



KWOON CHUNG BUS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 306)



ANNUAL REPORT
2019/2020

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

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Senior Management

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

Company Secretary

Mr. Tung Sze Ho, Dicky (*appointed on 13 January 2020*)
Mr. Chan Kwok Kee, Andy (*resigned on 13 January 2020*)

Authorised Representatives Under Part 16 of the Companies Ordinance

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

Authorised Representatives Under Listing Rules

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

Auditor

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

Legal Advisers as to Hong Kong Laws

Angela Ho & Associates
Unit 1405, 14/F, Tower 1, Admiralty Centre
18 Harcourt Road, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank Of China Tower, 1 Garden Road, Central, Hong Kong

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

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

Principal Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Hong Kong Branch Registrar and Transfer Office

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

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

3rd Floor, 8 Chong Fu Road
Chai Wan, Hong Kong

Share Listing

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

Corporate Website Address and Investor Relations Contact

Website: <http://www.kcbh.com.hk>
Email: info@kcm.com.hk
Fax: (852) 2505 6880

Customer Services

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



Background

The predecessor of Kwoon Chung Bus Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was founded by the late Mr. Wong Kwoon Chung with a small-sized car cleaning service in 1948. After over half a century of dramatic development, the Group has made its name in the transport history of Hong Kong as the largest non-franchised public bus and limousine operator in Hong Kong. The Company has been listed on the Main Board of the Stock Exchange since September 1996. As at 31 March 2020, the Group was operating approximately 1,352 non-franchised public buses and 354 limousines.

Hong Kong Segment

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

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

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

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

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

CORPORATE PROFILE

In 2017, the Group formed Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited (“HZMBSB”) with four other local operators. HZMBSB became Hong Kong member of the consortium participated in the tender for the project in respect of the operator of shuttle bus for the boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge. The consortium was confirmed as the successful tenderer and became the sole operator of shuttle bus service for the boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge. The Group, as a whole, has benefited from the enormous traffic and other business opportunities brought about by the opening of the Hong Kong-Zhuhai-Macao Bridge.

Mainland China Segment

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

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

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

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

Changes in Shareholdings in the Company

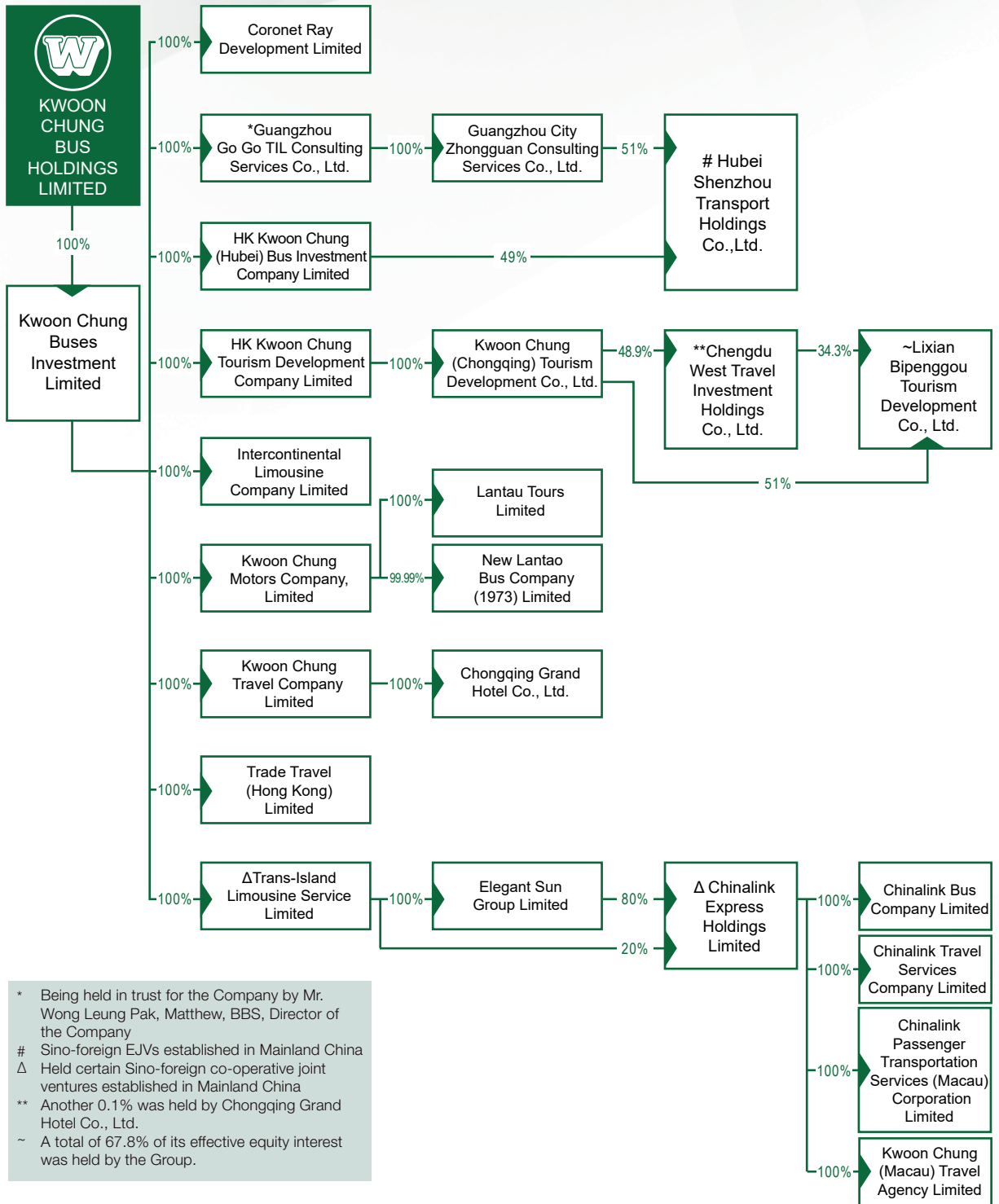
In 1999, First Action Developments Limited (“First Action”), an affiliated company of New World Development Company Limited (Stock code: 17.HK), acquired approximately 20% (up to 29.48% before April 2014) of the issued share capital of the Company. On 2 April 2014, First Action sold all of its 121,593,019 shares of the Company to Basic Faith Company Limited (“Basic Faith”), which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, BBS, a director (“Director”) and the Chairman of the Company. On the same date, Basic Faith acquired all of the 131,880,981 shares of the Company held by Wong Family Holdings (PTC) Limited, the then controlling shareholder of the Company. Upon completion of the above two acquisitions and the close of the subsequent mandatory unconditional cash offer made by Basic Faith to the Company, Basic Faith became the largest and the controlling shareholder of the Company. The shareholding of Basic Faith in the Company was approximately 50.66% as at the date of this report.

Vision

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

CORPORATE STRUCTURE

As at 31 March 2020



* Being held in trust for the Company by Mr. Wong Leung Pak, Matthew, BBS, Director of the Company
 # Sino-foreign EJV established in Mainland China
 Δ Held certain Sino-foreign co-operative joint ventures established in Mainland China
 ** Another 0.1% was held by Chongqing Grand Hotel Co., Ltd.
 ~ A total of 67.8% of its effective equity interest was held by the Group.

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

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2020

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus:					
Mainland China/Hong Kong cross-boundary service	1,011,842	1,451,653	1,193,900	1,089,373	1,029,201
Local service					
– Scheduled	838,083	804,192	663,101	661,090	689,151
– Non-scheduled	66,123	101,618	103,758	95,534	49,014
	1,916,048	2,357,463	1,960,759	1,845,997	1,767,366
Local limousine	175,920	201,934	197,270	196,505	203,248
Franchised bus and public light bus	177,059	195,840	175,113	170,824	162,433
Mainland China business	184,829	204,163	198,607	216,907	246,614
Others	9,408	12,465	11,905	10,629	9,212
TOTAL REVENUE	2,463,264	2,971,865	2,543,654	2,440,862	2,388,873
PROFIT FOR THE YEAR	22,417	259,360	276,349	364,930	291,868

	As at 31 March					
	2020	2019	2018	2017	2016	
FLEET						
		Number of vehicles operated				
Non-franchised bus	1,352	1,376	1,268	1,104	1,039	
Franchised bus and public light bus	162	159	135	123	124	
Limousine (cross-boundary and local)	354	397	410	391	348	
	1,868	1,932	1,813	1,618	1,511	

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Executive Directors

Mr. Wong Leung Pak, Matthew, BBS, aged 64

joined the Group in the early 1970s. Mr. Wong is the Chairman of the Company. He is responsible for providing leadership to, and overseeing the functioning of, the board of Directors (the “Board”) of the Company. Mr. Wong has over 40 years experience in the bus business. Mr. Wong is currently the chairman of the Public Omnibus Operators Association in Hong Kong, and he was awarded the Honorary University Fellowship by The Open University of Hong Kong in November 2014 and the honour of BBS by the HKSAR government in July 2015. Mr. Wong is the father of Messrs. Wong Cheuk On, James (an executive Director) and Wong Cheuk Tim, Timothy, MH (a member of senior management of the Group), and the father-in-law of Mr. Lo Man Po (an executive Director). He is the sole director of Basic Faith and Infinity Faith, which are controlling shareholders having an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”).

Mr. Wong Cheuk On, James, aged 36

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

Mr. Lo Man Po, aged 41

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

Independent Non-Executive Directors

Mr. Chan Bing Woon, SBS, JP, aged 75

has been an independent non-executive Director of the Company since 1996. Mr. Chan is a Consultant Solicitor and Accredited General Mediator of Yung, Yu, Yuen & Co., Solicitors & Notaries. He has over 40 years’ experience in the legal profession. Mr. Chan is involved in numerous public duties including being an advisor of the Joint Mediation Helpline, a fellow member of the Hong Kong Institute of Directors, a past chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and member of hospital governing committee, Cheshire Home, Chung Hom Kok, Hospital Authority. He is also an International General Mediator of the Law Society of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors – Continued

Mr. James Mathew Fong, aged 44

has been an independent non-executive Director of the Company since 2016. Mr. Fong is a partner of Bird & Bird, one of the largest international law firms in Hong Kong. He obtained a Bachelor of Laws degree from The University of Hong Kong and is a member of The Law Society of Hong Kong. During his more than 20 years of legal career, Mr. Fong has been advising listed issuers and investment banks clients on capital markets, merger & acquisition and corporate governance matters. He also serves in a number of statutory bodies and committees in Hong Kong. He is currently a member of the Private Columbaria Licensing Board, an observer of the Independent Police Complaints Council, the Deputy Chairman of Appeal Board established under the Urban Renewal Authority Ordinance. He is also a member of the Panel of Advisors on Building Management Disputes and a coop member of Hong Kong Arts Development Council review committee. Mr. Fong was appointed as an independent non-executive director, chairman of the remuneration committee and member of the audit committee and nomination committee of AMS Public Transport Holdings Limited (Stock code: 77.HK), the shares of which are listed on the Stock Exchange.

Mr. Chan Fong Kong, Francis, aged 44

has been an independent non-executive Director of the Company since 2016. Mr. Chan obtained a Bachelor's Degree in Commerce, majoring in Accounting and Finance from Deakin University (Melbourne, Australia). He attained Certified Practising Accountant status with CPA Australia, duly awarded a Fellow Membership of CPA Australia in February 2018 and been entitled to use the designation of FCPA since then. Mr. Chan has worked in Ernst & Young, a major international accounting firm from 2001 to 2005. From 2005 to 2016, Mr. Chan has been working in a local consultancy firm as a director specializing in providing consultancy services, involving in corporate restructuring and organizing fund-raising activities in Hong Kong and Mainland China. From 2016 to 2019, Mr. Chan has been working for a local technology firm as a finance manager. Currently, he is holding the position of director in a local consultancy firm. Mr. Chan was appointed as an independent non-executive director of Leyou Technologies Holdings Limited (Stock code: 1089.HK) from January 2015 to July 2015, China Best Group Holding Limited (Stock code: 370.HK) from September 2014 to October 2016, Great Wall Belt & Road Holdings Limited (Stock code: 524.HK) from June 2015 to May 2017, SingAsia Holdings Limited (Stock code: 8293.HK) from February 2018 to March 2020 and China Baoli Technologies Holdings Limited (Stock code: 164.HK) since August 2018 whose shares are listed on the Main Board/GEM of Stock Exchange. Mr. Chan also serves in a number of non-governmental organizations in Hong Kong. He is currently a director of New Territories General Chamber of Commerce and the company director, vice president and committee member of Care of Rehabilitated Offenders Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Senior Management

Mr. Wong Cheuk Tim, Timothy, MH aged 31

holds a Juris Doctor in Law from The Chinese University of Hong Kong and a Bachelor of Science in Economics from University of Bath, United Kingdom. Mr. Wong joined the Group in 2014 and is currently holding the position of Chief Operating Officer of the Group. He is responsible for overseeing daily management, the operation units, and the legal and compliance functions of the Group. Mr. Wong was awarded Medal of Honour (MH) by the HKSAR government in July 2019. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew, BBS (an executive Director), the brother of Mr. Wong Cheuk On, James (an executive Director) and the brother-in-law of Mr. Lo Man Po (an executive Director).

Mr. Cheng King Hoi, Andrew, aged 61

is the Head of Mainland China Business Development of the Group and is responsible for the Group's tourism and hotel operations in Chongqing and Sichuan Province and bus operations in Hubei Province, Mainland China. He is a member of the Australian Institute of Management NSW Ltd., previously a committee member of the 8th to 11th of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China, Vice president of the Hong Kong Chiu Chow Chamber of Commerce and also the co-president of Overseas Teo Chew Entrepreneurs Association Limited. He was awarded 10 Most Outstanding Persons of China Transportation Enterprise Management in 2009. Mr. Cheng received an Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America and the 13th World Outstanding Chinese Award in 2013. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years. Currently, Mr. Cheng is also an independent non-executive director of Evergreen International Holdings Limited (Stock code: 238.HK) and Sterling Group Holdings Limited (Stock code: 1825.HK), whose shares are listed on the Stock Exchange.

Ms. Lee Shuk Wah, Teresa, aged 64

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management – Continued

Mr. Chan Chung Yee, Alan, aged 53

is the managing director of Chinalink (wholly owned subsidiary of the Company). Mr. Chan holds two master degrees in Practising Accounting and Business Law from Monash University, Australia. Professionally, he is a fellow of the Hong Kong Institute of Certified Public Accountants, CPA Australia, The Institute of Chartered Secretaries and Administrators in UK, The Hong Kong Institute of Company Secretaries, The Hong Kong Institute of Directors and is an ordinary member of Hong Kong Securities and Investment Institute, The Chartered Institute of Logistics and Transport Hong Kong. He is also admitted to Certified Membership of The Institute of Certified Management Accountants of Australia, and awarded with “Chartered Banker” by the Chartered Institute of Bankers in Scotland, UK, “Certified Banker” of The Hong Kong Institute of Bankers, “Chartered Secretary” and “Chartered Governance Professional” of The Institute of Chartered Secretaries and Administrators in UK. Currently, he is a standing member and convenor of Hong Kong members of the Chinese People’s Political Consultative Conference of Yunfu City of Guangdong Province, standing member of Guangdong’s Association for Promotion of Cooperation between Guangdong, Hong Kong & Macau, member of China Overseas Friendship Association, member of Friends of Hong Kong Association, Co-sponsor of Hong Kong Coalition, secretary general of China Hong Kong and Macau Boundary Crossing Bus Association, Mr. Chan was also appointed as member of the Board of Review(Inland Revenue) of HKSAR from 2009-2011. He was served an independent non-executive director and chairman of the audit committee of UBA Investments Limited (Stock Code: 768.HK), the shares of which are listed on the Stock Exchange.

Mr. Feng Weixiang, aged 57

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Senior Management – Continued

Mr. Mark Savelli, aged 54

joined the Group in February 2019 and is the Operations Director of the Group. Mr. Savelli obtained a Bachelor of Science in Transport & Logistics with a First Class Honours from University of Huddersfield. He is an award winning bus industry professional with over 20 years of directorate level experience in both Hong Kong and United Kingdom (UK). Mr. Savelli has served as Managing Director of various large bus operating subsidiaries of FirstGroup plc in UK before being promoted to Regional Director (Scotland). He has also worked in senior positions with the three largest franchised bus companies in Hong Kong including New World First Bus Services Limited (Operations Director & Deputy Managing Director), The Kowloon Motor Bus Company (1933) Limited (Transport Development Director) and Citybus Limited (Deputy Managing Director). Mr. Savelli was awarded 'UK Transport Professional of the Year 2009' (PTMA Awards) and is a Fellow of the Chartered Institute of Logistics and Transport (FCILT) & Institute of Directors (FIoD). In 2010, He was accredited by the Institute of Directors with Chartered Director status (CDir) after gaining a Master Level qualification (Diploma in Company Direction). In 2017, Mr. Savelli was invited to join the Guangzhou Transportation Commission Expert Advisory Committee for a 3 year term and to sit on the Transport Policy Committee of The Chartered Institute of Logistics and Transport in Hong Kong. During 2017/18, Mr. Savelli provided interim management/business advisory services for clients in South East Asia, Europe, Africa, Australia and the Middle East.

Company Secretary

Mr. Tung Sze Ho, Dicky, aged 37

was appointed as Company Secretary of the Company on 13 January 2020, who is delegated by an external secretarial service provider, Angela Ho & Associates. Mr. Tung is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). He has extensive experiences in the company secretarial field.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2020.

Results

The consolidated profit for the year was approximately HK\$22 million, which represents a decrease of approximately 91.5% from that of the previous year of approximately HK\$259 million. Details of the Group's results will be discussed under the section headed "Management Discussion and Analysis" in this annual report.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK16 cents per ordinary share).

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "AGM") to be held on Tuesday, 25 August 2020, the register of members of the Company will be closed from Thursday, 20 August 2020 to Tuesday, 25 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 August 2020.

Appreciation

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

Wong Leung Pak, Matthew, BBS

Chairman

Hong Kong
26 June 2020



Results

The consolidated profit for the year was approximately HK\$22 million, which represents a decrease of approximately 91.5% from that of the previous year of approximately HK\$259 million. The significant decrease in net profit was mainly due to the significant decline in the number of tourists visiting Hong Kong which was caused by the social incidents since the beginning of last June and the outbreak of the coronavirus disease (“COVID-19”) together with the corresponding anti-pandemic measures implemented at the beginning of this year. The decrease in net profit was partially offset by the effects of change in depreciation policy by the Group and subsidies received from various government support schemes under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government.

The Group applied measures to control costs, enhance cash flow and operational efficiency, including implementing salary reduction and/or salary suspension for senior management and managerial staff, encouraging employees to take no-pay leave and/or annual leave, or participate in an early retirement plan, and streamlining workflow as well as applying for various government support schemes under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government. The Group has also deferred replacement of new vehicles and temporarily suspended some of the operating ticketing centers and cross-boundary bus routes.

The Group’s results will be discussed in detail under the section headed “Review of Operations and Future Prospects” below.

Review of Operations and Future Prospects

1. Non-franchised Bus Segment

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

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

The cross-boundary bus has always been a major earnings contributor to the Group. The revenue of cross-boundary non-franchised buses decreased from approximately HK\$1,408 million of the previous year to approximately HK\$1,023 million of the current year. The decrease of revenue was due to a significant decline in the number of tourists visiting Hong Kong which was caused by the social incidents since the beginning of last June. The situation deteriorated in the beginning of 2020 by the threat of COVID-19 which suspended the passenger clearance services at most of the immigration control points in Hong Kong and the compulsory quarantine of persons arriving Hong Kong since February 2020. All cross-boundary transport operations have been temporarily suspended. In the present, the Government of the Hong Kong Special Administrative Region has not yet re-opened all the immigration control points.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations and Future Prospects – Continued

1. Non-franchised Bus Segment – continued

The Group expects revenue to improve as cross-border traffic gradually resumes in 2020, as recovery will largely depend on the Government's policy regarding quarantine and testing requirements for visitors. Nevertheless, the Group expects that the overall market may take time to achieve the economies of scale for operation, which create uncertainty on interim results for 2020 of the Group. The Group will approach with utmost caution, and promptly implement appropriate measures to mitigate the adverse impacts on the Group's operation from unfavorable factors. However, once the travel restrictions are lifted, Greater Bay Area should become one of the top destinations for Chinese travelers as the situation regarding COVID-19 around the world remains uncertain, advance to the Group's cross-border business.

Kwoon Chung Motors Company, Limited ("KCM") is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. The local non-franchised bus revenue decreased throughout the year from approximately HK\$943 million from the previous year to approximately HK\$929 million of the current year. This was largely due to a decrease in the revenue of non-scheduled service, from the previous year's HK\$137 million to this year's HK\$89 million, given the reduction in the number of tours, meetings, incentives, conventions and exhibitions during the year. Nevertheless, the revenue of scheduled service increased from the previous year's HK\$806 million to this year's HK\$840 million. The demand of non-scheduled service is expected to remain weak until group activities are back to normal.

2. Local Limousine Segment

The Group owns a fleet of limousines which caters for airport/local transfers and on-hire requests of clients from numerous high-end hotels in Hong Kong, covering both corporate and individual users.

For this segment, the inbound travel restrictions on overseas visitors has caused a dramatic decrease in the demand of limousines services. To help alleviate the situation, the Group is shifting its focus to catering for local demand as well as reducing overheads.



Review of Operations and Future Prospects – Continued

3. Franchised Bus and PLB Segment

As at 31 March 2020, New Lantao Bus Company (1973) Limited (“NLB”), was operating 27 (2019: 27) franchised bus routes, mainly in Lantau Island, with a fleet of 155 (2019: 152) buses.

Revenue of NLB has dropped drastically in February and March 2020 due to COVID-19 and the loss for the current year had increased to HK\$9 million. The Group expects loss to be incurred in the coming financial year as fare increase is not likely to be approved anytime soon and the Group has to rely on the subsidy offered by the Government to maintain a positive cash flow position.

The Group has been operating one green PLB (also called “minibus”) route, namely 901, which also connects the Hong Kong–Zhuhai–Macao Bridge Hong Kong Port to Tung Chung. The service was suspended since February 2020 in order to minimize loss and save cash for future operation.

4. Mainland China Business Segment

i. Lixian Bipenggou Tourism Development Co., Ltd.

Located within the Solo Valley in Putou Rural area, Li Xian County, Aba Prefecture has now become a well-known sacred place for viewing red leaves in China. Since The Wenma Expressway opened last year, the inherent advantage of geography and the convenient transportation of Bipenggou has developed into the back garden of Chengdu’s people. It is only 201 kilometers away by car. Hotel located in the scenic area has completed the renovation and facility upgrading works last year. As a Spa resort, it is welcomed by the visitors all year round, offering mountain flowers in spring, resort in summer, red leaves in autumn and skiing in winter. Bipenggou was titled World Natural Heritage, World Biosphere reserve Network, National AAAA Tourist Scenic Spot and was awarded as the National Ecotourism Demonstration Zone and Sichuan Provincial Ecotourism Demonstration Zone.

The number of tourists was affected by the epidemic at the beginning of this year. With the epidemic under control, management believes Bipenggou will return to the pursuit of travel enthusiasts. This is especially the case while international travelling is restricted.

ii. Chongqing Grand Hotel Co., Ltd. (“CQ Hotel”)

This 100% owned subsidiary operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Shapingba District, Chongqing. CQ Hotel has successfully turned around and continued to operate as a commercial lease and hotel service. Through the external wall renovation and improvement of internal facilities planning this year, CQ Hotel will become more attractive for potential corporate clients and will strive for better business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations and Future Prospects – Continued

4. Mainland China Business Segment – continued

iii. Hubei Shenzhou Transport Holdings Co., Ltd.

As at 31 March 2020, this 100% owned subsidiary of the Group was operating a long-distance bus terminal, a public bus transport company, and related business with 220 (2019: 216) routes and 530 (2019: 538) buses in Xiangyang City and Nanzhang County, Hubei Province. After a lengthy preparation for the construction, a new bus terminal in Nanzhang County will start operation within this year. Long-distance bus transportation business continues to be affected by high-speed rail. Management is focusing its efforts to study how to utilize its existing resources to adjust its core business. The old diesel buses operating in Nanzhang County have all been replaced by electric buses, which have been commended by the local government and appreciated by the public so as to bring both economic and social benefits in the coming future.

Liquidity and Financial Resources

Funding for the Group's operations during the year was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks and other financial institutions. As at 31 March 2020, the total outstanding indebtedness was approximately HK\$1,937 million (2019: HK\$2,001 million). The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars, Renminbi, and US dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2020, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 86.4% (2019: 88.2%).

Funding and Treasury Policies, and Financial Risk Management

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

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

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

Employees and Remuneration Policies

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



Corporate Governance Practices

Preserving a high level of corporate governance and business ethics is one of the Group's core values. The Group trusts that conducting business in an ethical and reliable way will maximise its long term interests and those of its stakeholders. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal controls and accountability to shareholders and these are based upon a long-established ethical corporate culture.

The Board is of the view that throughout the year ended 31 March 2020, the Company has complied with all of the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2020.

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

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

The Board of Directors

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

As at 31 March 2020, the Board comprised six Directors, including three executive Directors and three independent non-executive Directors. The list of all Directors during the year and up to the date of this report are set out below:

Executive Directors

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

Independent Non-executive Directors

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

The Board of Directors – Continued

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

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 7 to 11.

Chairman and Chief Executive Officer

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

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong Leung Pak, Matthew, BBS and Mr. Wong Cheuk On, James, respectively. Their respective responsibilities are clearly defined and set out in writing.

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

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

Independent Non-Executive Directors

During the year ended 31 March 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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



The Board of Directors – Continued

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Board Committees

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

Audit Committee

As at 31 March 2020, the audit committee consists of three independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP as the chairman. Other members are Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis. At the discretion of the audit committee, executive Directors and/or senior management personnel overseeing the Group's finance or internal audit functions may be invited to attend meetings. The audit committee normally meets, with the management and the external auditor, twice a year. The audit committee also meets the external auditor annually in the absence of the management.

Board Committees – Continued

Audit Committee – continued

The terms of reference of the audit committee are of no less exacting terms than those set out in the CG Code. The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditor the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditor during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. In addition, the audit committee supervises and reviews the effectiveness of the internal audit function performed by the internal audit department, which is headed by a qualified professional. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The audit committee held two meetings during the year ended 31 March 2020. The attendance record of each member of the audit committee at such meetings is set out under "Attendance Record of Directors and Committee Members" on page 23.

The Company's interim results for the six months ended 30 September 2019 and annual results for the year ended 31 March 2020 have been reviewed by the audit committee.

Nomination Committee

As at 31 March 2020, the nomination committee consists of one executive Director and three independent non-executive Directors with Mr. Wong Leung Pak, Matthew, BBS, executive Director, as the chairman. Other members are Mr. Chan Bing Woon, SBS, JP, Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis, being independent non-executive Directors.

The terms of reference of the nomination committee are of no less exacting terms than those set out in the CG Code. The principal duties of the nomination committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the nomination committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.



Board Committees – Continued

Nomination Committee – continued

During the year ended 31 March 2020, the nomination committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The nomination committee considered that an appropriate balance of diversity perspectives of the Board is maintained. The attendance record of each member of the nomination committee is set out under “Attendance Record of Directors and Committee Members” on page 23.

Board Diversity Policy

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

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

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

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

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

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

Director Nomination Policy

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

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

Board Committees – Continued

Director Nomination Policy – continued

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

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

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

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

Remuneration Committee

As at 31 March 2020, the remuneration committee consists of one executive Director and three independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP, independent non-executive Director, as the chairman. Other members are Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis, both being independent non-executive Directors, and Mr. Wong Leung Pak, Matthew, BBS, being executive Director. At the discretion of the remuneration committee, executive Directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

The terms of reference of the remuneration committee are of no less exacting terms than those set out in the CG Code. The primary functions of the remuneration committee include making recommendations to the Board on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. Remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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

CORPORATE GOVERNANCE REPORT



Board Committees – Continued

Remuneration Committee – continued

The remuneration committee met once during the year ended 31 March 2020 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors and the senior management. Details of the remuneration of each Director and five highest paid employees for the year ended 31 March 2020 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 March 2020, the remuneration of the senior management is listed as below by band:

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

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

Corporate Governance

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

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

Attendance Record of Directors and Committee Members

During the year ended 31 March 2020, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each Director at the Board and Board committees meetings and the general meetings of the Company held during the year ended 31 March 2020 is set out in the table below:

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

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

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors and Company Secretary

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2020, the Company organised in-house training sessions for all Directors on directors' duties and responsibilities, corporate governance and update on Listing Rules amendments. All the Directors attended training sessions regarding directors' duties and responsibilities, corporate governance and update on Listing Rules amendments.

In addition, all Directors have read various relevant materials including directors' manual, legal and regulatory update, seminar handouts, business journals and financial magazines or attended additional professional seminars on an individual basis during the year. Details of compliance by each of the Directors with code provision A.6.5 are as follows:

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

Mr. Tung Sze Ho, Dicky, engaged from external service provider, was appointed as Company Secretary of the Company on 13 January 2020. Mr. Lo Man Po, the executive Director, is the primary contact for external company secretary. Mr. Tung undertook not less than 15 hours of relevant professional training during the year ended 31 March 2020.



Directors' Responsibilities for the Financial Statements

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the independent auditor's report on pages 44 to 48 which acknowledges the reporting responsibilities of the Group's auditor.

Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2020 which give a true and fair view of the financial position of the Group.

Going Concern

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

Auditor's Remuneration

The audit committee has reviewed and ensured the independence and objectivity of the external auditor, Ernst & Young. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2020 are as follows:

	HK\$'000
2019/2020 annual audit	3,050
Non-audit related services*	1,211
	4,261

* include tax compliance services of HK\$991,000.

Risks Management and Internal Controls

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

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

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

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

Risks Management and Internal Controls – Continued

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

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

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

During the year ended 31 March 2020, the Board, through the audit committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function). The Board and the audit committee are satisfied with the adequacy, effectiveness and efficiency of the risk management and internal control systems of the Group.

Communication with Shareholders and Investors

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

During the year ended 31 March 2020, the Company has not made any changes to its bye-laws. The latest version of the Company's bye-laws is also available on the Company's website and the Stock Exchange's website.

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



Shareholders' Rights

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

1. Convening a Special General Meeting by Shareholders

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

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

2. Putting Forward Proposals at General Meetings

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

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

3. Putting Forward Enquiries to the Board

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

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

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions or enquiries as mentioned in (1), (2) and (3) above to the primary contact person of the Company as set out below:

Name: Mr. Lo Man Po, Executive Director
Address: 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong
Fax: (+852) 2505 6880
Email: info@kcm.com.hk

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

This Environmental, Social and Governance Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) contained in Appendix 27 to the Listing Rules and has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide.

In pursuit of sustainable development, modern enterprises must take into account all aspects of business and social responsibility to meet the challenges from all parties. During the year under review, the Group committed itself to a high standard of corporate social responsibility and strictly complied with relevant laws and regulations reporting. The two key subject areas for reporting are (A) Environmental, and (B) Social. For the Group’s corporate governance practices, please refer to pages 17 to 27 for the section headed “Corporate Governance Report” contained in this annual report.

Stakeholder Engagement

We value our stakeholders and their feedback in regards to our sustainable and stable development. With the goal to move forward in respect of our environmental, social and governance work, we strive to communicate with our key stakeholders, including government and regulatory authorities, shareholders, potential investors, employees, customers, suppliers, and the general public. If you are in any doubt or have any suggestion regarding matters set out in this report, please do not hesitate to contact us.

(A) ENVIRONMENTAL

Emissions

Air Emissions

The key air pollutants generated include nitrogen oxides (NOx), sulphur oxides (SOx), and respiratory suspended particles (also known as Particulate Matter (“PM”). According to the statistics recorded by the Group, the air emissions was mainly due to diesel consumption.

Air emissions for the year:

	Year ended 31 March 2020
Type of Air Pollutants	Emissions (g)
Nitrogen oxides (NOx)	737,494,000
Sulphur oxides (SOx)	579,000
Particulate Matter (PM)	53,960,000

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



(A) ENVIRONMENTAL – Continued

Emissions – continued

Greenhouse Gas (“GHG”) Emissions

According to the statistics of the Group, under the major business activities, the GHG emissions are attributable to the gasoline and diesel consumption of vehicles and electricity purchased for the operation within our office, ticket selling point and garage. The table below sets forth the approximate carbon dioxide (“CO₂”) equivalent of GHG of the Group for the year.

	Year ended 31 March 2020
Carbon Emissions	Emissions (kg)
Scope 1: Direct greenhouse gas emissions	96,759,000
Scope 2: Energy indirect greenhouse gas emissions	1,397,000
Total greenhouse gas emission	98,156,000

Scope 3 – GHG emissions from business air travel are not material and therefore not reported

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(A) ENVIRONMENTAL – Continued

Use of Resources

The Group believes that resource saving and recycling are essential part of a sustainable operation mode, which can also demonstrate its commitments to corporate social responsibilities and its endeavor to mitigate the impact of business on the environment in each section. During the year, resources consumed by the Group are listed in the table below:

Type of Resources	Year ended 31 March 2020 Consumption
Diesel (L)	34,390,000
Gasoline (L)	1,706,000
Electricity (kWh)	2,046,000
Water (m ³)	19,000
Paper (kg)	13,000

As the Group is a service provider, it does not have any issue in sourcing water that is fit for purpose and there is no significant packaging material used during the year.

The Environment and Natural Resources

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

The Group understood and attached great importance to the requirement of keeping pace with the times in its business, the concept of which was also fully implemented in environmental protection. In order to improve the air quality, as at 31 March 2020, over 78% of the vehicles of the Group's fleet are newer models meeting the standards of Euro V and Euro VI. During the year, about 32 vehicles of the Group of older model and with less satisfactory environmental protection performance were replaced by Euro V and Euro VI vehicles.

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

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



(A) ENVIRONMENTAL – Continued

The Environment and Natural Resources – continued

Within the current mode of the Group, there are three types of polluted or consumed materials to be recycled by qualified technicians, namely, bus air conditioning refrigerants, electric-powered bus batteries and bus lubricating oil. Firstly, the Group has strictly complied with the Ozone Layer Protection (Controlled Refrigerants) Regulation issued by the Environmental Protection Department to equip and use authorised air conditioning refrigerant recycling equipment in our auto factories, and the recycling will be operated by trained employees under appropriate guidelines; secondly, we used the third-party service to recycle electric-powered bus batteries; thirdly, the waste oil generated by the Group's buses has been received and processed by the third party registered waste oil recycler. One of our Group's company has obtained the ISO14001:2015 certifications which also demonstrates our commitment to environment protection.

In our daily office operations, we place great emphasis on our employees' environmental protection awareness during their daily work and issue guidelines on electricity saving, water conservation and use of paper and other office supplies to reduce waste and control the use of resources, and waste papers are disposed by third-party environmental collectors upon unified collection.

In the coming year, we will continue to facilitate resource saving, collection and recycling from each section with an aim to further fulfill the Group's commitments to the society and environment.

Development of "Ecotourism" in Bipenggou, Sichuan

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(B) SOCIAL

Employment and Labour Practices

Employment and Labour Standards

As at 31 March 2020, the number of employees of the Group was approximately 4,000. The smooth operation of the Group's business owes much to the diligent work of our frontline and back office staff. Therefore, we have great respect for staff and teams with a hope to create a safe, healthy and equal platform for them to work with peace of mind and dedication.

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

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

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

Health and Safety

The Group has a deep appreciation of the dangers, accidents and potential legal risks during its business operation and it adheres to the Occupational Safety and Health Ordinance. In light of this, the Group continues to provide safe driving trainings to drivers, which include good driving attitudes, alert and defensive driving skills and emergency procedures on the road. During the year, we had conducted several trainings. One of our Group's company has obtained OHSAS18001 as a recognition of its compliance with occupational health and safety requirements since 2018.

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



(B) SOCIAL – Continued

Employment and Labour Practices – continued

Health and Safety – continued

To increase the sense of belongings of our employees, the Group encourages our employees to maintain a work-life balance, the Group holds leisure workshops on a regular basis. Workshops held by the Group during the year included health care, handicraft, foreign language and celebrate festivals.

Development and Training

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

Operating Practices

Product Responsibility

The Group strives to promote the philosophy of “We Serve with Pride and Devotion” to provide the public with quality services, and at the same time, pave a way for future development. The Group has a “zero accident” vision and considers safety as its primary liability and review of safety measures as its constant pursuit. Two cross-boundary franchised shuttle routes, namely B4 and B6, operated by New Lantao Bus Company (1973) Limited (“NLB”), a 99.99%-owned subsidiary of the Company, which connect the Hong Kong Zhuhai-Macau Bridge Hong Kong Port to Hong Kong International Airport and Tung Chung respectively, were certified ISO 39001 Road Traffic Safety Management Systems by the British Standards Institution (BSI) since 2018. NLB is the first transportation company in Hong Kong being awarded the ISO39001 certification in Hong Kong. The fleet of vehicles maintained by the Group has the lowest average age within the industry and undergo scrupulous inspection and repair and maintenance program. The frontline staff, including drivers, station assistants, school bus escorts and control room officers are all very experienced and well trained. The Group is also willing to listen to the views and complaints of users in respect of both safety and service standards, establishes various feedback channels on public platforms and responds to, handles and improves the above in an efficient and practical manner.

Supply Chain Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(B) SOCIAL – Continued

Operating Practices – continued

Anti-corruption and Money Laundering

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

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

Community

Community Investment

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

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

- In January 2020, the Group worked together to demonstrate its spirit of social concern in action and participated in “Hong Kong & Kowloon Walk for Millions” held by The Community Chest of Hong Kong under a team named “Kwoon Chung Bus”, which comprised its employees and their family members. “Hong Kong & Kowloon Walk for Millions” aimed at “Family and Child Welfare Services” to assist the family in need and encourage family members to establish a close relationship with mutual love and encouragement, so as to maintain and consolidate the family unit.
- The Group has been the primary sponsor for Southern District Football Club of Hong Kong since 2013. The Club has been adhering to furthering the development of district football to bring communities together by means of football. It also strives to enhance the football level in Hong Kong and invests resources in talents cultivation, training and development. Besides, the Club encourages local citizens to deepen their understanding and interests in football sports for active participation to improve the image of professional football sports of Hong Kong. During the year, the Group sponsored the Southern District Recreation and Sports Association Limited so as to fund recreation activities in the Southern District.
- In early 2019, Kwoon Chung Inclusive and Accessible Transport Services Company Limited (“KCIS”), a nonprofit organization, was established by the three executive Directors of the Company, and in the second quarter of the same year, the operation of the Feeder Service and the Weekend Recreational Rebus Service began. In the spirit of “social harmony”, KCIS provided accessible transportation services for those in need and connected with the community.

REPORT OF THE DIRECTORS



The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2020.

Principal Activities and Business Review

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

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are contained in the preceding "Management Discussion and Analysis" set out on pages 13 to 16 of this annual report. This discussion forms part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 46 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 March 2020 and the Group's financial position at that date are set out in the financial statements on pages 49 to 52.

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

The Board does not recommend the payment of any dividends in respect of the year.

Summary Financial Information

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

REPORT OF THE DIRECTORS

Results

	2020 HK\$'000	Year ended 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE	2,463,264	2,971,865	2,543,654	2,440,862	2,388,873
OPERATING PROFIT	33,745	304,409	317,623	420,283	347,364
Share of profits and losses of associates	2,112	3,584	(321)	(25)	26
PROFIT BEFORE TAX	35,857	307,993	317,302	420,258	347,390
Income tax expense	(13,440)	(48,633)	(40,953)	(55,328)	(55,522)
PROFIT FOR THE YEAR	22,417	259,360	276,349	364,930	291,868
Attributable to:					
Owners of the parent	20,170	253,635	275,694	363,909	282,472
Non-controlling interests	2,247	5,725	655	1,021	9,396
	22,417	259,360	276,349	364,930	291,868

Assets, Liabilities and Non-Controlling Interests

	2020 HK\$'000	As at 31 March			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
TOTAL ASSETS	5,223,173	5,308,043	4,870,951	4,088,705	3,823,889
TOTAL LIABILITIES	(2,980,639)	(3,038,333)	(2,750,446)	(2,214,035)	(2,117,119)
NON-CONTROLLING INTERESTS	(81,635)	(88,477)	(87,989)	(131,922)	(136,588)
	2,160,899	2,181,233	2,032,516	1,742,748	1,570,182

Share Capital and Share Options

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

REPORT OF THE DIRECTORS



Purchase, Redemption or Sale of Listed Securities of the Company

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

Distributable Reserves

As at 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to approximately HK\$72,323,000. The reserves available for distribution include the Company's contributed surplus of approximately HK\$70,770,000, which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of approximately HK\$676,246,000, may be distributed in the form of fully-paid bonus shares.

Charitable Contributions

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

Major Customers and Suppliers

The turnover attributable to the five largest customers and the largest customer of the Group accounted for less than 13% and approximately 5% of the Group's total turnover for the year respectively.

Purchases from the Group's five largest suppliers accounted for approximately 51% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 21%.

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

Directors

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

Executive Directors:

Mr. Wong Leung Pak, Matthew, BBS

Mr. Wong Cheuk On, James

Mr. Lo Man Po

Independent Non-executive Directors:

Mr. Chan Bing Woon, SBS, JP

Mr. James Mathew Fong

Mr. Chan Fong Kong, Francis

REPORT OF THE DIRECTORS

Directors – Continued

According to bye-law 87 of the Company's bye-laws, Messrs. Lo Man Po and Chan Fong Kong Francis, shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

The Company has received written annual confirmations of independence from Messrs. Chan Bing Woon, SBS, JP, James Mathew Fong and Chan Fong Kong, Francis, all being independent non-executive Directors, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management of the Company are set out on pages 7 to 11 of the annual report.

Directors' Service Contracts

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

Directors' Remuneration

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

Details of the remuneration of the Directors of the Company for the year ended 31 March 2020 are set out in note 8 to the financial statements.

Permitted Indemnity Provision

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

Directors' Interests in Transactions, Arrangements or Contracts

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding companies of the Company, or any of the Company's subsidiaries was a party as at 31 March 2020 or during the year ended 31 March 2020.

Directors' Interests in Competing Businesses

As at 31 March 2020, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

REPORT OF THE DIRECTORS



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

At 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 to the Listing Rules, were as follows:

1. Long Positions in Ordinary Shares of the Company

Name of Directors	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital (%)
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Wong Leung Pak, Matthew, BBS	599,665 ⁽¹⁾	241,535,555 ⁽²⁾	242,135,220	50.79
Mr. Wong Cheuk On, James	3,585,611	–	3,585,611	0.75
Mr. Lo Man Po	2,297,130	–	2,297,130	0.48

Notes:

- (1) Mr. Wong Leung Pak, Matthew, BBS held 599,665 shares jointly with his spouse, Ms. Ng Lai Yee, Christina.
- (2) These shares were held directly by Basic Faith. Basic Faith was wholly owned by Infinity Faith International Company Limited ("Infinity Faith"), which was in turn wholly owned by Mr. Wong Leung Pak, Matthew, BBS. He was deemed to be interested in the 241,535,555 shares held by Basic Faith pursuant to the SFO.

2. Long Positions in Shares of Associated Corporations

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

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

Debentures in Issue

The Company did not have any debentures in issue during the year ended 31 March 2020.

Share Option Scheme

The Company operates a share option scheme which became effective on 23 August 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of shares in respect of which options may be granted under the Company's share option scheme (the "Option Scheme Limit") shall not in aggregate exceed 46,168,600 representing (i) 10% of the number of issued shares of the Company as at the annual general meeting held on 20 August 2019 where a resolution for approving the refreshment of the Option Scheme Limit was passed; and (ii) approximately 9.68% of the shares in issue as at the date of this report.

Unless the Directors of the Company otherwise determine, there is no minimum period for which an option granted under the Company's share option scheme must be held before it can be exercised.

Details of the Company's share option scheme are disclosed in note 34 to the financial statements. The following share options were granted and outstanding under the share option scheme during the year.

Category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Price of the Company's shares		
	At 1 April 2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31 March 2020			Exercise price of share options*	At grant date of options**	At exercise date of options#
								HK\$ per share	HK\$ per share	HK\$ per share
Employees	-	13,500,000	-	-	13,500,000	23 April 2019	23 April 2019 to 22 April 2029	4.30	4.26	N/A

* 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 the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the 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.

Equity-Linked Agreement

The Company did not enter into any equity-linked agreement during the year ended 31 March 2020. Save for the share option scheme, details of which are disclosed in note 34 to the financial statements which forms part of this Report of the Directors, no equity-linked agreement existed during the year ended 31 March 2020.

REPORT OF THE DIRECTORS



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

At 31 March 2020, the interests or short positions of the persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company held	Percentage of the Company's issued share capital (%)
Ms. Ng Lai Yee, Christina	Joint interest	599,665 ⁽¹⁾	0.13
	Interest of spouse	241,535,555 ⁽²⁾	50.66
Basic Faith	Beneficial owner	241,535,555 ⁽³⁾	50.66
Infinity Faith	Interest of controlled corporation	241,535,555 ⁽³⁾	50.66
Cathay International Corporation	Beneficial owner	105,118,768	22.05

Notes:

- (1) Ms. Ng Lai Yee, Christina held 599,665 shares jointly with her spouse, Mr. Wong Leung Pak, Matthew, BBS.
- (2) Ms. Ng Lai Yee, Christina is the spouse of Mr. Wong Leung Pak, Matthew, BBS and she was deemed to be interested in all the shares in which Mr. Wong Leung Pak, Matthew, BBS was interested by virtue of the SFO.
- (3) These shares were held by Basic Faith, which was wholly owned by Infinity Faith. Infinity Faith was deemed to be interested in all the shares in which Basic Faith was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Connected Transaction

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

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

The monthly bus lease fees were determined with reference to prevailing market rates. The total bus lease expenses paid by the Group to the Wong Couple Company for the year amounted to HK\$10,758,000 (2019: HK\$10,525,000).

REPORT OF THE DIRECTORS

Connected Transaction – continued

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

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

Management Contracts

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

Contract of Significance

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

Environmental Policies and Performance

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

Key Relationships with Employees, Customers, Suppliers and Others

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

Compliance with Laws and Regulations

The Group continues to comply with the relevant laws and regulations, such as the Bermuda Companies Act 1981, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. As far as the Board is concerned, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2020.

REPORT OF THE DIRECTORS



Sufficiency of Public Float

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

Event after the Reporting Period

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2020 and up to the date of this annual report.

Auditor

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

ON BEHALF OF THE BOARD

Wong Leung Pak, Matthew, BBS

Chairman

Hong Kong
26 June 2020

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Kwoon Chung Bus Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Kwoon Chung Bus Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 49 to 163, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters – continued

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

As at 31 March 2020, the Group had goodwill, passenger service licences, other intangible assets, property, plant and equipment and right-of-use assets in aggregate of HK\$3,215.2 million, which were related to the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU, representing 61.6% of total assets. The Group's management performed an annual impairment assessment by assessing the recoverable amounts of the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU based on value in use calculations. Significant judgement was involved in the assessment of the recoverable amounts, including the assumptions on budgeted revenue, discount rates, growth rates and general price inflation. The outcome is sensitive to the expected future market conditions and the actual performance of the Non-franchised Bus CGU, Local Limousine CGU and Franchised Bus and PLB CGU.

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

Estimation of fair value of investment properties

As at 31 March 2020, the Group had investment properties of HK\$319.6 million, representing 6.1% of total assets. The Group engaged an independent external valuer to perform the valuation of the investment properties as at the end of the reporting period. During the year ended 31 March 2020, the Group recognised fair value loss on investment properties of HK\$6.4 million in the consolidated statement of profit or loss. Significant estimation and judgement were involved in the determination of fair value of investment properties of the Group.

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

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

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

INDEPENDENT AUDITOR'S REPORT

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tsz Tat.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020



	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	2,463,264	2,971,865
Cost of services rendered		(2,095,752)	(2,330,599)
Gross profit		367,512	641,266
Other income and gains, net	5	76,591	103,211
Administrative expenses		(327,271)	(363,693)
Other expenses, net		(8,855)	(11,112)
Finance costs	6	(74,232)	(65,263)
Share of profits and losses of associates		2,112	3,584
PROFIT BEFORE TAX	7	35,857	307,993
Income tax expense	10	(13,440)	(48,633)
PROFIT FOR THE YEAR		22,417	259,360
Attributable to:			
Owners of the parent		20,170	253,635
Non-controlling interests		2,247	5,725
		22,417	259,360
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		HK4.3 cents	HK54.9 cents
Diluted		HK4.3 cents	HK54.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR		22,417	259,360
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(53,241)	(47,163)
Reclassification adjustment of exchange equalisation reserve upon deconsolidation of a foreign operation	38	-	(1,327)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(53,241)	(48,490)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13, 15	28,449	47,912
Income tax effect	32	(7,112)	(7,905)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		21,337	40,007
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(31,904)	(8,483)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(9,487)	250,877
Attributable to:			
Owners of the parent		(7,664)	248,995
Non-controlling interests		(1,823)	1,882
		(9,487)	250,877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020



	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,854,792	2,059,762
Investment properties	14	319,616	299,170
Prepaid land lease payments	15(a)	–	36,741
Right-of-use assets	15(b)	208,841	–
Goodwill	16	201,801	201,801
Passenger service licences	17	1,125,367	1,090,567
Other intangible assets	18	347,510	363,437
Interests in associates	19	37,593	31,784
Equity investments designated at fair value through other comprehensive income	20	1,233	–
Financial assets at fair value through profit or loss	21	30,511	29,554
Loan receivable	22	–	16,551
Prepayments, deposits and other receivables	24	205,026	314,475
Deferred tax assets	32	3,236	2,654
Total non-current assets		4,335,526	4,446,496
CURRENT ASSETS			
Inventories		30,716	32,184
Trade receivables	23	208,770	288,078
Loan receivable	22	6,227	–
Prepayments, deposits and other receivables	24	207,007	207,802
Derivative financial instruments	28	–	1,234
Tax recoverable		3,188	16,502
Pledged time deposits and restricted cash	25	37,760	22,759
Cash and cash equivalents	25	393,979	292,988
Total current assets		887,647	861,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
CURRENT LIABILITIES			
Trade payables	26	62,874	87,991
Other payables and accruals	27	501,351	513,126
Derivative financial instruments	28	597	–
Interest-bearing bank and other borrowings	29	1,150,078	1,439,006
Lease liabilities	15(c)	24,611	–
Tax payable		44,027	38,038
Total current liabilities		1,783,538	2,078,161
NET CURRENT LIABILITIES		(895,891)	(1,216,614)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,439,635	3,229,882
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	787,358	562,059
Lease liabilities	15(c)	29,925	–
Other long term liabilities	31	83,948	101,594
Deferred tax liabilities	32	295,870	296,519
Total non-current liabilities		1,197,101	960,172
Net assets		2,242,534	2,269,710
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	47,678	46,169
Reserves	35	2,113,221	2,135,064
Non-controlling interests		2,160,899	2,181,233
		81,635	88,477
Total equity		2,242,534	2,269,710

Wong Leung Pak, Matthew, BBS
Director

Wong Cheuk On, James
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

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	Reserve fund	Exchange equalisation reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000 (note 35)	HK\$'000	HK\$'000 (note 35)	HK\$'000	HK\$'000 (note 35)	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2019	46,169	623,066	10,648	(1,855)	-	208,466	1,903	13,560	1,279,276	2,181,233	88,477	2,269,710	
Profit for the year	-	-	-	-	-	-	-	-	20,170	20,170	2,247	22,417	
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(49,171)	-	(49,171)	(4,070)	(53,241)	
Gains on property revaluation, net of tax	-	-	-	-	-	21,337	-	-	-	21,337	-	21,337	
Total comprehensive loss for the year	-	-	-	-	-	21,337	-	(49,171)	20,170	(7,664)	(1,823)	(9,487)	
Transfer of depreciation on buildings	-	-	-	-	-	(4,431)	-	-	4,431	-	-	-	
Equity-settled share option arrangements	34	-	-	-	6,511	-	-	-	-	6,511	-	6,511	
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	(5,019)	(5,019)	
Final 2019 dividend	11	-	-	-	-	-	-	-	(73,870)	(73,870)	-	(73,870)	
Issue of shares in lieu of cash dividend	33	1,509	53,180	-	-	-	-	-	-	54,689	-	54,689	
At 31 March 2020	47,678	676,246*	10,648*	(1,855)*	6,511*	225,372*	1,903*	(35,611)*	1,230,007*	2,160,899	81,635	2,242,534	

* These reserve accounts comprise the consolidated reserves of HK\$2,113,221,000 (2019: HK\$2,135,064,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020



	Notes	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		35,857	307,993
Adjustments for:			
Share of profits and losses of associates		(2,112)	(3,584)
Bank interest income	5	(1,285)	(903)
Other interest income	5	(19)	(20)
Recognition of deferred income		(27,965)	(26,931)
Fair value loss/(gain) on investment properties, net	5	6,372	(15,207)
Fair value gain on financial assets at fair value through profit or loss, net	5	(957)	(928)
Gain on disposal of a subsidiary	5	–	(184)
Gain on deconsolidation of a subsidiary	5	–	(208)
Gain on disposal of motor buses and vehicles together with passenger service licences	5	–	(13,120)
Gain on disposal of other items of property, plant and equipment, net	5	(1,151)	(6,321)
Finance costs	6	74,232	65,263
Amortisation of other intangible assets	7	15,762	15,783
Depreciation of property, plant and equipment	7	286,631	301,158
Depreciation of right-of-use assets	7	40,653	–
Recognition of prepaid land lease payments	7	–	3,533
Fair value loss/(gain) on derivative financial instruments, net	7	1,831	(1,119)
Loss on termination of leases	7	9	–
Impairment of trade receivables, net	7	2,428	4,027
Reversal of impairment of a loan receivable	7	(348)	(107)
Impairment of financial assets included in prepayments, deposits and other receivables, net	7	456	2,158
Write-off of items of property, plant and equipment	7	3,078	–
Equity-settled share option expense	34	6,511	–
		439,983	631,283
Decrease/(increase) in inventories		1,345	(874)
Decrease/(increase) in trade receivables		76,606	(64,345)
Decrease/(increase) in prepayments, deposits and other receivables		47,273	(96,754)
Increase/(decrease) in trade payables		(24,364)	23,561
Increase/(decrease) in other payables and accruals		20,572	(34,634)
Decrease in other long term liabilities		(120)	(1,179)
Cash generated from operations		561,295	457,058

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash generated from operations		561,295	457,058
Bank interest received		1,285	903
Interest paid		(74,232)	(65,167)
Interest element of finance lease rental payments		–	(96)
Hong Kong profits tax refunded/(paid)		5,021	(20,300)
Overseas taxes paid		(6,964)	(7,885)
Net cash flows from operating activities		486,405	364,513
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		(36,779)	(93,964)
Deposits paid for purchases of other intangible assets		–	(16,972)
Proceeds from disposal of other items of property, plant and equipment		6,638	21,193
Proceeds from disposal of motor buses and vehicles together with passenger service licences, net of transaction costs		–	13,120
Purchases of items of property, plant and equipment		(196,562)	(415,085)
Additions to passenger service licences		(34,800)	(233,080)
Considerations received from disposal of a subsidiary, net of direct costs	37	–	284
Investments in associates		(4,333)	(2,215)
Repayment from/(advances to) associates		636	(269)
Purchases of equity investments designated at fair value through other comprehensive income		(1,233)	–
Receipts of government subsidies for property, plant and equipment		10,739	8,003
Settlement of derivative financial instruments		–	(2,020)
Decrease/(increase) in pledged time deposits and restricted cash		(15,001)	42,158
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(232)	(953)
Net cash flows used in investing activities		(270,927)	(679,800)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020



	Notes	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans	39(b)	643,816	1,161,664
Repayment of bank loans	39(b)	(685,079)	(801,583)
Repayment of other loans	39(b)	(11,988)	(14,753)
Principal portion of lease payments/finance lease rental payments	39(b)	(32,914)	(1,474)
Dividends paid		(19,181)	(92,337)
Dividends paid to non-controlling shareholders of subsidiaries		(5,019)	(6,024)
Net cash flows from/(used in) financing activities		(110,365)	245,493
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		105,113	(69,794)
Cash and cash equivalents at beginning of year		292,035	369,285
Effect of foreign exchange rate changes, net		(4,354)	(7,456)
CASH AND CASH EQUIVALENTS AT END OF YEAR		392,794	292,035
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	392,794	292,035
Non-pledged time deposits with original maturity of more than three months when acquired		1,185	953
Cash and cash equivalents as stated in the consolidated statement of financial position		393,979	292,988
Non-pledged time deposits with original maturity of more than three months when acquired		(1,185)	(953)
Cash and cash equivalents as stated in the consolidated statement of cash flows		392,794	292,035

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1. Corporate and Group Information

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

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the following principal activities:

- provision of non-franchised bus, franchised bus and public light bus (“PLB”) and Mainland China bus services
- provision of limousine services
- provision of hotel and tourism services
- provision of other transportation services

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company [#]		Principal activities
			2020	2019	
Kwoon Chung Buses Investment Limited ⁺	British Virgin Islands/ Hong Kong	US\$6,000	100	100	Investment holding
Chongqing Grand Hotel Co., Ltd. 重慶大酒店有限公司 ^{@+}	PRC/ Mainland China	RMB35,000,000	100	100	Provision of hotel services
Chongqing Tourism (Group) Co., Ltd. 重慶旅業(集團)有限公司 ⁺	PRC/ Mainland China	RMB56,660,000	60	60	Investment holding
Gallic Limited	Hong Kong	HK\$900	100	100	Leasing of properties and investment holding
Unique Holidays Limited ⁺	Hong Kong	HK\$1,200,000	100	100	Provision of tourism services
HK Kwoon Chung (Hubei) Bus Investment Company Limited ⁺	Hong Kong	HK\$2	100	100	Investment holding

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1. Corporate and Group Information – Continued

Information about subsidiaries – Continued

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company#		Principal activities
			2020	2019	
Hubei Shenzhou Transport Holdings Co., Ltd. 湖北神州運業集團有限公司*	PRC/ Mainland China	RMB131,843,807	100	100	Provision of bus and bus-related services
HK Kwoon Chung Tourism Development Company Limited*	Hong Kong	HK\$1	100	100	Investment holding
Kwoon Chung Motors Company, Limited	Hong Kong	HK\$200 Non-voting deferred HK\$10,000,000	100	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited*	Hong Kong	HK\$2	100	100	Investment holding
Lantau Tours Limited	Hong Kong	HK\$750,000	100	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited ("Bipenggou Tourism") 理縣畢棚溝旅遊開發有限公司**	PRC/ Mainland China	RMB213,802,600	67.8	67.8	Development and management of a scenic area
New Lantao Bus Company (1973) Limited	Hong Kong	HK\$29,116,665	99.99	99.99	Provision of franchised bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	HK\$500,000	100	100	Provision of management services
Kwoon Chung Auto Repair Company Limited	Hong Kong	HK\$1,000,000	100	100	Provision of motor vehicles repairs and maintenance services
Trans-Island Limousine Service Limited	Hong Kong	HK\$1,000 Non-voting deferred HK\$30,000,000	100	100	Provision of bus and travel-related services
Guangzhou City Zhongguan Consulting Services Company Limited 廣州市中貫諮詢服務有限公司* ^Δ	PRC/ Mainland China	RMB5,000,000	100	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited 廣州通寶環島諮詢服務有限公司* ^Δ	PRC/ Mainland China	RMB5,000,000	100	100	Investment holding

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1. Corporate and Group Information – Continued

Information about subsidiaries – Continued

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company#		Principal activities
			2020	2019	
Elegant Sun Group Limited ⁺	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
Chinalink Express Holdings Limited	Hong Kong	HK\$35,000,000	100	100	Investment holding
Chinalink Bus Company Limited	Hong Kong	HK\$2	100	100	Provision of bus and travel-related services
Peng Yun Transportation Enterprises Company Limited ⁺	Hong Kong	HK\$1,000,000	100	100	Leasing of properties and investment holding
Intercontinental Limousine Company Limited	Hong Kong	HK\$500,000	100	100	Provision of limousine hire services
Vigor Limousines Services Limited ⁺	Hong Kong	HK\$550,000	100	100	Provision of limousine hire services
Associated Tourist Coach Limited ⁺	Hong Kong	HK\$300,000	100	100	Provision of bus and travel-related services
Guang Dong Shao Guan Guoyou Tourism Coach Company Limited ⁺	Hong Kong	HK\$300,000	100	100	Provision of bus and travel-related services
Charm Joy Limited ⁺	Hong Kong	HK\$1	100	100	Leasing of properties
Welcome Tourist Bus Company Limited ⁺	Hong Kong	HK\$400,000	100	100	Provision of bus and travel-related services
Shenzhen Qianhai TIL Management and Consulting Company Limited 深圳 前海環島管理諮詢有限公司 ^{***}	PRC/ Mainland China	RMB96,000,000	100	100	Holding of properties
Coronet Ray Development Limited	Hong Kong	HK\$1	100	100	Provision of public light bus services
China-Hong Kong Express Limited ⁺	Hong Kong	HK\$455,000	52.7	52.7	Provision of bus and travel-related services

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1. Corporate and Group Information – Continued

Information about subsidiaries – continued

- # Represents the effective holding of the Group after non-controlling interests therein
- * Registered as Sino-foreign equity joint venture companies in the PRC
- ** Limited companies established in the PRC
- ^ The entire equity interest in this subsidiary is held on trust by a director of the Company on the Group's behalf.
- + The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
- ⊗ Registered as a wholly-foreign-owned enterprise
- △ 1% of the equity interest in this subsidiary is held on trust by an employee of the subsidiary on the Group's behalf.

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

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings classified as property, plant and equipment, investment properties, equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) 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 Group for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS

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2.1 Basis of Preparation – Continued

Basis of consolidation – continued

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.2 Changes in Accounting Policies and Disclosures – Continued

(a) HKFRS 16 – continued

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office properties, ticket counters, bus depots, terminals and car parks. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases and leasehold land of HK\$1,948,000 and HK\$135,702,000, respectively, that were reclassified from property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

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2.2 Changes in Accounting Policies and Disclosures – Continued

(a) HKFRS 16 – continued

As a lessee – Leases previously classified as operating leases – continued

Impact on transition – continued

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/ (decrease) HK\$'000
Assets	
Increase in right-of-use assets	252,230
Decrease in property, plant and equipment	(137,650)
Decrease in prepaid land lease payments	(36,741)
Decrease in prepayments, deposits and other receivables	(3,536)
Increase in total assets	74,303
Liabilities	
Increase in lease liabilities	74,947
Decrease in finance lease payables included in interest-bearing bank and other borrowings	(644)
Increase in total liabilities	74,303

NOTES TO FINANCIAL STATEMENTS

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2.2 Changes in Accounting Policies and Disclosures – Continued

(a) HKFRS 16 – continued

Financial impact at 1 April 2019 – continued

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments for office properties, ticket counters, bus depots, terminals and car parks as at 31 March 2019 are as follows:

	HK\$'000
Operating lease commitments as at 31 March 2019	102,512
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(24,620)
	77,892
Weighted average incremental borrowing rate as at 1 April 2019	3%
Discounted operating lease commitments as at 1 April 2019	74,303
Add: Finance lease liabilities recognised as at 31 March 2019	644
Lease liabilities as at 1 April 2019	74,947

(b) Amendments to HKAS 28

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS

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2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendment to HKFRS 16 exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment does not affect lessors. The amendment is to be applied retrospectively and is effective for annual periods beginning on or after 1 June 2020. Early application is permitted, including in financial statements not authorised for issue at 4 June 2020. The Group is currently assessing the impact of the amendment upon adoption.

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

2.4 Summary of Significant Accounting Policies

Interests in associates

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

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

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

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2.4 Summary of Significant Accounting Policies – Continued

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

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2.4 Summary of Significant Accounting Policies – Continued

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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2.4 Summary of Significant Accounting Policies – Continued

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than buildings and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Property, plant and equipment and depreciation – continued

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

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

Buildings	Over the shorter of the lease terms of the related land and 30 years
Hotel building	Over the lease term of 50 years
Bus terminal structures	8 to 20 years
Garage and leasehold improvements	5 years
Motor buses and vehicles	5 to 15 years
Furniture, fixtures and office machinery	5 to 8 years
Equipment and tools	6 to 8 years
Scenic area establishments	8 to 37 years

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

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

Construction in progress represents scenic area establishments, buildings and bus terminal structures under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset) (2019: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset 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.

Intangible assets (other than goodwill)

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Intangible assets (other than goodwill) – continued

The Group's intangible assets represent (i) certain bus route operating rights and customer relationships with finite useful lives and are stated at cost, which comprise the purchase prices thereof, less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over 10 to 20 years for certain bus route operating rights and over 3 to 10 years for customer relationships; and (ii) passenger service licences, certain bus route operating rights and trade name with indefinite useful lives, which are stated at cost less any impairment losses.

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

Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	Over the lease terms
Leased properties	Over the lease terms
Motor buses and vehicles	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Leases (applicable from 1 April 2019) – continued

Group as a lessee – continued

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Leases (applicable from 1 April 2019) – continued

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 April 2019)

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

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2.4 Summary of Significant Accounting Policies – Continued

Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Financial assets – continued

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and other unlisted investments.

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

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

NOTES TO FINANCIAL STATEMENTS

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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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

General approach

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Impairment of financial assets – continued

General approach – continued

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

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

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 and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Transportation services

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

(b) Hotel and tourism services (including travel agency and tour services and the operation of a scenic area)

Revenue from the provision of hotel and tourism services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

2.4 Summary of Significant Accounting Policies – Continued

Revenue recognition – continued

Other income

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

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

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

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Foreign currencies

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



2.4 Summary of Significant Accounting Policies – Continued

Foreign currencies – continued

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

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

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

Share-based payments

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

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 Summary of Significant Accounting Policies – Continued

Share-based payments – continued

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

Pension schemes

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

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

Dividends

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

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

NOTES TO FINANCIAL STATEMENTS

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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);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

3. Significant Accounting Judgements and Estimates

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

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

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as growth rates, budgeted revenue and general price inflation, and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of non-financial assets with finite useful lives are disclosed in notes 13, 15 and 18 to the financial statements.

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

The Group determines whether the passenger service licences, other intangible assets with indefinite useful lives and goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the passenger service licences, other intangible assets with indefinite useful lives and goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in notes 16, 17 and 18 to the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

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3. Significant Accounting Judgements and Estimates – Continued

(iv) Useful lives and residual value 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 the assets, the expected usage of the assets, the expected physical wear and tear, the care and maintenance of the assets, 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, and adjusted if appropriate, at least at the end of each reporting period, based on any changes in circumstances.

Following a review of the estimated useful lives of the property, plant and equipment in the current year, the estimated useful lives of certain motor buses and vehicles were assessed to change from 5 to 12 years to 5 to 15 years as the Group considered such change would better reflect the physical condition and the expected usage of these motor buses and vehicles. The change in accounting estimates is applied prospectively from 1 October 2019. The effect of the above change in the estimated useful lives of certain motor buses and vehicles resulted/would result in a decrease in depreciation of motor buses and vehicles of HK\$24,962,000 and HK\$47,540,000 for the year ended 31 March 2020 and the year ending 31 March 2021, respectively.

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

Investment properties and buildings are stated at their fair values. The fair value at the end of each reporting period was based on a valuation on these properties estimated by the directors or conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and buildings and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss or other comprehensive income. Further details are included in notes 13 and 14 to the financial statements.

(vi) 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2020

3. Significant Accounting Judgements and Estimates – Continued

(vii) Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

(viii) Provision for expected credit losses on other financial assets at amortised cost

The measurement of impairment losses on other financial assets at amortised cost requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, including the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis. The information about the ECLs on the Group's other financial assets at amortised cost is disclosed in notes 19, 22 and 24 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2020



3. Significant Accounting Judgements and Estimates – Continued

(ix) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as expected future cash flows, credit risk and discount rates. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Further details are included in note 45 to the financial statements.

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

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

(xi) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

NOTES TO FINANCIAL STATEMENTS

31 March 2020

4. Operating Segment Information

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

- (a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong, cross-boundary passenger transportation services between Hong Kong and Mainland China and other related services;
- (b) the local limousine segment includes the provision of limousine hire services in Hong Kong;
- (c) the franchised bus and PLB segment includes the provision of franchised bus and PLB services in Hong Kong;
- (d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and
- (e) the “others” segment comprises, principally, the provision of travel agency, tour and other services in Hong Kong and the provision of other transportation services.

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

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposits and restricted cash, derivative financial instruments and financial assets at fair value through profit or loss as these assets are managed on a group basis.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



4. Operating Segment Information – Continued

Year ended 31 March 2020/at 31 March 2020

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:							
External sales	1,916,048	175,920	177,059	184,829	9,408	-	2,463,264
Intersegment sales	16,653	971	86	-	-	(17,710)	-
Other revenue	46,254	1,522	9,664	26,657	192	(7,698)	76,591
Total	1,978,955	178,413	186,809	211,486	9,600	(25,408)	2,539,855
Segment results	76,231	1,701	(12,638)	38,625	4,162	-	108,081
Reconciliation:							
Finance costs (other than interest on lease liabilities)							(72,224)
Profit before tax							35,857
Segment assets	3,905,597	136,413	250,656	845,249	10,563	-	5,148,478
Reconciliation:							
Unallocated assets							74,695
Total assets							5,223,173
Segment liabilities	436,150	68,958	45,537	149,094	2,970	-	702,709
Reconciliation:							
Unallocated liabilities							2,277,930
Total liabilities							2,980,639

NOTES TO FINANCIAL STATEMENTS

31 March 2020

4. Operating Segment Information – Continued

Year ended 31 March 2020/at 31 March 2020 – continued

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:						
Interests in associates	35,474	-	-	-	2,119	37,593
Share of profits and losses of associates	1,517	-	-	-	595	2,112
Capital expenditure*	152,971	2,050	15,882	77,566	-	248,469
Amortisation of other intangible assets	14,811	614	-	337	-	15,762
Bank interest income	882	-	3	400	-	1,285
Other interest income	19	-	-	-	-	19
Depreciation of property, plant and equipment	196,048	16,717	30,346	42,884	636	286,631
Depreciation of right-of-use assets	35,075	1,392	105	4,081	-	40,653
Impairment/(reversal of impairment) of trade receivables, net	3,923	(1,632)	(41)	178	-	2,428
Impairment of financial assets included in prepayments, deposits and other receivables, net	456	-	-	-	-	456
Reversal of impairment of a loan receivable	-	-	-	348	-	348
Fair value gain/(loss) on investment properties	(6,700)	-	-	328	-	(6,372)
Gain/(loss) on disposal of other items of property, plant and equipment, net	978	138	(8)	43	-	1,151
Write-off of items of property, plant and equipment	-	-	-	3,078	-	3,078

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



4. Operating Segment Information – Continued

Year ended 31 March 2019/at 31 March 2019

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020

4. Operating Segment Information – Continued

Year ended 31 March 2019/at 31 March 2019 – continued

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:						
Interests in associates	29,601	–	–	–	2,183	31,784
Share of profits and losses of associates	2,582	–	–	–	1,002	3,584
Capital expenditure*	571,591	10,041	94,763	70,726	–	747,121
Amortisation of other intangible assets	14,818	614	–	351	–	15,783
Bank interest income	785	–	3	115	–	903
Other interest income	20	–	–	–	–	20
Depreciation of property, plant and equipment	202,937	22,319	26,371	48,887	644	301,158
Recognition of prepaid land lease payments	–	–	–	3,533	–	3,533
Impairment of trade receivables, net	2,098	1,899	32	(2)	–	4,027
Impairment of financial assets included in prepayments, deposits and other receivables, net	2,158	–	–	–	–	2,158
Reversal of impairment of a loan receivable	–	–	–	107	–	107
Fair value gain on investment properties	11,700	–	–	3,507	–	15,207
Gain on disposal of motor buses and vehicles together with passenger service licences	13,120	–	–	–	–	13,120
Gain/(loss) on disposal of other items of property, plant and equipment, net	6,485	(70)	(158)	64	–	6,321

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

NOTES TO FINANCIAL STATEMENTS

31 March 2020



4. Operating Segment Information – Continued

Geographical information

(a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong and Macau	2,278,435	2,767,702
Mainland China	184,829	204,163
	2,463,264	2,971,865

The revenue information above is based on the location of the entities from which the revenue derives.

(b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong and Macau	3,211,277	3,371,984
Mainland China	1,005,409	1,010,520
	4,216,686	4,382,504

The non-current asset information above is based on the locations of the assets and excludes financial instruments 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 (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2020

5. Revenue, Other Income and Gains, Net

An analysis of revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
Provision of non-franchised bus and limousine services	2,091,968	2,559,397
Provision of franchised bus and PLB services	177,059	195,840
Provision of hotel and tourism services	169,770	186,859
Provision of Mainland China bus services	21,637	28,854
Provision of other services	2,830	915
	2,463,264	2,971,865

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2020

Segments	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Total HK\$'000
Type of services						
Provision of transportation services	1,916,048	175,920	177,059	21,637	–	2,290,664
Provision of hotel and tourism services	–	–	–	163,192	6,578	169,770
Provision of other services	–	–	–	–	2,830	2,830
Total revenue from contracts with customers	1,916,048	175,920	177,059	184,829	9,408	2,463,264
Timing of revenue recognition						
Services transferred over time	1,916,048	175,920	177,059	184,829	9,408	2,463,264

NOTES TO FINANCIAL STATEMENTS

31 March 2020



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

Revenue from contracts with customers – continued

(i) Disaggregated revenue information – continued

For the year ended 31 March 2019

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

NOTES TO FINANCIAL STATEMENTS

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

Revenue from contracts with customers – continued

(i) Disaggregated revenue information – continued

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Non-franchised bus and limousine services	78,889	71,103
Franchised bus and PLB services	96	95
Hotel and tourism services	1,522	1,830
Mainland China bus services	1,271	936
	81,778	73,964

(ii) Performance obligations

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

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

The performance obligation is satisfied over time as services are rendered and services are generally completed within a short period of time. Payment of the transaction price is due upon completion of services or within 30-90 days from the completion of service.

Hotel and tourism services

The performance obligation is satisfied over time as services are rendered and customers simultaneously receive and consume the benefits. Payment of the transaction price is due upon completion of services or within 30-90 days from the completion of service.

At the end of the reporting period, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year from contract inception. As permitted under HKFRS 15, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

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

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

	2020 HK\$'000	2019 HK\$'000
Other income		
Bank interest income	1,285	903
Other interest income	19	20
Gross rental income	16,640	19,376
Advertising income	688	722
Government subsidies (note)	43,770	26,931
Others	18,453	19,291
	80,855	67,243
Gains, net		
Fair value gain/(loss) on investment properties, net	(6,372)	15,207
Fair value gain on financial assets at fair value through profit or loss	957	928
Gain on disposal of a subsidiary (note 37)	–	184
Gain on deconsolidation of a subsidiary (note 38)	–	208
Gain on disposal of motor buses and vehicles together with passenger service licences	–	13,120
Gain on disposal of other items of property, plant and equipment, net	1,151	6,321
	(4,264)	35,968
	76,591	103,211

Note:

Government subsidies mainly represent subsidies received in connection with the replacement of environmentally friendly commercial vehicles and the support from The Anti-epidemic Fund. The subsidies relating to the replacement of environmentally friendly commercial vehicles are credited to a deferred income account and are released to the statement of profit or loss over the expected useful lives of the motor vehicles. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. Finance Costs

An analysis of finance costs is as follows:

	2020 HK\$'000	2019 HK\$'000
Interests on:		
Bank loans	72,224	65,167
Lease liabilities	2,008	–
Finance leases	–	96
	74,232	65,263

NOTES TO FINANCIAL STATEMENTS

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7. Profit Before Tax

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

	2020 HK\$'000	2019 HK\$'000
Amortisation of other intangible assets (note (i))	15,762	15,783
Auditors' remuneration	3,209	3,724
Depreciation of property, plant and equipment (note (i))	286,631	301,158
Depreciation of right-of-use assets (note (i))	40,653	–
Recognition of prepaid land lease payments (note (i))	–	3,533
Employee benefit expense (including directors' remuneration (note 8)) (note (i)):		
Wages, salaries, bonuses and other benefits	982,938	1,083,393
Pension scheme contributions (note (iii))	56,850	63,108
Equity-settled share option expense	6,511	–
	1,046,299	1,146,501
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	123	128
Fair value loss/(gain) on derivative financial instruments, net (note (ii))	1,831	(1,119)
Foreign exchange differences, net (note (ii))	1,372	4,452
Lease payments in respect of (note (i)):		
Bus route operating rights	201,508	224,882
Land and buildings	–	135,539
Lease payments not included in the measurement of lease liabilities (note 15) (note (i))	69,491	–
	270,999	360,421
Impairment of trade receivables, net (note (ii))	2,428	4,027
Reversal of impairment of a loan receivable (note (ii))	(348)	(107)
Impairment of financial assets included in prepayments, deposits and other receivables, net (note (ii))	456	2,158
Write-off of items of property, plant and equipment (note (ii))	3,078	–
Loss on termination of leases (note (ii))	9	–

Notes:

- (i) The cost of services rendered for the year amounted to HK\$2,095,752,000 (2019: HK\$2,330,599,000) and included amortisation of other intangible assets of HK\$15,762,000 (2019: HK\$15,783,000), depreciation of property, plant and equipment of HK\$255,514,000 (2019: HK\$276,960,000), depreciation of right-of-use assets of HK\$26,730,000 (2019: Nil), employee benefit expense of HK\$881,020,000 (2019: HK\$959,636,000) and lease payments of HK\$260,095,000 (2019: HK\$330,618,000).
- (ii) These items were included in "Other expenses, net" on the face of the consolidated statement of profit or loss.
- (iii) As at 31 March 2020, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

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8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2020 HK\$'000	2019 HK\$'000
Fees	950	1,000
Other emoluments:		
Salaries and other benefits	10,458	12,780
Discretionary bonuses	–	985
Pension scheme contributions	394	522
	10,852	14,287
	11,802	15,287

(a) Independent non-executive directors

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

	2020 HK\$'000	2019 HK\$'000
Mr. Chan Bing Woon, SBS, JP	380	400
Mr. James Mathew Fong	285	300
Mr. Chan Fong Kong, Francis	285	300
	950	1,000

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2020

8. Directors' Remuneration – Continued

(b) Executive directors

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2020					
Mr. Wong Leung Pak, Matthew, BBS	-	4,940	-	301	5,241
Mr. Wong Cheuk On, James	-	2,690	-	45	2,735
Mr. Lo Man Po	-	2,828	-	48	2,876
	-	10,458	-	394	10,852
2019					
Mr. Wong Leung Pak, Matthew, BBS	-	6,780	485	414	7,679
Mr. Wong Cheuk On, James	-	3,000	250	54	3,304
Mr. Lo Man Po	-	3,000	250	54	3,304
	-	12,780	985	522	14,287

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included two (2019: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	7,304	7,308
Discretionary bonuses	-	609
Equity-settled share option expense	4,340	-
Pension scheme contributions	621	460
	12,265	8,377

NOTES TO FINANCIAL STATEMENTS

31 March 2020



9. Five Highest Paid Employees – Continued

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

	Number of employees	
	2020	2019
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
	3	2

During the year, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 HK\$'000	2019 HK\$'000
Current:		
Hong Kong		
Charge for the year	19,353	22,822
Overprovision in prior years	(7,154)	(1,895)
Mainland China		
Charge for the year	9,158	9,678
Underprovision in prior years	158	713
Deferred (note 32)	(8,075)	17,315
Total tax charge for the year	13,440	48,633

NOTES TO FINANCIAL STATEMENTS

31 March 2020

10. Income Tax – Continued

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

2020

	Hong Kong		Mainland China		Total
	HK\$'000	%	HK\$'000	%	HK\$'000
Profit before tax	16,904		18,953		35,857
Tax at the statutory tax rate	2,789	16.5	4,738	25.0	7,527
Lower tax rate under two-tiered profits tax rates regime	(165)		-		(165)
Adjustments in respect of current tax of previous periods	(7,154)		158		(6,996)
Profits attributable to associates	(348)		-		(348)
Income not subject to tax, net	(1,811)		(385)		(2,196)
Expenses not deductible for tax	4,130		5,891		10,021
Tax losses utilised from previous periods	-		(1,222)		(1,222)
Tax losses not recognised	1,387		136		1,523
Others	5,296		-		5,296
Tax charge at the Group's effective tax rate	4,124		9,316		13,440

2019

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

The share of tax attributable to associates amounting to HK\$432,000 (2019: Nil) is included in "share of profits and losses of associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

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11. Dividends

	2020 HK\$'000	2019 HK\$'000
Dividends recognised as distribution during the year:		
Final 2019 (with scrip dividend option) – HK16 cents (2018: HK12 cents) per ordinary share	73,870	55,402
Interim 2020 – Nil (2019: HK8 cents) per ordinary share	–	36,935
	73,870	92,337
Dividend proposed after the end of the reporting period:		
Proposed final 2020 – Nil (2019 (with scrip dividend option): HK16 cents) per ordinary share	–	73,870

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent of HK\$20,170,000 (2019: HK\$253,635,000), and the weighted average number of ordinary shares of 469,272,653 (2019: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 March 2020 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 March 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that year.

NOTES TO FINANCIAL STATEMENTS

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13. Property, Plant and Equipment

	Buildings HK\$'000	Hotel building HK\$'000	Bus terminal structures HK\$'000	Garage and leasehold improvements HK\$'000	Motor buses and vehicles HK\$'000	Furniture, fixtures and office machinery HK\$'000	Equipment and tools HK\$'000	Scenic area establishments HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 March 2020										
At cost or valuation:										
At 31 March 2019	226,196	69,264	37,109	37,197	2,576,112	107,040	80,422	421,539	22,027	3,576,906
Effect of adoption of HKFRS 16 [#]	(135,702)	-	-	-	(2,935)	-	-	-	-	(138,637)
At 1 April 2019 (restated)	90,494	69,264	37,109	37,197	2,573,177	107,040	80,422	421,539	22,027	3,438,269
Additions	-	2,501	-	10,738	160,100	22,046	12,464	31,224	31,980	271,053
Disposals/write-off	-	-	-	(2,142)	(48,139)	(1,415)	(457)	-	(3,078)	(55,231)
Transfer upon revaluation*	-	(4,730)	-	-	-	-	-	-	-	(4,730)
Surplus on revaluation	-	11,482	-	-	-	-	-	-	-	11,482
Transfer to investment properties (note 14)	-	(19,442)	-	-	-	-	-	-	-	(19,442)
Reclassification	-	-	-	2,425	-	-	1,129	19,026	(22,580)	-
Exchange realignment	(2,965)	(6,968)	(1,601)	(950)	(5,809)	(2,967)	(1,478)	(28,400)	(1,812)	(52,950)
At 31 March 2020	87,529	52,107	35,508	47,268	2,679,329	124,704	92,080	443,389	26,537	3,588,451
Accumulated depreciation:										
At 31 March 2019	5,714	25,001	10,867	30,299	1,227,676	75,796	45,053	96,738	-	1,517,144
Effect of adoption of HKFRS 16 [#]	-	-	-	-	(987)	-	-	-	-	(987)
At 1 April 2019 (restated)	5,714	25,001	10,867	30,299	1,226,689	75,796	45,053	96,738	-	1,516,157
Provided during the year	6,086	948	2,411	4,067	230,000	11,220	12,470	19,429	-	286,631
Disposals	-	-	-	(2,087)	(42,959)	(1,268)	(352)	-	-	(46,666)
Transfer upon revaluation*	-	(4,730)	-	-	-	-	-	-	-	(4,730)
Exchange realignment	(756)	(2,583)	(359)	(791)	(3,575)	(2,212)	(807)	(6,650)	-	(17,733)
At 31 March 2020	11,044	18,636	12,919	31,488	1,410,155	83,536	56,364	109,517	-	1,733,659
Net book value:										
At 31 March 2020	76,485	33,471	22,589	15,780	1,269,174	41,168	35,716	333,872	26,537	1,854,792

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

Net carrying amount of leasehold land and motor buses and vehicles of HK\$135,702,000 and HK\$1,948,000, respectively, were reclassified to right-of-use assets upon the adoption of HKFRS 16 on 1 April 2019.

NOTES TO FINANCIAL STATEMENTS

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13. Property, Plant and Equipment – Continued

	Leasehold land and buildings HK\$'000	Hotel building HK\$'000	Bus terminal structures HK\$'000	Garage and leasehold improvements HK\$'000	Motor buses and vehicles HK\$'000	Furniture, fixtures and office machinery HK\$'000	Equipment and tools HK\$'000	Scenic area establishments HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 March 2019										
At cost or valuation:										
1 April 2018	188,194	76,485	30,916	37,152	2,282,674	99,067	71,847	388,582	47,743	3,222,660
Additions	16,561	184	7,912	5,037	379,194	14,091	13,279	1,863	45,259	483,380
Disposals	-	-	-	(3,962)	(79,668)	(2,732)	(3,419)	-	-	(89,781)
Deconsolidation of a subsidiary (note 38)	-	-	-	-	(326)	(70)	-	-	(12,005)	(12,401)
Transfer upon revaluation*	(17,108)	-	-	-	-	-	-	-	-	(17,108)
Surplus on revaluation	47,912	-	-	-	-	-	-	-	-	47,912
Reclassification	-	-	-	-	-	-	-	56,213	(56,213)	-
Exchange realignment	(9,363)	(7,405)	(1,719)	(1,030)	(5,762)	(3,316)	(1,285)	(25,119)	(2,757)	(57,756)
At 31 March 2019	226,196	69,264	37,109	37,197	2,576,112	107,040	80,422	421,539	22,027	3,576,906
Accumulated depreciation and impairment:										
1 April 2018	16,277	25,911	9,160	33,428	1,048,499	71,075	37,195	82,249	7,785	1,331,579
Provided during the year	7,276	1,630	1,976	1,835	248,346	9,458	10,896	19,741	-	301,158
Disposals	-	-	-	(3,962)	(65,946)	(2,521)	(2,480)	-	-	(74,909)
Deconsolidation of a subsidiary (note 38)	-	-	-	-	(326)	(70)	-	-	(7,785)	(8,181)
Transfer upon revaluation*	(17,108)	-	-	-	-	-	-	-	-	(17,108)
Exchange realignment	(731)	(2,540)	(269)	(1,002)	(2,897)	(2,146)	(558)	(5,252)	-	(15,395)
At 31 March 2019	5,714	25,001	10,867	30,299	1,227,676	75,796	45,053	96,738	-	1,517,144
Net book value:										
At 31 March 2019	220,482	44,263	26,242	6,898	1,348,436	31,244	35,369	324,801	22,027	2,059,762

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

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31 March 2020

13. Property, Plant and Equipment – Continued

As at 31 March 2020, certain of the Group's property, plant and equipment and leasehold land included in right-of-use assets (note 15(b)) with a net carrying amount of approximately HK\$93,409,000 and HK\$760,000, respectively, (2019: property, plant and equipment of HK\$108,628,000) were pledged to secure general banking facilities granted to the Group as set out in note 29 to the financial statement.

At 31 March 2019, certain of the Group's motor buses and vehicles with an aggregate net carrying amount of HK\$1,948,000 were held under finance leases as set out in note 30 to the financial statements.

Other than the Group's buildings (2019: leasehold land and buildings) which are carried at valuation, the remaining property, plant and equipment are carried at historical cost less accumulated depreciation.

The Group's buildings consist of three (2019: three) bus depots, four (2019: four) commercial properties in Hong Kong, and seventeen (2019: seventeen) commercial properties in Mainland China. The directors of the Company have determined that the buildings consist of two classes of assets, i.e. bus depots and commercial properties, based on the nature, characteristics and risks of each property. Every three years, the Group appoints an external valuer to be responsible for the external valuations of the Group's buildings (2019: leasehold land and buildings). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results every three years when the valuation is performed for financial reporting.

Certain floors of the Group's hotel building were transferred to investment properties, details of which are disclosed in note 14 to the financial statements.

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

Had all the buildings (2019: leasehold land and buildings) been carried at historical cost less accumulated depreciation, their aggregate carrying amount would have been approximately HK\$39,818,000 (2019: HK\$131,609,000) as at 31 March 2020.

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13. Property, Plant and Equipment – Continued

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's buildings (2019: leasehold land and buildings):

	Fair value measurement as at 31 March 2020 using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Recurring fair value measurement for:				
Bus depots	–	–	21,289	21,289
Commercial properties	–	–	55,196	55,196
	–	–	76,485	76,485

	Fair value measurement as at 31 March 2019 using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Recurring fair value measurement for:				
Bus depots	–	–	23,068	23,068
Commercial properties	–	–	197,414	197,414
	–	–	220,482	220,482

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 (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2020

13. Property, Plant and Equipment – Continued

Fair value hierarchy – continued

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

	Bus depots HK\$'000	Commercial properties HK\$'000	Total HK\$'000
Carrying amount at 1 April 2018	22,654	149,263	171,917
Additions	1,723	14,838	16,561
Surplus on revaluation	160	47,752	47,912
Depreciation	(1,469)	(5,807)	(7,276)
Exchange realignment	–	(8,632)	(8,632)
Carrying amount at 31 March 2019	23,068	197,414	220,482
Effect of adoption of HKFRS 16	–	(135,702)	(135,702)
Carrying amount at 1 April 2019 (restated)	23,068	61,712	84,780
Depreciation	(1,779)	(4,307)	(6,086)
Exchange realignment	–	(2,209)	(2,209)
Carrying amount at 31 March 2020	21,289	55,196	76,485

Below is a summary of the valuation techniques used and the key inputs to the valuation of buildings (2019: leasehold land and buildings):

	Valuation techniques	Significant unobservable inputs	Range
Bus depots	Depreciated replacement cost method	Current construction cost for building (per square metre)	HK\$15,500 to HK\$20,500
		Depreciation rate (p.a.)	2%
Commercial properties	Depreciated replacement cost method	Price per square foot	HK\$248 to HK\$21,400
		Current construction cost for building (per square metre)	RMB7,390 to RMB9,040
		Depreciation rate (p.a.)	2%

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

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13. Property, Plant and Equipment – Continued

Fair value hierarchy – continued

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

14. Investment Properties

	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of year	299,170	298,028
Transfer from owner-occupied properties (note 13)	19,442	–
Transfer from right-of-use assets (note 15)	22,284	–
Net gain/(loss) from a fair value adjustment	(6,372)	15,207
Exchange realignment	(14,908)	(14,065)
Carrying amount at end of year	319,616	299,170

During the year ended 31 March 2020, the Group had converted certain floors of the hotel building in Mainland China and changed the business activities of the relevant floors from hotel operation to property leasing. In the opinion of the directors, these relevant floors of the hotel building (the “Leased Floors”) became investment properties from the date of commencement of the property leasing activities. Accordingly, an aggregate revaluation surplus of HK\$28,449,000 resulting from the valuation of the Leased Floors (including its hotel building and leasehold land portion included in right-of-use assets (note 15(b)) at that date has been credited to other comprehensive income during the year and an aggregate fair value of the Leased Floors amounting to HK\$41,726,000 as at that date was transferred from property, plant and equipment and right-of-use assets to investment properties. The Leased Floors are leased to third parties under operating leases.

The Group's investment properties consist of a parcel of agricultural land, a commercial property, an industrial property and a car parking space in Hong Kong and commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of four (2019: four) classes of assets based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2020 based on valuations performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, at HK\$319,616,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31 March 2020, the Group's investment properties with a carrying value of HK\$37,098,000 (2019: HK\$43,476,000) were pledged to secure general banking facilities granted to the Group as set out in note 29 to the financial statements.

Further particulars of the Group's investment properties are included on page 164.

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14. Investment Properties – Continued

Fair value hierarchy

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

	Fair value measurement as at 31 March 2020 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Agricultural land	–	–		18,700
Commercial properties	–	–	266,816	266,816	
Industrial property	–	–	31,100	31,100	
Car parking space	–	–	3,000	3,000	
	–	–	319,616	319,616	

	Fair value measurement as at 31 March 2019 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Agricultural land	–	–		20,200
Commercial properties	–	–	242,870	242,870	
Industrial property	–	–	33,000	33,000	
Car parking space	–	–	3,100	3,100	
	–	–	299,170	299,170	

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 (2019: Nil).

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14. Investment Properties – Continued

Fair value hierarchy – continued

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

	Agricultural land HK\$'000	Commercial properties HK\$'000	Industrial property HK\$'000	Car parking space HK\$'000	Total HK\$'000
Carrying amount at 1 April 2018	14,700	249,528	30,800	3,000	298,028
Net gain from a fair value adjustment recognised in other income and gains, net in profit or loss	5,500	7,407	2,200	100	15,207
Exchange realignment	–	(14,065)	–	–	(14,065)
Carrying amount at 31 March 2019 and at 1 April 2019	20,200	242,870	33,000	3,100	299,170
Transfer from owner-occupied properties (note 13)	–	19,442	–	–	19,442
Transfer from right-of-use assets (note 15)	–	22,284	–	–	22,284
Net loss from a fair value adjustment recognised in other income and gains, net in profit or loss	(1,500)	(2,872)	(1,900)	(100)	(6,372)
Exchange realignment	–	(14,908)	–	–	(14,908)
Carrying amount at 31 March 2020	18,700	266,816	31,100	3,000	319,616

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

	Valuation techniques	Significant unobservable inputs	Range 2020	2019	
Agricultural land	Market comparison method	Price per square foot	HK\$584 to HK\$644	HK\$500 to HK\$682	
Commercial properties	Market comparison method	Price per square foot	HK\$41,645 to HK\$44,498	HK\$58,002 to HK\$66,206	
		Income capitalisation approach	Market unit rent per square metre per month	RMB440 to RMB500	RMB84 to RMB1,000
		Capitalisation rate	6%	6%	
Industrial property	Market comparison method	Price per square foot	HK\$8,745 to HK\$16,117	HK\$11,191 to HK\$17,685	
Car parking space	Market comparison method	Price per unit	HK\$2,800,000 to HK\$3,450,000	HK\$3,000,000 to HK\$3,700,000	

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14. Investment Properties – Continued

Fair value hierarchy – continued

A significant increase/(decrease) in the price per square foot, market unit rent per square metre per month and the price per unit in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant (decrease)/increase in the fair value of the investment properties. The valuations take into account the characteristics of the properties which included the location, size, floor level, year of completion and other factors collectively.

15. Leases

The Group as a lessee

The Group has lease contracts for certain of its motor buses and vehicles, office properties, ticket counters, bus depots, terminals and car parks used in its operations. Lump sum payments were made upfront to acquire the leased land from owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases for leased properties and motor buses and vehicles are 1 to 15 years and 5 years, respectively.

(a) Prepaid land lease payments (before 1 April 2019)

	Note	2019 HK\$'000
Carrying amount at 1 April 2018		46,842
Recognised in profit or loss during the year		(3,533)
Exchange realignment		(3,032)
Carrying amount at 31 March 2019		40,277
Current portion included in prepayments, deposits and other receivables	24	(3,536)
Non-current portion		36,741

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15. Leases – Continued

The Group as a lessee – continued

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments/ leasehold land HK\$'000	Leased properties HK\$'000	Motor buses and vehicles HK\$'000	Total HK\$'000
As at 1 April 2019	175,979	74,303	1,948	252,230
Additions	–	14,465	–	14,465
Termination of leases	–	(718)	–	(718)
Surplus on revaluation	16,967	–	–	16,967
Transfer to investment properties (note 14)	(22,284)	–	–	(22,284)
Depreciation charge	(6,556)	(33,429)	(668)	(40,653)
Remeasurement on lease modifications	–	(1,216)	–	(1,216)
Exchange realignment	(9,840)	–	(110)	(9,950)
As at 31 March 2020	154,266	53,405	1,170	208,841

As at the date of approval of these financial statements, the Group is in the process of applying the related land use right certificate of a parcel of land located in Lixian Bipenggou, the PRC (the "Leasehold Land") with a carrying value of HK\$3,492,000 (2019: HK\$3,865,000 included in prepaid land lease payments (note 15(a)). The Group continues to use the Leasehold Land for car parking purpose without objection from the relevant authorities. In the opinion of the directors, the application process for the land use right certificate is merely an administrative procedure and does not have any significant impact on the Group's financial statements.

Certain of the Group's hotel building (including its relevant portion of leasehold land) were transferred to investment properties, details of which are disclosed in note 14 to the financial statements.

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15. Leases – Continued

The Group as a lessee – continued

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
	Lease liabilities	Finance lease payables
	HK\$'000	HK\$'000
Carrying amount at 1 April	74,947	2,265
New leases	14,465	–
Termination of leases	(709)	–
Accretion of interest recognised during the year	2,008	96
Remeasurement on lease modifications	(1,216)	–
Payments	(34,922)	(1,570)
Exchange realignment	(37)	(147)
Carrying amount at 31 March	54,536	644
Analysed into:		
Current portion	24,611	644
Non-current portion	29,925	–
	54,536	644

The maturity analysis of lease liabilities (2019: finance lease payables) is disclosed in note 46 to the financial statements.

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15. Leases – Continued

The Group as a lessee – continued

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$'000
Interest on lease liabilities	2,008
Depreciation charge of right-of-use assets	40,653
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 (note (i))	69,491
Loss on termination of leases	9
Total amount recognised in profit or loss	112,161

Note:

(i) Expense related to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 of HK\$58,587,000 has been included in cost of services rendered and HK\$10,904,000 in administrative expenses.

(e) The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

The Group as a lessor

The Group leases certain of its investment properties, motor buses and vehicles and bus route operating rights under operating lease arrangements. Rental income recognised by the Group during the year was HK\$16,640,000 (2019: HK\$19,376,000), details of which are included in note 5 to the financial statements.

At 31 March 2020, the undiscounted lease payments receivables under non-cancellable operating leases with its tenants were as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	10,442	6,952
After one year but within two years	3,963	1,947
	14,405	8,899

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16. Goodwill

	2020 HK\$'000	2019 HK\$'000
At 31 March:		
Cost	216,962	216,962
Accumulated impairment	(15,161)	(15,161)
Net carrying amount	201,801	201,801

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

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

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

The recoverable amounts of the Non-franchised Bus CGU, the Local Limousine CGU and the Franchised Bus and PLB CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections was 10.5% (2019: 9.5%). The growth rate used to extrapolate the cash flows of the Non-franchised Bus CGU, the Local Limousine CGU and the Franchised Bus and PLB CGU was 2.8% (2019: 2.8%). The rate does not exceed the long term average growth rates for the relevant markets.

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16. Goodwill – Continued

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

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

	Non-franchised Bus CGU		Local Limousine CGU		Franchised Bus and PLB CGU		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of goodwill	182,600	182,600	19,201	19,201	–	–	201,801	201,801
Carrying amount of passenger service licences	1,108,467	1,073,667	–	–	16,900	16,900	1,125,367	1,090,567
Carrying amount of other intangible assets with indefinite useful lives	231,952	231,952	–	–	–	–	231,952	231,952

Assumptions were used in the value in use calculation of the Non-franchised Bus CGU, the Local Limousine CGU and the Franchised Bus and PLB CGU for the years ended 31 March 2020 and 31 March 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences, certain bus route operating rights and trade name:

Budgeted revenue – The basis used to determine the value assigned to the budgeted revenue is the revenue achieved in the year immediately before the budget year, increased for expected economic conditions and market development.

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

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

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

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17. Passenger Service Licences

	2020 HK\$'000	2019 HK\$'000
Cost at beginning of year	1,090,567	857,487
Additions	34,800	233,080
At 31 March	1,125,367	1,090,567
At 31 March: Cost and carrying amount	1,125,367	1,090,567

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

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18. Other Intangible Assets

	Bus route operating rights HK\$'000	Trade name HK\$'000	Customer relationships HK\$'000	Total HK\$'000
31 March 2020				
Cost at 1 April 2019, net of accumulated amortisation	302,097	57,504	3,836	363,437
Amortisation provided during the year	(15,148)	-	(614)	(15,762)
Exchange realignment	(165)	-	-	(165)
At 31 March 2020	286,784	57,504	3,222	347,510
At 31 March 2020:				
Cost	441,402	57,504	7,097	506,003
Accumulated amortisation	(154,618)	-	(3,875)	(158,493)
Net carrying amount	286,784	57,504	3,222	347,510
31 March 2019				
Cost at 1 April 2018, net of accumulated amortisation	317,470	57,504	4,450	379,424
Amortisation provided during the year	(15,169)	-	(614)	(15,783)
Exchange realignment	(204)	-	-	(204)
At 31 March 2019	302,097	57,504	3,836	363,437
At 31 March 2019:				
Cost	442,707	57,504	7,097	507,308
Accumulated amortisation	(140,610)	-	(3,261)	(143,871)
Net carrying amount	302,097	57,504	3,836	363,437

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

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19. Interests in Associates

	2020 HK\$'000	2019 HK\$'000
Share of net assets	12,124	5,679
Due from an associate	349	485
Loan to an associate	25,120	25,620
	37,593	31,784

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

In the opinion of the directors, the amount due from an associate and loan to an associate are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates. There are no recent history of default and past due amounts for amount due from an associate and loan to an associate. As at 31 March 2020 and 2019, the loss allowance was assessed to be minimal.

Particulars of the associates are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2020	2019	
All China Express Limited	73 ordinary shares	Hong Kong	42.20	42.20	Provision of bus and travel-related services
Kowloon Tong Express Services Limited	14 ordinary shares	Hong Kong	35.90	35.90	Provision of bus and travel-related services
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	200,000 ordinary shares	Hong Kong	20.0	20.0	Provision of bus and travel-related services
G. D., H.K. and Macao System Technology Company Limited	220,000 ordinary shares	Hong Kong	22.0	22.0	Provision of transportation services
Huiketong Technology (Zhuhai) Limited	RMB1,540,000	PRC/ Mainland China	22.0	22.0	Provision of ticketing services
ST Chinalink Travel Agency Limited	245,000 ordinary shares	Hong Kong	49.0	49.0	Provision of travel-related services
Starnet Media Group Company Limited ("Starnet") [#]	5 ordinary shares	Hong Kong	50.0	50.0	Provision of advertising services
Howell International Travel Service Limited	Macau Pataca 1,500,000	Macau	30.0	–	Provision of bus and travel-related services

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

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19. Interests in Associates – Continued

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

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

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

	2020 HK\$'000	2019 HK\$'000
Share of the associates' profits and total comprehensive income for the year	2,112	3,584
Aggregate carrying amount of the Group's interests in the associates	37,593	31,784

20. Equity Investments Designated at Fair Value through Other Comprehensive Income

	2020 HK\$'000	2019 HK\$'000
Unlisted equity investments, at fair value		
Hong Kong International Airport Passenger Service (Macao) Co. Ltd.	608	–
Hong Kong & Macao International Airport Transportation Service (HK) Co. Limited	625	–
	1,233	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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21. Financial Assets at Fair Value through Profit or Loss

	2020 HK\$'000	2019 HK\$'000
Unlisted investments, at fair value	30,511	29,554

The unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 31 March 2020, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of HK\$24,512,000 (2019: HK\$23,733,000) were pledged as security for the Group's banking facilities, as further detailed in note 29 to the financial statements.

22. Loan Receivable

	2020 HK\$'000	2019 HK\$'000
Loan receivable	6,386	17,058
Impairment	(159)	(507)
	6,227	16,551

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

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	507	614
Reversal of impairment of a loan receivable (note 7)	(348)	(107)
At end of year	159	507

An impairment analysis is performed at reporting date by considering the probability of default of the counterparty. As at 31 March 2020, the probability of default applied was 2.50% (2019: 2.97%) and the loss given default was estimated to be 100% (2019: 100%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 March 2020 was 2.50% (2019: 2.97%).

The gross carrying amount and the corresponding respective expected credit loss allowance are classified as Stage 1 for the measurement of ECL as at 31 March 2020 and 2019.

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23. Trade Receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables	218,797	296,723
Impairment	(10,027)	(8,645)
	208,770	288,078

Included in the Group's trade receivables are amounts due from associates of HK\$12,214,000 (2019: HK\$28,264,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	98,296	205,716
31 to 60 days	37,995	33,456
61 to 90 days	35,149	30,981
Over 90 days	37,330	17,925
	208,770	288,078

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23. Trade Receivables – Continued

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	8,645	4,618
Impairment losses, net (note 7)	2,428	4,027
Amount written off as uncollectible	(1,046)	–
At end of year	10,027	8,645

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

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

As at 31 March 2020

	Credit-impaired receivables	Current	Past due			Total
			Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	100%	1.11%	1.76%	4.03%	15.56%	4.58%
Gross carrying amount (HK\$'000)	365	61,315	52,377	71,453	33,287	218,797
Expected credit losses (HK\$'000)	365	679	922	2,881	5,180	10,027

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23. Trade Receivables – Continued

As at 31 March 2019

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

24. Prepayments, Deposits and Other Receivables

	Note	2020 HK\$'000	2019 HK\$'000
Prepayments		196,734	201,117
Prepaid land lease payments	15(a)	–	3,536
Rental and other deposits		100,125	101,416
Deposits paid for purchases of items of property, plant and equipment		36,175	93,559
Deposits paid for purchases of bus route operating rights		11,733	45,752
Other receivables		101,193	112,241
		445,960	557,621
Impairment		(33,927)	(35,344)
		412,033	522,277
Less: Portion classified as non-current assets		(205,026)	(314,475)
Portion classified as current assets		207,007	207,802

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24. Prepayments, Deposits and Other Receivables – Continued

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

	2020 HK\$'000	2019 HK\$'000
Neither past due nor impaired	61,931	72,556
Less than 1 month past due	1,371	1,908
1 to 3 months past due	202	41
Over 3 months past due	3,762	2,392
	67,266	76,897

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	35,344	34,377
Impairment losses, net (note 7)	456	2,158
Exchange realignment	(1,873)	(1,191)
At end of year	33,927	35,344

An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The Group also takes into account the forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate. As at 31 March 2020, the probability of default applied ranged from 0.49% to 27.41% (2019: 0.17% to 26.82%) and the loss given default was estimated to be 100% (2019: 100%).

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24. Prepayments, Deposits and Other Receivables – Continued

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

As at 31 March 2020

	12-month Stage 1 HK\$'000	Lifetime ECL not credit- impaired Stage 2 HK\$'000	Lifetime ECL credit- impaired Stage 3 HK\$'000	Total HK\$'000
Gross carrying amount	174,283	–	27,035	201,318
ECL allowance				
At 1 April 2019	6,436	–	28,908	35,344
Loss allowance recognised (note 7)	456	–	–	456
Exchange realignment	–	–	(1,873)	(1,873)
At 31 March 2020	6,892	–	27,035	33,927

As at 31 March 2019

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

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

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	392,794	292,035
Time deposits and restricted cash	38,945	23,712
	431,739	315,747
Less: Pledged time deposits and restricted cash for bank loans and performance guarantees/bonds	(37,760)	(22,759)
Cash and cash equivalents	393,979	292,988

As at 31 March 2020, the Group had cash of approximately HK\$22,344,000 (2019: HK\$7,251,000) which was restricted as to use and mainly to be utilised for the purpose of construction work in respect of the scenic spot in Mainland China.

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

26. Trade Payables

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	20,549	62,096
31 to 60 days	16,890	13,007
61 to 90 days	8,654	3,390
Over 90 days	16,781	9,498
	62,874	87,991

Included in the balance as at 31 March 2019 was an amount of HK\$10,525,000 due to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive director and the chairman of the Company, which was unsecured, interest-free and, in general, settled on 60-day terms.

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

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27. Other Payables and Accruals

	Note	2020 HK\$'000	2019 HK\$'000
Accruals and other payables		252,605	257,708
Contract liabilities	(a)	106,927	81,778
Deposits received		14,829	16,773
Traffic accident compensation payables		73,227	80,200
Payables for purchases of items of property, plant and equipment and passenger service licences		25,538	44,606
Deferred income in respect of government subsidies received		23,119	23,628
Due to non-controlling shareholders		5,106	8,433
		501,351	513,126

Note:

(a) Details of contract liabilities are as follows:

	31 March 2020 HK\$'000	31 March 2019 HK\$'000	1 April 2018 HK\$'000
Short-term advances received from customers			
Non-franchised bus and limousine services	102,839	78,889	71,103
Franchised bus and PLB services	95	96	95
Hotel and tourism services	3,241	1,522	1,830
Mainland China bus services	752	1,271	936
Total contract liabilities	106,927	81,778	73,964

Contract liabilities relate to short-term advances received from customers in Hong Kong and Mainland China. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of non-franchised bus and limousine services.

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

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

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28. Derivative Financial Instruments

	Assets	
	2020	2019
	HK\$'000	HK\$'000
Cross-currency swap contracts	-	1,234

	Liabilities	
	2020	2019
	HK\$'000	HK\$'000
Cross-currency swap contracts	597	-

The Group entered into cross-currency swap contracts to manage its foreign currency exposures. At 31 March 2020, the Group had cross-currency swap contracts in place with a total notional amount of HK\$50,000,000 (2019: HK\$497,000,000). These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net fair value loss on these non-hedging derivatives of HK\$1,831,000 (2019: net fair value gain of HK\$1,119,000) was recognised in the statement of profit or loss during the year.

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29. Interest-Bearing Bank and Other Borrowings

	2020			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – secured (note (a))	3.63	2021-2028	1,149,563	3.48	2020-2028	1,424,998
Bank loans – unsecured	-	2021	515	-	2020	550
Other loans – unsecured	-	-	-	-	2020	12,814
Finance lease payables (notes 15(c) and 30)	-	-	-	3.50	2020	644
			1,150,078			1,439,006
Non-current						
Bank loans – secured (note (a))	3.63	2022-2028	787,358	3.48	2021-2028	562,059
			1,937,436			2,001,065
				2020		2019
				HK\$'000		HK\$'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand (note (b))			1,150,078			1,425,548
In the second year or on demand after 13 months (note (b))			236,878			306,702
In the third to fifth years, inclusive			430,826			174,907
Beyond five years			119,654			80,450
			1,937,436			1,987,607
Other borrowings repayable:						
Within one year			-			13,458
			1,937,436			2,001,065

NOTES TO FINANCIAL STATEMENTS

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29. Interest-Bearing Bank and Other Borrowings – Continued

Notes:

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong		
Secured with corporate guarantees	1,541,763	1,682,586
Secured with corporate guarantees and pledged assets*	266,941	166,725
	1,808,704	1,849,311
Mainland China		
Secured with pledge of assets#	128,217	137,746
	1,936,921	1,987,057

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

- (i) the pledged of deposit of HK\$3,001,000 (2019: HK\$3,001,000); and
- (ii) the pledge of certain financial assets at fair value through profit or loss of HK\$24,512,000 (2019: HK\$23,733,000) (note 21).

Certain of the above bank loans and facilities in Mainland China are secured by:

- (i) the pledge of time deposits and restricted cash of HK\$22,344,000 (2019: HK\$7,251,000) (note 25);
- (ii) the pledge of certain property, plant and equipment and right-of-use assets with an aggregate net carrying amount of HK\$94,169,000 (2019: HK\$108,628,000) (note 13); and
- (iii) the pledge of certain investment properties of HK\$37,098,000 (2019: HK\$43,476,000) (note 14).

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

	2020 HK\$'000	2019 HK\$'000
Repayable on demand	955,715	1,090,628
Repayable on demand from 13 months after the end of the reporting period	–	205,738
	955,715	1,296,366

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

	2020 HK\$'000	2019 HK\$'000
Within one year	256,264	429,680
In the second year	245,484	271,984
In the third to fifth years, inclusive	453,967	594,702
	955,715	1,296,366

(c) As at 31 March 2020, except for bank loans of HK\$128,732,000, which were denominated in RMB and bank loans of HK\$1,997,000 which were denominated in United States dollars, all bank borrowings were denominated in Hong Kong dollars.

As at 31 March 2019, except for bank loans of HK\$138,296,000, other loans of HK\$12,814,000 and finance lease payables of HK\$644,000 which were denominated in RMB and bank loans of HK\$142,006,000 which were denominated in United States dollars, all bank and other borrowings were denominated in Hong Kong dollars.

(d) In respect of certain bank borrowing of HK\$1,388,677,000 as at 31 March 2020 provided to certain subsidiaries of the Group by several banks (the "Banks"), the Group had not maintained certain financial covenants as specified in the corresponding bank facility letters during the year ended 31 March 2020. The Group received from the Banks one-off waivers in writing on such financial covenants prior to the end of the reporting period and the Banks did not demand for immediate payment of the outstanding balances.

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

(e) As at 31 March 2020, the Group held bank guarantees in lieu of performance guarantees/bonds amounting to HK\$18,703,000 (2019: HK\$14,030,000). Such bank guarantees are secured by pledged deposits of HK\$12,415,000 (2019: HK\$12,507,000).

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30. Finance Lease Payables

The Group leases a motor vehicle for its hotel and tourism business. This lease was classified as finance lease prior to HKFRS 16 becoming effective on 1 April 2019 and had a remaining lease term of one year.

At 31 March 2019, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Amounts payable: Within one year	656	644
Total minimum finance lease payments	656	644
Future finance charges	(12)	
Total net finance lease payables and portion classified as current liabilities (note 29)	644	

31. Other Long Term Liabilities

	2020 HK\$'000	2019 HK\$'000
Deferred income	83,800	101,317
Other liabilities	148	277
	83,948	101,594

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

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32. Deferred Tax

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

	Note	Depreciation allowance in excess of related depreciation HK\$'000	Depreciation in excess of related depreciation allowance HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Revaluation of properties HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Impairment of financial assets at amortised cost HK\$'000	Others HK\$'000	Total HK\$'000
Gross deferred tax liabilities/(assets) at 1 April 2018		157,030	(207)	77,999	52,143	(18,993)	(1,569)	2,215	268,618
Deferred tax charged to the statement of other comprehensive income during the year		-	-	-	7,905	-	-	-	7,905
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	19,560	13	(2,338)	(751)	2,420	(884)	(705)	17,315
Exchange differences		(91)	-	-	118	-	-	-	27
Gross deferred tax liabilities/(assets) at 31 March 2019 and 1 April 2019		176,499	(194)	75,661	59,415	(16,573)	(2,453)	1,510	293,865
Deferred tax charged to the statement of other comprehensive income during the year		-	-	-	7,112	-	-	-	7,112
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	3,148	(26)	(2,357)	(1,076)	(109)	(339)	(7,316)	(8,075)
Exchange differences		-	-	-	(268)	-	-	-	(268)
Gross deferred tax liabilities/(assets) at 31 March 2020		179,647	(220)	73,304	65,183	(16,682)	(2,792)	(5,806)	292,634

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32. Deferred Tax – Continued

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

	2020 HK\$'000	2019 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	3,236	2,654
Net deferred tax liabilities recognised in the consolidated statement of financial position	(295,870)	(296,519)
	(292,634)	(293,865)

The Group has unrecognised tax losses arising in Hong Kong of HK\$23,889,000 (2019: HK\$15,483,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of these tax losses have not been recognised on account of the unpredictability of future profit streams.

The Group also has unrecognised tax losses arising in Mainland China of HK\$7,374,000 (2019: HK\$26,176,000) 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 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$3,601,000 at 31 March 2020 (2019: HK\$2,636,000).

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

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33. Share Capital

Shares	2020 HK\$'000	2019 HK\$'000
Authorised: 600,000,000 ordinary shares of HK\$0.10 each	60,000	60,000
Issued and fully paid: 476,776,842 (2019: 461,686,000) ordinary shares of HK\$0.10 each	47,678	46,169

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 April 2018, at 31 March 2019 and at 1 April 2019	461,686,000	46,169
Shares issued in lieu of cash dividend (<i>note</i>)	15,090,842	1,509
At 31 March 2020	476,776,842	47,678

Note:

On 20 August 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK16 cents per ordinary share payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme") for the year ended 31 March 2019 (the "2019 Final Dividend"). During the year ended 31 March 2020, 15,090,842 new shares were issued by the Company at a deemed price of HK\$3.624 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle HK\$54,689,000 of the 2019 Final Dividend. The remaining balance of the 2019 Final Dividend of HK\$19,181,000 was satisfied by cash. Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 3 September 2019.

Share options

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

34. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 23 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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34. Share Option Scheme – Continued

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer. A consideration of HK\$1 is payable on acceptance of the offer of the grant of an option. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period, if any, 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 of Hong Kong Limited on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

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

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

	2020	
	Weighted average exercise price HK\$ per share	Number of options '000
At 1 April	–	–
Granted during the year	4.3	13,500
At 31 March	4.3	13,500

There were no share options exercised under the Scheme during the year (2019: Nil).

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34. Share Option Scheme – Continued

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

2020

Number of options '000	Exercise price* HK\$ per share	Exercise period
13,500	4.3	23 April 2019 to 22 April 2029

* 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 during the year was HK\$6,511,000 (HK\$0.48 each) (2019: Nil), of which the Group recognised a share option expense of HK\$6,511,000 (2019: Nil) during the year ended 31 March 2020.

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

	2020
Dividend yield (%)	5.77
Expected volatility (%)	33.44
Risk-free interest rate (%)	2.32
Expected life of options (year)	10

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

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

At the end of the reporting period, the Company had 13,500,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,500,000 additional ordinary shares of the Company and additional share capital of HK\$1,350,000 and share premium of HK\$56,700,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 13,500,000 share options outstanding under the Scheme, which represented approximately 2.8% of the Company's shares in issue as at that date.

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35. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 53 to 54 of the financial statements.

Contributed surplus

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

Reserve fund

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

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

Share option reserve

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 the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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

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

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Bipenggou Tourism and its subsidiary	32.2%	32.2%
	2020	2019
	HK\$'000	HK\$'000
Profit for the year allocated to non-controlling interests:		
Bipenggou Tourism and its subsidiary	5,398	4,246
Accumulated balances of non-controlling interests at the reporting date:		
Bipenggou Tourism and its subsidiary	72,153	76,035

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

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

	2020 HK\$'000	2019 HK\$'000
Revenue	139,245	145,765
Total expenses	(122,478)	(132,577)
Profit for the year	16,767	13,188
Other comprehensive loss for the year	(15,360)	(16,205)
Total comprehensive income/(loss) for the year	1,407	(3,017)
Current assets	49,995	27,733
Non-current assets	393,044	399,885
Current liabilities	(111,549)	(69,622)
Non-current liabilities	(106,227)	(120,674)
Net cash flows from operating activities	79,826	40,725
Net cash flows used in investing activities	(59,018)	(25,959)
Net cash flows used in financing activities	(12,527)	(22,378)
Net increase/(decrease) in cash and cash equivalents	8,281	(7,612)

37. Disposal of a Subsidiary

Year ended 31 March 2019

During the year ended 31 March 2019, the Group disposed of its entire 99% equity interest in GFTZ Guangbao Transport Co., Ltd. ("Guangbao") for a consideration of HK\$300,000. Guangbao was principally engaged in the provision of cargo transportation services in Guangzhou, Mainland China. The transaction was completed on 30 September 2018.

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

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

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37. Disposal of a Subsidiary – Continued

Year ended 31 March 2019 – Continued

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

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

38. Deconsolidation of a Subsidiary

Year ended 31 March 2019

During the year ended 31 March 2019, Xiangyang City Intermediate People's Court (the "Court") approved the liquidation of Ya Jin Hotel Management Limited ("YJHML"), a 60%-owned subsidiary of the Group, and an independent liquidator was appointed by the Court on 24 January 2019. YJHML was principally engaged in hotel management in Hubei, Mainland China.

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

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

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

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39. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year ended 31 March 2020, the Group had the following major non-cash transactions:

- (i) The Group had non-cash additions to right-of-use assets and lease liabilities of HK\$14,465,000 and HK\$14,465,000, respectively, in respect of lease arrangements for leased properties.
- (ii) An amount of RMB8,781,000 (equivalent to HK\$9,843,000) payable to Non-controlling Shareholder of a 67.8%-owned subsidiary was offset against the loan made to the Non-controlling Shareholder.

(b) Changes in liabilities arising from financing activities:

2020

	Interest-bearing bank borrowings HK\$'000	Other loans HK\$'000	Finance lease payables/ lease liabilities HK\$'000
At 31 March 2019	1,987,607	12,814	644
Effect of adoption of HKFRS 16	–	–	74,303
At 1 April 2019 (restated)	1,987,607	12,814	74,947
Changes from financing cash flows	(41,263)	(11,988)	(32,914)
New leases	–	–	14,465
Interest expenses	–	–	2,008
Interest paid classified as operating cash flows	–	–	(2,008)
Termination of leases	–	–	(709)
Remeasurement on lease modifications	–	–	(1,216)
Foreign exchange movement	(8,908)	(826)	(37)
At 31 March 2020	1,937,436	–	54,536

2019

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

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39. Notes to the Consolidated Statement of Cash Flows – Continued

- (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK\$'000
Within operating activities	71,499
Within financing activities	32,914
	104,413

40. Contingent Liabilities

Save as detailed elsewhere in these financial statements, the Group had no significant contingent liabilities (2019: Nil) at the end of the reporting period.

41. Commitments

- (a) The Group had the following capital commitments at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	100,662	61,379
Purchases of other items of property, plant and equipment	839	–
Capital contribution to a contractual arrangement	22,922	14,091
Construction of buildings, bus terminal structures and scenic area establishments	2,666	24,721
	127,089	100,191

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41. Commitments – Continued

(b) Operating lease commitments

The Group leased certain of its office properties, ticket counters, bus depots, terminals, car parks and bus route operating rights under operating lease arrangements. Leases for office properties were negotiated for terms ranging from 1 to 8 years and those for ticket counters, bus depots, terminals, car parks and bus route operating rights were negotiated for terms ranging from 1 to 15 years.

At 31 March 2019, the Group had total future minimum lease payments for leased properties under non-cancellable operating leases falling due as follows:

	2019 HK\$'000
Office properties, ticket counters, bus depots, terminals and car parks	
Within one year	47,696
In the second to fifth years, inclusive	43,680
After five years	11,136
	102,512

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

	2020 HK\$'000	2019 HK\$'000
Bus route operating rights		
Within one year	61,170	72,463
In the second to fifth years, inclusive	69,593	122,057
After five years	13,711	15,282
	144,474	209,802

42. 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 29 to the financial statements.

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43. Related Party Transactions

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

	Notes	2020 HK\$'000	2019 HK\$'000
Coach rental income, advertising income and administrative service income from associates	(i)	54,465	94,238
Coach rental expense paid to a related party	(ii)	10,758	10,525

Notes:

- (i) The coach rental income were received according to the prices and conditions similar to those offered by the Group to its customers. The advertising income and administrative service income were received based on mutually agreed terms and conditions.
- (ii) The coach rental expense was paid to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive director and the chairman of the Company. The rental expense was charged based on mutually agreed terms and conditions.
- (b) Compensation of key management personnel of the Group:

	2020 HK\$'000	2019 HK\$'000
Short term employee benefits	26,951	31,648
Equity-settled share option expense	2,170	–
Post-employment benefits	1,103	1,324
	30,224	32,972

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

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

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44. 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:

2020

Financial assets

	<u>Financial assets at fair value through profit or loss</u>			
	Mandatorily designated as such HK\$'000	Financial assets at fair value through other comprehensive income – equity investments HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Equity investments designated at fair value through other comprehensive income	-	1,233	-	1,233
Financial assets at fair value through profit or loss	30,511	-	-	30,511
Loan receivable	-	-	6,227	6,227
Due from an associate	-	-	349	349
Loan to an associate	-	-	25,120	25,120
Trade receivables	-	-	208,770	208,770
Financial assets included in prepayments, deposits and other receivables	-	-	167,391	167,391
Pledged time deposits and restricted cash	-	-	37,760	37,760
Cash and cash equivalents	-	-	393,979	393,979
	30,511	1,233	839,596	871,340

NOTES TO FINANCIAL STATEMENTS

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44. Financial Instruments by Category – Continued

2020 – Continued

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade payables	–	62,874	62,874
Derivative financial instruments	597	–	597
Financial liabilities included in other payables and accruals	–	170,965	170,965
Interest-bearing bank and other borrowings	–	1,937,436	1,937,436
Financial liabilities included in other long term liabilities	–	148	148
Lease liabilities	–	54,536	54,536
	597	2,225,959	2,226,556

2019

Financial assets

	Financial assets at fair value through profit or loss		Total HK\$'000
	Mandatorily designated as such HK\$'000	Financial assets at amortised cost HK\$'000	
Financial assets at fair value through profit or loss	29,554	–	29,554
Loan receivable	–	16,551	16,551
Due from an associate	–	485	485
Loan to an associate	–	25,620	25,620
Trade receivables	–	288,078	288,078
Financial assets included in prepayments, deposits and other receivables	–	178,313	178,313
Derivative financial instruments	1,234	–	1,234
Pledged time deposits and restricted cash	–	22,759	22,759
Cash and cash equivalents	–	292,988	292,988
	30,788	824,794	855,582

NOTES TO FINANCIAL STATEMENTS

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44. Financial Instruments by Category – Continued

2019 – Continued

Financial liabilities

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

45. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

The fair values of the non-current portions of financial assets included in prepayments, deposits and other receivables, a loan receivable, amount due from an associate, loan to an associate, interest-bearing bank and other borrowings and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 March 2020 were assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair values of unlisted investments included in financial assets at fair value through profit or loss have been estimated based on the surrender values, which are calculated and quoted by the issuer. The directors believe that the estimated fair values resulting therefrom, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

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

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

The fair value of unlisted equity investments included in equity investments designated at fair value through other comprehensive income have been estimated using adjusted net asset method and are classified under Level 3 of the fair value hierarchy as the valuation involved significant unobservable inputs. The valuation requires the directors to make estimates about the fair value of the assets and liabilities of the underlying entity. An increase in net asset of the underlying entity will increase the fair value of the unlisted equity investments.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 March 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments designated at fair value through other comprehensive income	–	–	1,233	1,233
Financial assets at fair value through profit or loss	–	30,511	–	30,511
	–	30,511	1,233	31,744

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

Fair value hierarchy – Continued

Assets measured at fair value: – Continued

As at 31 March 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	–	1,234	–	1,234
Financial assets at fair value through profit or loss	–	29,554	–	29,554
	–	30,788	–	30,788

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2019: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of year	–	–
Purchases	1,233	–
At end of year	1,233	–

Liabilities measured at fair value:

As at 31 March 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	–	597	–	597

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2019: Nil).

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46. Financial Risk Management Objectives and Policies

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
31 March 2020		
Hong Kong dollar	50	(9,034)
United States dollar	50	(10)
Renminbi	50	(644)
Hong Kong dollar	(50)	9,034
United States dollar	(50)	10
Renminbi	(50)	644
31 March 2019		
Hong Kong dollar	50	(8,412)
United States dollar	50	(835)
Renminbi	50	(759)
Hong Kong dollar	(50)	8,412
United States dollar	(50)	835
Renminbi	(50)	759

NOTES TO FINANCIAL STATEMENTS

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46. 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\$144,510,000 (2019: HK\$141,199,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business under certain circumstances. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

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

	Change in RMB rate	Increase/ (decrease) in profit before tax HK\$'000
2020		
If Hong Kong dollar weakens against RMB	5%	4,689
If Hong Kong dollar strengthens against RMB	5%	(4,689)
2019		
If Hong Kong dollar weakens against RMB	5%	4,643
If Hong Kong dollar strengthens against RMB	5%	(4,643)

Credit risk

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 5% (2019: 12%) and 19% (2019: 27%) of the Group's trade receivables were due from the Group's largest debtor and the five largest debtors, respectively.

Further quantitative data in respect of the Group's exposure to credit risk from trade receivables are disclosed in note 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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46. Financial Risk Management Objectives and Policies – Continued

Credit risk – Continued

Maximum exposure and year-end staging

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

As at 31 March 2020

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	HK\$'000
Due from an associate	349	–	–	–	349
Loan to an associate	25,120	–	–	–	25,120
Loan receivable	6,386	–	–	–	6,386
Trade receivables*	–	–	–	218,797	218,797
Financial assets included in prepayments, deposits and other receivables					
Normal**	174,283	–	–	–	174,283
Doubtful**	–	–	27,035	–	27,035
Pledged time deposits and restricted cash					
– Not yet past due	37,760	–	–	–	37,760
Cash and cash equivalents					
– Not yet past due	393,979	–	–	–	393,979
	637,877	–	27,035	218,797	883,709

As at 31 March 2019

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	HK\$'000
Due from an associate	485	–	–	–	485
Loan to an associate	25,620	–	–	–	25,620
Loan receivable	17,058	–	–	–	17,058
Trade receivables*	–	–	–	296,723	296,723
Financial assets included in prepayments, deposits and other receivables					
Normal**	184,749	–	–	–	184,749
Doubtful**	–	–	28,908	–	28,908
Pledged time deposits and restricted cash					
– Not yet past due	22,759	–	–	–	22,759
Cash and cash equivalents					
– Not yet past due	292,988	–	–	–	292,988
	543,659	–	28,908	296,723	869,290

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

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46. 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 loans, lease liabilities (2019: finance leases) and other interest-bearing loans.

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

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

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

	2020					Total HK\$'000
	No fixed terms of repayment/ on demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables	36,175	26,699	-	-	-	62,874
Financial liabilities included in other payables and accruals	106,057	51,597	13,311	-	-	170,965
Interest-bearing bank and other borrowings (note)	955,715	29,603	196,042	729,445	126,209	2,037,014
Lease liabilities	-	5,711	19,765	30,975	-	56,451
Financial liabilities included in other long term liabilities	-	-	-	148	-	148
	1,097,947	113,610	229,118	760,568	126,209	2,327,452

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46. Financial Risk Management Objectives and Policies – Continued

Liquidity risk – continued

	2019					Total HK\$'000
	No fixed terms of repayment/ on demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables	57,535	30,456	-	-	-	87,991
Financial liabilities included in other payables and accruals	37,057	85,354	10,767	-	-	133,178
Interest-bearing bank and other borrowings (note)	1,298,322	54,757	128,245	532,492	132,774	2,146,590
Finance lease payables	-	388	267	-	-	655
Financial liabilities included in other long term liabilities	-	-	-	277	-	277
	1,392,914	170,955	139,279	532,769	132,774	2,368,691

Note:

Included in the above interest-bearing bank and other borrowings as at 31 March 2020 are term loans with an aggregate carrying amount of HK\$955,715,000 which contain a repayment on demand clause in the loan agreements giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the amount is classified as "on demand".

Included in the above interest-bearing bank and other borrowings as at 31 March 2019 were term loans with an aggregate carrying amount of HK\$1,296,366,000 which contain a repayment on demand clause in the loan agreements giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the amount was classified as "on demand", except for bank loans of HK\$205,738,000 due for repayment after one year which were subject to a repayment on demand condition from 13 months after 31 March 2019 which was categorised as repayable in "1 to 5 years" as at 31 March 2019.

Notwithstanding the repayment on demand clause and the non-compliance with certain financial covenants of certain bank borrowings as disclosed in note 29 to the financial statements, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time.

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

	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 31 March 2020	70,564	436,858	1,465,955	126,209	2,099,586
As at 31 March 2019	204,996	526,901	1,365,354	132,774	2,230,025

NOTES TO FINANCIAL STATEMENTS

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46. Financial Risk Management Objectives and Policies – Continued

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is required to comply with certain externally imposed financial covenants set out in certain of its banking facilities. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

The Group monitors its capital using a gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. At the end of the reporting period, the gearing ratio was 86.4% (2019: 88.2%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK\$1,937,436,000 (2019: HK\$2,001,065,000) over the total equity of HK\$2,242,534,000 (2019: HK\$2,269,710,000).

In addition to the gearing ratio, the Group also monitors its capital with reference to adjusted current assets position of the Group, which is net current liabilities adjusting for certain current liabilities with cash outflows expected to be made after one year or without any expected future cash outflows. As at 31 March 2020, the net current liabilities of the Group of approximately HK\$895,891,000 (2019: HK\$1,216,614,000) are largely attributable to (i) portions of bank borrowings due for repayment after one year being classified as current liabilities due to repayment on demand clauses included in bank facility letters; (ii) certain deferred revenue arising from the ordinary course of business of which recognition of revenue was pending for completion of service obligation; and (iii) certain financial obligations with settlement expected to be made after the next 12 months. The directors monitor the cash flow projections of the Group on a regular basis, taking into account the performance of the Group and financial obligations in the foreseeable future. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to settle its financial obligations as and when they fall due.

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31 March 2020



47. Statement of Financial Position of the Company

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

	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	750,839	764,151
CURRENT ASSETS		
Prepayments	226	226
Due from a subsidiary	51,000	51,000
Cash and cash equivalents	1,043	532
Total current assets	52,269	51,758
CURRENT LIABILITIES		
Other payables and accruals	350	329
NET CURRENT ASSETS	51,919	51,429
Net assets	802,758	815,580
EQUITY		
Issued capital	47,678	46,169
Reserves (note)	755,080	769,411
Total equity	802,758	815,580

Note:

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

	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2018	623,066	70,770	-	75,007	768,843
Profit and total comprehensive income for the year	-	-	-	92,905	92,905
Final 2018 dividend	-	-	-	(55,402)	(55,402)
Interim 2019 dividend	-	-	-	(36,935)	(36,935)
At 31 March 2019 and 1 April 2019	623,066	70,770	-	75,575	769,411
Loss and total comprehensive loss for the year	-	-	-	(152)	(152)
Equity-settled share option arrangements	-	-	6,511	-	6,511
Final 2019 dividend	-	-	-	(73,870)	(73,870)
Issue of shares in lieu of cash dividend	53,180	-	-	-	53,180
At 31 March 2020	676,246	70,770	6,511	1,553	755,080

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 the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

48. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 June 2020.

PARTICULARS OF PROPERTIES

Investment Properties

Location	Use	Tenure	Attributable interest of the Group
Unit 5 on 12th Floor and Lorry Parking Space No.L103 on 1st Floor, Eastern Harbour Centre, No.28 Hoi Chak Street, Hong Kong	Industrial and car parking space	Medium term lease	100%
Ground Floor, No. 370A Portland Street, Kowloon, Hong Kong	Commercial	Medium term lease	100%
The Remaining Portion of Sections A and B of Lot No. 879 and the Remaining Portion of Section C of Lot No. 880 in Demarcation District 92, North District, New Territories, Hong Kong	Agricultural	Medium term lease	100%
Lot Nos. 286, 287 and 289 in Demarcation District 316, Lantau Island, New Territories, Hong Kong	Agricultural	Medium term lease	100%
Levels 2-4, Levels 6-9, Levels 17-20, No.84 Xiaolongkan New Street, Shapingba District, Chongqing City, the PRC	Commercial	Medium term lease	100%