# KWOON CHUNG BUS HOLDINGS LIMITED

( Incorporated in Bermuda with Limited Liability )

*(Stock Code: 306)*

# 2020/2021
## Annual Report

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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 *(retired on 9 October 2020)*
Mr. Chan Chung Yee, Alan
Mr. Feng Wei Xiang
Mr. Mark Savelli

## Company Secretary

Mr. Tung Sze Ho, Dicky

## 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*
*Registered Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

## Legal Advisers as to Hong Kong Laws

Angela Ho & Associates
Room 2507, 25/F, Tower 1, Lippo Centre,
89 Queensway, Hong Kong

## Principal Bankers

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

## 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

# CORPORATE PROFILE

## Background

The predecessor of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was founded by the late Mr. Wong Kwoon Chung with a small-sized car cleaning service in 1948. After over half a century of dramatic development, the Group has made its name in the transport history of Hong Kong as the largest non-franchised public bus and limousine operator in Hong Kong. The Company has been listed on the Main Board of the Stock Exchange since September 1996. As at 31 March 2021, the Group was operating approximately 1,357 non-franchised public buses and 463 limousines.

## Hong Kong Segment

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

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

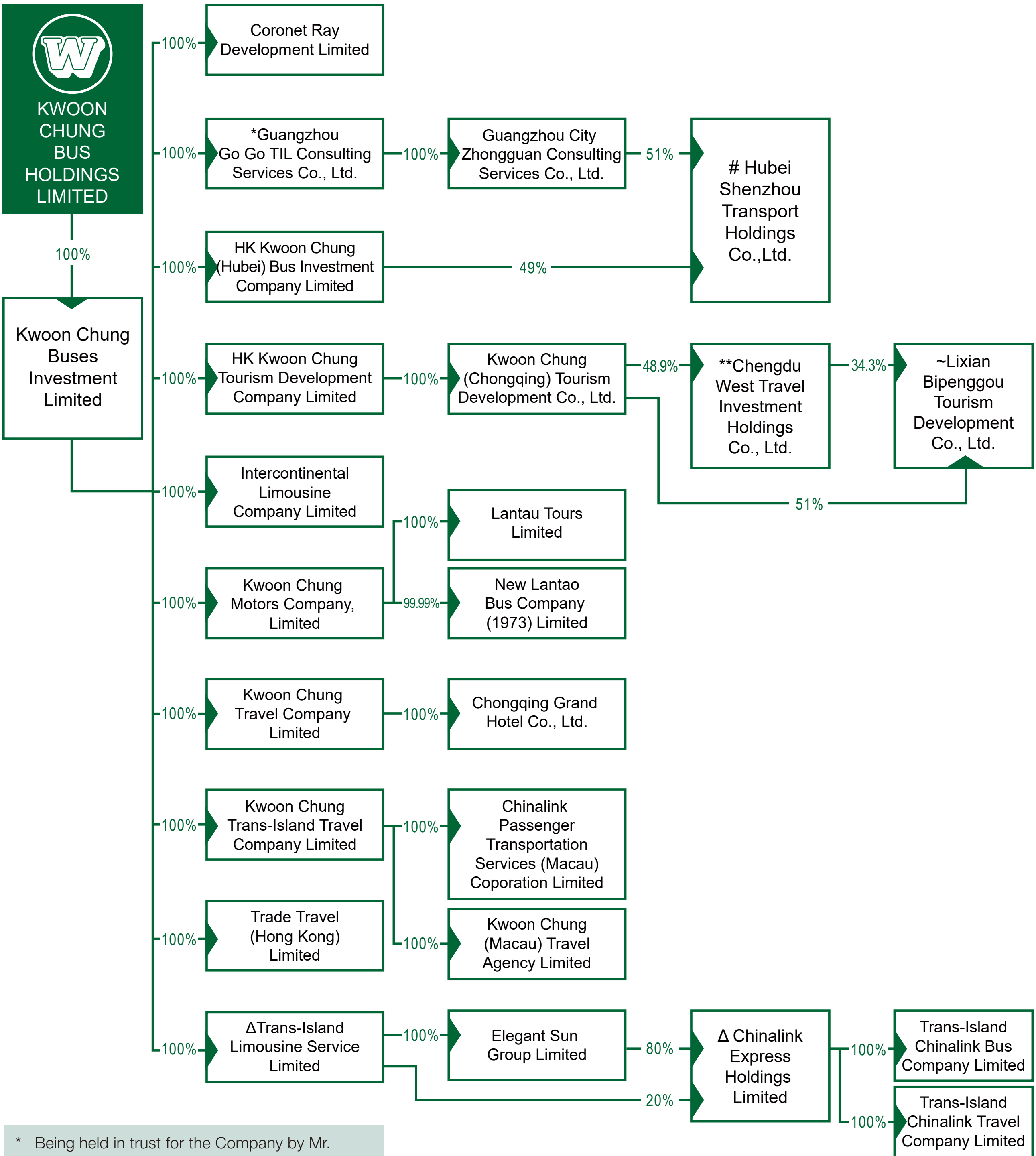
In 1999, First Action Developments Limited ("First Action"), an affiliated company of New World Development Company Limited (Stock code: 17.HK), acquired approximately 20% (up to 29.48% before April 2014) of the issued share capital of the Company. On 2 April 2014, First Action sold all of its 121,593,019 shares of the Company to Basic Faith Company Limited ("Basic Faith"), which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, BBS, an executive 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-Macao 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 2021




- * Being held in trust for the Company by Mr. Wong Leung Pak, Matthew, BBS, Director of the Company
- \# Sino-foreign EJVs established in Mainland China
- Δ Held certain Sino-foreign co-operative joint ventures established in Mainland China
- ** 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 2021

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 (restated) | HK$'000 | HK$'000 | HK$'000 |
| **REVENUE BY BUSINESS SEGMENT** | | | | | |
| Non-franchised bus: | | | | | |
| Mainland China/Hong Kong cross-boundary service | **10,491** | 898,213 | 1,451,653 | 1,193,900 | 1,089,373 |
| Local service | | | | | |
| – Scheduled | **729,018** | 838,083 | 804,192 | 663,101 | 661,090 |
| – Non-scheduled | **12,718** | 66,123 | 101,618 | 103,758 | 95,534 |
| | **752,227** | 1,802,419 | 2,357,463 | 1,960,759 | 1,845,997 |
| Limousine | **30,925** | 289,549 | 201,934 | 197,270 | 196,505 |
| Franchised bus and public light bus | **114,846** | 177,059 | 195,840 | 175,113 | 170,824 |
| Mainland China business | **185,589** | 184,829 | 204,163 | 198,607 | 216,907 |
| Others | **292** | 9,408 | 12,465 | 11,905 | 10,629 |
| **TOTAL REVENUE** | **1,083,879** | 2,463,264 | 2,971,865 | 2,543,654 | 2,440,862 |
| **PROFIT/(LOSS) FOR THE YEAR** | **(43,744)** | 22,417 | 259,360 | 276,349 | 364,930 |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| **FLEET** | Number of vehicles operated | | | | |
| Non-franchised bus | **1,357** | 1,352 | 1,376 | 1,268 | 1,104 |
| Franchised bus and public light bus | **156** | 162 | 159 | 135 | 123 |
| Limousine (cross-boundary and local) | **463** | 416 | 397 | 410 | 391 |
| | **1,976** | 1,930 | 1,932 | 1,813 | 1,618 |

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

### Mr. Wong Leung Pak, Matthew, BBS, aged 65

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 of 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 a 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 37

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 42

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 76

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.

## Independent Non-Executive Directors – Continued

### Mr. James Mathew Fong, aged 45

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 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 45

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 Practicing Accountant status with CPA Australia, was duly awarded a Fellow Membership of CPA Australia in February 2018 and has 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.

## Senior Management

### Mr. Wong Cheuk Tim, Timothy, MH aged 32

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).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## Senior Management – Continued

### Mr. Cheng King Hoi, Andrew, aged 62

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 65 (retired on 9 October 2020)

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.

### Mr. Chan Chung Yee, Alan, aged 54

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 Chartered Governance Institute in UK, The Hong Kong Institute of Chartered Secretaries, The Hong Kong Institute of Directors and is an ordinary member of Hong Kong Securities and Investment Institute, a member of Chartered Institute of Logistics and Transport in Hong Kong. He is also admitted to Certified Membership of The Institute of Certified Management Accountants of Australia, and a member of the Chartered Bankers Institute, UK with a designation of Chartered Banker, Certified Banker of The Hong Kong Institute of Bankers, Chartered Secretary and Chartered Governance Professional of The Chartered Governance Institute 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 Provence, a standing member of Guangdong's Association for Promotion of Cooperation between Guangdong, Hong Kong & Macau, a member of China Overseas Friendship Association, a 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 and a member of The Hong Kong Independent Non-Executive Director Association (HKiNED). Mr Chan was also appointed as member of 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 China Resources Mixc Lifestyle Services Limited (Stock code: 1209.HK), Upbest Group Limited (Stock code: 0335.HK) and UBA Investment Limited (Stock code: 768.HK), the shares of which are listed on the Stock Exchange.

## Senior Management – Continued

### Mr. Feng Weixiang, aged 58

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.

### Mr. Mark Savelli, aged 55

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 the United Kingdom (UK). Mr. Savelli has served as Managing Director of various large bus operating subsidiaries of FirstGroup plc in the 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 38

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 2021.

## Results

The Group recorded a consolidated loss for the year of approximately HK$44 million (2020: consolidated profit of approximately HK$22 million). Revenue for the year was approximately HK$1,084 million (2020: approximately HK$2,463 million), representing a decrease of approximately 56%. The loss per share for the year was HK9.8 cents (2020: earnings per share of HK4.3 cents). 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 2021 (2020: Nil).

## 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, 24 August 2021, the register of members of the Company will be closed from Thursday, 19 August 2021 to Tuesday, 24 August 2021, 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, 18 August 2021.

## Appreciation

On behalf of the Board, I would like to take this opportunity to express my hearty gratitude to our business partners and shareholders for their unwavering support to the Group. I also extended my heartfelt appreciation to our management for their invaluable contribution and staff for their dedication throughout the challenging year.

**Wong Leung Pak, Matthew, BBS**
*Chairman*

Hong Kong
25 June 2021

## Results

For the year ended 31 March 2021, the Group recorded a consolidated loss of approximately HK$44 million as compared to a consolidated profit of approximately HK$22 million for the corresponding period of the previous year. Revenue of the Group was approximately HK$1,084 million for the current year as compared to approximately HK$2,463 million for the previous year, representing a decrease of approximately 56%. Tourism and transport industry has been impacted greatly by the coronavirus disease ("COVID-19") during the year, as global and local development of the pandemic has been volatile with extended stringent anti-epidemic measures implemented by the Government of the Hong Kong Special Administrative Region (the "Government"), which substantially brought down patronage and revenue in the Group's operation.

The Group applied measures to control costs to mitigate its loss, enhanced 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, as well as encouraging employees to participate in an early retirement plan and streamlining workflow. The Group has also deferred replacement of new vehicles and obtained rent concessions on certain ticketing centers and office premises from landlords. Various relief measures amounting to HK$242 million were granted this year by the Government to the Group under the Anti-Epidemic Fund to alleviate operating burden, including HK$141 million under the Employment Support Scheme, which was spent in its entirety on paying wages to employees of the Group.

## Review of Operations

### 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. 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, this has resulted in this segment to be overall loss-making during the year.

Trans-Island Chinalink Bus Company Limited, a wholly-owned subsidiary of the Company, is the leading non-franchised cross-boundary bus service operator in Hong Kong. The revenue of cross-boundary non-franchised bus operation for the current year was approximately HK$10 million, representing a decrease of 98.9% as compared to approximately HK$909 million of the previous year. The decrease was mainly due to the outbreak of COVID-19 with strict border control measures implemented by the Government to reduce the flow of people between Mainland China and Hong Kong since February 2020. Pandemic has brought inbound and outbound travel activities to a standstill and the full resumption of cross-border travel is unlikely to happen in the short term, thus the Group's cross boundary operations remain challenging in the near term. The Group will continue to implement cost control measures as well as preparation works for tourism recovery.

## Review of Operations – Continued

### 1. Non-franchised Bus Segment – Continued

Kwoon Chung Motors Company, Limited is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. The revenue of local non-franchised bus operation for the current year was approximately HK$738 million, representing a decrease of 20.6% as compared to approximately HK$929 million of the previous year. In response to the situation of the COVID-19 pandemic, the Government has extended social distancing measures during the year including class suspension and work from home arrangement, which resulted in decrease in transport demand. The revenue of scheduled service for the current year decreased by 13.7% to HK$725 million compared with HK$840 million for the previous year. The revenue of non-scheduled service for the current year decreased by 85.4% to HK$13 million compared with HK$89 million for the previous year, as a result of reduction in the number of tours, meetings, incentives, conventions and exhibitions. As the local pandemic situation has remained generally stable in the past months, the demand for scheduled service is expected to recover gradually while the demand for non-scheduled service may remain weak until economic activities resume normal.

### 2. Limousine Segment

Intercontinental Limousine Company Limited and Kwoon Chung Trans-Island Travel Company Limited, both are the wholly-owned subsidiaries of the Company that provide Hotels VIP, corporate clients and leisure travelers with safe, reliable, professional and high quality luxury vehicle transfer service between Mainland China, Hong Kong and Macau.

Under the impact of the COVID-19, global travel restrictions and compulsory quarantine measures have caused a precipitous decline in visitor arrivals to Hong Kong. The revenue of limousine services for the current year was approximately HK$31 million, representing a decrease of 89.3% as compared to approximately HK$290 million of the previous year. To help alleviate the situation, the Group is shifting its focus to catering for local demand as well as certain cost control measures.

### 3. Franchised Bus and PLB Segment

As at 31 March 2021, New Lantao Bus Company (1973) Limited ("NLB") operated 27 (2020: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 149 (2020: 155) buses. The Group also operated one green public light bus ("PLB") route, connecting the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and Tung Chung.

Fare revenue of NLB for the current year was approximately HK$115 million, representing a decrease of 34.3% as compared to approximately HK$175 million of the previous year. The decrease was mainly due to the outbreak of COVID-19 which caused a sharp fall in passenger numbers on Lantau bus routes and PLB route was forced to suspend. The Executive Council gave the nod to NLB to increase the fares of its routes taking effect in April 2021. The Group expects that the fare adjustment and the continuing implementation of cost control measures which shall put NLB on track to operate in a sustainable manner.

## Review of Operations – Continued

### 4. Mainland China Business Segment

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

As at 31 March 2021, the Group owned 67.807% equity interest in Bipenggou Tourism. Located within the Solo Valley in Putou Rural area, Lixian County, Aba Prefecture, the scenic area of Bipenggou maintains its popularity in Sichuan Province, Mainland China. With the Wenma Expressway opened to traffic in 2020, Bipenggou has developed into the back garden of Chengdu's people based on its inherent geographical advantage and convenient access. It is only 201 kilometers away by car.

Bipenggou was titled World Natural Heritage, World Network of Biosphere Reserves, National AAAA Tourist Scenic Spot and was awarded as the National Ecotourism Demonstration Zone and Sichuan Provincial Ecotourism Demonstration Zone. Bipenggou is hugely popular among tourists all year round, offering a blooming mountain landscape in spring, an ideal resort in summer, a stunning world of red leaves in autumn and endless fun and excitement from skiing in winter. The Namu Lake Hot Spring Resort in the scenic area has also earned the praise as the "Little Switzerland of Western Sichuan". The hotel has undergone renovation and upgrade of its rooms with each now fitted with its own private hot spring bath. The glacier ropeway project is under planning and is expected to raise the profile and awareness of the Bipenggou area.

With the pandemic in Mainland China being brought under control in the second half of 2020, the management believes that Bipenggou will once again return as a sought-after destination for travel enthusiasts. This is especially the case for domestic travelers while international travelling is restricted. Wellness travel is also destined to become a trending lifestyle.

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

As at 31 March 2021, the Group owned 100% equity interest in CQ Hotel which operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Chongqing, Mainland China. 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. With the increasing penetration of the Internet and possibilities opened up by the latest cutting-edge technology, CQ Hotel is embracing the current trend for hospitality automation which would bring in the benefits of enhanced flexibility and versatility, lowered costs and improved operational efficiency.

## Review of Operations – Continued

### 4. Mainland China Business Segment – Continued

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

As at 31 March 2021, the Group owned 100% equity interest in Hubei Shenzhou. Hubei Shenzhou operates a long-distance bus terminal, a public bus transport company, and related business with 210 (2020: 220) routes and 492 (2020: 530) buses in Xiangyang City and Nanzhang County, Hubei Province. After a lengthy preparation for the construction, a new bus terminal in Nanzhang County has commenced operation in January 2021. Long-distance bus transportation business continues to be affected by high-speed rail. The management is focusing its efforts on studying 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.

With the extension and development of rail transport, the domestic road passenger transportation business in the PRC has been significantly affected in recent years. The Group has been facing the challenges arising from the decline in business volume and has to diversify into various businesses for future development. In order to revitalize and make better use of resources, the Group is proactively examining ways to enhance the use of the lands on which the passenger terminals are situated and is also exploring for other development.

## Future Prospects

Under the impact of the COVID-19 pandemic, the Group's operation has faced unprecedented challenges during the year. Owing to the volatile pandemic, economic activities and inbound and outbound travel will still take time to recover, depending on the local and global pandemic situation, process and efficiency of COVID-19 vaccines and travel resumption progress, the financial performance of the Group still faces significant challenges and uncertainties in the first half of 2021.

However, once the pandemic eases, Mainland China is expected to be the economy with the fastest recovery. Developing tourism in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") is a major focus of Mainland China's upcoming development. Since Hong Kong is a regional transport hub in the Greater Bay Area, the Group can leverage the cross-boundary transport connectivity within the Greater Bay Area to embrace the development opportunities, advanced to the Group's cross boundary operations.

The Group will remain cautiously optimistic to closely monitor the market development and will adjust its business strategies to maintain sustainable long-term value for all stakeholders.

## 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 2021, the total outstanding indebtedness was approximately HK$1,911 million (2020: HK$1,937 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 2021, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 84.4% (2020: 86.4%).

## 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 paying close attention to 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.

## Employees and Remuneration Policies

As at 31 March 2021, the Group employed approximately 3,900 employees in Hong Kong, Mainland China and Macau. 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.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## Significant Investments

During the year, the Group did not acquire or hold any significant investments.

## Charges on Group Assets

Details of the charges on assets of the Group as at 31 March 2021 are included in note 29 to the financial statements.

## Future Plans for Material Investments or Capital Assets

As at 31 March 2021, the Group did not have any future plans for material investments or capital assets.

## Contingent Liabilities

As at 31 March 2021, the Group did not have any significant contingent liabilities (2020: Nil)

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Practices

Preserving a high level of corporate governance and business ethics is one of the Group's core values. The Group believes 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 2021, 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 2021.

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 2021, 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 10.

### 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 2021, 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 2021, 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 2021. 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 2020 and annual results for the year ended 31 March 2021 have been reviewed by the audit committee.

### Nomination Committee

As at 31 March 2021, 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 2021, 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 2021, 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. Further, the remuneration committee is responsible for assessing the performance of executive Directors and approving the terms of executive Directors' service contracts. Remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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

## Board Committees – Continued

### Remuneration Committee – continued

The remuneration committee met once during the year ended 31 March 2021 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 2021 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 March 2021, the remuneration of the senior management is listed as below by band:

| **Band of Remuneration** | **Number of Persons** |
|---|---|
| Nil to HK$1,000,000 | 2 |
| HK$1,000,001 to HK$1,500,000 | 2 |
| HK$1,500,001 to HK$2,000,000 | 2 |

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

### Corporate Governance

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

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

### Attendance Record of Directors and Committee Members

During the year ended 31 March 2021, 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 2021 is set out in the table below:

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

## 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 2021, 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 2021.

## 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 37 to 41 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 2021 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 2021 are as follows:

| | **HK$'000** |
|---|---|
| 2020/2021 annual audit | **2,860** |
| Non-audit related services* | **1,135** |
| | **3,995** |

* include tax compliance services of HK$915,000.

There was no disagreement between the Board and the audit committee on the selection and appointment of the external auditor during the year.

## 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 2021, 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 2021, the Company has not made any changes to its bye-laws. The latest version of the Company's bye-laws is also available on the Company's website and the Stock Exchange's website.

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

## Shareholders' Rights

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

### 1. Convening a Special General Meeting by Shareholders

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

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

### 2. Putting Forward Proposals at General Meetings

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

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

### 3. Putting Forward Enquiries to the Board

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

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

## Primary Contact Person

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


| | |
|---|---|
| Name: | Mr. 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.

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2021.

## 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 12 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 43 to the financial statements.

## Results and Dividends

The Group's results for the year ended 31 March 2021 and the Group's financial position at that date are set out in the financial statements on pages 42 to 45.

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.

## Results

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| REVENUE | **1,083,879** | 2,463,264 | 2,971,865 | 2,543,654 | 2,440,862 |
| OPERATING PROFIT/(LOSS) | **(61,467)** | 33,745 | 304,409 | 317,623 | 420,283 |
| Share of profits and losses of associates | **(1,926)** | 2,112 | 3,584 | (321) | (25) |
| PROFIT/(LOSS) BEFORE TAX | **(63,393)** | 35,857 | 307,993 | 317,302 | 420,258 |
| Income tax credit/(expense) | **19,649** | (13,440) | (48,633) | (40,953) | (55,328) |
| PROFIT/(LOSS) FOR THE YEAR | **(43,744)** | 22,417 | 259,360 | 276,349 | 364,930 |
| Attributable to: | | | | | |
| Owners of the parent | **(46,891)** | 20,170 | 253,635 | 275,694 | 363,909 |
| Non-controlling interests | **3,147** | 2,247 | 5,725 | 655 | 1,021 |
| | **(43,744)** | 22,417 | 259,360 | 276,349 | 364,930 |

## Assets, Liabilities and Non-Controlling Interests

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **5,126,868** | 5,223,173 | 5,308,043 | 4,870,951 | 4,088,705 |
| TOTAL LIABILITIES | **(2,863,374)** | (2,980,639) | (3,038,333) | (2,750,446) | (2,214,035) |
| NON-CONTROLLING INTERESTS | **(81,894)** | (81,635) | (88,477) | (87,989) | (131,922) |
| | **2,181,600** | 2,160,899 | 2,181,233 | 2,032,516 | 1,742,748 |

## Share Capital and Share Options

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

## Pre-Emptive Rights

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

## Purchase, Redemption or Sale of Listed Securities of the Company

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

## Distributable Reserves

As at 31 March 2021, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to approximately HK$72,170,000. 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 did not make any charitable contributions (2020: HK$400,000).

## Major Customers and Suppliers

The turnover attributable to the five largest customers and the largest customer of the Group accounted for less than 15% and approximately 4% of the Group's total turnover for the year respectively.

Purchases from the Group's five largest suppliers accounted for approximately 59% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19%.

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

## Directors

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

### Executive Directors:

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

### Independent Non-executive Directors:

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

## Directors – Continued

According to bye-law 87 of the Company's bye-laws, Messrs. Wong Leung Pak, Matthew, BBS and James Mathew Fong, 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 10 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 2021 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 2021 or during the year ended 31 March 2021.

## Directors' Interests in Competing Businesses

As at 31 March 2021, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 to the Listing Rules, were as follows:

### 1. Long Positions in Ordinary Shares of the Company

| | Number of ordinary shares held, capacity and nature of interest | | | |
|---|---|---|---|---|
| **Name of Directors** | **Directly beneficially owned** | **Through controlled corporation** | **Total** | **Percentage of the Company's issued share capital (%)** |
| Mr. Wong Leung Pak, Matthew, BBS | 599,665[(1)] | 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 2021, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares or Debentures

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

## Debentures in Issue

The Company did not have any debentures in issue during the year ended 31 March 2021.

## 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 33 to the financial statements. The following share options were granted and outstanding under the share option scheme during the year.

| | Number of share options | | | | | | | Price of the Company's shares | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category of participant | At 1 April 2020 | Granted during the year | Exercised during the year | Lapsed/ cancelled during the year | At 31 March 2021 | Date of grant of share options | Exercise period of share options | Exercise price of share options* HK$ per share | At grant date of options** HK$ per share | At exercise date of options# HK$ per share |
| 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 2021. Save for the share option scheme, details of which are disclosed in note 33 to the financial statements which forms part of this Report of the Directors, no equity-linked agreement existed during the year ended 31 March 2021.

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

As at 31 March 2021, 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 | 109,558,768 | 22.98 |

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 2021, 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$10,458,000 (2020: HK$10,758,000).

## 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.

## 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.

## 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.

Detail information regarding the environmental, social and governance practices adopted by the Group is set out in the Environmental, Social and Governance Report which will be disclosed as a separate report and published on the websites of the Stock Exchange and the Company within the period as required by Appendix 27 of the Listing Rules.

## 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 2021.

## Tax Relief and Exemption

The Company is not aware of any relief and exemption from taxation available to the Shareholders by reason of their holding the Company's securities.

## Sufficiency of Public Float

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, at least 25% of the issued shares of the Company were held by the public.

## Event after the Reporting Period

Details of the event after the reporting period are set out in note 45 to the financial statements.

## 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
25 June 2021

# 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 42 to 155, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Key audit matters

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

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

### Key audit matters – continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Assessment of recoverable amounts of the non-franchised bus cash-generating unit ("Non-franchised Bus CGU"), limousine cash-generating unit ("Limousine CGU") and franchised bus and public light bus ("PLB") cash-generating unit ("Franchised Bus and PLB CGU")* | |
| As at 31 March 2021, the Group had goodwill, passenger service licences, other intangible assets, property, plant and equipment and right-of-use assets in aggregate of HK$3,022.9 million, which were related to the Non-franchised Bus CGU, Limousine CGU and Franchised Bus and PLB CGU, representing 59.0% of total assets.<br><br>The Group's management performed an annual impairment assessment by assessing the recoverable amounts of the Non-franchised Bus CGU, Limousine CGU and Franchised Bus and PLB CGU based on value in use calculations, with the assistance from an independent external valuer.<br><br>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, Limousine CGU and Franchised Bus and PLB CGU.<br><br>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. | We involved our internal valuation specialists to assist us in evaluating the methodologies, assumptions and estimates used in the 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, Limousine CGU and Franchised Bus and PLB CGU, and market data; (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.<br><br>In addition, we assessed the independence, objectivity and competence of the external valuer engaged by management and evaluated the adequacy of related disclosures in the financial statements. |

### Other information included in the Annual Report

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

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

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

### Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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*
27/F, One Taikoo Place
979 King's Road
Quarry Bay,
Hong Kong
25 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **1,083,879** | 2,463,264 |
| Cost of services rendered | | **(1,158,362)** | (2,095,752) |
| Gross profit/(loss) | | **(74,483)** | 367,512 |
| Other income and gains, net | 5 | **326,765** | 76,591 |
| Administrative expenses | | **(246,398)** | (327,271) |
| Other expenses, net | | **(22,540)** | (8,855) |
| Finance costs | 6 | **(44,811)** | (74,232) |
| Share of profits and losses of associates | | **(1,926)** | 2,112 |
| **PROFIT/(LOSS) BEFORE TAX** | 7 | **(63,393)** | 35,857 |
| Income tax credit/(expense) | 10 | **19,649** | (13,440) |
| **PROFIT/(LOSS) FOR THE YEAR** | | **(43,744)** | 22,417 |
| Attributable to: | | | |
| Owners of the parent | | **(46,891)** | 20,170 |
| Non-controlling interests | | **3,147** | 2,247 |
| | | **(43,744)** | 22,417 |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 12 | | |
| Basic | | **(HK9.8 cents)** | HK4.3 cents |
| Diluted | | **(HK9.8 cents)** | HK4.3 cents |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **PROFIT/(LOSS) FOR THE YEAR** | | **(43,744)** | 22,417 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **52,137** | (53,241) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Gains on property revaluation | 13, 15(a) | **20,350** | 28,449 |
| Income tax effect | 31 | **–** | (7,112) |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | | **20,350** | 21,337 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | | **72,487** | (31,904) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **28,743** | (9,487) |
| Attributable to: | | | |
| Owners of the parent | | **20,701** | (7,664) |
| Non-controlling interests | | **8,042** | (1,823) |
| | | **28,743** | (9,487) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **1,761,303** | 1,854,792 |
| Investment properties | 14 | **372,940** | 319,616 |
| Right-of-use assets | 15(a) | **197,542** | 208,841 |
| Goodwill | 16 | **201,801** | 201,801 |
| Passenger service licences | 17 | **1,125,367** | 1,125,367 |
| Other intangible assets | 18 | **331,882** | 347,510 |
| Interests in associates | 19 | **47,264** | 37,593 |
| Equity investments designated at fair value through other comprehensive income | 20 | **1,233** | 1,233 |
| Financial assets at fair value through profit or loss | 21 | **31,464** | 30,511 |
| Prepayments, deposits and other receivables | 24 | **143,885** | 205,026 |
| Deferred tax assets | 31 | **4,136** | 3,236 |
| Total non-current assets | | **4,218,817** | 4,335,526 |
| **CURRENT ASSETS** | | | |
| Inventories | | **35,949** | 30,716 |
| Trade receivables | 23 | **150,002** | 208,770 |
| Loan receivable | 22 | **–** | 6,227 |
| Prepayments, deposits and other receivables | 24 | **190,790** | 207,007 |
| Tax recoverable | | **9,408** | 3,188 |
| Pledged time deposits and restricted cash | 25 | **40,330** | 37,760 |
| Cash and cash equivalents | 25 | **481,572** | 393,979 |
| Total current assets | | **908,051** | 887,647 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | 26 | **74,649** | 62,874 |
| Other payables and accruals | 27 | **486,438** | 501,351 |
| Derivative financial instrument | 28 | **–** | 597 |
| Interest-bearing bank borrowings | 29 | **1,302,278** | 1,150,078 |
| Lease liabilities | 15(b) | **19,473** | 24,611 |
| Tax payable | | **38,156** | 44,027 |
| Total current liabilities | | **1,920,994** | 1,783,538 |
| **NET CURRENT LIABILITIES** | | **(1,012,943)** | (895,891) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,205,874** | 3,439,635 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | 29 | **608,949** | 787,358 |
| Lease liabilities | 15(b) | **15,967** | 29,925 |
| Other long term liabilities | 30 | **62,532** | 83,948 |
| Deferred tax liabilities | 31 | **254,932** | 295,870 |
| Total non-current liabilities | | **942,380** | 1,197,101 |
| Net assets | | **2,263,494** | 2,242,534 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 32 | **47,678** | 47,678 |
| Reserves | 34 | **2,133,922** | 2,113,221 |
| | | **2,181,600** | 2,160,899 |
| **Non-controlling interests** | | **81,894** | 81,635 |
| Total equity | | **2,263,494** | 2,242,534 |

**Wong Leung Pak, Matthew, BBS**
*Director*

**Wong Cheuk On, James**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

| | | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 (note 34) | Capital reserve HK$'000 | Share option reserve HK$'000 (note 34) | Asset revaluation reserve HK$'000 | Reserve fund HK$'000 (note 34) | Exchange equalisation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 April 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 | 33 | – | – | – | – | 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 | 32 | 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 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

| | | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 (note 34) | Capital reserve HK$'000 | Share option reserve HK$'000 (note 34) | Asset revaluation reserve HK$'000 | Reserve fund HK$'000 (note 34) | Exchange equalisation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 April 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 |
| Loss for the year | | - | - | - | - | - | - | - | - | (46,891) | (46,891) | 3,147 | (43,744) |
| Other comprehensive income for the year: | | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | 47,242 | - | 47,242 | 4,895 | 52,137 |
| Gains on property revaluation | | - | - | - | - | - | 20,350 | - | - | - | 20,350 | - | 20,350 |
| Total comprehensive income for the year | | - | - | - | - | - | 20,350 | - | 47,242 | (46,891) | 20,701 | 8,042 | 28,743 |
| Transfer of depreciation on buildings | | - | - | - | - | - | (5,813) | - | - | 5,813 | - | - | - |
| Transfer from retained profits | | - | - | - | - | - | - | 3,413 | - | (3,413) | - | - | - |
| Dividends to non-controlling shareholders of subsidiaries | | - | - | - | - | - | - | - | - | - | - | (7,783) | (7,783) |
| At 31 March 2021 | | 47,678 | 676,246* | 10,648* | (1,855)* | 6,511* | 239,909* | 5,316* | 11,631* | 1,185,516* | 2,181,600 | 81,894 | 2,263,494 |

* These reserve accounts comprise the consolidated reserves of HK$2,133,922,000 (2020: HK$2,113,221,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax | | **(63,393)** | 35,857 |
| Adjustments for: | | | |
| Share of profits and losses of associates | | **1,926** | (2,112) |
| Bank interest income | 5 | **(1,048)** | (1,285) |
| Other interest income | 5 | **–** | (19) |
| Recognition of deferred income | | **(24,340)** | (27,965) |
| Fair value loss/(gain) on investment properties, net | 5 | **(1,004)** | 6,372 |
| Fair value gain on financial assets at fair value through profit or loss, net | 5 | **(953)** | (957) |
| Gain on disposal of items of property, plant and equipment, net | 5 | **(2,483)** | (1,151) |
| Finance costs | 6 | **44,811** | 74,232 |
| Loss on deregistration of an associate | 7 | **245** | – |
| Amortisation of other intangible assets | 7 | **15,760** | 15,762 |
| Depreciation of property, plant and equipment | 7 | **253,919** | 286,631 |
| Depreciation of right-of-use assets | 7 | **40,763** | 40,653 |
| Fair value loss/(gain) on derivative financial instrument | 7 | **(597)** | 1,831 |
| Loss/(gain) on termination of leases | 7 | **(306)** | 9 |
| Covid-19-related rent concessions from lessors | 7 | **(7,078)** | – |
| Impairment of trade receivables, net | 7 | **6,968** | 2,428 |
| Reversal of impairment of a loan receivable | 7 | **(159)** | (348) |
| Impairment of financial assets included in prepayments, deposits and other receivables, net | 7 | **13,793** | 456 |
| Write-off of items of property, plant and equipment | 7 | **–** | 3,078 |
| Equity-settled share option expense | 33 | **–** | 6,511 |
| | | **276,824** | 439,983 |
| Decrease/(increase) in inventories | | **(5,129)** | 1,345 |
| Decrease in trade receivables | | **52,241** | 76,606 |
| Decrease in prepayments, deposits and other receivables | | **60,778** | 47,273 |
| Increase/(decrease) in trade payables | | **10,931** | (24,364) |
| Increase/(decrease) in other payables and accruals | | **(30,180)** | 20,572 |
| Increase/(decrease) in other long term liabilities | | **17** | (120) |
| Cash generated from operations | | **365,482** | 561,295 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Cash generated from operations | | **365,482** | 561,295 |
| Bank interest received | | **1,048** | 1,285 |
| Interest paid | | **(44,811)** | (74,232) |
| Hong Kong profits tax refunded/(paid) | | **(28,695)** | 5,021 |
| Overseas taxes paid | | **(5,915)** | (6,964) |
| Net cash flows from operating activities | | **287,109** | 486,405 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease/(increase) in deposits paid for purchases of items of property, plant and equipment | | **2,583** | (36,779) |
| Proceeds from disposal of items of property, plant and equipment | | **14,314** | 6,638 |
| Additions to investment properties | | **(10,303)** | – |
| Additions to right-of-use assets | | **(3,115)** | – |
| Purchases of items of property, plant and equipment | | **(119,458)** | (196,562) |
| Additions to passenger service licences | | **–** | (34,800) |
| Investments in associates | | **(12,836)** | (4,333) |
| Repayment from an associate | | **1,000** | 636 |
| 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 |
| Increase in pledged time deposits and restricted cash | | **(2,570)** | (15,001) |
| Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired | | **548** | (232) |
| Net cash flows used in investing activities | | **(129,837)** | (270,927) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Drawdown of new bank loans | 36(b) | **232,165** | 643,816 |
| Repayment of bank loans | 36(b) | **(268,354)** | (685,079) |
| Repayment of other loans | 36(b) | **–** | (11,988) |
| Principal portion of lease payments | 36(b) | **(27,308)** | (32,914) |
| Dividends paid | | **–** | (19,181) |
| Dividends paid to non-controlling shareholders of subsidiaries | | **(7,783)** | (5,019) |
| Net cash flows used in financing activities | | **(71,280)** | (110,365) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **85,992** | 105,113 |
| Cash and cash equivalents at beginning of year | | **392,794** | 292,035 |
| Effect of foreign exchange rate changes, net | | **2,149** | (4,354) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **480,935** | 392,794 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 25 | **480,935** | 392,794 |
| Non-pledged time deposits with original maturity of more than three months when acquired | | **637** | 1,185 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | **481,572** | 393,979 |
| Non-pledged time deposits with original maturity of more than three months when acquired | | **(637)** | (1,185) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **480,935** | 392,794 |



## 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 of the Company is Basic Faith Company Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the 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 |
|---|---|---|---|---|---|
| | | | **2021** | 2020 | |
| Kwoon Chung Buses Investment Limited | British Virgin Islands/ Hong Kong | US$6,000 | **100** | 100 | Investment holding |
| Charm Joy Limited | Hong Kong | HK$1 | **100** | 100 | Leasing of properties |
| Chinalink Express Holdings Limited | Hong Kong | HK$35,000,000 | **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 |
| Coronet Ray Development Limited | Hong Kong | HK$1 | **100** | 100 | Provision of public light bus services |
| Elegant Sun Group Limited | British Virgin Islands/ Hong Kong | US$1 | **100** | 100 | Investment holding |
| Gallic Limited | Hong Kong | HK$900 | **100** | 100 | Leasing of properties and investment holding |

## 1. Corporate and Group Information – Continued

### Information about subsidiaries – continued

| Name | Place of incorporation/ registration and business | Issued ordinary share/registered paid-up capital | Percentage of equity interest attributable to the Company# 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|
| Guangzhou City Zhongguan Consulting Services Company Limited 廣州市中貫諮詢服務有限公司** | PRC/ Mainland China | RMB5,000,000 | **100** | 100 | Investment holding |
| Guangzhou Gogo TIL Consulting Services Company Limited 廣州通寶環島諮詢服務有限公司^ | PRC/ Mainland China | RMB5,000,000 | **100** | 100 | Investment holding |
| HK Kwoon Chung (Hubei) Bus Investment Company Limited | Hong Kong | HK$2 | **100** | 100 | Investment holding |
| HK Kwoon Chung Tourism Development Company Limited | Hong Kong | HK$1 | **100** | 100 | Investment holding |
| 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 |
| Intercontinental Limousine Company Limited | Hong Kong | HK$5,000,000 | **100** | 100 | Provision of limousine hire services and investment holding |
| Kwoon Chung Auto Repair Company Limited | Hong Kong | HK$1,000,000 | **100** | 100 | Provision of motor vehicles repairs and maintenance services |
| Kwoon Chung Autotech Services Limited | Hong Kong | HK$100,000 | **100** | 100 | Provision of motor vehicles repairs and maintenance services |
| Kwoon Chung (Chongqing) Tourism Development Co., Ltd 冠忠(重慶)旅遊開發有限公司@ | PRC/ Mainland China | RMB10,790,680 | **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 Trans-Island Travel Company Limited | Hong Kong | HK$500,000 | **100** | 100 | Provision of limousine hire services |

## 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[#] 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|
| 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$100,000,000 | **99.99** | 99.99 | Provision of franchised 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 |
| Shenzhen Qianhai TIL Management and Consulting Company Limited 深圳市前海環島管理咨詢有限公司[@] | PRC/ Mainland China | RMB96,000,000 | **100** | 100 | Holding of properties |
| Trans-Island Limousine Service Limited | Hong Kong | HK$1,000<br>Non-voting deferred HK$30,000,000 | **100** | 100 | Provision of bus hire services and investment holding |
| Trans-Island Chinalink Bus Company Limited (formerly known as "Chinalink Bus Company Limited") | Hong Kong | HK$2 | **100** | 100 | Provision of bus and travel-related services |

## 1. Corporate and Group Information – Continued

### Information about subsidiaries – continued

| | |
|---|---|
| # | Represents the effective holding of the Group after non-controlling interests therein |
| * | Registered as Sino-foreign equity joint venture companies in the PRC |
| ** | Limited companies established in the PRC |
| ^ | The entire equity interest in this subsidiary is held on trust by a director of the Company on the Group's behalf. |
| @ | Registered as a wholly-foreign-owned enterprise under PRC law |

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 ("HKICPA"), 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 instrument 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.1 Basis of Preparation – Continued

### Basis of consolidation – continued

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

## 2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 3 | *Definition of a Business* |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | *Interest Rate Benchmark Reform* |
| 2020 Amendment to HKFRS 16 | *Covid-19-Related Rent Concessions* (early adopted) |
| 2021 Amendment to HKFRS 16 | *Covid-19-Related Rent Concessions* (early adopted) |
| Amendments to HKAS 1 and HKAS 8 | *Definition of Material* |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

## 2.2 Changes in Accounting Policies and Disclosures – Continued

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) 2020 Amendment to HKFRS 16 and 2021 Amendment to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The 2020 Amendment to HKFRS 16 is effective for annual periods beginning on or after 1 June 2020 and the 2021 Amendment to HKFRS 16 is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 March 2021, certain monthly lease payments for the leases of the Group's office properties, ticket counters, bus depots, terminals and car parks have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendments on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 March 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$7,078,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2021.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 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 | *Reference to the Conceptual Framework*[2] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | *Interest Rate Benchmark Reform - Phase 2*[1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKFRS 17 | *Insurance Contracts*[3, 6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current*[3, 5] |
| Amendments to HKAS 1 | *Disclosure of Accounting Policies*[3] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[3] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3] |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to HKAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| *Annual Improvements* to *HKFRSs 2018-2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 March 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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.

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 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.

## 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

## 2.4 Summary of Significant Accounting Policies – Continued

### Business combinations and goodwill – continued

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.

### 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.

## 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.

### 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

## 2.4 Summary of Significant Accounting Policies – Continued

### Related parties – continued

(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.

### 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.

## 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.

## 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 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.

## 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 they either have no expiration or are renewable on a periodic basis with the appropriate authority and there is no foreseeable limit to the number of renewals and the period over which these assets are expected to generate cash flows for the Group.

### Leases

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. 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 to 15 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".

## 2.4 Summary of Significant Accounting Policies – Continued

### Leases – 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 lease. 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.

## 2.4 Summary of Significant Accounting Policies – Continued

### Leases – 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.

### 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.

## 2.4 Summary of Significant Accounting Policies – Continued

### Financial assets – continued

#### Initial recognition and measurement – continued

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.

#### 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.

## 2.4 Summary of Significant Accounting Policies – Continued

### Financial assets – continued

#### Subsequent measurement – continued

*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.

### Derecognition of financial assets

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

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

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

## 2.4 Summary of Significant Accounting Policies – Continued

### Derecognition of financial assets – continued

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

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

### Impairment of financial assets

The Group 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).

## 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.

## 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.

## 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.

## 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.

## 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, and 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.

## 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, for 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 with 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.

### Revenue from other sources

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

## 2.4 Summary of Significant Accounting Policies – Continued

### Revenue recognition – continued

#### Other income

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).

### 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 33 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.

## 2.4 Summary of Significant Accounting Policies – Continued

### Share-based payments – continued

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

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

## 2.4 Summary of Significant Accounting Policies – Continued

### Other employee benefits – continued

#### Pension schemes – continued

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.

### 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.

### 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.

### 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).

## 2.4 Summary of Significant Accounting Policies – Continued

### Foreign currencies – continued

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

## 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

In determining the useful lives of other intangible assets, the Group considers the expected period in which economic benefits can be generated from the other intangible assets. The Group determines the other intangible assets with indefinite useful life if there is no foreseeable limit to the period over which the other intangible assets that are expected to generate net cash inflow for the Group. Useful lives are reviewed on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates.

## 3. Significant Accounting Judgements and Estimates – Continued

### (iv) 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.

### (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.

## 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 22 and 24 to the financial statements.

## 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 42 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).

## 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 (other than limousine hire services) between Hong Kong and Mainland China and other related services;

(b) the limousine segment includes the provision of limousine hire services in Hong Kong and cross-boundary limousine hire services between Mainland China, Hong Kong and Macau;

(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/(loss) before tax except that non-lease-related finance costs are excluded from such measurement.

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

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

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

During the year ended 31 March 2021, the Group changed the internal reporting structure for making decisions about resource allocation and performance assessment. The cross-boundary limousine hire services between Hong Kong and Mainland China previously reported under the "Non-franchised bus" segment have been reorganised into the "Limousine" segment. Accordingly, the amounts previously reported under these reportable operating segments have been reclassified to conform with the current year's presentation.

## 4. Operating Segment Information – Continued

**Year ended 31 March 2021/at 31 March 2021**

| | Non-franchised bus HK$'000 | Limousine HK$'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 | 752,227 | 30,925 | 114,846 | 185,589 | 292 | - | 1,083,879 |
| Intersegment sales | 24,596 | 8,642 | 7 | - | - | (33,245) | - |
| Other revenue | 249,471 | 38,731 | 27,355 | 24,235 | 2,105 | (15,132) | 326,765 |
| Total | 1,026,294 | 78,298 | 142,208 | 209,824 | 2,397 | (48,377) | 1,410,644 |
| **Segment results** | 3,676 | (49,006) | (9,442) | 33,916 | 1,206 | - | (19,650) |
| Reconciliation: | | | | | | | |
| Finance costs (other than interest on lease liabilities) | | | | | | | (43,743) |
| Loss before tax | | | | | | | (63,393) |
| **Segment assets** | 3,560,718 | 230,262 | 261,893 | 920,821 | 67,836 | - | 5,041,530 |
| Reconciliation: | | | | | | | |
| Unallocated assets | | | | | | | 85,338 |
| Total assets | | | | | | | 5,126,868 |
| **Segment liabilities** | 331,193 | 86,856 | 46,606 | 151,132 | 43,272 | - | 659,059 |
| Reconciliation: | | | | | | | |
| Unallocated liabilities | | | | | | | 2,204,315 |
| Total liabilities | | | | | | | 2,863,374 |

## 4. Operating Segment Information – Continued

**Year ended 31 March 2021/at 31 March 2021 – continued**

| | Non-franchised bus HK$'000 | Limousine HK$'000 | Franchised bus and PLB HK$'000 | Mainland China business HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Other segment information:** | | | | | | |
| Interests in associates | 45,177 | – | – | – | 2,087 | 47,264 |
| Share of losses/(profits) of associates | 2,894 | – | – | – | (968) | 1,926 |
| Capital expenditure* | 26,446 | 5,814 | 12,127 | 85,906 | – | 130,293 |
| Amortisation of other intangible assets | 13,107 | 2,319 | – | 334 | – | 15,760 |
| Bank interest income | 581 | – | – | 467 | – | 1,048 |
| Depreciation of property, plant and equipment | 149,303 | 28,803 | 29,840 | 45,429 | 544 | 253,919 |
| Depreciation of right-of-use assets | 34,777 | 1,976 | 152 | 3,858 | – | 40,763 |
| Impairment of trade receivables, net | 6,624 | 85 | 16 | 243 | – | 6,968 |
| Impairment of financial assets included in prepayments, deposits and other receivables, net | 13,793 | – | – | – | – | 13,793 |
| Reversal of impairment of a loan receivable | – | – | – | 159 | – | 159 |
| Fair value gain on investment properties | 700 | – | – | 4 | 300 | 1,004 |
| Gain on disposal of items of property, plant and equipment, net | 2,187 | 62 | 25 | 209 | – | 2,483 |

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

## 4. Operating Segment Information – Continued

**Year ended 31 March 2020/at 31 March 2020**

| | Non-franchised bus HK$'000 (Restated) | Limousine HK$'000 (Restated) | 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 | 1,802,419 | 289,549 | 177,059 | 184,829 | 9,408 | – | 2,463,264 |
| Intersegment sales | 16,653 | 10,927 | 86 | – | – | (27,666) | – |
| Other revenue | 46,254 | 1,522 | 9,664 | 26,657 | 192 | (7,698) | 76,591 |
| Total | 1,865,326 | 301,998 | 186,809 | 211,486 | 9,600 | (35,364) | 2,539,855 |
| **Segment results** | 89,303 | (11,371) | (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** | 3,775,915 | 266,095 | 250,656 | 845,249 | 10,563 | – | 5,148,478 |
| Reconciliation: | | | | | | | |
| Unallocated assets | | | | | | | 74,695 |
| Total assets | | | | | | | 5,223,173 |
| **Segment liabilities** | 431,040 | 74,068 | 45,537 | 149,094 | 2,970 | – | 702,709 |
| Reconciliation: | | | | | | | |
| Unallocated liabilities | | | | | | | 2,277,930 |
| Total liabilities | | | | | | | 2,980,639 |

## 4. Operating Segment Information – Continued

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

| | Non-franchised bus HK$'000 (Restated) | Limousine HK$'000 (Restated) | 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 of associates | 1,517 | – | – | – | 595 | 2,112 |
| Capital expenditure* | 152,971 | 2,050 | 15,882 | 77,566 | – | 248,469 |
| Amortisation of other intangible assets | 13,105 | 2,320 | – | 337 | – | 15,762 |
| Bank interest income | 882 | – | 3 | 400 | – | 1,285 |
| Other interest income | 19 | – | – | – | – | 19 |
| Depreciation of property, plant and equipment | 187,604 | 25,161 | 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 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.

## 4. Operating Segment Information – Continued

### Geographical information

**(a) Revenue from external customers**

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Hong Kong and Macau | **898,290** | 2,278,435 |
| Mainland China | **185,589** | 184,829 |
| | **1,083,879** | 2,463,264 |

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

**(b) Non-current assets**

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Hong Kong and Macau | **3,027,253** | 3,211,277 |
| Mainland China | **1,110,078** | 1,005,409 |
| | **4,137,331** | 4,216,686 |

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 customers

No further information about major customers is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2020: Nil).

## 5. Revenue, Other Income and Gains, Net

An analysis of revenue is as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| *Revenue from contracts with customers* | 1,074,342 | 2,455,568 |
| *Revenue from other sources* | | |
| Gross rental income from investment property operating leases: | | |
| Lease payments, including fixed payments | 9,537 | 7,696 |
| | 1,083,879 | 2,463,264 |

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

**For the year ended 31 March 2021**

| Segments | Non-franchised bus HK$'000 | Limousine HK$'000 | Franchised bus and PLB HK$'000 | Mainland China business HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Types of services** | | | | | | |
| Provision of transportation services | 752,227 | 30,925 | 114,846 | 21,044 | – | 919,042 |
| Provision of hotel and tourism services | – | – | – | 155,008 | – | 155,008 |
| Provision of other services | – | – | – | – | 292 | 292 |
| Total revenue from contracts with customers | 752,227 | 30,925 | 114,846 | 176,052 | 292 | 1,074,342 |
| **Timing of revenue recognition** | | | | | | |
| Services transferred over time | 752,227 | 30,925 | 114,846 | 176,052 | 292 | 1,074,342 |

## 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 2020**

| Segments | Non-franchised bus HK$'000 | Limousine HK$'000 | Franchised bus and PLB HK$'000 | Mainland China business HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Types of services** | | | | | | |
| Provision of transportation services | 1,802,019 | 289,549 | 177,059 | 21,637 | – | 2,290,264 |
| Provision of hotel and tourism services | – | – | – | 155,896 | 6,578 | 162,474 |
| Provision of other services | – | – | – | – | 2,830 | 2,830 |
| Total revenue from contracts with customers | 1,802,019 | 289,549 | 177,059 | 177,533 | 9,408 | 2,455,568 |
| **Timing of revenue recognition** | | | | | | |
| Services transferred over time | 1,802,019 | 289,549 | 177,059 | 177,533 | 9,408 | 2,455,568 |

## 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Non-franchised bus and limousine services | **94,541** | 78,889 |
| Franchised bus and PLB services | **24** | 96 |
| Hotel and tourism services | **3,205** | 1,522 |
| Mainland China bus services | **752** | 1,271 |
| | **98,522** | 81,778 |

#### (ii) Performance obligations

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

*Transportation services*

The performance obligation is satisfied over time as services are rendered and services are generally completed within a short period of time. Payment of the transaction price is due upon completion of services 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 of not disclosing the remaining performance obligations for these type of contracts.

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

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Other income** | | |
| Bank interest income | **1,048** | 1,285 |
| Other interest income | **–** | 19 |
| Gross rental income | **13,466** | 16,640 |
| Advertising income | **660** | 688 |
| Government subsidies (note) | **268,511** | 43,770 |
| Covid-19-related rent concessions from lessors | **7,078** | – |
| Others | **31,562** | 18,453 |
| | **322,325** | 80,855 |
| **Gains, net** | | |
| Fair value gain/(loss) on investment properties, net | **1,004** | (6,372) |
| Fair value gain on financial assets at fair value through profit or loss | **953** | 957 |
| Gain on disposal of items of property, plant and equipment, net | **2,483** | 1,151 |
| | **4,440** | (4,264) |
| | **326,765** | 76,591 |

Note:

Government subsidies mainly represent subsidies granted by the Government of the Hong Kong Special Administrative Region under the anti-epidemic fund and the replacement of environmentally friendly commercial vehicles. 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:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Interests on: | | |
| Bank loans | **43,743** | 72,224 |
| Lease liabilities | **1,068** | 2,008 |
| | **44,811** | 74,232 |

## 7. Profit/(loss) Before Tax

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Amortisation of other intangible assets (note (i)) | **15,760** | 15,762 |
| Auditor's remuneration | **2,860** | 3,209 |
| Depreciation of property, plant and equipment (note (i)) | **253,919** | 286,631 |
| Depreciation of right-of-use assets (note (i)) | **40,763** | 40,653 |
| Employee benefit expense (including directors' remuneration (note 8)) (note (i)): | | |
| Wages, salaries, bonuses and other benefits | **590,664** | 982,938 |
| Pension scheme contributions (note (iii)) | **28,592** | 56,850 |
| Equity-settled share option expense | **–** | 6,511 |
| | **619,256** | 1,046,299 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | **229** | 123 |
| Fair value loss/(gain) on derivative financial instrument (note (ii)) | **(597)** | 1,831 |
| Foreign exchange differences, net | **(2,222)** | 1,372 |
| Lease payments in respect of bus route operating rights (note (i)) | **153,663** | 201,508 |
| Lease payments not included in the measurement of lease liabilities (note 15(c)) (note (i)) | **29,979** | 69,491 |
| Covid-19-related rent concessions from lessors | **(7,078)** | – |
| | **176,564** | 270,999 |
| Loss on deregistration of an associate | **245** | – |
| Impairment of trade receivables, net (note (ii)) | **6,968** | 2,428 |
| Reversal of impairment of a loan receivable (note (ii)) | **(159)** | (348) |
| Impairment of financial assets included in prepayments, deposits and other receivables, net (note (ii)) | **13,793** | 456 |
| Write-off of items of property, plant and equipment (note (ii)) | **–** | 3,078 |
| Loss/(gain) on termination of leases | **(306)** | 9 |

Notes:

(i) The cost of services rendered for the year amounted to HK$1,158,362,000 (2020: HK$2,095,752,000) and included amortisation of other intangible assets of HK$15,760,000 (2020: HK$15,762,000), depreciation of property, plant and equipment of HK$221,776,000 (2020: HK$255,514,000), depreciation of right-of-use assets of HK$21,267,000 (2020: HK$26,730,000), employee benefit expense of HK$501,071,000 (2020: HK$881,020,000) and lease payments of HK$176,971,000 (2020: HK$260,095,000).

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

(iii) As at 31 March 2021, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2020: Nil).

## 8. Directors' Remuneration

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Fees | **850** | 950 |
| Other emoluments: | | |
| Salaries and other benefits | **3,911** | 10,458 |
| Pension scheme contributions | **166** | 394 |
| | **4,077** | 10,852 |
| | **4,927** | 11,802 |

### (a) Independent non-executive directors

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Mr. Chan Bing Woon, SBS, JP | **340** | 380 |
| Mr. James Mathew Fong | **255** | 285 |
| Mr. Chan Fong Kong, Francis | **255** | 285 |
| | **850** | 950 |

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

## 8. Directors' Remuneration – Continued

### (b) Executive directors

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|
| **2021** | | | | |
| Mr. Wong Leung Pak, Matthew, BBS | **–** | **2,090** | **125** | **2,215** |
| Mr. Wong Cheuk On, James | **–** | **740** | **17** | **757** |
| Mr. Lo Man Po | **–** | **1,081** | **24** | **1,105** |
| | **–** | **3,911** | **166** | **4,077** |
| 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 |

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 (2020: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

## 9. Five Highest Paid Employees

The five highest paid employees during the year included one (2020: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries and other benefits | **6,318** | 7,304 |
| Equity-settled share option expense | **–** | 4,340 |
| Pension scheme contributions | **537** | 621 |
| | **6,855** | 12,265 |

## 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 2021 | 2020 |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **2** | – |
| HK$2,000,001 to HK$2,500,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| HK$4,000,001 to HK$4,500,000 | **–** | 1 |
| HK$4,500,001 to HK$5,000,000 | **–** | 1 |
| | **4** | 3 |

During the year ended 31 March 2020, 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 33 to the financial statements. The fair value of such options, which had 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 that year was 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% (2020: 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. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Current: | | |
| Hong Kong | | |
| Charge for the year | **15,368** | 19,353 |
| Overprovision in prior years | **(78)** | (7,154) |
| Mainland China | | |
| Charge for the year | **7,017** | 9,158 |
| Underprovision in prior years | **–** | 158 |
| Deferred (note 31) | **(41,956)** | (8,075) |
| Total tax charge/(credit) for the year | **(19,649)** | 13,440 |

## 10. Income Tax – Continued

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

**2021**

| | Hong Kong HK$'000 | % | Mainland China HK$'000 | % | Total HK$'000 |
|---|---|---|---|---|---|
| Profit/(loss) before tax | **(100,813)** | | **37,420** | | **(63,393)** |
| Tax at the statutory tax rate | **(16,634)** | **16.5** | **9,355** | **25.0** | **(7,279)** |
| Lower tax rate under two-tiered profits tax rates regime | **(165)** | | **–** | | **(165)** |
| Adjustments in respect of current tax of previous periods | **(78)** | | **–** | | **(78)** |
| Losses attributable to associates | **318** | | **–** | | **318** |
| Income not subject to tax, net | **(26,504)** | | **(4,015)** | | **(30,519)** |
| Expenses not deductible for tax | **3,500** | | **2,030** | | **5,530** |
| Tax losses utilised from previous periods | **–** | | **(353)** | | **(353)** |
| Tax losses not recognised | **6,853** | | **–** | | **6,853** |
| Others | **6,044** | | **–** | | **6,044** |
| Tax charge/(credit) at the Group's effective tax rate | **(26,666)** | | **7,017** | | **(19,649)** |

2020

| | Hong Kong HK$'000 | % | Mainland China HK$'000 | % | Total 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 |

The share of tax attributable to associates amounting to HK$154,000 (2020: HK$432,000) is included in "share of profits and losses of associates" in the consolidated statement of profit or loss.

## 11. Dividend

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Dividend recognised as distribution during the year:** | | |
| Final 2020 – Nil (2019: HK16 cents) per ordinary share | – | 73,870 |

The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

## 12. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to owners of the parent of HK$46,891,000 (2020: profit of HK$20,170,000), and the weighted average number of ordinary shares of 476,776,842 (2020: 469,272,653) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amount presented.

## 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 2021** | | | | | | | | | | |
| At cost or valuation: | | | | | | | | | | |
| At 1 April 2020 | 87,529 | 52,107 | 35,508 | 47,268 | 2,679,329 | 124,704 | 92,080 | 443,389 | 26,537 | 3,588,451 |
| Additions | 2,759 | 9,744 | 898 | 1,812 | 58,298 | 7,487 | 6,828 | 3,439 | 37,766 | 129,031 |
| Disposals | - | - | - | (1,788) | (61,341) | (5,997) | (1,921) | (412) | - | (71,459) |
| Transfer upon revaluation* | (1,331) | - | - | - | - | - | - | - | - | (1,331) |
| Surplus on revaluation | 20,350 | - | - | - | - | - | - | - | - | 20,350 |
| Transfer to investment properties (note 14) | (23,300) | - | - | - | - | - | - | - | - | (23,300) |
| Reclassification | - | - | 15,460 | - | - | - | 21,893 | 13,941 | (51,294) | - |
| Exchange realignment | 6,068 | 6,189 | 2,299 | 1,489 | 7,429 | 3,516 | 2,496 | 35,370 | 2,902 | 67,758 |
| At 31 March 2021 | 92,075 | 68,040 | 54,165 | 48,781 | 2,683,715 | 129,710 | 121,376 | 495,727 | 15,911 | 3,709,500 |
| Accumulated depreciation: | | | | | | | | | | |
| At 1 April 2020 | 11,044 | 18,636 | 12,919 | 31,488 | 1,410,155 | 83,536 | 56,364 | 109,517 | - | 1,733,659 |
| Provided during the year | 8,986 | 545 | 3,201 | 4,020 | 193,415 | 9,927 | 13,165 | 20,660 | - | 253,919 |
| Disposals | - | - | - | (958) | (51,998) | (4,927) | (1,622) | (123) | - | (59,628) |
| Transfer upon revaluation* | (1,331) | - | - | - | - | - | - | - | - | (1,331) |
| Exchange realignment | 1,038 | 618 | 525 | 1,001 | 4,388 | 2,783 | 2,065 | 9,160 | - | 21,578 |
| At 31 March 2021 | 19,737 | 19,799 | 16,645 | 35,551 | 1,555,960 | 91,319 | 69,972 | 139,214 | - | 1,948,197 |
| Net book value: | | | | | | | | | | |
| At 31 March 2021 | 72,338 | 48,241 | 37,520 | 13,230 | 1,127,755 | 38,391 | 51,404 | 356,513 | 15,911 | 1,761,303 |

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

## 13. Property, Plant and Equipment – Continued

| | 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 1 April 2019 | 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 1 April 2019 | 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/write-off | – | – | – | (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.

## 13. Property, Plant and Equipment – Continued

As at 31 March 2021, certain of the Group's property, plant and equipment and leasehold land included in right-of-use assets (note 15(a)) with net carrying amounts of HK$92,678,000 and HK$595,000, (2020: approximately HK$93,409,000 and HK$760,000) were pledged to secure general banking facilities granted to the Group as set out in note 29(a) to the financial statements.

Other than the Group's 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 (2020: three) bus depots, two (2020: four) commercial properties in Hong Kong and seventeen (2020: 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. 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.

During the year ended, certain buildings (2020: 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.

Had all the buildings been carried at historical cost less accumulated depreciation, their aggregate carrying amount would have been approximately HK$43,102,000 (2020: HK$39,818,000) as at 31 March 2021.



## 13. Property, Plant and Equipment – Continued

### Fair value hierarchy

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

| | **Fair value measurement as at 31 March 2021 using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) HK$'000** | **Significant observable inputs (Level 2) HK$'000** | **Significant unobservable inputs (Level 3) HK$'000** | **Total HK$'000** |
| Recurring fair value measurement for: | | | | |
| Bus depots | **–** | **–** | **19,139** | **19,139** |
| Commercial properties | **–** | **–** | **53,199** | **53,199** |
| | **–** | **–** | **72,338** | **72,338** |

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

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 (2020: Nil).

## 13. Property, Plant and Equipment – Continued

### Fair value hierarchy – continued

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

| | Bus depots<br>HK$'000 | Commercial properties<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| Carrying amount at 1 April 2019 | 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 and 1 April 2020 | **21,289** | **55,196** | **76,485** |
| Additions | **–** | **2,759** | **2,759** |
| Surplus on revaluation | **–** | **20,350** | **20,350** |
| Transfer to investment properties (note 14) | **–** | **(23,300)** | **(23,300)** |
| Depreciation | **(1,095)** | **(7,891)** | **(8,986)** |
| Exchange realignment | **–** | **5,030** | **5,030** |
| Carrying amount at 31 March 2021 | **20,194** | **52,144** | **72,338** |

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of buildings:

| | Valuation techniques | Significant unobservable inputs | Range |
|---|---|---|---|
| Bus depots | Depreciated replacement cost method | Current construction cost for building (per square metre) | **HK$15,500 to HK$20,500** |
| | | Depreciation rate (p.a.) | **2%** |
| Commercial properties | Market comparison method | Price per square foot | **HK$248 to HK$21,400** |
| | Depreciated replacement cost method | 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 buildings 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.

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year | **319,616** | 299,170 |
| Additions | **10,303** | – |
| Transfer from owner-occupied properties (note 13) | **23,300** | 19,442 |
| Transfer from right-of-use assets (note 15) | **–** | 22,284 |
| Net gain/(loss) from a fair value adjustment | **1,004** | (6,372) |
| Exchange realignment | **18,717** | (14,908) |
| Carrying amount at end of year | **372,940** | 319,616 |

During the year ended 31 March 2021, the Group had leased two commercial properties in Hong Kong and changed the relevant properties from owner-occupied properties to investment properties. In the opinion of the directors, these commercial properties became investment properties from the date of commencement of the property leasing activities. Accordingly, an aggregate revaluation surplus of HK$20,350,000 resulting from the valuation of these properties at that date has been credited to other comprehensive income during the year and an aggregate fair value of these properties amounting to HK$23,300,000 as at that date was transferred from property, plant and equipment to investment properties. These properties are leased to third parties under operating leases.

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(a)) 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 directors of the Company have determined that the investment properties consist of five (2020: four) classes of assets based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2021 based on valuations performed by AVISTA Valuation Advisory Limited, an independent firm of professionally qualified valuers, at HK$372,940,000. 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 2021, the Group's investment properties with a carrying value of HK$59,101,000 (2020: HK$37,098,000) were pledged to secure general banking facilities granted to the Group as set out in note 29(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 156.

## 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 2021 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Recurring fair value measurement for: | | | | |
| Agricultural land | – | – | 19,100 | 19,100 |
| Commercial properties | – | – | 303,640 | 303,640 |
| Residential property | – | – | 15,800 | 15,800 |
| Industrial property | – | – | 31,000 | 31,000 |
| Car parking space | – | – | 3,400 | 3,400 |
| | – | – | 372,940 | 372,940 |

| | Fair value measurement as at 31 March 2020 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Recurring fair value measurement for: | | | | |
| Agricultural land | – | – | 18,700 | 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 |

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 (2020: Nil).

## 14. Investment Properties – Continued

### Fair value hierarchy – continued

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

| | Agricultural land HK$'000 | Commercial properties HK$'000 | Residential property HK$'000 | Industrial property HK$'000 | Car parking space HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Carrying amount 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(a)) | – | 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 and at 1 April 2020 | **18,700** | **266,816** | **–** | **31,100** | **3,000** | **319,616** |
| Additions during the year | **–** | **10,303** | **–** | **–** | **–** | **10,303** |
| Transfer from owner-occupied properties (note 13) | **–** | **7,500** | **15,800** | **–** | **–** | **23,300** |
| Net gain/(loss) from a fair value adjustment recognised in other income and gains, net in profit or loss | **400** | **304** | **–** | **(100)** | **400** | **1,004** |
| Exchange realignment | **–** | **18,717** | **–** | **–** | **–** | **18,717** |
| Carrying amount at 31 March 2021 | **19,100** | **303,640** | **15,800** | **31,000** | **3,400** | **372,940** |

## 14. Investment Properties – Continued

### Fair value hierarchy – continued

Set out 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 2021 | Range 2020 |
|---|---|---|---|---|
| Agricultural land | Market comparison method | Price per square foot | **HK$646 to HK$847** | HK$584 to HK$644 |
| Commercial properties | Market comparison method | Price per square foot | **HK$9,141 to HK$37,747** | HK$41,645 to HK$44,498 |
| | Income capitalisation approach | Estimated unit rent per square metre per month | **RMB72 to RMB460** | RMB80 to RMB420 |
| | | Capitalisation rate | **6%** | 6% |
| Residential property | Market comparison method | Price per square foot | **HK$6,913 to HK$7,543** | – |
| Industrial property | Market comparison method | Price per square foot | **HK$13,318 to HK$17,172** | HK$8,745 to HK$16,117 |
| Car parking space | Market comparison method | Price per unit | **HK$3,400,000** | HK$2,800,000 to HK$3,450,000 |

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) Right-of-use assets

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

| | 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) |
| At 31 March 2020 and at 1 April 2020 | **154,266** | **53,405** | **1,170** | **208,841** |
| Additions | **3,115** | **30,592** | **4,500** | **38,207** |
| Termination of leases | **–** | **(20,216)** | **–** | **(20,216)** |
| Depreciation charge | **(6,461)** | **(33,313)** | **(989)** | **(40,763)** |
| Remeasurement on lease modifications | **–** | **720** | **–** | **720** |
| Exchange realignment | **10,701** | **–** | **52** | **10,753** |
| As at 31 March 2021 | **161,621** | **31,188** | **4,733** | **197,542** |

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$3,634,000 (2020: HK$3,492,000). The Group continues to use the Leasehold Land for car parking purpose without objection from the relevant authorities. In the opinion of the directors, the application process for the land use right certificate is merely an administrative procedure and does not have any significant impact on the Group's financial statements.

## 15. Leases – Continued

### The Group as a lessee – continued

(b) Lease liabilities

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Carrying amount at 1 April | **54,536** | 74,947 |
| New leases | **35,092** | 14,465 |
| Termination of leases | **(20,522)** | (709) |
| Accretion of interest recognised during the year | **1,068** | 2,008 |
| Remeasurement on lease modifications | **720** | (1,216) |
| Covid-19-related rent concessions from lessors | **(7,078)** | – |
| Payments | **(28,376)** | (34,922) |
| Exchange realignment | **–** | (37) |
| Carrying amount at 31 March | **35,440** | 54,536 |
| Analysed into: | | |
| Current portion | **19,473** | 24,611 |
| Non-current portion | **15,967** | 29,925 |
| | **35,440** | 54,536 |

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

## 15. Leases – Continued

### The Group as a lessee – continued

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Interest on lease liabilities | 1,068 | 2,008 |
| Depreciation charge of right-of-use assets | 40,763 | 40,653 |
| Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 (note (i)) | 29,979 | 69,491 |
| Covid-19-related rent concessions from lessors | (7,078) | – |
| Loss/(gain) on termination of leases | (306) | 9 |
| Total amount recognised in profit or loss | 64,426 | 112,161 |

Note:

(i) Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 of HK$23,308,000 (2020: HK$58,587,000) and HK$6,671,000 (2020: HK$10,904,000) has been included in cost of services rendered and administrative expenses, respectively.

(d) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

### The Group as a lessor

The Group leases certain of its investment properties under operating lease arrangements. Rental income recognised by the Group during the year was HK$13,088,000 (2020: HK$16,640,000), details of which are included in note 5 to the financial statements.

The undiscounted lease payments receivable under non-cancellable operating leases with its tenants were as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within one year | 9,886 | 10,442 |
| After one year but within two years | 1,631 | 3,963 |
| After two years but within three years | 561 | – |
| After three years but within four years | 561 | – |
| After four years but within five years | 582 | – |
| After five years | 2,502 | – |
| | 15,723 | 14,405 |

## 16. Goodwill

| | 2021<br>HK$'000 | 2020<br>HK$'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;
- Limousine CGU; and
- Franchised Bus and PLB CGU.

The Group has engaged certain independent professionally qualified valuers to assist in the determination of the recoverable amounts of the Non-franchised Bus CGU, the Limousine CGU and the Franchised Bus and PLB CGU. The recoverable amounts of the Non-franchised Bus CGU, the Limousine CGU and the Franchised Bus and PLB CGU have been determined based on a value in use calculation using cash flow projections of financial budgets approved by senior management covering a five-year period. The discount rates applied to the cash flow projections ranged from 10.8% to 11.0% (2020: 10.5%). The growth rate used to extrapolate the cash flows of the Non-franchised Bus CGU, the Limousine CGU and the Franchised Bus and PLB CGU was 3.0% (2020: 2.8%). The rate does not exceed the long term average growth rates for the relevant markets.

As at 31 March 2021, the recoverable amount of the Non-franchised Bus CGU and the headroom available was HK$3,772,475,000 and HK$1,081,427,000, respectively. Such recoverable amount was determined based on the budgeted revenue growth rates ranging from 6.6% to 93.8% in the cash flow projections, which had taken into account of the expected recovery of economic activities after the ease of the Covid-19 pandemic.

## 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 | | Limousine CGU | | Franchised Bus and PLB CGU | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **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** | 1,108,467 | **–** | – | **16,900** | 16,900 | **1,125,367** | 1,125,367 |
| Carrying amount of other intangible assets with indefinite useful lives | **231,952** | 231,952 | **–** | – | **–** | – | **231,592** | 231,952 |

Assumptions were used in the value in use calculation of the Non-franchised Bus CGU, the Limousine CGU and the Franchised Bus and PLB CGU for the years ended 31 March 2021 and 31 March 2020. 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.

At the end of each reporting period, the directors of the Group considered no reasonably possible change in the key assumptions mentioned above would cause the carrying amounts of the cash-generating units to exceed their recoverable amounts.

## 17. Passenger Service Licences

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Cost at 1 April | **1,125,367** | 1,090,567 |
| Additions | **–** | 34,800 |
| At 31 March | **1,125,367** | 1,125,367 |
| At 31 March: | | |
| Cost and carrying amount | **1,125,367** | 1,125,367 |

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

## 18. Other Intangible Assets

| | Bus route operating rights HK$'000 | Trade name HK$'000 | Customer relationships HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 March 2021** | | | | |
| Cost at 1 April 2020, net of accumulated amortisation | 286,784 | 57,504 | 3,222 | 347,510 |
| Amortisation provided during the year | (15,146) | – | (614) | (15,760) |
| Exchange realignment | 132 | – | – | 132 |
| At 31 March 2021 | 271,770 | 57,504 | 2,608 | 331,882 |
| At 31 March 2021: | | | | |
| Cost | 442,892 | 57,504 | 7,097 | 507,493 |
| Accumulated amortisation | (171,122) | – | (4,489) | (175,611) |
| Net carrying amount | 271,770 | 57,504 | 2,608 | 331,882 |
| 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 |

Certain bus route operating rights and trade name of the Group are regarded as having indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate cash inflow for the Group. Certain bus route operating rights with indefinite useful lives and trade name are allocated to the Non-franchised Bus CGU. Details of impairment testing are set out in note 16 to the financial statements.

## 19. Interests in Associates

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Share of net assets | **9,959** | 12,124 |
| Due from associates | **13,185** | 349 |
| Loan to an associate | **24,120** | 25,120 |
| | **47,264** | 37,593 |

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

In the opinion of the directors, the amount due from associates 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 associates. There are no recent history of default and past due amounts for amounts due from associates and loan to an associate. As at 31 March 2021 and 2020, 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 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|
| All China Express Limited | 73 ordinary shares | Hong Kong | **42.2** | 42.2 | Provision of bus and travel-related services |
| Kowloon Tong Express Services Limited | 14 ordinary shares | Hong Kong | **35.9** | 35.9 | 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 ("ST Chinalink")* | 245,000 ordinary shares | Hong Kong | **–** | 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** | 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 a 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.

* During the year, ST Chinalink was deregistered and loss of HK$245,000 was recognised in the consolidated statement of profit or loss.

## 19. Interests in Associates – Continued

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Share of the associates' profits/(losses) and total comprehensive income/(loss) for the year | **(1,926)** | 2,112 |
| Aggregate carrying amount of the Group's interests in the associates | **47,264** | 37,593 |

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Unlisted equity investments, at fair value | | |
| Hong Kong International Airport Passenger Service (Macao) Co. Ltd. | **608** | 608 |
| Hong Kong & Macao International Airport Transportation Service (HK) Co. Limited | **625** | 625 |
| | **1,233** | 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.

## 21. Financial Assets at Fair Value through Profit or Loss

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Unlisted investments, at fair value | **31,464** | 30,511 |

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 2021, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of HK$24,655,000 (2020: HK$24,512,000) were pledged as security for the Group's banking facilities, as further detailed in note 29(a) to the financial statements.

## 22. Loan Receivable

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Loan receivable | **–** | 6,386 |
| Impairment | **–** | (159) |
| | **–** | 6,227 |

As at 31 March 2020, 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 the loan receivable are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| At beginning of year | **159** | 507 |
| Reversal of impairment of a loan receivable (note 7) | **(159)** | (348) |
| At end of year | **–** | 159 |

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

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

## 23. Trade Receivables

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **166,997** | 218,797 |
| Impairment | **(16,995)** | (10,027) |
| | **150,002** | 208,770 |

Included in the Group's trade receivables are amounts due from associates of HK$12,928,000 (2020: HK$12,214,000), 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:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **57,156** | 98,296 |
| 31 to 60 days | **58,271** | 37,995 |
| 61 to 90 days | **8,895** | 35,149 |
| Over 90 days | **25,680** | 37,330 |
| | **150,002** | 208,770 |

## 23. Trade Receivables – Continued

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| At beginning of year | 10,027 | 8,645 |
| Impairment losses, net (note 7) | 6,968 | 2,428 |
| Amount written off as uncollectible | – | (1,046) |
| At end of year | 16,995 | 10,027 |

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 2021

| | | | Past due | | | |
|---|---|---|---|---|---|---|
| | Credit-impaired receivables | Current | Less than 1 month | 1 to 3 months | Over 3 months | Total |
| Expected credit loss rate | 100% | 0.89% | 1.26% | 2.90% | 37.27% | 10.18% |
| Gross carrying amount (HK$'000) | 365 | 57,668 | 59,015 | 9,428 | 40,521 | 166,997 |
| Expected credit losses (HK$'000) | 365 | 511 | 745 | 273 | 15,101 | 16,995 |

## 23. Trade Receivables – Continued

### As at 31 March 2020

| | | | Past due | | | |
|---|---|---|---|---|---|---|
| | Credit-impaired receivables | Current | Less than 1 month | 1 to 3 months | Over 3 months | Total |
| 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 |

## 24. Prepayments, Deposits and Other Receivables

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Prepayments | **119,747** | 196,734 |
| Rental and other deposits | **86,536** | 100,125 |
| Deposits paid for purchases of items of property, plant and equipment | **24,080** | 36,175 |
| Deposits paid for purchases of bus route operating rights | **11,733** | 11,733 |
| Other receivables | **141,761** | 101,193 |
| | **383,857** | 445,960 |
| Impairment | **(49,182)** | (33,927) |
| | **334,675** | 412,033 |
| Less: Portion classified as non-current assets | **(143,885)** | (205,026) |
| Portion classified as current assets | **190,790** | 207,007 |

## 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:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Neither past due nor impaired | **83,498** | 61,931 |
| Less than 1 month past due | **3,183** | 1,371 |
| 1 to 3 months past due | **362** | 202 |
| Over 3 months past due | **5,536** | 3,762 |
| | **92,579** | 67,266 |

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| At beginning of year | **33,927** | 35,344 |
| Impairment losses, net (note 7) | **13,793** | 456 |
| Exchange realignment | **1,462** | (1,873) |
| At end of year | **49,182** | 33,927 |

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 2021, the probability of default applied ranged from 0.15% to 100% (2020: 0.49% to 27.41%) and the loss given default was estimated to be 100% (2020: 100%).

## 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 2021

| | 12-month ECLs Stage 1 HK$'000 | Lifetime ECLs not credit-impaired Stage 2 HK$'000 | Lifetime ECLs credit-impaired Stage 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Gross carrying amount | **188,490** | **–** | **39,807** | **228,297** |
| ECL allowance | | | | |
| At 1 April 2020 | **6,892** | **–** | **27,035** | **33,927** |
| Transfer from Stage 1 to Stage 3 | **(3,217)** | **–** | **3,217** | **–** |
| Loss allowance recognised (note 7) | **5,454** | **–** | **8,339** | **13,793** |
| Exchange realignment | **246** | **–** | **1,216** | **1,462** |
| At 31 March 2021 | **9,375** | **–** | **39,807** | **49,182** |

As at 31 March 2020

| | 12-month ECLs Stage 1 HK$'000 | Lifetime ECLs not credit-impaired Stage 2 HK$'000 | Lifetime ECLs 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 |

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Cash and bank balances | **480,935** | 392,794 |
| Time deposits and restricted cash | **40,967** | 38,945 |
| | **521,902** | 431,739 |
| Less: Pledged time deposits and restricted cash for bank loans and performance guarantees/bonds | **(40,330)** | (37,760) |
| Cash and cash equivalents | **481,572** | 393,979 |

As at 31 March 2021, the Group had cash of approximately HK$22,213,000 (2020: HK$22,344,000) 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 30 days | **21,409** | 20,549 |
| 31 to 60 days | **11,247** | 16,890 |
| 61 to 90 days | **4,326** | 8,654 |
| Over 90 days | **37,667** | 16,781 |
| | **74,649** | 62,874 |

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

## 27. Other Payables and Accruals

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Accruals and other payables | | **261,704** | 252,605 |
| Contract liabilities | (a) | **98,798** | 106,927 |
| Deposits received | | **15,946** | 14,829 |
| Traffic accident compensation payables | | **68,970** | 73,227 |
| Payables for purchases of items of property, plant and equipment and passenger service licences | | **14,944** | 25,538 |
| Deferred income in respect of government subsidies received | | **20,952** | 23,119 |
| Due to non-controlling shareholders | | **5,124** | 5,106 |
| | | **486,438** | 501,351 |

Note:

(a) Details of contract liabilities are as follows:

| | 31 March 2021 HK$'000 | 31 March 2020 HK$'000 | 1 April 2019 HK$'000 |
|---|---|---|---|
| Short-term advances received from customers | | | |
| Non-franchised bus and limousine services | **93,002** | 102,839 | 78,889 |
| Franchised bus and PLB services | **238** | 95 | 96 |
| Hotel and tourism services | **2,957** | 3,241 | 1,522 |
| Mainland China bus services | **2,601** | 752 | 1,271 |
| Total contract liabilities | **98,798** | 106,927 | 81,778 |

Contract liabilities relate to short-term advances received from customers in Hong Kong and Mainland China. The decrease in contract liabilities in 2021 was mainly due to decrease in short-term advances received from customers in relation to the provision of non-franchised bus and limousine services. The increase in contract liabilities in 2020 was mainly due to increase 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.

## 28. Derivative Financial Instrument

| | Liabilities | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| Cross-currency swap contract | **–** | 597 |

The Group entered into a cross-currency swap contract to manage its foreign currency exposures. At 31 March 2021, the Group has a cross-currency swap contract in place with a total notional amount of HK$50,000,000 (2020: HK$50,000,000). The swap contract is not designated for hedge purpose and is measured at fair value through profit or loss. A fair value gain on the non-hedging derivative of HK$597,000 (2020: fair value loss of HK$1,831,000) was recognised in the consolidated statement of profit or loss during the year.

## 29. Interest-Bearing Bank Borrowings

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **HK$'000** | Effective interest rate (%) | Maturity | HK$'000 |
| **Current** | | | | | | |
| Bank loans – secured (note (a)) | **1.33%-6.37%** | **2022-2028** | **1,301,723** | 1.99%-6.37% | 2021-2028 | 1,149,563 |
| Bank loans – unsecured | **–** | **2022** | **555** | – | 2021 | 515 |
| | | | **1,302,278** | | | 1,150,078 |
| **Non-current** | | | | | | |
| Bank loans – secured (note (a)) | **1.33%-6.37%** | **2023-2028** | **608,949** | 3.25%-6.37% | 2022-2028 | 787,358 |
| | | | **1,911,227** | | | 1,937,436 |

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand (note (b)) | **1,302,278** | 1,150,078 |
| In the second year | **156,732** | 236,878 |
| In the third to fifth years, inclusive | **415,532** | 430,826 |
| Beyond five years | **36,685** | 119,654 |
| | **1,911,227** | 1,937,436 |

## 29. Interest-Bearing Bank Borrowings – Continued

Notes:

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Hong Kong** | | |
| Secured with corporate guarantees | **1,544,660** | 1,541,763 |
| Secured with corporate guarantees and pledged assets* | **232,447** | 266,941 |
| | **1,777,107** | 1,808,704 |
| **Mainland China** | | |
| Secured with pledge of assets# | **133,564** | 128,217 |
| | **1,910,671** | 1,936,921 |

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

(i) the pledged of deposit of HK$4,576,000 (2020: HK$3,001,000); and

(ii) the pledge of certain financial assets at fair value through profit or loss of HK$24,655,000 (2020: HK$24,512,000) (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$22,213,000 (2020: HK$22,344,000) (note 25);

(ii) the pledge of certain property, plant and equipment and right-of-use assets with an aggregate net carrying amount of HK$93,273,000 (2020: HK$94,169,000) (note 13); and

(iii) the pledge of certain investment properties of HK$59,101,000 (2020: HK$37,098,000) (note 14).

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Repayable on demand | **1,037,985** | 955,715 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within one year | **412,297** | 256,264 |
| In the second year | **235,946** | 245,484 |
| In the third to fifth years, inclusive | **389,742** | 453,967 |
| | **1,037,985** | 955,715 |

(c) As at the end of each reporting period, except for bank loans of HK$134,120,000 (2020: HK$128,732,000), which were denominated in RMB and bank loans of HK$5,000,000 (2020: HK$1,997,000) which were denominated in United States dollars, all bank borrowings were denominated in Hong Kong dollars.

(d) In respect of certain bank borrowing of HK$1,397,396,000 (2020: HK$1,388,677,000) as at 31 March 2021 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 2021 and 2020. The Group received from the Banks one-off waivers in writing on such financial covenants prior to the end of the reporting periods and the Banks did not demand for immediate payment of the outstanding balances.

(e) As at 31 March 2021, the Group held bank guarantees in lieu of performance guarantees/bonds amounting to HK$18,222,000 (2020: HK$18,703,000). Such bank guarantees are secured by pledged deposits of HK$13,541,000 (2020: HK$12,415,000).

## 30. Other Long Term Liabilities

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Deferred income | **62,355** | 83,800 |
| Other liabilities | **177** | 148 |
| | **62,532** | 83,948 |

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

## 31. Deferred Tax

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

| | 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 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 and 1 April 2020 | | **179,647** | **(220)** | **73,304** | **65,183** | **(16,682)** | **(2,792)** | **(5,806)** | **292,634** |
| Deferred tax charged/(credited) to the statement of profit or loss during the year | 10 | **(1,536)** | **114** | **(2,199)** | **(1,735)** | **(35,982)** | **(771)** | **153** | **(41,956)** |
| Exchange differences | | **-** | **-** | **-** | **118** | **-** | **-** | **-** | **118** |
| Gross deferred tax liabilities/(assets) at 31 March 2021 | | **178,111** | **(106)** | **71,105** | **63,566** | **(52,664)** | **(3,563)** | **(5,653)** | **250,796** |

## 31. Deferred Tax – Continued

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Net deferred tax assets recognised in the consolidated statement of financial position | **4,136** | 3,236 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(254,932)** | (295,870) |
| | **(250,796)** | (292,634) |

The Group has unrecognised tax losses arising in Hong Kong of HK$65,034,000 (2020: HK$23,889,000), 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$5,960,000 (2020: HK$7,374,000) 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$6,301,000 at 31 March 2021 (2020: HK$3,601,000).

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

## 32. Share Capital

| Shares | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Authorised: | | |
| 600,000,000 ordinary shares of HK$0.10 each | **60,000** | 60,000 |
| Issued and fully paid: | | |
| 476,776,842 ordinary shares of HK$0.10 each | **47,678** | 47,678 |

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 2019 | 461,686,000 | 46,169 |
| Shares issued in lieu of cash dividend *(note)* | 15,090,842 | 1,509 |
| At 31 March 2020, at 1 April 2020 and at 31 March 2021 | 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.

### Share options

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

## 33. 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.

## 33. 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:

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$ per share** | **Number of options '000** | Weighted average exercise price HK$ per share | Number of options '000 |
| At beginning of the year | **4.3** | **13,500** | – | – |
| Granted during the year | **–** | **–** | 4.3 | 13,500 |
| At end of the year | **4.3** | **13,500** | 4.3 | 13,500 |

There were no share options exercised under the Scheme during the year (2020: Nil).

## 33. 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:

| | Number of options '000 | Exercise price* HK$ per share | Exercise period |
|---|---|---|---|
| **2021** | **13,500** | **4.3** | **23 April 2019 to 22 April 2029** |
| 2020 | 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.

No share option expense was recognised during the year ended 31 March 2021 (2020: HK$6,511,000).

During the year ended 31 March 2020, the fair value of the share options granted was HK$6,511,000, of which the Group recognised a share option expense of HK$6,511,000.

The fair value of equity-settled share options granted during the year ended 31 March 2020 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.

## 34. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 46 to 47 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.

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

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

| | **2021** | 2020 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | |
| Bipenggou Tourism and its subsidiary | **32.2%** | 32.2% |

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Profit for the year allocated to non-controlling interests: | | |
| Bipenggou Tourism and its subsidiary | **6,027** | 5,398 |
| Accumulated balances of non-controlling interests at the reporting date: | | |
| Bipenggou Tourism and its subsidiary | **73,602** | 72,153 |

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

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

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Revenue | **143,618** | 139,245 |
| Total expenses | **(124,894)** | (122,478) |
| Profit for the year | **18,724** | 16,767 |
| Other comprehensive profit/(loss) for the year | **18,231** | (15,360) |
| Total comprehensive income for the year | **36,955** | 1,407 |
| Current assets | **36,459** | 49,995 |
| Non-current assets | **443,318** | 393,044 |
| Current liabilities | **(143,974)** | (111,549) |
| Non-current liabilities | **(106,038)** | (106,227) |
| Net cash flows from operating activities | **90,450** | 79,826 |
| Net cash flows used in investing activities | **(54,621)** | (59,018) |
| Net cash flows used in financing activities | **(47,006)** | (12,527) |
| Net increase/(decrease) in cash and cash equivalents | **(11,177)** | 8,281 |

## 36. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, 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$35,092,000 (2020: HK$14,465,000) and HK$35,092,000 (2020: HK$14,465,000), respectively, in respect of lease arrangements for leased properties and motor buses and vehicles.

(ii) An amount of RMB5,807,000 (equivalent to HK$6,683,000) (2020: 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:

**2021**

| | **Interest-bearing bank borrowings HK$'000** | **Lease liabilities HK$'000** |
|---|---|---|
| At 1 April 2020 | **1,937,436** | **54,536** |
| Changes from financing cash flows | **(36,189)** | **(27,308)** |
| New leases | **–** | **35,092** |
| Interest expenses | **–** | **1,068** |
| Interest paid classified as operating cash flows | **–** | **(1,068)** |
| Covid-19-related rent concessions from lessors | **–** | **(7,078)** |
| Termination of leases | **–** | **(20,522)** |
| Remeasurement on lease modifications | **–** | **720** |
| Foreign exchange movement | **9,980** | **–** |
| At 31 March 2021 | **1,911,227** | **35,440** |

**2020**

| | Interest-bearing bank borrowings HK$'000 | Other loans HK$'000 | Lease liabilities HK$'000 |
|---|---|---|---|
| At 1 April 2019 | 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 |

## 36. 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within operating activities | 23,969 | 71,499 |
| Within financing activities | 27,308 | 32,914 |
| | 51,277 | 104,413 |

## 37. Contingent Liabilities

Save as detailed elsewhere in these financial statements, the Group had no significant contingent liabilities (2020: Nil) at the end of the reporting period.

## 38. Commitments

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Acquisitions of motor buses and vehicles | 119,704 | 100,662 |
| Purchases of items of property, plant and equipment | 622 | 839 |
| Capital contribution to a contractual arrangement | 24,035 | 22,922 |
| Construction of buildings, bus terminal structures and scenic area establishments | 1,148 | 2,666 |
| | 145,509 | 127,089 |

(b) Operating lease commitments

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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Bus route operating rights** | | |
| Within one year | 67,190 | 61,170 |
| In the second to fifth years, inclusive | 48,757 | 69,593 |
| After five years | 14,492 | 13,711 |
| | 130,439 | 144,474 |

## 39. Pledge of Assets

Details of the Group's assets pledged for Group's bank borrowings are included in note 29 to the financial statements.

## 40. 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 | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Coach rental income, advertising income and administrative service income from associates | (i) | **3,949** | 54,465 |
| Coach rental expense paid to a related party | (ii) | **10,458** | 10,758 |

Notes:

(i) The coach rental income was 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, BBS, 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:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Short term employee benefits | **12,752** | 26,951 |
| Equity-settled share option expense | **–** | 2,170 |
| Post-employment benefits | **761** | 1,103 |
| | **13,513** | 30,224 |

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.

## 41. 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:

### 2021

**Financial assets**

| | Financial assets at fair value through profit or loss – 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 | 31,464 | – | – | 31,464 |
| Due from associates | – | – | 13,185 | 13,185 |
| Loan to an associate | – | – | 24,120 | 24,120 |
| Trade receivables | – | – | 150,002 | 150,002 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 179,112 | 179,112 |
| Pledged time deposits and restricted cash | – | – | 40,330 | 40,330 |
| Cash and cash equivalents | – | – | 481,572 | 481,572 |
| | 31,464 | 1,233 | 888,321 | 921,018 |

## 41. Financial Instruments by Category – Continued

### 2021 – continued

#### Financial liabilities

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Trade payables | **74,649** |
| Financial liabilities included in other payables and accruals | **220,518** |
| Interest-bearing bank borrowings | **1,911,227** |
| Financial liabilities included in other long term liabilities | **176** |
| Lease liabilities | **35,440** |
| | **2,242,010** |

### 2020

#### Financial assets

| | Financial assets at fair value through profit or loss – 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 |

## 41. 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 instrument | 597 | – | 597 |
| Financial liabilities included in other payables and accruals | – | 170,965 | 170,965 |
| Interest-bearing bank 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 |

## 42. 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 and the current portion of interest-bearing bank 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, amounts due from associates, a loan to an associate, interest-bearing bank 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 borrowings as at 31 March 2021 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.

## 42. Fair Value and Fair Value Hierarchy of Financial Instruments – Continued

The Group enters into a derivative financial instrument with a creditworthy bank with no recent history of default. Derivative financial instrument, being a cross-currency swaps contract, is measured using valuation techniques similar to swap model, using present value calculations. The model incorporates various market observable inputs including the credit quality of counterparty and exchange rates. The carrying amount of cross-currency swap is the same as its fair value.

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 assets 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 2021*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Equity investments designated at fair value through other comprehensive income | – | – | 1,233 | 1,233 |
| Financial assets at fair value through profit or loss | – | 31,464 | – | 31,464 |
| | – | 31,464 | 1,233 | 32,697 |



## 42. Fair Value and Fair Value Hierarchy of Financial Instruments – Continued

### Fair value hierarchy – continued

**Assets measured at fair value: – continued**

*As at 31 March 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| 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 |

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 (2020: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| At beginning of year | **1,233** | – |
| Purchases | **–** | 1,233 |
| At end of year | **1,233** | 1,233 |

**Liabilities measured at fair value:**

*As at 31 March 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Derivative financial instrument | – | 597 | – | 597 |

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 (2020: Nil).

## 43. 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/(loss) before tax through the impact on floating-rate borrowings.

| | **Increase/ (decrease) in basis points** | **Increase/ (decrease) in loss before tax HK$'000** |
|---|---|---|
| **31 March 2021** | | |
| Hong Kong dollar | **50** | **8,858** |
| Renminbi | **50** | **671** |
| Hong Kong dollar | **(50)** | **(8,858)** |
| Renminbi | **(50)** | **(671)** |

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax HK$'000 |
|---|---|---|
| 31 March 2020 | | |
| Hong Kong dollar | 50 | (9,034) |
| Renminbi | 50 | (644) |
| Hong Kong dollar | (50) | 9,034 |
| Renminbi | (50) | 644 |

## 43. 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$81,804,000 (2020: HK$144,510,000). 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/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

| | Change in RMB rate | Increase/ (decrease) in loss before tax HK$'000 |
|---|---|---|
| **2021** | | |
| If Hong Kong dollar weakens against RMB | **5%** | **(2,751)** |
| If Hong Kong dollar strengthens against RMB | **5%** | **2,751** |

| | 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) |

### 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 8% (2020: 5%) and 25% (2020: 19%) of the Group's trade receivables were due from the Group's largest debtor and 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.

## 43. 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 2021**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Simplified approach HK$'000 | Total HK$'000 |
| Due from associates | 13,185 | – | – | – | 13,185 |
| Loan to an associate | 24,120 | – | – | – | 24,120 |
| Trade receivables* | – | – | – | 166,997 | 166,997 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| Normal** | 188,490 | – | – | – | 188,490 |
| Doubtful** | – | – | 39,807 | – | 39,807 |
| Pledged time deposits and restricted cash | | | | | |
| – Not yet past due | 40,330 | – | – | – | 40,330 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 481,572 | – | – | – | 481,572 |
| | 747,697 | – | 39,807 | 166,997 | 954,501 |

As at 31 March 2020

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Simplified approach HK$'000 | Total 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 |

* 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".

## 43. 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.

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:

| | 2021 | | | |
|---|---|---|---|---|
| | On demand/ less than 1 year HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
| Trade payables | 74,649 | – | – | 74,649 |
| Financial liabilities included in other payables and accruals | 220,694 | – | – | 220,694 |
| Interest-bearing bank borrowings (note) | 1,305,162 | 610,077 | 51,885 | 1,967,124 |
| Lease liabilities | 20,838 | 15,729 | – | 36,567 |
| Financial liabilities included in other long term liabilities | – | 176 | – | 176 |
| | 1,621,343 | 625,982 | 51,885 | 2,299,210 |

## 43. Financial Risk Management Objectives and Policies – Continued

### Liquidity risk – continued

| | 2020 | | | |
|---|---|---|---|---|
| | On demand/ less than 1 year HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
| Trade payables | 62,874 | – | – | 62,874 |
| Financial liabilities included in other payables and accruals | 170,965 | – | – | 170,965 |
| Interest-bearing bank borrowings (note) | 1,181,360 | 729,445 | 126,209 | 2,037,014 |
| Lease liabilities | 25,476 | 30,975 | – | 56,451 |
| Financial liabilities included in other long term liabilities | – | 148 | – | 148 |
| | 1,440,675 | 760,568 | 126,209 | 2,327,452 |

Note:

Included in the above interest-bearing bank borrowings as at 31 March 2021 are term loans with an aggregate carrying amount of HK$1,037,985,000 (2020: 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".

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 1 year** HK$'000 | **1 to 5 years** HK$'000 | **Over 5 years** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| As at 31 March 2021 | 684,627 | 1,262,356 | 51,885 | 1,998,868 |
| As at 31 March 2020 | 507,422 | 1,465,955 | 126,209 | 2,099,586 |

## 43. 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 2021 and 31 March 2020.

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 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 84.4% (2020: 86.4%), being the gross amount of the outstanding interest-bearing bank borrowings of HK$1,911,227,000 (2020: HK$1,937,436,000) over the total equity of HK$2,263,494,000 (2020: HK$2,242,534,000).

In addition to the gearing ratio, the Group also monitors its capital with reference to adjusted current assets/liabilities position of the Group, which is net current liabilities adjusted 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 2021, the net current liabilities of the Group of approximately HK$1,012,943,000 (2020: HK$895,891,000) 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. Subsequent to the end of the reporting period, refinancing of certain bank borrowings of the Group are disclosed as an event after reporting period in note 45 to the consolidated financial statements. 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.

## 44. 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:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Interests in subsidiaries | **751,208** | 750,839 |
| **CURRENT ASSETS** | | |
| Prepayments | **228** | 226 |
| Due from a subsidiary | **51,000** | 51,000 |
| Cash and cash equivalents | **541** | 1,043 |
| Total current assets | **51,769** | 52,269 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **372** | 350 |
| **NET CURRENT ASSETS** | **51,397** | 51,919 |
| Net assets | **802,605** | 802,758 |
| **EQUITY** | | |
| Issued capital | **47,678** | 47,678 |
| Reserves (note) | **754,927** | 755,080 |
| Total equity | **802,605** | 802,758 |

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 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 and 1 April 2020 | **676,246** | **70,770** | **6,511** | **1,553** | **755,080** |
| Loss and total comprehensive loss for the year | **–** | **–** | **–** | **(153)** | **(153)** |
| At 31 March 2021 | **676,246** | **70,770** | **6,511** | **1,400** | **754,927** |

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.

## 45. Event after the Reporting Period

On 25 June 2021, the Group entered into a 3-year term loan facility of HK$1,800,000,000 with a syndicate of banks (the “Term Loan Facility”) which is guaranteed by the Company and certain of its subsidiaries. The Term Loan Facility will be used to refinance the Group’s existing indebtedness and to finance the funding requirements of the Group.

## 46. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year’s presentation.

## 47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 June 2021.

# 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% |
| 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% |
| Shop D on Ground Floor Silver Centre Building No. 10 Mui Wo Ferry Pier Road, Lantau Island, New Territories, Hong Kong | Commercial | Medium term lease | 100% |
| G/F, 1/F, 2/F & Roof, 5 Tai Tei Tong, Mui Wo Lantau Island, Hong Kong | Residential | Medium term lease | 100% |