–	–	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 *(note 15)*	(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 *(note 15)*	(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)*

Analysis of cost and valuation:

Group	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic spot establishment HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2013										
Analysis of cost or valuation:										
At cost	**–**	**95,813**	**2,688**	**25,534**	**1,363,399**	**68,198**	**34,056**	**170,364**	**81,576**	**1,841,628**
At valuation	**83,053**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**83,053**
	83,053	**95,813**	**2,688**	**25,534**	**1,363,399**	**68,198**	**34,056**	**170,364**	**81,576**	**1,924,681**
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

The Group's leasehold lands held under finance leases are included in property, plant and equipment with a net carrying amount of HK$4,880,000 (2012: HK$5,022,000), which are situated in Hong Kong and are held under medium term leases.

At the end of the reporting period, the Group's buildings were revaluated individually by the directors of the Group with reference to the valuations performed by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using either the depreciated replacement cost method, and recent prices of similar properties at an aggregate value of HK$83,053,000. A revaluation surplus of HK$12,349,000 resulting from the above valuations has been credited to other comprehensive income.

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$26,726,000 (2012: HK$29,799,000) as at 31 March 2013.

At 31 March 2013, certain of the Group's property, plant and equipment of HK$121,922,000 (2012: HK$104,307,000) 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 39(a) to the financial statements.

15. INVESTMENT PROPERTIES

	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 April	**59,900**	42,350
Net gain from a fair value adjustment	**7,100**	850
Transfer from owner-occupied property *(note 14)*	**–**	16,700
Disposal	**(41,700)**	–
Carrying amount at 31 March	**25,300**	59,900

Certain of the Group's investment properties with a carrying amount of HK$23,300,000 (2012: HK$58,400,000) 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 2013 by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, at HK$25,300,000 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 39(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Note	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 April		**48,072**	49,354
Additions		**24,310**	–
Recognised during the year		**(4,173)**	(3,098)
Exchange realignment		**924**	1,816
Carrying amount at 31 March		**69,133**	48,072
Current portion included in prepayments, deposits and other receivables	*25*	**(3,794)**	(3,141)
Non-current portion		**65,339**	44,931

Certain of the Group's leasehold lands amounting to HK$15,754,000 (2012: HK$29,038,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

16. PREPAID LAND LEASE PAYMENTS *(continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Long term lease	**388**	395
Medium term leases	**68,745**	47,677
	69,133	48,072

17. OTHER INTANGIBLE ASSETS

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

17. OTHER INTANGIBLE ASSETS *(continued)*

Group	Passenger service licences HK$'000	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 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 36)*	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

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 2013 HK$'000	2012 HK$'000
Cost at beginning of year, net of accumulated impairment	**187,104**	17,874
Acquisitions of subsidiaries *(note 36)*	**–**	169,230
Carrying value at end of reporting period	**187,104**	187,104
At 31 March 2013:		
Cost	**191,503**	191,503
Accumulated impairment	**(4,399)**	(4,399)
Net carrying amount	**187,104**	187,104

18. GOODWILL *(continued)*

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:

- Mainland China bus cash-generating unit
- Non-franchised bus cash-generating unit

The recoverable amounts of the Mainland China 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% (2012: 3.02%). This rate does not exceed the average long term growth rate for the relevant markets.

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

	Mainland China bus		Non-franchised bus		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**11,967**	11,967	**175,137**	175,137	**187,104**	187,104
Carrying amount of intangible assets with indefinite lives	**–**	–	**378,213**	362,462	**378,213**	362,462

Impairment testing of goodwill and intangible assets with indefinite lives

Assumptions were used in the value in use calculation of the Mainland China bus and the non-franchised bus cash-generating units for the years ended 31 March 2013 and 2012. 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 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**587,379**	577,087
Capital contribution in respect of employee share-based compensation	**26,178**	26,178
	684,627	674,335

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2013	2012	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.*+	PRC/ Mainland China	Renminbi ("RMB") 5,000,000	**60**	60	Provision of tourism services
Chongqing Grand Hotel Co., Ltd.*+	PRC/Mainland China	RMB35,000,000	**60**	60	Provision of hotel services
Chongqing Tourism Coach Co., Ltd.*+	PRC/Mainland China	RMB8,000,000	**60**	60	Provision of bus and travel-related services
Chongqing Tourism (Group) Co., Ltd.*+	PRC/Mainland China	RMB56,660,000	**60**	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK$900	**100**	100	Property holding
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	**100**	100	Provision of bus and travel-related services

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# 2013	2012	Principal activities
Guangzhou New Era Express Bus Co., Ltd.*^+	PRC/Mainland China	RMB20,000,000	**56**	56	Provision of bus and bus-related services
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	Ordinary HK$46,261,682	**55**	55	Inactive
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 bus-related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
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	Provision of bus and bus-related services
Lantau Tours Limited	Hong Kong	Ordinary HK$750,000	**100**	100	Provision of tourism 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# 2013	2012	Principal activities
Lixian Bipenggou Tourism Development Company Limited**+	PRC/Mainland China	RMB68,896,000	**51**	51	Development and management of a scenic spot
New Lantao Bus Company (1973) Limited∞	Hong Kong	Ordinary HK$29,116,665	**99.99**	99.99	Provision of franchised bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Provision of bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**100**	100	Provision of coach hire and related management services
GFTZ Xing Hua International Transport Limited**+	PRC/Mainland China	RMB15,000,000	**56**	56	Provision of bus and bus-related services
Trans-Island Limousine Service Limited∞	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$30,000,000	**100**	100	Provision of bus and travel-related services
Intercontinental Hire Cars Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of bus and travel-related services
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**	100	Provision of bus and travel-related services
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	**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[#] 2013	2012	Principal activities
Chinalink Express Holdings Limited[∞]	Hong Kong	Ordinary HK$35,000,000	**90**	90	Investment holding
Chinalink Transport Group Limited[∞]	Hong Kong	Ordinary HK$100	**90**	90	Investment holding
Chinalink Bus Company Limited	Hong Kong	Ordinary HK$10,000	**90**	90	Provision of bus and travel-related services
Hin Wan Bus Management Limited[∞]	Hong Kong	Ordinary HK$100,000	**100**	100	Provision of bus and travel-related services
Jin Yuan Tai Hong Kong Limited[∞]	Hong Kong	Ordinary HK$100,000	**100**	100	Provision of bus and travel-related services
Hi Lee (Hong Kong) Transportation Company Limited	Hong Kong	Ordinary HK$800,000	**74.06**	74.06	Provision of limousine services

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

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

** *Limited companies established in the PRC*

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

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

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

~ *The Group's interest in this subsidiary was classified as a disposal group held for sale as at 31 March 2012. Further details of which are set out in note 37(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 2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**20,433**	20,433
Share of net assets of a jointly-controlled entity	**137,158**	158,163
Share of post-acquisition results	**1,297**	1,297
Less: Accumulated amortisation and impairment	**(20,433)**	(20,433)
	138,455	159,460
Due from jointly-controlled entities	**10,018**	9,964
Due to a jointly-controlled entity	**(26,137)**	(33,701)
Loan to a jointly-controlled entity	**1,086**	1,086
	(15,033)	(22,651)
	123,422	136,809

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 prior years, 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 as at the end of the reporting period.

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:

	2013 HK$'000	2012 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	**73,328**	82,153
Non-current assets	**211,930**	220,136
Current liabilities	**(60,962)**	(114,475)
Non-current liabilities	**(58,907)**	(9,787)
Net assets	**165,389**	178,027

Share of the jointly-controlled entity's results:

	2013 HK$'000	2012 HK$'000
Revenue	**291,685**	296,171
Other income	**224,205**	202,750
	515,890	498,921
Total expenses	**(532,490)**	(478,159)
Income tax credit/(expense)	**3,522**	(5,797)
Profit/(loss) after tax	**(13,078)**	14,965

21. INTERESTS IN ASSOCIATES

	Group	
	2013 HK$'000	2012 HK$'000
Share of net assets	**245**	256
Due from associates	**1,421**	1,421
	1,666	1,677

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 2013	2012	Principal activities
All China Express Limited#	63 ordinary shares of HK$1 each	Hong Kong	**36.26**	36.26	Provision of bus and travel-related services
China-HongKong Express Limited#	180,000 ordinary shares of HK$1 each	Hong Kong	**39.56**	39.56	Provision of bus and travel-related services
Kowloon Tong Express Services Limited#	14 ordinary shares of HK$1 each	Hong Kong	**35.90**	35.90	Provision of bus and travel-related services
All China Express (Shen Xi) Limited#	16 ordinary shares of HK$1 each	Hong Kong	**31.37**	31.37	Provision of bus and travel-related services

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

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

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

	2013 HK$'000	2012 HK$'000
Assets	**24,545**	26,346
Liabilities	**27,522**	33,033
Revenues	**227,110**	244,747
Loss after tax	**(422)**	(2,494)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investment in Mainland China, at cost	**241**	238
Unlisted investment fund in Hong Kong, at fair value	**18,654**	17,689
	18,895	17,927

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$241,000 (2012: HK$238,000) 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 gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$965,000 (2012: gross loss of HK$375,000).

As at 31 March 2013, the Group's unlisted equity investment fund with a carrying value of HK$18,654,000 (2012: HK$17,689,000) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted investment, at fair value	**14,054**	13,498

The unlisted investment as at 31 March 2013 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 2013, the Group's unlisted investment with a carrying value of HK$14,054,000 (2012: HK$13,498,000) was pledged as security for the Group's banking facilities, as further detailed in note 30 to the financial statements.

24. TRADE RECEIVABLES

	Group 2013 HK$'000	2012 HK$'000
Trade receivables	**159,216**	129,384
Impairment	**(3,968)**	(4,554)
	155,248	124,830

Included in the Group's trade receivables are amounts due from associates of HK$8,325,000 (2012: HK$8,493,000), which are repayable within 90 days.

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

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

	Group 2013 HK$'000	2012 HK$'000
Within 30 days	**83,456**	81,704
31 to 60 days	**45,164**	26,791
61 to 90 days	**16,315**	8,293
Over 90 days	**10,313**	8,042
	155,248	124,830

24. TRADE RECEIVABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 April	**4,554**	4,578
Impairment losses recognised *(note 7)*	**5,777**	33
Amount written off as uncollectible	**(6,417)**	(222)
Exchange realignment	**54**	165
At 31 March	**3,968**	4,554

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$3,968,000 (2012: HK$4,554,000) with a carrying amount before provision of HK$4,168,000 (2012: HK$4,875,000). The individually impaired trade receivables relate to customers who were in financial difficulties.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**88,528**	95,192
Less than 1 month past due	**41,947**	13,715
1 to 3 months past due	**20,915**	7,880
Over 3 months past due	**3,658**	7,722
	155,048	124,509

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	
		2013	2012	2013	2012
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments		**36,380**	40,894	**196**	196
Prepaid land lease payments	*16*	**3,794**	3,141	**–**	–
Rental and other deposits		**36,549**	27,354	**–**	–
Deposit paid for purchases of intangible assets		**10,249**	–	**–**	–
Due from joint venturers		**20,855**	20,818	**–**	–
Deferred expense	*28*	**–**	16,626	**–**	–
Loan to a related party		**1,170**	1,300	**–**	–
Other receivables		**87,469**	96,851	**–**	–
		196,466	206,984	**196**	196
Impairment		**(21,095)**	(18,749)	**–**	–
		175,371	188,235	**196**	–
Less: Portion classified as non-current assets		**(34,565)**	(11,197)	**–**	–
Portion classified as current assets		**140,806**	177,038	**196**	196

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

The loan to a related party, a director of which is also a director of the Company, is unsecured, bears interest at 1% per annum and is repayable by 10 yearly instalments commencing from December 2012. The maximum amount outstanding during the year is HK$1,300,000.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**65,961**	76,168
Less than 1 month past due	**2,761**	4,973
1 to 3 months past due	**2,657**	707
Over 3 months past due	**9,520**	10,975
	80,899	92,823

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

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 April	**18,749**	8,724
Impairment losses recognised *(note 7)*	**2,059**	9,976
Exchange realignment	**287**	49
At 31 March	**21,095**	18,749

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$21,095,000 (2012: HK$18,749,000) with a carrying amount before provision of HK$28,595,000 (2012: HK$26,146,000), of which the related debtors were in financial difficulties and only a portion of the amount is expected to be recovered.

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

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**254,276**	254,517	**964**	853
Time deposits		**59,235**	55,146	**–**	–
Restricted cash		**6,449**	–	**–**	–
		319,960	309,663	**964**	853
Less: Pledged time deposits for bank loans	*30*	**(17,733)**	(10,650)	**–**	–
Restricted cash		**(6,449)**	–	**–**	–
Cash and cash equivalents		**295,778**	299,013	**964**	853

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

At 31 March 2013, the Group had RMB5,160,000 (approximately HK$6,449,000) (2012: Nil) of cash which was restricted as to use in connection with a potential claim and other related charges/expenses arising from a litigation against a subsidiary of the Company. The subsidiary has lodged an appeal to the court in Mainland China and is currently awaiting the court judgement at the date of approval of these financial statements. A provision in respect of this litigation has been made in the financial statements.

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	
	2013	2012
	HK$'000	HK$'000
Current to 30 days	**50,643**	53,079
31 to 60 days	**7,315**	7,163
61 to 90 days	**5,507**	7,068
Over 90 days	**9,178**	7,656
	72,643	74,966

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

28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**265,900**	263,124	**252**	224
Deposits received	**24,603**	15,262	**–**	–
Deposit for disposal of interests in properties held for sale *(note)*	**–**	81,988	**–**	–
Traffic accident compensation payables	**38,865**	29,299	**–**	–
Payables for acquisitions of items of property, plant and equipment	**22,551**	13,752	**–**	–
Receipt in advance	**41,368**	40,159	**–**	–
Due to joint venturers	**2,215**	4,639	**–**	–
	395,502	448,223	**252**	224

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

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

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 (approximately 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 would then be transferred to the Purchaser in 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 could not 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 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 had not been discharged and the Group still retained significant risks of ownership over the Land should the relevant government approval not be obtained. Accordingly, the Land of RMB39.4 million (approximately HK$48.5 million) continued to be included in interests in properties held for sale while the establishments of RMB2.0 million (approximately HK$2.5 million) were recorded as interests in properties held for sale. In addition, the related tax liabilities totalling RMB13.5 million (approximately HK$16.6 million) were accrued for and the tax expenses had been deferred until the Group's obligations attached to the Transfer Agreements are fulfilled and the sale becomes unconditional.

During the current year, on 21 August 2012, the transfer of the remaining 10% equity interest was completed. Accordingly, the Group derecognised the related interests in properties held for sale, deferred expenses and other related liabilities and recognised a gain on disposal of HK$14.8 million in the current year.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013	2012
	Liabilities	Liabilities
	HK$'000	HK$'000
Interest rate swap contracts	**20,368**	17,894
Foreign currency swap contracts	**10**	60
	20,378	17,954

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 2013, the Group had swap contracts in place with a total notional amount of HK$139,868,000 (2012: HK$155,835,000). 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$2,424,000 (2012: HK$17,213,000) were charged to the consolidated income statement during the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2013 Effective interest rate (%)	2013 Maturity	2013 HK$'000	2012 Effective interest rate (%)	2012 Maturity	2012 HK$'000
Current						
Bank loans — secured *(note (a))*	**2.69**	**2014–2019**	**741,442**	2.42	2013–2019	784,442
Other loan — unsecured	**–**	**2014**	**41,872**	–	2013	41,303
			783,314			825,745

	2013 HK$'000	2012 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(note (a))*	**741,442**	784,442
Other borrowing repayable:		
Within one year	**41,872**	41,303
	783,314	825,745

Notes:

(a) Term loans of the Group with carrying amounts of HK$735,229,000 (2012: HK$784,442,000) 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$522,526,000 (2012: HK$569,548,000) have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

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

	Group 2013 HK$'000	Group 2012 HK$'000
Within one year	**212,703**	214,894
In the second year	**201,890**	189,515
In the third to fifth years, inclusive	**296,717**	317,894
Beyond five years	**23,919**	62,139
	735,229	784,442

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

Notes: (continued)

(b) The Group's bank loans 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 (2012: HK$850,000,000) under a debenture given by the Company.

(c) Except for bank loans of HK$88,123,000 (2012: HK$49,221,000) and other loan of HK$41,872,000 (2012: HK$41,303,000) which are denominated in RMB and bank loans of HK$16,698,000 (2012: HK$33,609,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

31. OTHER LONG TERM LIABILITIES

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred income	**18,895**	21,785
Other liabilities	**7,611**	1,305
	26,506	23,090

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.

32. DEFERRED TAX

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

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000 (Restated)	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000 (Restated)
Gross deferred tax liabilities/(assets) at 1 April 2011		90,853	–	–	559	1,536	(7,299)	(272)	85,377
Acquisitions of subsidiaries	36	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)	–	(1,536)	5,440	1,532	2,602
Exchange differences		(47)	–	–	–	–	–	–	(47)
Gross deferred tax liabilities/(assets) at 31 March 2012 and at 1 April 2012		99,285	(311)	26,399	559	–	(5,082)	1,260	122,110
Deferred tax charged to other comprehensive income during the year		–	–	–	2,037	–	–	–	2,037
Deferred tax charged/(credited) to the income statement during the year	10	12,384	107	(2,059)	–	–	1,849	(2,099)	10,182
Exchange differences		14	–	–	–	–	–	–	14
Gross deferred tax liabilities/(assets) at 31 March 2013		111,683	(204)	24,340	2,596	–	(3,233)	(839)	134,343

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:

	2013 HK$'000	2012 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**420**	858
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(134,763)**	(122,968)
	(134,343)	(122,110)

32. DEFERRED TAX *(continued)*

The Group has unrecognised tax losses in Mainland China of HK$30,964,000 (2012: HK$29,764,000) 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 2013, there was no significant unrecognised deferred tax liability (2012: 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.

33. SHARE CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
410,606,000 (2012: 408,706,000) ordinary shares of HK$0.10 each	**41,061**	40,871

The subscription rights attaching to 1,900,000 (2012: 1,200,000) share options were exercised at an average subscription price of HK$0.84 (2012: HK$0.94) per share (note 34), resulting in the issue of 1,900,000 (2012: 1,200,000) shares of HK$0.10 each for a total cash consideration, before expenses, of HK$1,604,000 (2012: HK$1,133,000).

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

34. SHARE OPTION SCHEMES *(continued)*

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

	2013 Weighted average exercise price HK$ per share	2013 Number of options '000	2012 Weighted average exercise price HK$ per share	2012 Number of options '000
At 1 April	**1.42**	**64,500**	0.97	18,400
Granted during the year	**–**	**–**	1.58	47,300
Exercised during the year	**0.84**	**(1,900)**	0.94	(1,200)
At 31 March	**1.44**	**62,600**	1.42	64,500

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.53 per share (2012: HK$1.80 per share).

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

31 March 2013

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

34. SHARE OPTION SCHEMES *(continued)*

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		

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

The fair value of equity-settled share options granted during the year ended 31 March 2012 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

34. SHARE OPTION SCHEMES *(continued)*

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

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

The 1,900,000 share options exercised during the year resulted in the issue of 1,900,000 ordinary shares of the Company and new share capital of HK$190,000 and share premium of HK$1,414,000 (before issue expenses), as further detailed in note 33 to the financial statements.

At the end of the reporting period, the Company had 62,600,000 share options outstanding under the Old Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 62,600,000 additional ordinary shares of the Company and additional share capital of HK$6,260,000 and share premium of HK$83,789,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 62,300,000 share options outstanding under the Old Scheme, which represented approximately 15.2% of the Company's shares in issue as at that date.

35. 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 48 to 49 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.

35. RESERVES *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
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	*33*	1,013	–	–	–	1,013
Equity-settled share option arrangements	*34*	–	–	28,257	–	28,257
At 31 March 2012 and at 1 April 2012		535,007	70,770	28,257	255	634,289
Profit and total comprehensive income for the year		–	–	–	8,771	8,771
Issue of shares	*33*	1,414	–	–	–	1,414
Proposed final 2013 dividend	*12*	–	–	–	(8,212)	(8,212)
At 31 March 2013		**536,421**	**70,770**	**28,257**	**814**	**636,262**

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

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

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

36. 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 ended 31 March 2012:

(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 31 March 2012.

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 2012 HK$'000
Property, plant and equipment	*14*	25,978
Other intangible assets	*17*	129,866
Accruals		(72)
Deferred tax liabilities	*32*	(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 were included in administrative expenses in the consolidated income statement.

None of the goodwill recognised was 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:

	2012 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)

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.

36. BUSINESS COMBINATIONS *(continued)*

(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 ended 31 March 2012.

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 2012 HK$'000
Property, plant and equipment	*14*	64,829
Other intangible assets	*17*	261,886
Interest in an associate		250
Deferred tax assets	*32*	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	*32*	(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

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 were expected to be collectible.

36. BUSINESS COMBINATIONS *(continued)*

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

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

None of the goodwill recognised was 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:

	2012 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 ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK$1,977,444,000 and HK$139,710,000, respectively.

36. BUSINESS COMBINATIONS *(continued)*

(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 31 March 2012, respectively.

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 2012 HK$'000
Property, plant and equipment	*14*	4,663
Other intangible assets	*17*	102,111
Interest in an associate		40
Deferred tax assets	*32*	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	*32*	(2,878)
Total identifiable net assets at fair value		106,391
Goodwill on acquisitions	*18*	53,609
Considerations		160,000

36. BUSINESS COMBINATIONS *(continued)*

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

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 were expected to be collectible.

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

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

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

	2012 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 ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK$1,972,684,000 and HK$144,600,000, respectively.

36. BUSINESS COMBINATIONS *(continued)*

(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 2012 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	*32*	(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

36. 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 were expected to be collectible.

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

None of the goodwill recognised was 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:

	2012 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 ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK$1,939,522,000 and HK$135,837,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

Year ended 31 March 2013

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

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

(a) Disposal of subsidiaries *(continued)*

Year ended 31 March 2013 *(continued)*

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

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

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

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

Year ended 31 March 2012

During the year ended 31 March 2012, 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.

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

(a) Disposal of subsidiaries *(continued)*

Year ended 31 March 2012 *(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.*

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

	2012 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

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

(b) Disposal group held for sale

In order to better utilise the Group's resources on businesses with greater potentials, on 24 March 2011, the Group entered into an equity transfer agreement with an independent third party to dispose of the Jieyang Designated Bus Group and assume an amount payable by the Jieyang Designated Bus Group to the Group for a total consideration of RMB13 million (approximately HK$16.3 million). The Jieyang Designated Bus Group was part of the Group's designated bus operation in Guangdong province, Mainland China. This transaction was completed on 14 March 2013. As at 31 March 2012, the assets and liabilities of the Jieyang 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 were as follows:

	2012 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

38. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK$1,542,154,000 (2012: HK$1,503,205,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 31 March 2013, 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$693,419,000 (2012: HK$759,071,000).

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

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment properties and certain of its motor buses and vehicles under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years.

At 31 March 2013, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**5,025**	5,726
In the second to fifth years, inclusive	**8,997**	5,955
After five years	**5,185**	–
	19,207	11,681

(b) As lessee

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

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**51,297**	31,888
In the second to fifth years, inclusive	**61,173**	38,797
After five years	**8,194**	–
	120,664	70,685

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	**20,705**	53,693
Construction of a scenic spot and a plant for repair and maintenance	**68,074**	76,070
	88,779	129,763

At the end of the reporting period, the Company had no significant commitments (2012: Nil).

41. 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.

42. RELATED PARTY TRANSACTIONS

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

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Coach rental income and administrative service income from associates	*(i)*	**99,951**	90,628
Bus washing charges paid to related companies	*(ii), (iii)*	**205**	200
Purchases of fuel from related companies	*(ii), (iii)*	**28,348**	30,893
Rental and related expenses paid to a related company	*(iv)*	**5,147**	4,889

Notes:

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

(ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group for the Group's own consumption. On 22 June 2010, the agreement was renewed and the bus washing charge was increased to HK$16,650 commencing on 1 August 2010. On 23 July 2012, the agreement was further renewed and the bus washing charge was increased to HK$17,260 commencing on 1 August 2012. The aggregate fee related to bus washing services was HK$205,000 (2012: HK$200,000). The aggregate purchases of fuel from NWFB amounted to HK$14,747,000 (2012: HK$16,911,000).

(iii) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company, entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB for NLB's own consumption. On 30 June 2010, the agreement was revised and the bus washing charge was increased to HK$18.30 per vehicle commencing on 1 July 2010. On 23 July 2012, the agreement was further renewed and the bus washing charge was increased to HK$20 per vehicle commencing on 1 July 2012. No bus washing services were provided by CTB during the current and prior years. The aggregate purchases from CTB amounted to HK$13,601,000 (2012: HK$13,982,000).

(iv) 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. On 29 January 2013, the above two agreements were further renewed for two years at a monthly charge of about HK$408,000. The total rental and related expenses paid by the Group for the year amounted to HK$5,147,000 (2012: HK$4,889,000).

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

43. 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 — 2013

Financial assets

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

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a jointly-controlled entity	–	26,137	26,137
Trade payables	–	72,643	72,643
Financial liabilities included in accruals, other payables and deposits received	–	178,548	178,548
Derivative financial instruments	20,378	–	20,378
Interest-bearing bank and other borrowings *(note 30)*	–	783,314	783,314
Financial liabilities included in other long term liabilities *(note 31)*	–	7,611	7,611
	20,378	1,068,253	1,088,631

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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	–	195,431	195,431
Derivative financial instruments	17,954	–	17,954
Interest-bearing bank and other borrowings *(note 30)*	–	825,745	825,745
Financial liabilities included in other long term liabilities *(note 31)*	–	1,305	1,305
	17,954	1,131,148	1,149,102

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Bank balances	**964**	853
Due from subsidiaries	**587,379**	577,087
	588,343	577,940

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Accrual and other payables	**252**	224

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

The fair values of the non-current portion of deposits and other receivables, balances with jointly-controlled entities and associates, 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 fund 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.

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

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

Fair value hierarchy

The 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 2013

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale equity investment	**18,654**	**–**	**–**	**18,654**
Financial asset at fair value through profit or loss	**–**	**14,054**	**–**	**14,054**
	18,654	**14,054**	**–**	**32,708**

As at 31 March 2012

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

The Company did not have any financial asset measured at fair value as at 31 March 2013 and 2012.

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 (2012: Nil).

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

Fair value hierarchy *(continued)*

Liabilities measured at fair value:

Group

As at 31 March 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	**–**	**20,378**	**–**	**20,378**

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

The Company did not have any financial liability measured at fair value as at 31 March 2013 and 2012.

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 (2012: Nil).

45. 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 director 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 2013 and 2012 would have decreased/increased the Group's profit before tax by HK$3,183,000 and HK$3,502,000, respectively. For Renminbi floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2013 and 2012 would have decreased/increased the Group's profit before tax by HK$438,000 and HK$243,000, respectively. For United States dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2013 and 2012 would have decreased/increased the Group's profit before tax by HK$83,000 and HK$168,000.

For the interest rate swaps, a 50 basis point increase/decrease in interest rates at 31 March 2013 would have decreased the Group's profit before tax by HK$925,000 (2012: HK$777,000) and increased the Group's profit before tax by HK$4,158,000 (2012: HK$777,000), respectively.

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

Foreign currency risk

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

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$137,997,000 (2012: HK$133,796,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2013		
If Hong Kong dollar weakens against RMB	**5%**	**2,645**
If Hong Kong dollar strengthens against RMB	**(5%)**	**(2,645)**
2012		
If Hong Kong dollar weakens against RMB	5%	2,517
If Hong Kong dollar strengthens against RMB	(5%)	(2,517)

Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, restricted cash, pledged time deposits, amounts due from 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 38 to the financial statements.

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

Liquidity risk

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

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

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

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

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

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

Liquidity risk *(continued)*

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	73,585	76,517	45,329	–	195,431
Derivative financial instruments	–	17,954	–	–	17,954
Interest-bearing bank and other borrowings *(note)*	825,745	–	–	–	825,745
Financial liabilities included in other long term liabilities	–	–	–	1,305	1,305
	988,155	108,703	50,939	1,305	1,149,102

Note:

Included in the above interest-bearing bank and other borrowings are term loans with carrying amounts of HK$735,229,000 (2012: HK$784,442,000). The loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

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

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2013	**55,696**	**182,867**	**500,668**	**24,397**	**763,628**
As at 31 March 2012	56,521	160,499	537,856	69,924	824,800

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$693,671,000 (2012: HK$759,295,000) as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 3 months.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed financial covenants set out in certain of its banking facilities as at 31 March 2013, and there was no indication of any breach of covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

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 52% (2012: 60%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$783,314,000 (2012: HK$825,745,000) over the total equity of HK$1,508,755,000 (2012: HK$1,378,860,000 (restated)).

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

46. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 April 2011 has been presented.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2013.

PARTICULARS OF PROPERTIES

31 March 2013

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Unit 5 on 12th Floor, Eastern Harbour Centre, No. 28 Hoi Chak Street, Hong Kong	Office	Medium term lease	100%
Lorry Parking Space No. L103 on 1st Floor, Eastern Harbour Centre, No. 28 Hoi Chak Street, Hong Kong	Carpark	Medium term lease	100%

PROPERTIES HELD FOR SALE

Location	Use	Site area (sq.m.)	Tenure	Attributable interest of the Group
重慶市渝北區 龍溪鎮寨子坪	Transportation use	16,990	Medium term lease	60%