KWOON CHUNG BUS HOLDINGS LIMITED

(Incorporated In Bermuda With Limited Liability)

Stock Code : **306.HK**

ANNUAL REPORT 2016/2017

Contents

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis
(appointed on 1 October 2016)

AUDIT COMMITTEE

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis
(appointed on 1 October 2016)

NOMINATION COMMITTEE

Mr. Wong Leung Pak, Matthew, BBS *(chairman)*
Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis
(appointed on 1 October 2016)

REMUNERATION COMMITTEE

Mr. Chan Bing Woon, SBS, JP *(chairman)*
Mr. Wong Leung Pak, Matthew, BBS
Mr. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis
(appointed on 1 October 2016)

SENIOR MANAGEMENT

Mr. Wong Cheuk Tim, Timothy
Mr. Cheng King Hoi, Andrew
Mr. Mok Wah Fun, Peter
(resigned on 1 November 2016)
Mr. Lee Yin Ching, Stanley
Ms. Lee Shuk Wah, Teresa
Mr. Chan Chung Yee, Alan

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy

AUTHORISED REPRESENTATIVES UNDER PART 16 OF THE COMPANIES ORDINANCE

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

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

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

AUDITOR

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House, 1 Connaught Place, Hong Kong

PRINCIPAL BANKERS

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

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE LISTING

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

CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

Website: http://www.kcbh.com.hk
Email: andychan@kcm.com.hk
Fax: (852) 3753 4885

CUSTOMER SERVICES

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

Corporate Profile

BACKGROUND

The predecessor of Kwoon Chung Bus Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was founded by the late Mr. Wong Kwoon Chung with a small-sized car cleaning service in 1948. After over half a century of dramatic development, the Group has already made its name in the transport history of Hong Kong as one of the largest non-franchised public bus and limousine operators in Hong Kong. The Company has been listed on the Main Board of the Stock Exchange since September 1996. As at 31 March 2017, the fleet of the Group comprised approximately 1,104 non-franchised public buses and 365 limousines.

HONG KONG SEGMENT

The Group, 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 morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work or study. The acquisitions of 100% equity interests in Tai Fung Coach Company Limited and Trade Travel (Hong Kong) Limited in 1997 have enabled the Group to become the largest provider of tour buses and coaches to hotels and tour operators in Hong Kong.

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

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

In 2004, TIL acquired 92.3% equity interest in GoGo TIL (Cross Border) Transportation Services Co. Ltd., which provides cross-boundary bus services mainly to Taiwanese travellers for routes between the Hong Kong International Airport and various locations in Guangdong Province.

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

In September 2016, the Group acquired 100% equity interest in Associated Tourist Coach Limited group ("ATCL Group"). ATCL Group was a group of three medium-sized bus operators, engaging in both local and cross-boundary bus businesses (one of which was subsequently disposed of by the Group in March 2017). The acquisition has further consolidated the Group's position in the Hong Kong bus segment.

Corporate Profile

MAINLAND CHINA SEGMENT

In 2000, the Group acquired 60% equity interest in Chongqing Tourism (Group) Co. Ltd. ("CQ Tourism Group"), which together with its fellow company operate a 3-star 26-storey hotel, namely Chongqing Grand Hotel ("CQ Hotel") in Chongqing. In December 2016, the Group acquired from its joint venture partner the remaining 40% equity interest in CQ Hotel. The transaction was completed in March 2017.

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

In 2006, with a view to further developing the tourism business, the Group acquired 51% 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, business and incentive tours. The major income is the entrance fee and hotel room rentals from visitors. After a series of promotion effort and construction of qualified tourism facilities, Bipenggou has been awarded the "National 4A-class Tourist Attraction" title by the National Tourism Administration since late 2012 and the number of visitors is soaring at speed.

CHANGES IN SHAREHOLDINGS IN THE COMPANY

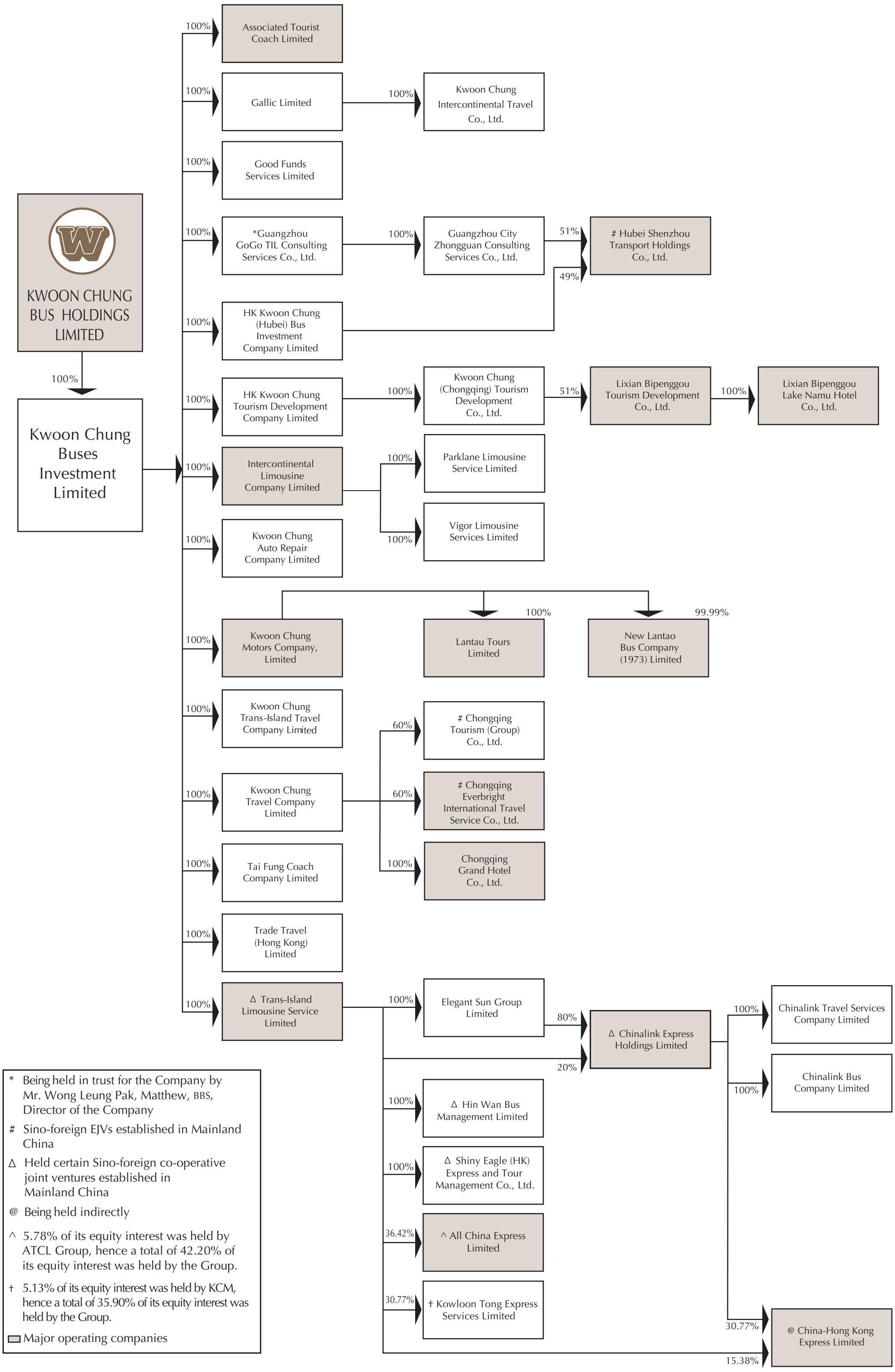
In 1999, First Action Developments Limited ("First Action"), an affiliated company of New World Development Company Limited (stock code: 17. HK), acquired approximately 20% of the issued share capital of the Company. Up to 1 April 2014, the shareholding of First Action in the Company had increased to approximately 29.48%. On 2 April 2014, First Action sold all of its 121,593,019 shares of the Company to Basic Faith Company Limited ("Basic Faith"), a direct wholly-owned subsidiary of Infinity Faith International Company Limited ("Infinity Faith"), which is in turn directly wholly owned by Mr. Wong Leung Pak, Matthew, BBS, a director ("Director") and the Chairman of the Company. On the same date, Basic Faith acquired all of the 131,880,981 shares of the Company held by Wong Family Holdings (PTC) Limited, the then controlling shareholder of the Company. Upon completion of the above two acquisitions and the close of the subsequent mandatory unconditional cash offer made by Basic Faith to the Company pursuant to the Hong Kong Code on Takeovers and Mergers, Basic Faith became the largest and the controlling shareholder of the Company. The cash offer was completed on 21 May 2014 and the shareholding of Basic Faith in the Company was approximately 50.10% as at the date of this report.

VISION

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

Corporate Structure

As 31 March 2017



* 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

@ Being held indirectly

^ 5.78% of its equity interest was held by ATCL Group, hence a total of 42.20% of its equity interest was held by the Group.

† 5.13% of its equity interest was held by KCM, hence a total of 35.90% of its equity interest was held by the Group.

▭ Major operating companies

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

Financial Highlights

For the year ended 31 March 2017

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE BY BUSINESS SEGMENT					
Non-franchised bus and local limousine:					
Mainland China/Hong Kong cross-boundary service	**1,153,337**	1,029,201	990,709	917,454	860,046
Tour bus and limousine services	**260,112**	361,103	307,144	316,197	320,570
Student service	**237,560**	227,433	216,778	202,661	182,590
Employee service	**186,799**	183,488	195,471	177,204	156,961
Resident service	**167,120**	141,428	136,264	127,928	120,680
Other contract hire services	**37,574**	27,961	23,933	15,750	17,164
	2,042,502	1,970,614	1,870,299	1,757,194	1,658,011
Franchised bus	**170,824**	162,433	165,755	151,472	141,932
Hotel and tourism	**195,949**	216,477	202,805	153,698	158,129
Mainland China bus	**31,215**	39,225	123,042	126,742	116,544
Others	**372**	124	208	210	882
TOTAL REVENUE	**2,440,862**	2,388,873	2,362,109	2,189,316	2,075,498
PROFIT FOR THE YEAR	**364,930**	291,868	379,409	158,446	117,529

	As at 31 March				
	2017	2016	2015	2014	2013
BUS FLEET	Number of buses				
Non-franchised bus	**1,104**	1,039	1,002	1,003	992
Franchised bus	**123**	124	115	112	108
Mainland China subsidiaries	**599**	597	639	619	619
	1,826	1,760	1,756	1,734	1,719

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Leung Pak, Matthew, BBS, aged 61 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 (the "Board") of Directors of the Company. Mr. Wong has over 40 years experience in the bus business. Mr. Wong is currently the chairman of the Public Omnibus Operators Association in Hong Kong, and he was awarded the Honorary University Fellowship by The Open University of Hong Kong in November 2014 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 (a member of senior management of the Group), and the father-in-law of Mr. Lo Man Po (an executive Director). He is the sole director of Basic Faith and Infinity Faith, which have 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 33 holds a Bachelor's Degree in Mathematics from the University of California, Berkeley, United States. 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 (a member of senior management of the Group), and the brother-in-law of Mr. Lo Man Po (an executive Director).

Mr. Lo Man Po, aged 39 holds a Bachelor's Degree in Business Administration (major in Finance and Marketing) from the Western Michigan University, United States. Mr. Lo joined the Group in 2004. He is responsible for the general management and operations of the Group. Mr. Lo is the son-in-law of Mr. Wong Leung Pak, Matthew, BBS (an executive Director), and the brother-in-law of Messrs. Wong Cheuk On, James (an executive Director) and Wong Cheuk Tim, Timothy (a member of senior management of the Group).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 72

has been an independent non-executive Director of the Company since 1996. Mr. Chan is a consultant of Yung Yu Yuen & Co., Solicitors and Notaries. He has 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 Office, a fellow member of the Hong Kong Institute of Directors, a past chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and the chairman of Hospital Governing Committee, Castle Peak Hospital and Siu Lam Hospital. He is also an independent non-executive director of China Regenerative Medicine International Limited, which is listed on the Stock Exchange (stock code: 8158.HK).

Mr. Sung Yuen Lam, aged 74
(resigned on 1 October 2016)

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

Mr. Lee Kwong Yin, Colin, aged 66

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

Mr. James Mathew Fong, aged 41
(appointed on 1 July 2016)

has been an independent non-executive Director of the Company since 2016. Mr. Fong obtained a Bachelor of Laws degree from The University of Hong Kong. He is a partner of Mayer Brown JSM, one of the largest international law firms in Hong Kong. During his more than 15 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 Chiropractors Council, HKSAR Passports Appeal Board and the Disciplinary Committee Panel of Social Workers Registration Board, an adjudicator of the Immigration Tribunal of the Security Bureau and an observer of the Independent Police Complaints Council. He was a member of Hong Kong Arts Development Council between 2011 and 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS – CONTINUED

Mr. Chan Fong Kong, Francis, aged 41 ***(appointed on 1 October 2016)*** has been an independent non-executive Director of the Company since 2016. Mr. Chan obtained a Bachelor's Degree of Commerce from Deakin University, Melbourne, Australia and he is a member of CPA Australia. Mr. Chan had worked in Ernst & Young, a major international accounting firm from 2001 to 2005. From 2005 to 2016, Mr. Chan had 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. Currently he is holding the position of finance manager in a local technology firm. Mr. Chan was appointed as an independent non-executive director of Leyou Technologies Holdings Limited (stock code: 1089.HK) from January to July 2015, Heng Xin China Holdings Limited (stock code: 8046.HK) from June to August 2016, China Best Group Holdings Limited (stock code: 370.HK) from September 2014 to October 2016, and E-Kong Group Limited (stock code: 524.HK) from June 2015 to May 2017, whose shares are listed on the Main Board/GEM Board of the 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 secretary and committee member of Care Of Rehabilitated Offenders Association.

SENIOR MANAGEMENT

Mr. Wong Cheuk Tim, Timothy, aged 28 holds a Juris Doctor in Law from The Chinese University of Hong Kong and a Bachelor of Science in Economics from University of Bath, United Kingdom. Mr. Wong joined the Group in 2014 and is currently holding the position of Chief Operating Officer of the Group. He is responsible for overseeing daily management, the operation units, and the legal and compliance functions of the Group. Mr. Wong is the son of Mr. Wong Leung Pak, Matthew, BBS (an executive Director), the brother of Mr. Wong Cheuk On, James and the brother-in-law of Mr. Lo Man Po (executive Directors).

Mr. Cheng King Hoi, Andrew, aged 58 is the Head of China Business of the Group and is responsible for the Group's tourism and hotel operations in Chongqing and Sichuan Province and bus operations in Hubei Province, Mainland China. He is a member of the Australian Institute of Management NSW Ltd., a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China, and also the co-president of Overseas Teo Chew Entrepreneurs Association Limited. He was awarded 10 Most Outstanding Persons of China Transportation Enterprise Management in 2009. Mr. Cheng received an Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America and the 13th World Outstanding Chinese Award in 2013. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years. Currently, Mr. Cheng is also an independent non-executive director of Evergreen International Holdings Limited, which is listed on the Stock Exchange (stock code: 238.HK).

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT – CONTINUED

Mr. Mok Wah Fun, Peter, aged 66
(resigned on 1 November 2016)

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

Mr. Lee Yin Ching, Stanley, aged 65

is the Head of Business Development (Employee & Resident Services) of the Group and is responsible for business development and marketing. Prior to joining the Group in 1978, Mr. Lee had 6 years experience in container terminal operation. Mr. Lee has over 30 years experience in bus business. Mr. Lee is involved in numerous public duties including being the chairman of Kam Wah Ching Sher Association, a charitable body, since 1992. He is currently a member of Hong Kong Association of Travel Agents, Rotary Club of Hong Kong North and UNESCO China, an executive committee member of Public Omnibus Operators Association, an advisor of Hong Kong Cang Cheng Art Studio, the vice-chairman of Ven Siu Kun Charitable Foundation Limited, an independent management committee member of Kowloon Women's Welfare Club Li Ping Memorial School, and a governor of Hong Kong Nang Yan College of Higher Education.

Ms. Lee Shuk Wah, Teresa, aged 61

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

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT – CONTINUED

Mr. Chan Chung Yee, Alan, aged 50

is the managing director of Chinalink (wholly owned subsidiaries of the Company) and its subsidiaries. Mr. Chan holds two Master's Degrees in Practising Accounting and Business Law from Monash University, Australia. Professionally, he is a Fellow of the Hong Kong Institute of Certified Public Accountants, CPA Australia, The Institute of Chartered Secretaries and Administrators in UK, The Hong Kong Institute of Company Secretaries and The Hong Kong Institute of Directors. Mr. Chan is also a Member of The Hong Kong Securities and Investment Institute, a Certified Management Accountant of the Institute of Certified Management Accountants of Australia, and an Associate of The Hong Kong Institute of Bankers. He is awarded with "Chartered Banker" by the Chartered Institute of Bankers in Scotland, UK. For the public services, Mr. Chan is currently a Standing Member and Convenor of Hong Kong members of the Chinese People's Political Consultative Conference of Yunfu City of Guangdong Province, Honorary Standing Director of Guangdong's Association For Promotion of Cooperation Among Guangdong, Hong Kong and Macao, and Secretarial General of China, Hong Kong and Macau Boundary Crossing Bus Association. Mr. Chan was appointed as member of the Board of Review (Inland Revenue) of HKSAR from 2009 to 2011. He is also an independent non-executive director and chairman of audit committee of Upbest Group Limited (stock code: 335.HK) and UBA Investments Limited (stock code: 768.HK), which are listed on the Stock Exchange.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 44

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

Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2017.

RESULTS

The consolidated profit for the year was approximately HK$365 million, which represents an increase of approximately 25% from that of the previous year of approximately HK$292 million. The increase in profit was mainly due to: (1) a one-off gain on bargain purchase recognised in relation to the acquisition of the entire issued share capital in ATCL Group engaging in non-franchised bus business; (2) gain on disposal of Associated Motor Service and Repair Limited ("AMSRL"); and (3) the moderate improvement in operating results of the non-franchised bus segment. Further details of the Group's results will be discussed under the section headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

An interim dividend of HK12 cents (2016: an interim dividend of HK12 cents and a special dividend of HK18 cents) per ordinary share in respect of the year were paid on 21 December 2016. The Board recommends the payment of a final dividend of HK12 cents (2016: HK12 cents) per ordinary share for the year. Subject to approval by shareholders of the Company in the forthcoming general meeting of the Company, the proposed final dividend will be paid on or about Friday, 1 September 2017 to the shareholders whose names appear on the register of members on Monday, 28 August 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company which will be held on 18 August 2017, the register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, 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 Monday, 14 August 2017.

For determining the entitlement to the proposed final dividend, subject to the passing of the resolution approving the declaration of the final dividend at the AGM, the register of members of the Company will be closed from Thursday, 24 August 2017 to Monday, 28 August 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 August 2017.

APPRECIATION

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

Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong
29 June 2017

Management Discussion and Analysis

RESULTS

The consolidated profit for the year was approximately HK$365 million, which represents an increase of approximately 25% from that of the previous year of approximately HK$292 million. The increase in profit was mainly due to: (1) a one-off gain on bargain purchase recognised in relation to the acquisition of the entire issued share capital in ATCL Group engaging in non-franchised bus business; (2) gain on disposal of AMSRL; and (3) the moderate improvement in operating results of the non-franchised bus segment. The Group's results will be discussed in detail under the section headed "Review of Operations and Future Prospects" below.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

1. Non-franchised Bus Segment

The non-franchised public bus services provided by the Group include: (i) Mainland China/Hong Kong cross-boundary transport and (ii) local transport in Hong Kong, which include student, employee, resident, tour, hotel, and contract hire services. In terms of the size of bus fleet, the Group continues to be the largest non-franchised public bus operator in Hong Kong. As the provision of cross-boundary limousine services are always bundled with non-franchised bus services, the results of cross-boundary limousine services are incorporated in this segment too.

KCM is the Group's flagship wholly-owned subsidiary that provides premium, safe and reliable local non-franchised bus services for a broad high-end corporate and individual clientele, including schools, major employers, housing estates, tours, hotels, airlines, travel agencies, shopping malls, etc. As approximately 90% of KCM's revenue is derived from binding service contracts, its financial results for the year had remained relatively stable. It is expected that KCM shall continue to provide a sound profit-making base for the Group.

TIL and Chinalink, wholly-owned subsidiaries of the Group, provide a number of fixed, short-trip, and 24-hour cross-boundary shuttle routes between Huanggang, Shenzhen and Mongkok/Wanchai/Kam Sheung Road/Tsuen Wan. TIL and Chinalink also operate regular cross-boundary bus routes between Hong Kong and various cities in Guangdong and Guangxi Provinces. Since 2012, the Group has acquired four more fellow cross-boundary bus operators, namely Shiny Eagle group, Chinalink, 991 group and Pengyun group. These acquisitions, bringing about synergy, have strengthened the Group's 'Fly-via Shenzhen' services, cross-boundary student bus services and other long-distance fixed routes.

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

In September 2016, the Group acquired 100% equity interest in ATCL Group. ATCL Group is a medium-sized bus operator, which is engaged in both local and cross-boundary bus businesses. The acquisition has further consolidated the Group's position in the non-franchised bus segment. AMSRL, being part of the ATCL Group, was subsequently disposed of in March 2017. Further details are set out in note 37 to the financial statements.

Management Discussion and Analysis

REVIEW OF OPERATIONS AND FUTURE PROSPECTS – CONTINUED

1. Non-franchised Bus Segment – continued

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

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

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

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

iv. the Hong Kong-Zhuhai-Macao Bridge, which will link up Hong Kong, Zhuhai of Guangdong Province, and Macao, is expected to be completed by the end of 2017. The completion of the bridge will bring about much greater demand for cross-boundary transport between these three places. The industry is awaiting further good news from the Hong Kong government at the moment; and

v. the Guangdong-Hong Kong-Macau Greater Bay Area Plan, which is one of Mainland China's priorities, will further boost the cross-boundary transportation demand within the Pearl River Delta.

2. Local Limousine Segment

As at 31 March 2017, the Group owned a fleet of about 215 (2016: 252) local limousines. The limousine fleet caters for the airport and local transfers of prestigious clients of numerous hotels in Hong Kong, and for corporate and individual users.

The performance of this segment during the year had deteriorated slightly owing to severe competition and a decline in demand from high-end clientele.

3. Franchised Bus Segment

The Group's franchised bus services in Hong Kong are operated by NLB, a 99.99% (2016: 99.99%) owned subsidiary of the Group. As at 31 March 2017, NLB operated 23 (2016: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 123 (2016: 124) buses.

The cross-boundary routes, namely route B2 servicing Yuen Long-Shenzhen Bay Port and route B2P servicing Tin Shui Wai-Shenzhen Bay Port, and the shuttle bus services within Tung Chung New Town are still profitable routes. A large majority of other bus routes are at losses or just break even. In order to maintain its service standards, NLB shall work closely with the Transport Department and the local community to rationalise some of these loss making routes.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS – CONTINUED

4. Mainland China Bus Segment

Hubei Shenzhou

As at 31 March 2017, this 100% (2016: 100%) owned subsidiary of the Group was running a long-distance bus terminal and related bus business with 206 (2016: 203) routes and 495 (2016: 497) buses in Xiangyang, Hubei Province. Hubei Shenzhou incurred a loss in its results for the year. However, given the advantageous geographical position of the bus terminal, the Group is confident that Hubei Shenzhou will turn around in its performance soon.

5. Hotel and Tourism Segment

i. Local Tourism Businesses

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

ii. CQ Tourism Group

This 60% (2016: 60%) owned subsidiary, together with its two fellow group companies, operated a 3-star 26-storey hotel, namely CQ Hotel and a travel agency company, namely Chongqing Everbright International Travel Service Co., Ltd. ("CQ Everbright") in Chongqing. CQ Hotel was in a loss position for the year as it had implemented an employee restructuring plan and significant restructuring cost had been incurred.

During the year:

(1) the Group acquired from its joint venture partner the remaining 40% equity interest in CQ Hotel. The transaction was completed in March 2017; and

(2) the Group had entered into an equity transfer agreement to dispose of all of its 60% equity interest in CQ Everbright. The consideration was fixed at a minimal amount as CQ Everbright was in a net liability position. The transaction is expected to be completed by the end of 2017.

iii. Bipenggou Tourism

As at 31 March 2017, the Group owned 51% (2016: 51%) equity interest in Bipenggou Tourism. The scenic area of Bipenggou has gained more popularity in Sichuan Province and the patronage has been stepping up, thus boosting the profit of Bipenggou Tourism for the year to a record high. The number of tourists for calendar year 2016 reached approximately 670,000 as compared with approximately 480,000 for 2015. It is forecasted that the number of tourists will increase to approximately 750,000 in 2017.

As Mainland China's Belt and Road Initiative unfolds, Sichuan Province shall become one of the terminals of the Eurasian Railway, and an important inland port of western Mainland China. It is expected that more and more visitors from countries along the Belt and Road will flock into Sichuan Province as their first stop in Mainland China for sightseeing and consumption and certainly Bipenggou will benefit from these valuable opportunities.

Management Discussion and Analysis

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 2017, the total outstanding indebtedness was approximately HK$1,276 million (2016: HK$1,220 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 2017, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 68.1% (2016: 71.5%).

FUNDING AND TREASURY POLICIES, AND FINANCIAL RISK MANAGEMENT

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that throughout the year ended 31 March 2017, 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 2017.

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 price-sensitive 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 2017, the Board comprised 7 Directors, including 3 executive Directors and 4 independent non-executive Directors. The list of all Directors 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

Independent non-executive Directors

Mr. Chan Bing Woon, SBS, JP
Mr. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis *(appointed on 1 October 2016)*

Corporate Governance Report

THE BOARD OF DIRECTORS – CONTINUED

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

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

Chairman and Chief Executive Officer

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

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

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

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

Independent Non-Executive Directors

During the year ended 31 March 2017, 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 2017, the audit committee consists of four independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP as the chairman. Other members are Mr. Lee Kwong Yin, Colin, 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, two times a year. The audit committee also meets the external auditor annually in the absence of the management.

Corporate Governance Report

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 2017. The attendance record of each member of the audit committee at such meetings is set out under "Attendance Record of Directors and Committee Members" on page 22.

The Company's interim results for the six months ended 30 September 2016 and annual results for the year ended 31 March 2017 have been reviewed by the audit committee.

Nomination Committee

As at 31 March 2017, the nomination committee consists of one executive Director and four 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. Lee Kwong Yin, Colin, 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, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

BOARD COMMITTEES – CONTINUED

Nomination Committee – continued

During the year ended 31 March 2017, the nomination committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The nomination committee considered that an appropriate balance of diversity perspectives of the Board is maintained. The attendance record of each member of the nomination committee is set out under "Attendance Record of Directors and Committee Members" on page 22.

Remuneration Committee

As at 31 March 2017, the remuneration committee consists of one executive Director and four independent non-executive Directors with Mr. Chan Bing Woon, SBS, JP, independent non-executive Director, as the chairman. Other members are Mr. Lee Kwong Yin, Colin, Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis, being independent non-executive Directors, and Mr. Wong Leung Pak, Matthew, BBS, being executive Director. At the discretion of the remuneration committee, executive Directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

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

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

The remuneration committee met once during the year ended 31 March 2017 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors and the senior management. The remuneration committee also made recommendations to the Board on the terms of service agreement of the new independent non-executive Director appointed during the year. Details of the remuneration of each Director and five highest paid employees for the year ended 31 March 2017 are set out in notes 8 and 9 to the financial statements, respectively. For the year ended 31 March 2017, the remuneration of the senior management is listed as below by band:

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

Corporate Governance Report

BOARD COMMITTEES – CONTINUED

Remuneration Committee – continued

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

Corporate Governance

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and 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 2017, 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 2017 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. Sung Yuen Lam *(resigned on 1 October 2016)*	2/2	1/1	1/1	1/1	1/1
Mr. Lee Kwong Yin, Colin	4/4	2/2	1/1	1/1	1/1
Mr. James Mathew Fong *(appointed on 1 July 2016)*	3/3	1/1	N/A	N/A	1/1
Mr. Chan Fong Kong, Francis *(appointed on 1 October 2016)*	2/2	1/1	N/A	N/A	N/A

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 2017, the Company organized in-house training sessions for all Directors on directors' duties and responsibilities, corporate governance and update on Listing Rules amendments. All the Directors attended training sessions regarding directors' duties and responsibilities, corporate governance and update on Listing Rules amendments.

In addition, all Directors have read various relevant materials including directors' manual, legal and regulatory update, seminar handouts, business journals and financial magazines or attended additional professional seminars on an individual basis during the year. 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. Sung Yuen Lam *(resigned on 1 October 2016)*	✓	✓
Mr. Lee Kwong Yin, Colin	✓	✓
Mr. James Mathew Fong *(appointed on 1 July 2016)*	✓	✓
Mr. Chan Fong Kong, Francis *(appointed on 1 October 2016)*	✓	✓

During the year ended 31 March 2017, Mr. Chan Kwok Kee, Andy, the Company Secretary of the Company, had attended the relevant training. He has satisfied the training requirement for the year of 2016/2017 under Rule 3.29 of the Listing Rules.

Corporate Governance Report

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 42 to 46 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 2017 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 2017 are as follows:

	HK$'000
2016/2017 annual audit	3,380
Non-audit related services	1,122
	4,502

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.

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.

RISKS MANAGEMENT AND INTERNAL CONTROLS – CONTINUED

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 2017, the Board, through the audit committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Company (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function). 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 2017, 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.

Corporate Governance Report

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. Chan Kwok Kee, Andy, Company Secretary
Address:	3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong
Fax:	(+852) 3753 4885
Email:	andychan@kcm.com.hk

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

In pursuit of sustainable development, modern enterprises must take into account all aspects of business and social responsibility to meet the challenges from all parties. The Group attaches great importance to the practice of corporate social responsibility with awareness of that the society, environment and staff are closely related to the business growth, and integrates the concept of sustainable development into operation, therefore resources and efforts have long been invested in various aspects.

The Group prepared its first environmental, social and governance report to elaborate the related measures that the Group has taken in the three aspects of environmental protection, social welfare and corporate governance and their effectiveness for the year ended 31 March 2017. This report has been prepared in accordance with "the Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") contained in Appendix 27 to the Listing Rules.

This report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The information contained in this report is derived from the documents and statistics of the Group, and its preparation has been supported by the Group's management. We hereby extend our sincere appreciation to all parties who have made contributions to this report and the Group's environmental, social and governance work. If you are in any doubt or have any suggestion regarding matters set out in this report, please feel free to contact us. The Group strives to move forward in respect of its environmental, social and governance work.

CORPORATE GOVERNANCE

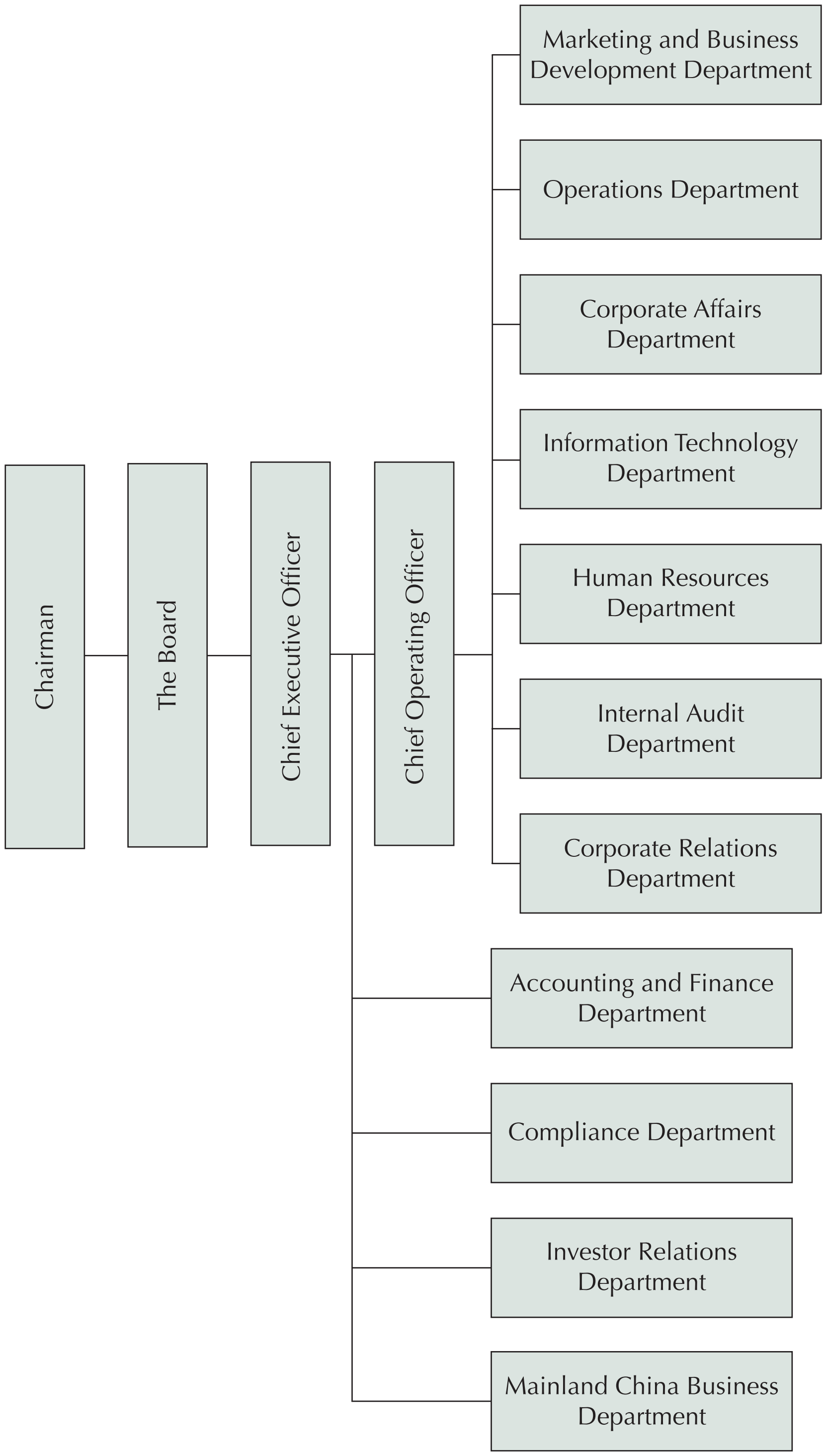
Founded in 1948, the Group used to engage in small-sized car cleaning service, and with decades of development, the Group has been one of the largest non-franchised public bus and limousine operators in Hong Kong. Currently, our business has been expanded to cover non-franchised buses, local limousines, franchised buses, Mainland China buses, hotels and tourism. The Group has been listed on the Main Board of the Stock Exchange since September 1996.

The Group, as a public service provider and a public listed company, is highly visible in terms of its business, as it would frequently serve members of the general public in daily transportation services. The Group adheres to the standard of measurement of service by the HKSAR government, has established a code of conduct for its employees and has maintained a tailored governance structure with defined lines of responsibility and authority to the senior management.

Environmental, Social and Governance Report

CORPORATE GOVERNANCE – CONTINUED

The Group's major governance structure is as follows:



Details of the Group's compliance with the CG Code are disclosed separately in the section headed "Corporate Governance Report" in this annual report.

ENVIRONMENTAL PROTECTION

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

Environmental Protection Measures in the Process of Business Development

The Group understood and attached great importance to the requirement of keeping pace with the times in its business, the concept of which was also fully implemented in environmental protection. In order to improve the air quality, on 31 March 2017, over 50% of the vehicles of the Group's fleet are newer models meeting the standards of Euro V and Euro VI. During the year, about 150 vehicles of the Group of older model and with less satisfactory environmental protection performance were replaced by Euro V and Euro VI vehicles.

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

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

In addition, under the support from the Pilot Green Transport Fund, two units of electric-powered single deck buses have been procured by KCM (a subsidiary of the Group) in 2015 for trial run at various residents' service roots. According to the front line staffs, the trial run of electric-powered buses is in good condition at present. NLB also procured two units of electric-powered buses in 2016, and expect to put them into trial run at its route 38.

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

Air Pollutant Emissions

According to the statistics recorded by the Group, the sulfur dioxide emissions of the Group for the year were approximately 205,000g as compared to approximately 175,000g for the previous year, which was mainly due to diesel consumption. The NOx and suspended particulate emissions for the year were approximately 386,010,000g and 38,266,000g, respectively. The Group will pay close attention to air pollutant emissions during its business operation and implement control thereon.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – CONTINUED

Greenhouse Gas ("GHG") Emissions

According to the statistics of the Group, under the major business activities, the GHG emissions are attributable to the gasoline, diesel and electricity consumption of vehicles. The table below sets forth the approximate carbon dioxide ("CO_2") equivalent of GHG of the Group for the year and the previous year.

GHG emissions for the year and the previous year:

	Year ended 31 March	
	2017	2016
CO_2 equivalent (kg)	**34,029,000**	29,143,000

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

Development of "Ecotourism" in Bipenggou, Sichuan

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

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

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

USE OF RESOURCES

The Group believes that resource saving and recycling are essential part of a sustainable operation mode, which can also demonstrate its commitments to corporate social responsibilities and its endeavor to mitigate the impact of business on the environment in each section. We place great emphasis on our employees' environmental protection awareness during their daily work and issue guidelines on fuel and electricity saving, water conservation and use of paper and other office supplies to reduce waste and control the use of resources, and waste papers are disposed by third-party environmental collectors upon unified collection. As the Group is a service provider, there is no significant packaging material used during the year.

USE OF RESOURCES – CONTINUED

Comparison of Major Use of Resources of the Group for the Year and the Previous Year

	Year ended 31 March	
	2017	2016
Diesel (L)	**12,660,000**	10,840,000
Gasoline (L)	**61,000**	51,000
Electricity (kWh)	**714,000**	626,000
Water (m^3)	**8,000**	7,100
Paper (box)	**595**	547

As of 31 March 2017, the diesel and gasoline consumption of the Group amounted to approximately 12,660,000L and 61,000L, respectively (2016: 10,840,000L and 51,000L). According to the statistics, the electricity consumption was approximately 714,000kWh (2016: 626,000kWh). The water consumption for the year as calculated by the Group was approximately 8,000m^3 (2016: 7,100m^3). During the year, the Group recorded paper use of approximately 595 boxes (2016: 547 boxes). In the coming year, we will continue to facilitate resource saving, collection and recycling from each section with an aim to further fulfill the Group's commitments to the society and environment.

EMPLOYEE DEVELOPMENT AND WORKING ENVIRONMENT

The smooth operation of the Group's business owes much to the diligent work of our frontline and back office staff. Therefore, we have great respect for staff and teams with a hope to create a safe, healthy and equal platform for them to work with peace of mind and dedication.

Employees and Remuneration Policies

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

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

Working Environment

Our staff always says working in Kwoon Chung is just like living in a big family. As a family-run business, senior management of the Group has built a transparent, "open door" culture which facilitates internal communication. This culture ensures that ideas and views of our staff can be effectively reflected from the bottom up and every important management decision is made down to earth.

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

Environmental, Social and Governance Report

EMPLOYEE DEVELOPMENT AND WORKING ENVIRONMENT – CONTINUED

Health and Safety

The Group has a deep appreciation of the dangers, accidents and potential legal risks during its business operation and it adheres to the Occupational Safety and Health Ordinance. In light of this, the Group continues to provide safe driving trainings to drivers, which include good driving attitudes, alert and defensive driving skills and emergency procedures on the road. During the year, we had conducted five trainings in total. Further, in October 2016, the Group invited representatives from the Fire Services Department to give a lecture to the employees of the Group on "Awareness of Fire Safety and Escaping Instructions" with an aim to further improve the awareness of fire safety and emergency response of frontline and back office staff.

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

To express appreciation for employees' contribution and encourage them to enhance their physical and psychological health, the Group holds sports and recreation activities on a regular basis, which can also help employees to become acquainted and get a better understanding of each other. Recreation activities held by the Group during the year included basketball and badminton competition, lecture of health care, handicraft workshops, horse racing night, and dragon boat training and race among staff teams.

Development and Training

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

BUSINESS PRACTICES

Product Liabilities

The Group strives to promote the philosophy of "We Serve with Pride and Devotion" to provide the public with quality services, and at the same time, pave a way for future development. The Group has a "zero accident" vision and considers safety as its primary liability and review of safety measures as its constant pursuit. The fleet of vehicles maintained by the Group has the lowest average age within the industry and undergo scrupulous inspection and repair and maintenance program. The frontline staff, including drivers, station assistants, school bus escorts and control room officers are all very experienced and well trained. The Group is also willing to listen to the views and complaints of users in respect of both safety and service standards, establishes various feedback channels on public platforms and responds to, handles and improves the above in an efficient and practical manner.

Suppliers and Partners

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

BUSINESS PRACTICES – CONTINUED

Anti-corruption

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

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

COMMUNITY INVESTMENT

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

The charity activities the Group has participated in for the year are as follows:

- In November 2016, Mr. Wong Leung Pak, Matthew, the Chairman of the Group and Mr. Cheng King Hoi, Andrew, the Head of China Business of the Group personally took part in “Oxfam Trailwalker 2016” as a team named “Seeking Progress Amidst Stability” and completed 100km trail of MacLehose Trail in Hong Kong. As it has been over the past six years, in addition to supporting these two management members, the employees of the Group were also enthusiastic about donating to Oxfam to facilitate its poverty alleviation and disaster relief and advocacy work in Hong Kong, Mainland China, Africa and other regions in Asia. “Seeking Progress Amidst Stability” raised from the public approximately HK$113,000 in total for Oxfam in this campaign.

- In January 2017, the Group worked together to demonstrate its spirit of social concern in action and participated in “Hong Kong and Kowloon Walk for Millions” held by The Community Chest of Hong Kong as a team named “Kwoon Chung Bus”. The campaign aimed to help “Family and Child Welfare” to assist the family in need and encourage family members to establish a close relationship with mutual love and encouragement, so as to maintain and consolidate the family unit. The team for Walk for Millions of the Company on that day comprised 27 employees and 16 employee’s family members, while KCM also sponsored each employee participant with additional HK$1,000 for the campaign. A total of approximately HK$351,000 was raised eventually by the team.

- The Group has been the primary sponsor for Southern District Football Club of Hong Kong since 2013. The Club has been adhering to furthering the development of district football to bring communities together by means of football. It also strives to enhance the football level in Hong Kong and invests resources in talents cultivation, training and development. Besides, the Club encourages local citizens to deepen their understanding and interests in football sports for active participation to improve the image of professional football sports of Hong Kong. During the year, KCM sponsored approximately HK$6 million to the Southern District Recreation and Sports Association Limited so as to fund recreation activities in the Southern District.

Apart from participating in the above charity activities, the Group also works closely with an educational institution, namely, the Institute of Vocational Education (“IVE”) of the Hong Kong Vocational Training Council (“VTC”) in providing internship-training programmes for full-time students from IVE. These students are retained by various subsidiaries in Hong Kong for their internship, which formed an integral part of their diploma training programme. A representative from the Group had also been appointed as External Examiner of IVE in overseeing one of their Diploma Programmes, and sits on the Committee on Management and Supervisory Training of VTC.

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are contained in the preceding Management Discussion and Analysis set out on pages 13 to 16 of this annual report. This discussion forms part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 47 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 47 to 50.

An interim dividend of HK12 cents per ordinary share in respect of the year were paid on 21 December 2016. The Board recommends the payment of a final dividend of HK12 cents per ordinary share in respect of the year to the shareholders whose names appear on the register of members on 28 August 2017 (subject to approval by shareholders of the Company in the forthcoming annual general meeting of the Company).

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,440,862**	2,388,873	2,362,109	2,189,316	2,075,498
OPERATING PROFIT	**420,283**	347,364	390,691	222,181	180,754
Share of profits and losses of:					
Joint ventures	**–**	–	50,720	(14,400)	(13,078)
Associates	**(25)**	26	(30)	(1)	(11)
PROFIT BEFORE TAX	**420,258**	347,390	441,381	207,780	167,665
Income tax expense	**(55,328)**	(55,522)	(61,972)	(49,334)	(50,136)
PROFIT FOR THE YEAR	**364,930**	291,868	379,409	158,446	117,529
Attributable to:					
Owners of the parent	**363,909**	282,472	382,971	165,035	116,942
Non-controlling interests	**1,021**	9,396	(3,562)	(6,589)	587
	364,930	291,868	379,409	158,446	117,529

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,088,705**	3,823,889	3,593,832	3,072,045	2,972,056
TOTAL LIABILITIES	**(2,214,035)**	(2,117,119)	(2,043,824)	(1,446,608)	(1,463,301)
NON-CONTROLLING INTERESTS	**(131,922)**	(136,588)	(79,263)	(122,214)	(162,818)
	1,742,748	1,570,182	1,470,745	1,503,223	1,345,937

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.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to approximately HK$136,838,000, of which approximately HK$55,402,000 has been proposed as a final dividend for the year. The reserves available for distribution include the Company's contributed surplus of approximately HK$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of approximately HK$623,066,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made donation and sponsorship to certain charities and communities/district group.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers and the largest customer of the Group accounted for less than 30% and approximately 2% of the Group's total turnover for the year respectively.

Purchases from the Group's five largest suppliers accounted for approximately 68% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 36%.

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 number of 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. Sung Yuen Lam *(resigned on 1 October 2016)*
Mr. Lee Kwong Yin, Colin
Mr. James Mathew Fong *(appointed on 1 July 2016)*
Mr. Chan Fong Kong, Francis *(appointed on 1 October 2016)*

DIRECTORS – CONTINUED

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

According to bye-law 86(2) of the Company's bye-laws, Mr. Chan Fong Kong, Francis (who was appointed by the Board on 1 October 2016) shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. This retiring director, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from Messrs. Chan Bing Woon, SBS, JP, Sung Yuen Lam (resigned on 1 October 2016), Lee Kwong Yin, Colin, James Mathew Fong and Chan Fong Kong, Francis, all being independent non-executive Directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors of the Company for the year ended 31 March 2017 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 holding companies of the Company, or any of the Company's subsidiaries was a party during the year ended 31 March 2017 and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2017, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Report of the Directors

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

At 31 March 2017, 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 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)]	231,322,636[(2)]	231,922,301	50.23
Mr. Wong Cheuk On, James	3,434,000	–	3,434,000	0.74
Mr. Lo Man Po	2,200,000	–	2,200,000	0.48

Notes:

(1) Mr. Wong Leung Pak, Matthew, 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, which was in turn wholly owned by Mr. Wong Leung Pak, Matthew, BBS. He was deemed to be interested in the 231,322,636 shares held by Basic Faith pursuant to the SFO.

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

2. Long Positions in Shares of Associated Corporations

Mr. Wong Leung Pak, Matthew, BBS, 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 2017, 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 Schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DEBENTURES IN ISSUE

The Company did not have any debentures in issue during the year ended 31 March 2017.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 33 to the financial statements. There were no share options granted, exercised or outstanding under the share option scheme during the year.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the year ended 31 March 2017. Save for the share option scheme, no equity-linked agreement existed during the year ended 31 March 2017.

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

At 31 March 2017, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company held	Percentage of the Company's issued share capital (%)
Ms. Ng Lai Yee, Christina	Joint Interest	599,665[(1)]	0.13
	Interest of spouse	231,322,636[(2)]	50.10
Basic Faith	Beneficial owner	231,322,636[(3)]	50.10
Infinity Faith	Interest of controlled corporation	231,322,636[(3)]	50.10
Cathay International Corporation	Beneficial owner	100,674,400	21.81

Notes:

(1) Ms. Ng Lai Yee, Christina held 599,665 shares jointly with her spouse, Mr. Wong Leung Pak, Matthew, 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 2017, 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

The Company had no connected transaction conducted during the year ended 31 March 2017. The related party transactions as referred to in note 44 to the financial statements in this annual report do not fall under definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Report of the Directors

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to commit 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 aspects 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 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 48 to the financial statements.

AUDITOR

Ernst & Young 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
29 June 2017

Independent Auditor's Report

EY 安永

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 47 to 150, which comprise the consolidated statement of financial position as at 31 March 2017, 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 2017, 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") and local limousine cash-generating unit ("Local Limousine CGU")	
As at 31 March 2017, the Group had goodwill, passenger service licences, other intangible assets and property, plant and equipment in aggregate of HK$2,240.2 million, which were related to the Non-franchised Bus CGU and Local Limousine CGU, representing 54.8% of total assets. The Group's management performed an annual impairment assessment by assessing the recoverable amounts of the Non-franchised Bus CGU and Local Limousine CGU based on value in use calculations. Significant judgement was involved in the assessment of the recoverable amounts, including assumptions on budgeted gross margins, discount rates, growth rates and general price inflation. The outcome is sensitive to expected future market conditions and the actual performance of the Non-franchised Bus CGU and Local Limousine CGU. The accounting policies, significant accounting judgements and estimates and disclosures for impairment assessments are disclosed in notes 2.4, 3 and 16 to the financial statements.	In evaluating management's impairment assessment, we tested the assumptions used in the value in use calculation by: (i) comparing the budgeted gross margins and expected growth rates with historical results of the Non-franchised Bus CGU and Local Limousine CGU and other industry specific statistics; (ii) comparing the discount rates with relevant industry's weighted average cost of capital; (iii) comparing the general price inflation rate to current market condition; and (iv) assessing the sensitivity of management estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts.
Accounting for acquisition of non-franchised bus operations	
On 1 September 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interests in Associated Tourist Coach Limited, Guang Dong Shao Guan Guoyou Tourism Coach Company Limited and Associated Motor Service and Repair Limited (collectively, the "ATCL Group") (the "Acquisition"). The final consideration amounted to HK$201.5 million. The Group engaged an independent external appraiser to perform the purchase price allocation on the fair value of the identifiable assets acquired and liabilities assumed, which included, amongst others, passenger service licences of HK$245.0 million and other intangible assets of HK$50.0 million. As at the date of acquisition, the aggregate fair value of the identifiable net assets of the ATCL Group amounted to HK$282.3 million and the Group recognised a gain on bargain purchase of HK$80.8 million in the consolidated statement of profit or loss. Significant estimation and judgement were involved in the assessment of fair value of identifiable net assets of the ATCL Group. The accounting policy, significant accounting judgements and estimates and disclosure for business combinations are disclosed in notes 2.4, 3 and 36 to the financial statements.	We involved our valuation experts to assist us in evaluating management's valuation methodologies and assumptions used in the purchase price allocation by (i) comparing source and market data used in the underlying assumptions for valuation of the assets acquired and liabilities assumed by reference to comparable companies in the same industry; (ii) reviewing the valuation methodologies adopted for the purpose of determining the fair value of the identifiable assets acquired and liabilities assumed; and (iii) comparing the business plans prepared by management for the purpose of assessing the assumptions used. Furthermore, we have assessed the independence, competence and relevant experiences of the external valuation expert engaged by management.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
29 June 2017

Consolidated Statement of Profit or Loss

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**2,440,862**	2,388,873
Cost of services rendered		**(1,787,502)**	(1,731,543)
Gross profit		**653,360**	657,330
Other income and gains, net	5	**180,192**	82,382
Administrative expenses		**(351,412)**	(311,928)
Other expenses, net		**(20,679)**	(43,815)
Finance costs	6	**(41,178)**	(36,605)
Share of profits and losses of associates		**(25)**	26
PROFIT BEFORE TAX	7	**420,258**	347,390
Income tax expense	10	**(55,328)**	(55,522)
PROFIT FOR THE YEAR		**364,930**	291,868
Attributable to:			
Owners of the parent		**363,909**	282,472
Non-controlling interests		**1,021**	9,396
		364,930	291,868
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK78.8 cents**	HK61.2 cents
Diluted		**HK78.8 cents**	HK61.2 cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**364,930**	291,868
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(30,528)**	(10,511)
Reclassification adjustment of exchange equalisation reserve upon disposal of foreign operations	37(a)	**–**	(7,872)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(30,528)**	(18,383)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	13	**–**	28,501
Income tax effect	31	**–**	(4,702)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	23,799
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(30,528)**	5,416
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**334,402**	297,284
Attributable to:			
Owners of the parent		**339,309**	290,924
Non-controlling interests		**(4,907)**	6,360
		334,402	297,284

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,656,096**	1,561,566
Investment properties	14	**76,600**	41,100
Prepaid land lease payments	15	**42,252**	44,807
Goodwill	16	**183,416**	183,416
Passenger service licences	17	**651,929**	380,929
Other intangible assets	18	**340,948**	321,534
Interests in associates	19	**356**	381
Available-for-sale investment	20	**–**	232
Financial assets at fair value through profit or loss	21	**27,669**	21,390
Loans receivable	22	**63,798**	80,435
Prepayments, deposits and other receivables	24	**124,064**	202,779
Deferred tax assets	31	**201**	169
Total non-current assets		**3,167,329**	2,838,738
CURRENT ASSETS			
Inventories		**30,908**	30,936
Trade receivables	23	**170,799**	161,559
Prepayments, deposits and other receivables	24	**248,283**	189,442
Financial assets at fair value through profit or loss	21	**29,310**	26,614
Tax recoverable		**13,003**	22,742
Pledged time deposits	25	**14,488**	12,118
Cash and cash equivalents	25	**408,620**	541,740
		915,411	985,151
Assets of a disposal group classified as held for sale	38	**5,965**	–
Total current assets		**921,376**	985,151

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CURRENT LIABILITIES			
Trade payables	26	**54,319**	57,507
Accruals, other payables and deposits received	27	**504,515**	517,326
Tax payable		**40,906**	46,150
Derivative financial instruments	28	**14,268**	24,400
Interest-bearing bank and other borrowings	29	**593,902**	589,775
		1,207,910	1,235,158
Liabilities directly associated with the assets classified as held for sale	38	**7,377**	–
Total current liabilities		**1,215,287**	1,235,158
NET CURRENT LIABILITIES		**(293,911)**	(250,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,873,418**	2,588,731
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**682,012**	630,140
Other long term liabilities	30	**115,005**	107,692
Deferred tax liabilities	31	**201,731**	144,129
Total non-current liabilities		**998,748**	881,961
Net assets		**1,874,670**	1,706,770
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**46,169**	46,169
Reserves	34	**1,696,579**	1,524,013
		1,742,748	1,570,182
Non-controlling interests		**131,922**	136,588
Total equity		**1,874,670**	1,706,770

Wong Leung Pak, Matthew, BBS
Director

Wong Cheuk On, James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

		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	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 2015		46,169	623,066	10,648	(1,855)	25,358	1,126	48,910	717,323	1,470,745	79,263	1,550,008
Profit for the year		–	–	–	–	–	–	–	282,472	282,472	9,396	291,868
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(7,475)	–	(7,475)	(3,036)	(10,511)
Reclassification adjustment of exchange equalisation reserve upon disposal of foreign operations	37(a)	–	–	–	–	–	–	(7,872)	–	(7,872)	–	(7,872)
Gain on property revaluation, net of tax		–	–	–	–	23,799	–	–	–	23,799	–	23,799
Total comprehensive income for the year		–	–	–	–	23,799	–	(15,347)	282,472	290,924	6,360	297,284
Transfer of depreciation on leasehold land and buildings		–	–	–	–	(1,896)	–	–	1,896	–	–	–
Transfer from retained profits		–	–	–	–	–	728	–	(728)	–	–	–
Deregistration of subsidiaries		–	–	–	–	–	–	–	–	–	(500)	(500)
Disposal of subsidiaries	37(a)	–	–	–	–	–	–	–	–	–	(21,942)	(21,942)
Various transactions with same non-controlling interests	37(b)	–	–	–	–	–	–	–	2,421	2,421	(1,274)	1,147
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	81,122	81,122
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(6,441)	(6,441)
Final 2015 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
Interim 2016 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
Special 2016 dividend	11	–	–	–	–	–	–	–	(83,104)	(83,104)	–	(83,104)
At 31 March 2016		46,169	623,066*	10,648*	(1,855)*	47,261*	1,854*	33,563*	809,476*	1,570,182	136,588	1,706,770

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

		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	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 2016		46,169	623,066	10,648	(1,855)	47,261	1,854	33,563	809,476	1,570,182	136,588	1,706,770
Profit for the year		–	–	–	–	–	–	–	363,909	363,909	1,021	364,930
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(24,600)	–	(24,600)	(5,928)	(30,528)
Total comprehensive income for the year		–	–	–	–	–	–	(24,600)	363,909	339,309	(4,907)	334,402
Transfer of depreciation on leasehold land and buildings		–	–	–	–	(3,617)	–	–	3,617	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(55,939)	(55,939)	(13,792)	(69,731)
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	19,682	19,682
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	(5,649)	(5,649)
Final 2016 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
Interim 2017 dividend	11	–	–	–	–	–	–	–	(55,402)	(55,402)	–	(55,402)
At 31 March 2017		46,169	623,066*	10,648*	(1,855)*	43,644*	1,854*	8,963*	1,010,259*	1,742,748	131,922	1,874,670

* These reserve accounts comprise the consolidated reserves of HK$1,696,579,000 (2016: HK$1,524,013,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**420,258**	347,390
Adjustments for:			
Share of losses/(profits) of associates		**25**	(26)
Bank interest income	5	**(1,544)**	(2,365)
Other interest income	5	**(4,714)**	–
Dividend income from listed investments	5	**(492)**	(284)
Fair value gain on investment properties, net	5	**(500)**	(1,500)
Gain on bargain purchase	5	**(80,780)**	–
Gain on disposal of subsidiaries	5	**(14,559)**	(6,920)
Gain on disposal of interest in a joint venture held for sale	5	**–**	(9,233)
Gain on disposal of motor buses and vehicles together with passenger service licences	5	**(11,273)**	(3,156)
Gain on disposal of land and building	5	**(1,569)**	(1,750)
Recognition of deferred income	5	**(23,411)**	(23,421)
Finance costs	6	**41,178**	36,605
Amortisation of other intangible assets	7	**14,878**	12,257
Depreciation	7	**255,474**	222,482
Recognition of prepaid land lease payments	7	**3,534**	3,665
Impairment of trade receivables	7	**812**	1,926
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	7	**(2,681)**	1,515
Fair value loss on derivative financial instruments, net	7	**728**	12,225
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**540**	(5,316)
		595,904	584,094
Decrease in balances with joint venturers		**–**	21,668
Decrease/(increase) in inventories		**(159)**	5,058
Decrease/(increase) in trade receivables		**7,203**	(29,498)
Increase in prepayments, deposits and other receivables		**(19,631)**	(65,170)
Increase/(decrease) in trade payables		**(2,565)**	7,183
Increase in accruals, other payables and deposits received		**25,583**	42,808
Increase/(decrease) in other long term liabilities		**(179)**	281
Cash generated from operations		**606,156**	566,424

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash generated from operations		**606,156**	566,424
Bank interest received		**1,544**	2,365
Interest paid		**(35,137)**	(34,898)
Interest element of finance lease rental payments		**(257)**	(26)
Hong Kong profits tax paid		**(31,236)**	(46,259)
Overseas taxes paid		**(7,864)**	(7,351)
Net cash flows from operating activities		**533,206**	480,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		**492**	284
Deposits paid for purchases of items of property, plant and equipment		**(56,275)**	(100,653)
Deposits paid for purchases of other intangible assets		**(11,735)**	(50,000)
Refund of deposits paid for purchases of other intangible assets		**50,000**	–
Proceed from disposal of land and building		**2,169**	9,499
Proceeds from disposal of items of property, plant and equipment		**17,014**	22,523
Proceeds from disposal of motor buses and vehicles together with passenger service licences, net		**12,087**	3,540
Proceeds from disposal of non-current assets held for sale		**–**	5,410
Purchase of an investment property	14	**(35,000)**	–
Purchases of items of property, plant and equipment		**(274,848)**	(363,559)
Addition to prepaid land lease payments	15	**(4,245)**	–
Acquisition of subsidiaries	36	**(176,652)**	(34,602)
Transactions with non-controlling interests		**(625)**	(4,619)
Acquisition of non-controlling interests		**(69,731)**	–
Additions to passenger service licences	17	**(48,500)**	(18,100)
Addition to other intangible assets	18	**(3,459)**	–
Additions to financial assets at fair value through profit or loss		**(6,294)**	(34,637)
Refund of deposit received for proposed disposal of a joint venture		**–**	(25,008)
Considerations received/(paid) from disposal of subsidiaries, net of direct costs	37	**(229)**	12,032
Considerations received from disposal of a joint venture, net of direct costs		**–**	170,215
Receipts of government subsidies		**30,824**	55,339
Settlement of derivative financial instruments		**(10,860)**	–
Decrease/(increase) in pledged time deposits		**(2,370)**	24,617
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**11,490**	(12,046)
Net cash flows used in investing activities		**(576,747)**	(339,765)

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans, net of debt establishment costs		**1,063,254**	327,858
Repayment of bank loans		**(1,007,381)**	(320,825)
Capital element of finance lease rental payments		**(7,772)**	(749)
Dividends paid		**(110,804)**	(193,908)
Dividends paid to non-controlling shareholders of subsidiaries		**–**	(6,441)
Net cash flows used in financing activities		**(62,703)**	(194,065)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(106,244)**	(53,575)
Cash and cash equivalents at beginning of year		**529,694**	588,957
Effect of foreign exchange rate changes, net		**(12,261)**	(5,688)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**411,189**	529,694
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**320,664**	501,631
Non-pledged time deposits with original maturity of less than three months when acquired		**87,400**	28,063
Non-pledged time deposits with original maturity of more than three months when acquired		**556**	12,046
Cash and cash equivalents as stated in the consolidated statement of financial position		**408,620**	541,740
Non-pledged time deposits with original maturity of more than three months when acquired		**(556)**	(12,046)
Cash and short term deposits attributable to a disposal group classified as held for sale	38	**3,125**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**411,189**	529,694

Notes to Financial Statements

31 March 2017

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 Group was engaged in the following principal activities:

- provision of non-franchised, franchised and Mainland China bus services
- provision of local limousine services
- provision of hotel and tourism services
- provision of other transportation services

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share/registered paid-up capital	Percentage of equity interest attributable to the Company# 2017	2016	Principal activities
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	US$6,000	**100**	100	Investment holding
Chongqing Everbright International Travel Service Co., Ltd. ("CQ Everbright") 重慶光大國際旅行社有限公司*+~	PRC/ Mainland China	Renminbi ("RMB") 5,000,000	**60**	60	Provision of tourism services
Chongqing Grand Hotel Co., Ltd. ("Chongqing Grand Hotel") 重慶大酒店有限公司@+	PRC/ Mainland China	RMB35,000,000	**100**	60	Provision of hotel services
Chongqing Tourism (Group) Co., Ltd. 重慶旅業(集團)有限公司*+	PRC/ Mainland China	RMB56,660,000	**60**	60	Investment holding
Gallic Limited	Hong Kong	HK$900	**100**	100	Leasing of properties and investment holding
Kwoon Chung Intercontinental Travel Company Limited	Hong Kong	HK$1,200,000	**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#		Principal activities
			2017	2016	
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	HK$2	**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
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	HK$1	**100**	100	Investment holding
Kwoon Chung Motors Company, Limited	Hong Kong	HK$200 Non-voting deferred HK$10,000,000	**100**	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	HK$2	**100**	100	Investment holding
Lantau Tours Limited	Hong Kong	HK$750,000	**100**	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited ("Bipenggou Tourism") 理縣畢棚溝旅遊開發有限公司**+❏	PRC/ Mainland China	RMB212,060,572 (2016: RMB201,340,654)	**51**	51	Development and management of a scenic area
New Lantao Bus Company (1973) Limited	Hong Kong	HK$29,116,665	**99.99**	99.99	Provision of franchised bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	HK$500,000	**100**	100	Provision of management services
Kwoon Chung Auto Repair Company Limited	Hong Kong	HK$1,000,000	**100**	100	Provision of motor vehicles repairs and maintenance services
Trans-Island Limousine Service Limited	Hong Kong	HK$1,000 Non-voting deferred HK$30,000,000	**100**	100	Provision of bus and travel-related services

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# 2017	2016	Principal activities
Guangzhou City Zhongguan Consulting Services Company Limited 廣州市中貫諮詢服務有限公司*+	PRC/ Mainland China	RMB5,000,000	**100**	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited 廣州通寶環島諮詢服務有限公司*^+	PRC/ Mainland China	RMB5,000,000	**100**	100	Investment holding
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Chinalink Express Holdings Limited	Hong Kong	HK$35,000,000	**100**	100	Investment holding
Chinalink Bus Company Limited	Hong Kong	HK$2	**100**	100	Provision of bus and travel-related services
Peng Yun Transportation Enterprises Company Limited	Hong Kong	HK$1,000,000	**100**	100	Leasing of properties and investment holding
Intercontinental Limousine Company Limited ("ILC")Δ	Hong Kong	HK$500,000	**100**	95	Provision of limousine hire services
Vigor Limousines Services Limited	Hong Kong	HK$550,000	**100**	–	Provision of limousine hire services
Associated Tourist Coach Limited	Hong Kong	HK$300,000	**100**	–	Provision of bus and travel-related services
Guang Dong Shao Guan Guoyou Tourism Coach Company Limited	Hong Kong	HK$300,000	**100**	–	Provision of bus and travel-related services
Charm Joy Limited	Hong Kong	HK$1	**100**	–	Leasing of properties

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 of this subsidiary is held on trust by a director of the Company on the Group's behalf
+	The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network
~	The Group's interest in this subsidiary was classified as a disposal group held for sale as at 31 March 2017, further details of which are set out in note 38 to the financial statements.
@	Chongqing Grand Hotel was registered as a sino-foreign equity joint venture company in the PRC. During the year, the Group acquired the remaining 40% equity interests in Chongqing Grand Hotel and it became a wholly-foreign-owned enterprise thereafter.
❑	During the year, Bipenggou Tourism's registered paid-up capital was enlarged from RMB201,340,654 to RMB212,060,572.
Δ	On 31 August 2016, the Group acquired the remaining 5% equity interests of ILC from non-controlling shareholders. Upon completion of this acquisition, ILC became a wholly-owned subsidiary of the Group.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Assets of a disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION – CONTINUED

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than explained below regarding the impact of amendments to HKAS 1 and amendments to HKAS 16 and HKAS 38, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation and amortisation of its non-current assets.

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 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to a number of HKFRSs[5]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. During the year, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) 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 application now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

(c) HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018. The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not expected to have any significant impact on the Group's financial statements.

(d) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019. The Group expects that certain portion of the operating lease commitments will be required to be recognised as right-of-use assets and lease liabilities upon adoption of HKFRS 16. The Group will perform a more detailed analysis upon the adoption of HKFRS 16.

(e) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017. 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

(f) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in associates

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties, 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, investment properties and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and leasehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses. Leasehold land and buildings are stated at valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment and depreciation – continued

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:

Leasehold land and buildings	Over the shorter of the lease terms and 30 years
Hotel building	Over the lease terms of 50 years
Bus terminal structures	8 to 20 years
Garage and leasehold improvements	5 years
Motor buses and vehicles	5 to 12 years
Furniture, fixtures and office machinery	5 to 8 years
Equipment and tools	6 to 8 years
Scenic area establishments	8 to 37 years

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

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment properties – continued

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised on the straight-line basis over the useful economic lives of 3 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets – continued

Financial assets at fair value through profit or loss – continued

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

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments and other financial assets – continued

Available-for-sale financial investments – continued

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of financial assets – continued

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of financial assets – continued

Available-for-sale financial investments – continued

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial liabilities – continued

Loans and borrowings – continued

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derivative financial instruments – continued

Current versus non-current classification – continued

- 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.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income tax – continued

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government grants

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

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

Revenue recognition

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

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

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

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

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

(e) government subsidies, 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;

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

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

Deferred revenue

Deferred revenue represents service fees received in advance from the rendering of the corresponding services. Revenue is recognised and deferred revenue is released to the statement of profit or loss when the corresponding services have been rendered.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies – continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

Share-based payments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Share-based payments – continued

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

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

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

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

Other employee benefits

Pension schemes

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

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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.

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.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

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

(ii) Purchase price allocation of business combinations

The purchase price allocation of the Group's business acquisitions, as detailed in note 36 to the financial statements, requires the determination of fair values of the identifiable assets acquired and liabilities assumed. The net assets acquired, include amongst others, property, plant and equipment, passenger service licences and other intangible assets, of which their fair values are dependent on a range of estimates including comparable sales transactions of motor buses and passenger service licences as available in the relevant market. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcomes of these items are different from the amounts initially recorded, such differences may impact the future financial results.

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

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

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

(vii) Impairment of loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(viii) 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 derived from active markets, their fair values are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as expected future cash flows, credit risk, volatility and discount rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

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

(a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong, cross-boundary passenger transportation services between Hong Kong and Mainland China and other related services;

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

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

(d) the hotel and tourism segment includes the provision of hotel services and the operation of a scenic area in Mainland China and travel agency and tour services in Hong Kong and Mainland China;

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

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.

Year ended 31 March 2017

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Hotel and tourism HK$'000	Mainland China bus HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales	1,845,997	196,505	170,824	195,949	31,215	372	–	2,440,862
Intersegment sales	36,171	13,006	–	–	–	–	(49,177)	–
Other revenue	67,678	1,378	1,825	5,230	16,635	5	(7,898)	84,853
Total	1,949,846	210,889	172,649	201,179	47,850	377	(57,075)	2,525,715
Segment results	339,643	8,348	9,971	14,659	(6,569)	45	–	366,097
Reconciliation:								
Gain on bargain purchase								80,780
Gain on disposal of a subsidiary								14,559
Finance costs								(41,178)
Profit before tax								420,258
Segment assets	3,005,993	178,741	160,433	520,250	135,854	2,763	–	4,004,034
Reconciliation:								
Unallocated assets								84,671
Total assets								4,088,705
Segment liabilities	399,035	73,366	25,584	92,558	87,941	2,732	–	681,216
Reconciliation:								
Unallocated liabilities								1,532,819
Total liabilities								2,214,035

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2017 – continued

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Hotel and tourism HK$'000	Mainland China bus HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of losses of associates	25	–	–	–	–	–	25
Capital expenditure*	643,731	38,144	10,581	53,450	11,439	–	757,345
Amortisation of intangible assets	13,976	614	–	–	288	–	14,878
Bank interest income	1,327	–	2	54	161	–	1,544
Other interest income	76	–	–	4,638	–	–	4,714
Depreciation	169,780	24,617	16,645	34,209	10,223	–	255,474
Recognition of prepaid land lease payments	6	–	–	714	2,814	–	3,534
Impairment of trade receivables	812	–	–	–	–	–	812
Fair value gain on investment properties, net	500	–	–	–	–	–	500
Gain on disposal of motor buses and vehicles together with passenger service licences	11,273	–	–	–	–	–	11,273
Gain on disposal of land and building	1,569	–	–	–	–	–	1,569
Gain/(loss) on disposal of items of property, plant and equipment, net	(1,271)	579	(540)	742	(50)	–	(540)

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2016

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Hotel and tourism HK$'000	Mainland China bus HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:								
External sales	1,767,366	203,248	162,433	216,477	39,225	124	–	2,388,873
Intersegment sales	34,233	13,390	–	458	–	–	(48,081)	–
Other revenue	42,868	2,538	2,420	525	30,498	17	(3,404)	75,462
Total	1,844,467	219,176	164,853	217,460	69,723	141	(51,485)	2,464,335
Segment results	331,799	12,871	5,482	19,167	9,117	(1,361)	–	377,075
Reconciliation:								
Gain on disposal of subsidiaries								6,920
Finance costs								(36,605)
Profit before tax								347,390
Segment assets	2,551,386	163,537	171,882	562,205	285,812	5,802	–	3,740,624
Reconciliation:								
Unallocated assets								83,265
Total assets								3,823,889
Segment liabilities	324,941	93,869	37,872	124,587	98,469	2,787	–	682,525
Reconciliation:								
Unallocated liabilities								1,434,594
Total liabilities								2,117,119

4. OPERATING SEGMENT INFORMATION – CONTINUED

Year ended 31 March 2016 – continued

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus HK$'000	Hotel and tourism HK$'000	Mainland China bus HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of profits of associates	26	–	–	–	–	–	26
Capital expenditure*	391,325	65,109	39,027	91,639	1,707	–	588,807
Amortisation of intangible assets	11,797	460	–	–	–	–	12,257
Bank interest income	2,171	–	2	58	123	11	2,365
Depreciation	148,089	16,016	15,585	32,607	10,185	–	222,482
Recognition of prepaid land lease payments	7	–	–	572	3,086	–	3,665
Impairment of trade receivables	1,926	–	–	–	–	–	1,926
Fair value gain on investment properties	1,500	–	–	–	–	–	1,500
Gain on disposal of interest in a joint venture held for sale	–	–	–	–	9,233	–	9,233
Gain on disposal of motor buses and vehicles together with passenger service licences	3,156	–	–	–	–	–	3,156
Gain on disposal of land	–	–	–	–	1,750	–	1,750
Gain/(loss) on disposal of items of property, plant and equipment, net	5,513	285	(222)	(77)	(183)	–	5,316

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

4. OPERATING SEGMENT INFORMATION – CONTINUED

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**2,223,392**	2,170,328
Mainland China	**217,470**	218,545
	2,440,862	2,388,873

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

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**2,236,577**	1,884,613
Mainland China	**902,526**	931,953
	3,139,103	2,816,566

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

Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2016: Nil).

Notes to Financial Statements

31 March 2017

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents bus fares and the net invoiced value of coach and limousine hire services, hotel and tourism services and other transportation services rendered during the year.

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

	2017 HK$'000	2016 HK$'000
Revenue		
Provision of non-franchised bus services	**1,845,997**	1,767,366
Provision of local limousine services	**196,505**	203,248
Provision of franchised bus services	**170,824**	162,433
Provision of hotel and tourism services	**195,949**	216,477
Provision of Mainland China bus services	**31,215**	39,225
Provision of other transportation services	**372**	124
	2,440,862	2,388,873
Other income		
Bank interest income	**1,544**	2,365
Other interest income	**4,714**	–
Gross rental income	**10,351**	7,601
Advertising income	**3,214**	4,230
Government subsidies (note)	**23,411**	23,421
Dividend income from listed investments	**492**	284
Others	**25,104**	18,121
	68,830	56,022
Gains, net		
Fair value gain on investment properties, net	**500**	1,500
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**2,681**	(1,515)
Gain on bargain purchase	**80,780**	–
Gain on disposal of subsidiaries	**14,559**	6,920
Gain on disposal of land and building	**1,569**	1,750
Gain on disposal of motor buses and vehicles together with passenger service licences	**11,273**	3,156
Gain on disposal of items of property, plant and equipment, net	**–**	5,316
Gain on disposal of interest in a joint venture held for sale	**–**	9,233
	111,362	26,360
	180,192	82,382

Note:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on:		
Bank loans and other loans	**35,137**	34,898
Finance leases	**257**	26
Amortisation of debt establishment costs	**5,784**	1,681
	41,178	36,605

7. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Amortisation of other intangible assets (note (i))	**14,878**	12,257
Auditors' remuneration	**4,167**	3,791
Depreciation (note (i))	**255,474**	222,482
Employee benefit expense (note (i)) (including directors' remuneration (note 8)):		
Wages, salaries, bonuses and other benefits	**912,487**	833,344
Pension scheme contributions (note (ii))	**52,807**	46,332
	965,294	879,676

7. PROFIT BEFORE TAX – CONTINUED

	2017 HK$'000	2016 HK$'000
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**128**	117
Fair value loss on derivative financial instruments, net	**728**	12,225
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**(2,681)**	1,515
Minimum lease payments under operating leases (note (i))	**206,466**	232,493
Recognition of prepaid land lease payments	**3,534**	3,665
Impairment of trade receivables	**812**	1,926
Loss/(gain) on disposal of items of property, plant and equipment, net	**540**	(5,316)
Foreign exchange differences, net	**13,478**	19,394

Notes:

(i) The cost of services rendered for the year amounted to HK$1,787,502,000 (2016: HK$1,731,543,000) and included amortisation of intangible assets of HK$14,878,000 (2016: HK$12,257,000), depreciation charges of HK$230,238,000 (2016: HK$198,275,000), employee benefit expense of HK$767,238,000 (2016: HK$725,110,000) and operating lease rentals of HK$188,467,000 (2016: HK$214,130,000).

(ii) As at 31 March 2017, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2016: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 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:

	2017 HK$'000	2016 HK$'000
Fees	**1,213**	850
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**25,735**	26,124
Pension scheme contributions	**558**	623
	26,293	26,747
	27,506	27,597

8. DIRECTORS' REMUNERATION – CONTINUED

(a) Independent non-executive directors

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

	Fees HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2017			
Chan Bing Woon, SBS, JP	**400**	**–**	**400**
Sung Yuen Lam*	**250**	**–**	**250**
Lee Kwong Yin, Colin	**250**	**–**	**250**
James Mathew Fong#	**188**	**–**	**188**
Chan Fong Kong, Francis#	**125**	**–**	**125**
	1,213	**–**	**1,213**

	Fees HK$'000	Discretionary bonuses HK$'000	Total remuneration HK$'000
2016			
Chan Bing Woon, SBS, JP	350	200	550
Sung Yuen Lam	250	100	350
Lee Kwong Yin, Colin	250	100	350
	850	400	1,250

* Mr. Sung Yuen Lam resigned as an independent non-executive director of the Company on 1 October 2016.

\# Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis were appointed as independent non-executive directors of the Company on 1 July 2016 and 1 October 2016, respectively.

The above directors' remuneration only included remuneration during the tenure of each independent non-executive director of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' REMUNERATION – CONTINUED

(b) Executive directors

	Fees HK$'000	Salaries, discretionary bonuses and other benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017				
Wong Leung Pak, Matthew, BBS	**–**	**14,535**	**450**	**14,985**
Wong Cheuk On, James	**–**	**5,600**	**54**	**5,654**
Lo Man Po	**–**	**5,600**	**54**	**5,654**
	–	**25,735**	**558**	**26,293**
2016				
Wong Leung Pak, Matthew, BBS	–	14,541	528	15,069
Wong Cheuk On, James	–	5,577	47	5,624
Lo Man Po	–	5,606	48	5,654
	–	25,724	623	26,347

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, discretionary bonuses and other benefits	**14,379**	14,860
Pension scheme contributions	**444**	568
	14,823	15,428

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 2017	2016
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$11,500,001 to HK$12,000,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017 HK$'000	2016 HK$'000
Current:		
Hong Kong		
Charge for the year	**34,356**	44,909
Underprovision/(overprovision) in prior years	**144**	(2,363)
Mainland China		
Charge for the year	**8,092**	8,721
Underprovision in prior years	**122**	–
Deferred (note 31)	**12,614**	4,255
Total tax charge for the year	**55,328**	55,522

10. INCOME TAX – CONTINUED

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

2017

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**364,211**		**56,047**		**420,258**	
Tax at the statutory tax rate	**60,095**	**16.5**	**14,012**	**25.0**	**74,107**	
Adjustments in respect of current tax of previous periods	**144**		**122**		**266**	
Losses attributable to associates	**4**		**–**		**4**	
Income not subject to tax, net	**(18,606)**		**(6,400)**		**(25,006)**	
Expenses not deductible for tax	**5,959**		**987**		**6,946**	
Tax losses utilised from previous periods	**(485)**		**(900)**		**(1,385)**	
Tax losses not recognised	**5**		**391**		**396**	
Tax charge at the Group's effective tax rate	**47,116**	**12.9**	**8,212**	**14.7**	**55,328**	**13.2**

2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	278,519		68,871		347,390	
Tax at the statutory tax rate	45,956	16.5	17,218	25.0	63,174	
Adjustments in respect of current tax of previous periods	(2,363)		–		(2,363)	
Profits attributable to associates	(4)		–		(4)	
Income not subject to tax, net	(961)		(4,785)		(5,746)	
Expenses not deductible for tax	5,364		236		5,600	
Tax losses utilised from previous periods	(1,244)		(4,521)		(5,765)	
Tax losses not recognised	46		580		626	
Tax charge at the Group's effective tax rate	46,794	16.8	8,728	12.7	55,522	16.0

11. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution during the year:		
Final 2016 – HK12 cents (2015: HK12 cents) per ordinary share	**55,402**	55,402
Interim 2017 – HK12 cents (2016: HK12 cents) per ordinary share	**55,402**	55,402
Special 2017 – Nil (2016: HK18 cents) per ordinary share	**–**	83,104
	110,804	193,908
Dividend proposed after the end of the reporting period:		
Proposed final 2017 – HK12 cents (2016: HK12 cents) per ordinary share	**55,402**	55,402

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$363,909,000 (2016: HK$282,472,000), and the weighted average number of ordinary shares of 461,686,000 (2016: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 March 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structures HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic area establishments HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2017										
At cost or valuation:										
At beginning of year	83,397	108,683	29,111	32,241	1,822,611	85,998	47,742	276,918	54,394	2,541,095
Additions	4,300	153	38	1,669	298,948	6,536	13,747	–	38,285	363,676
Disposals	(536)	–	–	(242)	(125,666)	(859)	(5,933)	(611)	–	(133,847)
Acquisitions of subsidiaries (note 36)	–	–	–	–	39,965	205	–	–	–	40,170
Disposal of a subsidiary (note 37)	–	–	–	–	(6,455)	–	–	–	–	(6,455)
Assets included in a disposal group classified as held for sale (note 38)	(1,410)	–	–	–	(324)	(168)	–	–	–	(1,902)
Reclassification	625	–	–	–	–	–	–	61,280	(61,905)	–
Exchange realignment	(998)	(6,775)	(1,593)	(770)	(5,315)	(2,688)	(663)	(18,583)	(2,059)	(39,444)
At 31 March 2017	85,378	102,061	27,556	32,898	2,023,764	89,024	54,893	319,004	28,715	2,763,293
Accumulated depreciation and impairment:										
At beginning of year	4,700	32,878	6,117	23,840	783,113	55,698	27,718	45,465	–	979,529
Provided during the year	5,893	2,116	1,391	4,567	208,438	9,264	8,135	15,670	–	255,474
Disposals	(298)	–	–	(242)	(108,482)	(769)	(5,450)	–	–	(115,241)
Disposal of a subsidiary (note 37)	–	–	–	–	(517)	–	–	–	–	(517)
Assets included in a disposal group classified as held for sale (note 38)	(1,069)	–	–	–	(307)	(157)	–	–	–	(1,533)
Exchange realignment	(450)	(2,108)	(117)	(619)	(2,417)	(1,359)	(292)	(3,153)	–	(10,515)
At 31 March 2017	8,776	32,886	7,391	27,546	879,828	62,677	30,111	57,982	–	1,107,197
Net book value:										
At 31 March 2017	76,602	69,175	20,165	5,352	1,143,936	26,347	24,782	261,022	28,715	1,656,096

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Leasehold land and buildings HK$'000	Hotel building HK$'000	Bus terminal structures HK$'000	Garage and leasehold improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Scenic area establishments HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2016										
At cost or valuation:										
At beginning of year	82,650	113,002	28,446	32,459	1,525,646	83,958	44,921	263,131	21,214	2,195,427
Additions	–	–	130	1,384	376,754	5,868	7,314	–	62,649	454,099
Disposals	–	–	–	(404)	(98,000)	(1,418)	(3,476)	–	(2,436)	(105,734)
Acquisitions of subsidiaries (note 36)	–	–	–	–	20,989	–	–	–	–	20,989
Disposal of subsidiaries (note 37(b))	–	–	–	(691)	–	(703)	(624)	–	–	(2,018)
Reclassification	–	–	1,513	–	–	–	–	24,190	(25,703)	–
Revaluation surplus	28,501	–	–	–	–	–	–	–	–	28,501
Transfer upon revaluation*	(27,127)	–	–	–	–	–	–	–	–	(27,127)
Exchange realignment	(627)	(4,319)	(978)	(507)	(2,778)	(1,707)	(393)	(10,403)	(1,330)	(23,042)
At 31 March 2016	83,397	108,683	29,111	32,241	1,822,611	85,998	47,742	276,918	54,394	2,541,095
Accumulated depreciation and impairment:										
At beginning of year	28,384	31,903	3,680	19,212	692,583	50,204	21,730	31,159	–	878,855
Provided during the year	3,828	2,234	2,466	5,558	177,774	7,943	6,958	15,721	–	222,482
Disposals	–	–	–	(162)	(86,211)	(1,325)	(445)	–	–	(88,143)
Disposal of subsidiaries (note 37(b))	–	–	–	(442)	–	(411)	(391)	–	–	(1,244)
Transfer upon revaluation*	(27,127)	–	–	–	–	–	–	–	–	(27,127)
Exchange realignment	(385)	(1,259)	(29)	(326)	(1,033)	(713)	(134)	(1,415)	–	(5,294)
At 31 March 2016	4,700	32,878	6,117	23,840	783,113	55,698	27,718	45,465	–	979,529
Net book value:										
At 31 March 2016	78,697	75,805	22,994	8,401	1,039,498	30,300	20,024	231,453	54,394	1,561,566

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

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13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

At 31 March 2017, certain of the Group's property, plant and equipment of HK$83,817,000 (2016: HK$129,499,000) were pledged to secure banking facilities granted to the Group as set out in note 29 to the financial statements.

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

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

The Group's leasehold land and buildings consist of three (2016: three) bus depots, four (2016: three) commercial properties in Hong Kong and five (2016: seven) commercial properties in Mainland China. The directors of the Company have determined that the leasehold land and 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 leasehold land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results every three years when the valuation is performed for financial reporting.

At 31 March 2016, the Group's leasehold land and buildings were revalued based on valuations performed by Chung Hin Appraisal Limited, an independent firm of professionally qualified valuers, using either the depreciated replacement cost method, or recent prices of similar properties, where appropriate. A revaluation surplus of HK$28,501,000 resulting from the above valuations had been credited to other comprehensive income for the year ended 31 March 2016.

Had all the leasehold land and buildings been carried at historical cost less accumulated depreciation, their aggregate carrying amount would have been approximately HK$26,533,000 (2016: HK$24,403,000) as at 31 March 2017.

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and buildings:

	Fair value measurement as at 31 March 2017 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	**–**	**–**	**23,068**	**23,068**
Commercial properties	**–**	**–**	**53,534**	**53,534**
	–	**–**	**76,602**	**76,602**

	Fair value measurement as at 31 March 2016 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	–	–	19,694	19,694
Commercial properties	–	–	59,003	59,003
	–	–	78,697	78,697

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 (2016: 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 HK$'000	Commercial properties HK$'000	Total HK$'000
Carrying amount at 1 April 2015	19,859	34,407	54,266
Revaluation surplus	760	27,741	28,501
Depreciation	(925)	(2,903)	(3,828)
Exchange realignment	–	(242)	(242)
Carrying amount at 31 March 2016 and at 1 April 2016	19,694	59,003	78,697
Additions	4,300	–	4,300
Disposal	–	(238)	(238)
Reclassification	–	625	625
Depreciation	(926)	(4,967)	(5,893)
Assets included in a disposal group classified as held for sale (note 38)	–	(341)	(341)
Exchange realignment	–	(548)	(548)
Carrying amount at 31 March 2017	23,068	53,534	76,602

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

	Valuation techniques	Significant unobservable inputs	Range
Bus depots	Depreciated replacement cost method	Current construction cost for building (per square metre)	**HK$8,300 to HK$15,000**
		Depreciation rate (p.a.)	**2%**
Commercial properties	Market comparison method	Price per square foot	**HK$1,120 to HK$17,200**

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

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Fair value hierarchy – continued

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

14. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	HK$'000
Carrying amount at beginning of year	**41,100**	39,600
Addition	**35,000**	–
Net gain from a fair value adjustment	**500**	1,500
Carrying amount at end of reporting period	**76,600**	41,100

The Group's investment properties consist of an agricultural land, a commercial property, an industrial property and a car parking space in Hong Kong. The directors of the Company have determined that the investment properties consist of four (2016: three) classes of assets based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Chung Hin Appraisal Limited, an independent firm of professionally qualified valuers, at HK$76,600,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

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 2017 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	**–**	**–**	**13,900**	**13,900**
Commercial property	**–**	**–**	**32,000**	**32,000**
Industrial property	**–**	**–**	**27,900**	**27,900**
Car parking space	**–**	**–**	**2,800**	**2,800**
	–	**–**	**76,600**	**76,600**

	Fair value measurement as at 31 March 2016 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	–	–	13,200	13,200
Industrial property	–	–	25,100	25,100
Car parking space	–	–	2,800	2,800
	–	–	41,100	41,100

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 (2016: 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$'000	Commercial property HK$'000	Industrial property HK$'000	Car parking space HK$'000	Total HK$'000
Carrying amount at 1 April 2015	12,300	–	24,600	2,700	39,600
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	900	–	500	100	1,500
Carrying amount at 31 March 2016 and at 1 April 2016	13,200	–	25,100	2,800	41,100
Addition	–	35,000	–	–	35,000
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	700	(3,000)	2,800	–	500
Carrying amount at 31 March 2017	13,900	32,000	27,900	2,800	76,600

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 2017	Range 2016
Agricultural land	Market comparison method	Price per square foot	**HK$479 to HK$834**	HK$352 to HK$834
Commercial property	Market comparison method	Price per square foot	**HK$33,745 to HK$48,026**	–
Industrial property	Market comparison method	Price per square foot	**HK$12,156 to HK$12,564**	HK$11,848 to HK$12,592
Car parking space	Market comparison method	Price per unit	**HK$2,650,000 to HK$2,800,000**	HK$2,650,000 to HK$2,800,000

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

15. PREPAID LAND LEASE PAYMENTS

	Note	**2017 HK$'000**	2016 HK$'000
Carrying amount at beginning of year		**48,314**	61,921
Addition		**4,245**	–
Disposal		**(362)**	(7,749)
Recognised during the year		**(3,534)**	(3,665)
Exchange realignment		**(3,001)**	(2,193)
Carrying amount at end of reporting period		**45,662**	48,314
Current portion included in prepayments, deposits and other receivables	24	**(3,410)**	(3,507)
Non-current portion		**42,252**	44,807

During the year, the Group entered into a land purchase agreement with a local authority in Mainland China for a parcel of land located in Lixian Bipenggou, the PRC (the "Leasehold Land") at a consideration of RMB3,682,000 (approximately HK$4,245,000). As at the date of these financial statements, the Group is in the process of applying the related land use right certificate and it continues to use the Leasehold Land without objection from relevant authorities. In the opinion of the directors, the application process for land use right certificate is merely administrative procedure and does not have any significant impact on the Group's financial statements.

As at 31 March 2016, certain parcels of the Group's leasehold land amounting to HK$10,364,000 were pledged to secure banking facilities granted to the Group as set out in note 29 to the financial statements.

16. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost at beginning of year, net of accumulated impairment	**183,416**	171,512
Acquisition of subsidiaries (note 36)	**–**	11,904
Carrying value at end of reporting period	**183,416**	183,416
At 31 March:		
Cost	**198,577**	198,577
Accumulated impairment	**(15,161)**	(15,161)
Net carrying amount	**183,416**	183,416

16. GOODWILL – CONTINUED

Impairment testing of goodwill and intangible assets with indefinite useful lives

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

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

The recoverable amounts of the Non-franchised Bus CGU and the Local Limousine CGU have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections was 9.5% (2016: 11.7%). The growth rate used to extrapolate the cash flows of the Non-franchised Bus CGU and the Local Limousine CGU was 3% (2016: 3%). The rate does not exceed the long term average growth rates for the relevant markets.

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

	Non-franchised Bus CGU		Local Limousine CGU		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**164,215**	164,215	**19,201**	19,201	**183,416**	183,416
Carrying amount of passenger service licences	**651,929**	380,929	**–**	–	**651,929**	380,929
Carrying amount of other intangible assets with indefinite useful lives	**195,383**	195,383	**–**	–	**195,383**	195,383

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16. GOODWILL – CONTINUED

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

Assumptions were used in the value in use calculation of the Non-franchised Bus CGU and the Local Limousine CGU for the years ended 31 March 2017 and 31 March 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences, certain bus route operating rights and trade name:

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

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

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

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

17. PASSENGER SERVICE LICENCES

	2017 **HK$'000**	2016 HK$'000
Cost at beginning of year	**380,929**	362,829
Additions	**48,500**	18,100
Acquisition of subsidiaries (note 36)	**245,000**	–
Disposal of a subsidiary (note 37)	**(22,500)**	–
At 31 March	**651,929**	380,929
At 31 March:		
Cost and carrying amount	**651,929**	380,929

Passenger service licences are allocated to the Non-franchised Bus 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 2017				
Cost at 1 April 2016, net of accumulated amortisation	**258,352**	**57,504**	**5,678**	**321,534**
Additions	**3,459**	**–**	**–**	**3,459**
Acquisition of subsidiaries (note 36)	**50,000**	**–**	**–**	**50,000**
Disposal of a subsidiary (note 37)	**(19,097)**	**–**	**–**	**(19,097)**
Amortisation provided during the year	**(14,264)**	**–**	**(614)**	**(14,878)**
Exchange realignment	**(70)**	**–**	**–**	**(70)**
At 31 March 2017	**278,380**	**57,504**	**5,064**	**340,948**
At 31 March 2017:				
Cost	**388,661**	**57,504**	**7,097**	**453,262**
Accumulated amortisation	**(110,281)**	**–**	**(2,033)**	**(112,314)**
Net carrying amount	**278,380**	**57,504**	**5,064**	**340,948**

	Bus route operating rights HK$'000	Trade name HK$'000	Customer relationships HK$'000	Total HK$'000
31 March 2016				
Cost at 1 April 2015, net of accumulated amortisation	270,525	57,504	–	328,029
Acquisition of subsidiaries (note 36)	–	–	6,138	6,138
Amortisation provided during the year	(11,797)	–	(460)	(12,257)
Exchange realignment	(376)	–	–	(376)
At 31 March 2016	258,352	57,504	5,678	321,534
At 31 March 2016:				
Cost	356,353	57,504	7,097	420,954
Accumulated amortisation	(98,001)	–	(1,419)	(99,420)
Net carrying amount	258,352	57,504	5,678	321,534

18. OTHER INTANGIBLE ASSETS – CONTINUED

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

	2017 **HK$'000**	2016 HK$'000
Share of net assets	**215**	240
Due from an associate	**141**	141
	356	381

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

Particulars of the associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and business**	**Percentage of ownership interest attributable to the Group**		**Principal activities**
			2017	2016	
All China Express Limited#	73 ordinary shares	Hong Kong	**42.20**	36.26	Provision of bus and travel-related services
China-HongKong Express Limited#	210,000 ordinary shares	Hong Kong	**46.15**	46.15	Provision of bus and travel-related services
Kowloon Tong Express Services Limited#	14 ordinary shares	Hong Kong	**35.90**	35.90	Provision of bus and travel-related services

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

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:

	2017 **HK$'000**	2016 HK$'000
Share of the associates' profit/(loss) and total comprehensive income/(loss) for the year	**(25)**	26
Aggregate carrying amount of the Group's interests in the associates	**356**	381

20. AVAILABLE-FOR-SALE INVESTMENT

	2017 **HK$'000**	2016 HK$'000
Unlisted equity investment, at cost	**217**	232
Assets included in a disposal group classified as held for sale (note 38)	**(217)**	–
	–	232

As at the end of the reporting period, the unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Non-current assets		
Unlisted investments, at fair value	**27,669**	21,390
Current assets		
Listed equity investments, at market value	**29,310**	26,614
	56,979	48,004

The unlisted investments included under non-current assets as at 31 March 2017 were designated, upon initial recognition, as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments is provided on that basis to the Group's key management personnel.

The listed equity investments included under current assets at 31 March 2017 were classified as held for trading.

As at 31 March 2017, the Group's unlisted investments with an aggregate carrying value of HK$22,186,000 (2016: HK$21,390,000) were pledged as security for the Group's banking facilities, as further detailed in note 29 to the financial statements.

22. LOANS RECEIVABLE

The loans are advanced to non-controlling shareholders of a 51%-owned subsidiary, which are secured by the equity interests of that subsidiary and repayable on or before 31 December 2020. Except for a loan receivable of HK$41,483,000 (2016: HK$54,631,000) which bears interest at the benchmark one-year lending rate of the People's Bank of China, the remaining loan advance is interest-free.

23. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**170,799**	162,283
Impairment	**–**	(724)
	170,799	161,559

Included in the Group's trade receivables are amounts due from associates of HK$8,652,000 (2016: HK$10,201,000), which are repayable within 90 days.

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

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

	2017 HK$'000	2016 HK$'000
Within 30 days	**127,500**	126,617
31 to 60 days	**25,082**	22,431
61 to 90 days	**9,687**	7,368
Over 90 days	**8,530**	5,143
	170,799	161,559

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**724**	3,970
Impairment losses recognised (note 7)	**812**	1,926
Amount written off as uncollectible	**(1,536)**	(5,143)
Exchange realignment	**–**	(29)
	–	724

23. TRADE RECEIVABLES – CONTINUED

As at 31 March 2016, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$724,000 with a carrying amount before provision of HK$724,000. The individually impaired trade receivables related to customers who were in financial difficulties.

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

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**144,057**	134,984
Less than 1 month past due	**15,864**	17,513
1 to 3 months past due	**6,567**	4,386
Over 3 months past due	**4,311**	4,676
	170,799	161,559

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Prepayments		**80,222**	52,998
Prepaid land lease payments	15	**3,410**	3,507
Rental and other deposits		**44,895**	60,663
Deposits paid for purchases of items of property, plant and equipment		**56,130**	100,570
Deposits paid for purchases of bus route operating rights		**11,735**	50,000
Due from non-controlling shareholders		**–**	685
Loan to a related party		**650**	780
Consideration receivables from the then non-controlling shareholders	37(b)	**–**	11,375
Consideration receivable for disposal of a subsidiary	37	**51,598**	–
Other receivables		**150,857**	140,598
		399,497	421,176
Impairment		**(27,150)**	(28,955)
		372,347	392,221
Less: Portion classified as non-current assets		**(124,064)**	(202,779)
Portion classified as current assets		**248,283**	189,442

The amounts due from non-controlling shareholders were unsecured, interest-free and had no fixed terms of repayment.

The loan to a related party, a director of which is also a director of the Company, is unsecured, bears interest at 1% per annum and is repayable by 10 yearly instalments commencing from December 2012. The maximum amount outstanding during the year was HK$780,000.

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**171,604**	118,056
Less than 1 month past due	**1,880**	4,663
1 to 3 months past due	**60**	3
Over 3 months past due	**2,411**	1,761
	175,955	124,483

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – CONTINUED

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**28,955**	30,105
Exchange realignment	**(1,805)**	(1,150)
At end of reporting period	**27,150**	28,955

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$27,150,000 (2016: HK$28,955,000) with a carrying amount before provision of HK$27,150,000 (2016: HK$28,955,000), of which the related debtors were in financial difficulties and the amount is not expected to be recovered.

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Note	2017 HK$'000	2016 HK$'000
Cash and bank balances		**320,664**	501,631
Time deposits		**102,444**	52,227
		423,108	553,858
Less: Pledged time deposits for bank loans	29	**(14,488)**	(12,118)
Cash and cash equivalents		**408,620**	541,740

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and 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 aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 30 days	**38,084**	38,754
31 to 60 days	**6,584**	6,457
61 to 90 days	**1,632**	675
Over 90 days	**8,019**	11,621
	54,319	57,507

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

27. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	2017 HK$'000	2016 HK$'000
Accruals and other payables		**270,394**	257,749
Consideration payable for acquisition of subsidiaries	36	**6,536**	–
Consideration payables to a then subsidiary	37(b)	**–**	12,000
Deposits received		**18,064**	20,082
Traffic accident compensation payables		**60,417**	56,161
Payables for purchases of items of property, plant and equipment		**40,842**	43,083
Deferred revenue		**78,853**	74,563
Deferred income in respect of government subsidies received		**19,669**	16,320
Due to non-controlling shareholders		**9,740**	37,368
		504,515	517,326

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

The amounts due to non-controlling shareholders and a then subsidiary are unsecured, interest-free and have no fixed terms of repayment.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 Liabilities HK$'000	2016 Liabilities HK$'000
Interest rate swap contract	**5,996**	9,573
Commodity swap contracts	**3,886**	14,827
Cross currency swap contracts	**4,386**	–
	14,268	24,400

The Group entered into interest rate, commodity and cross currency swap contracts to manage its interest rate, commodity price and foreign currency exposures. At 31 March 2017, the Group had interest rate, commodity and cross currency swap contracts in place with total notional amounts of HK$120,000,000 (2016: HK$120,000,000), HK$24,796,000 (2016: HK$56,900,000) and HK$497,000,000 (2016: Nil), respectively. These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net fair value loss on these non-hedging derivatives of HK$728,000 (2016: HK$12,225,000) was recognised to the consolidated statement of profit or loss during the year.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured (note (a))	2.52	2018-2024	581,014	2.75	2017-2024	537,069
Bank loans – unsecured (note (a))	2.22	2018	531	2.22	2017-2021	39,528
Other loan – unsecured	–	2018	12,357	–	2017	13,178
			593,902			589,775
Non-current						
Bank loans – secured (note (a))	2.52	2019-2024	682,012	2.75	2018-2021	630,140
			1,275,914			1,219,915

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note (a))	581,545	576,597
In the second year (note (a))	508,418	606,569
In the third to fifth years, inclusive	167,505	23,571
Beyond five years	6,089	–
	1,263,557	1,206,737
Other borrowing repayable:		
Within one year	12,357	13,178
	1,275,914	1,219,915

29. INTEREST-BEARING BANK AND OTHER BORROWINGS – CONTINUED

Notes:

(a) Certain term loans of the Group with carrying amounts of HK$911,739,000 (2016: HK$1,164,083,000) contain repayment on demand clause, among which, term loans due for repayment after one year of HK$419,913,000 (2016: HK$597,429,000) are subject to repayment on demand condition from 13 months after the end of the reporting period should there be no occurrence of any event of default as stipulated in the bank facility letters. Accordingly, such portions of the bank loans have been classified as non-current liabilities at the end of the reporting period.

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

	2017	2016
	HK$'000	HK$'000
Within one year	**294,729**	374,012
In the second year	**279,769**	287,586
In the third to fifth years, inclusive	**337,241**	494,985
Beyond five years	**–**	7,500
	911,739	1,164,083

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

(i) the pledge of certain property, plant and equipment of HK$83,817,000 (2016: HK$129,499,000) and prepaid land lease payments of nil (2016: HK$10,364,000) (notes 13 and 15);

(ii) the pledge of certain time deposits of HK$14,488,000 (2016: HK$12,118,000) (note 25); and

(iii) the pledge of certain financial assets at fair value through profit or loss of HK$22,186,000 (2016: HK$21,390,000) (note 21).

(c) Except for bank loans of HK$57,767,000 (2016: HK$85,861,000) and other loan of HK$12,357,000 (2016: HK$13,178,000) which are denominated in RMB and bank loans of HK$469,044,000 (2016: HK$18,094,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

30. OTHER LONG TERM LIABILITIES

	2017	2016
	HK$'000	HK$'000
Deferred income	**114,023**	106,466
Other liabilities	**982**	1,226
	115,005	107,692

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

31. DEFERRED TAX

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

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax liabilities/(assets) at 1 April 2015		109,043	(191)	22,980	1,741	(651)	(2,041)	130,881
Acquisition of subsidiaries	36	2,277	–	2,048	–	(201)	–	4,124
Deferred tax charged to other comprehensive income during the year		–	–	–	4,702	–	–	4,702
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	17,777	20	(1,177)	(374)	(10,850)	(1,141)	4,255
Exchange differences		(2)	–	–	–	–	–	(2)
Gross deferred tax liabilities/(assets) at 31 March 2016 and at 1 April 2016		**129,095**	**(171)**	**23,851**	**6,069**	**(11,702)**	**(3,182)**	**143,960**
Acquisition of subsidiaries	36	**1,244**	**–**	**51,269**	**–**	**–**	**–**	**52,513**
Disposal of a subsidiary	37	**(1,135)**	**–**	**(6,752)**	**–**	**–**	**–**	**(7,887)**
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	**14,515**	**(23)**	**(2,889)**	**(715)**	**937**	**789**	**12,614**
Exchange differences		**330**	**–**	**–**	**–**	**–**	**–**	**330**
Gross deferred tax liabilities/(assets) at 31 March 2017		**144,049**	**(194)**	**65,479**	**5,354**	**(10,765)**	**(2,393)**	**201,530**

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:

	2017 **HK$'000**	2016 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**201**	169
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(201,731)**	(144,129)
	(201,530)	(143,960)

The Group has unrecognised tax losses arising in Hong Kong of HK$4,024,000 (2016: HK$3,675,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsettting 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$33,671,000 (2016: HK$30,226,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

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

32. SHARE CAPITAL

Shares	2017 HK$'000	2016 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
461,686,000 (2016: 461,686,000) ordinary shares of HK$0.10 each	**46,169**	46,169

Share options

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

33. SHARE OPTION SCHEME

On 23 August 2012, a share option scheme (the "Scheme") was adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on the same date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

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

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

There were no share options granted, exercised or outstanding under the Scheme during the year and at the end of the reporting period.

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 51 to 52 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, a subsidiary of the Group established in Macau is 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 subsidiary. This reserve is not distributable to shareholders of the subsidiary.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Chongqing Grand Hotel*	**–**	40%
Bipenggou Tourism and its subsidiary	**49%**	49%

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Chongqing Grand Hotel*	**(7,589)**	(506)
Bipenggou Tourism and its subsidiary	**7,486**	7,359
Accumulated balances of non-controlling interests at the reporting date:		
Chongqing Grand Hotel*	**–**	22,027
Bipenggou Tourism and its subsidiary	**105,771**	89,853

* During the year ended 31 March 2017, the Group acquired the remaining 40% equity interests in Chongqing Grand Hotel from the non-controlling shareholder for a consideration of RMB57,959,000 (approximately HK$64,731,000). Upon completion of this acquisition, Chongqing Grand Hotel became a wholly-owned subsidiary of the Group. The above disclosures in relation to Chongqing Grand Hotel were made for the period from 1 April 2016 up to the date of acquisition of the 40% non-controlling interests acquired by the Group.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS – CONTINUED

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

2017	Bipenggou Tourism and its subsidiary HK$'000
Revenue	118,210
Total expenses	(102,930)
Profit for the year	15,280
Other comprehensive loss for the year	(11,431)
Total comprehensive income for the year	3,849
Current assets	10,358
Non-current assets	400,267
Current liabilities	(156,199)
Non-current liabilities	(38,566)
Net cash flows from operating activities	40,491
Net cash flows used in investing activities	(50,634)
Net cash flows used in financing activities	(8,937)
Net decrease in cash and cash equivalents	(19,080)

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS – CONTINUED

2016	Chongqing Grand Hotel HK$'000	Bipenggou Tourism and its subsidiary HK$'000
Revenue	25,765	106,836
Total expenses	(27,031)	(91,818)
Profit/(loss) for the year	(1,266)	15,018
Other comprehensive loss for the year	(2,220)	(6,821)
Total comprehensive income/(loss) for the year	(3,486)	8,197
Current assets	8,233	33,879
Non-current assets	94,009	417,013
Current liabilities	(47,175)	(234,808)
Non-current liabilities	–	(32,710)
Net cash flows from operating activities	12,345	55,036
Net cash flows used in investing activities	(50)	(89,860)
Net cash flows from/(used in) financing activities	(12,240)	17,453
Net increase/(decrease) in cash and cash equivalents	55	(17,371)

36. BUSINESS COMBINATIONS

Year ended 31 March 2017

During the year ended 31 March 2017, the Group had the following transactions for acquisition of businesses:

(a) On 1 September 2016, the Group entered into a sale and purchase agreement (the "SP Agreement") with an independent third party to acquire 100% equity interests in Associated Tourist Coach Limited, Guang Dong Shao Guan Guoyou Tourism Coach Company Limited and Associated Motor Service and Repair Limited ("AMSRL") (collectively, the "ATCL Group") (the "Acquisition") for an aggregate consideration of HK$195.0 million which is subject to adjustments pursuant to the terms and conditions of the SP Agreement, including among others, adjusted employees' termination payments and adjusted net assets of the ATCL Group. The transaction was completed on 1 September 2016 and the final consideration was HK$201.5 million.

The ATCL Group is primarily engaged in the provision of non-franchised bus services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and the PRC. The Acquisition was made as part of the Group's strategy to expand its market share of passenger transportation services.

AMSRL was subsequently disposed of in March 2017, further details of which are set out in note 37 to the financial statements.

(b) On 31 August 2016, the Group acquired the entire equity interest in Vigor Limousines Services Limited ("Vigor Limousines") from an independent third party for a consideration of HK$2 million. Vigor Limousines is primarily engaged in the provision of local limousine hire services. The transaction was completed on 31 August 2016.

36. BUSINESS COMBINATIONS – CONTINUED

The aggregate fair values of the identifiable assets and liabilities of the ATCL Group and Vigor Limousines as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	13	40,170
Passenger service licences	17	245,000
Other intangible assets	18	50,000
Trade receivables		18,192
Prepayments, deposits and other receivables		3,231
Cash and cash equivalents		20,348
Trade payables		(3,415)
Accruals and other payables		(10,212)
Finance lease payable*		(7,772)
Dividend payable		(17,333)
Tax payable		(1,380)
Deferred tax liabilities	31	(52,513)
Total identifiable net assets at fair value		284,316
Gain on bargain purchase recognised in the consolidated statement of profit or loss#	5	(80,780)
Satisfied by cash		203,536

In the opinion of directors of the Company, the gain on bargain purchase represented the bulk discount on the assets acquired.

* The finance lease payable was fully settled during the year.

36. BUSINESS COMBINATIONS – CONTINUED

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to HK$18,192,000 and HK$61,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$18,192,000 and HK$61,000, respectively, which were subsequently settled.

The Group incurred transaction costs of HK$498,000 for the acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisitions of the ATCL Group and Vigor Limousines are as follows:

	Note	HK$'000
Cash considerations		(203,536)
Increase in other payables for unpaid cash consideration	27	6,536
Cash and cash equivalents acquired		20,348
Net outflow of cash and cash equivalents included in cash flows used in investing activities		(176,652)
Transaction costs of the acquisition included in cash flows from operating activities		(498)
		(177,150)

As at 31 March 2017, the consideration payable of HK$6.5 million in respect of the adjusted considerations on the acquisition of the ATCL Group was included in other payables. Such consideration payable was fully settled subsequent to the end of the reporting period.

Since the acquisitions, the ATCL Group and Vigor Limousines contributed an aggregate of HK$76,374,000 to the Group's revenue and HK$12,559,000 to the consolidated profit for the year ended 31 March 2017.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$2,493,861,000 and HK$290,739,000, respectively, excluding the impact of gain on bargain purchase.

36. BUSINESS COMBINATIONS – CONTINUED

Year ended 31 March 2016

During the year ended 31 March 2016, the Group had the following transactions for acquisition of businesses:

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

In the opinion of the directors, no contingent consideration was considered payable for the acquisition as DMC did not meet the financial performance during the year ended 31 March 2016. DMC was subsequently disposed of in March 2016 along with the disposal of other group companies, further details of which were set out in note 37(b) to the financial statements.

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

The aggregate fair values of the identifiable assets and liabilities of DMC and the Parklane Group as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	13	20,989
Other intangible assets	18	6,138
Trade receivables		436
Prepayments, deposits and other receivables		347
Tax recoverable		102
Cash and bank balances		398
Trade payables		(516)
Accruals and other payables		(674)
Deferred tax liabilities	31	(4,124)
Total identifiable net assets at fair value		23,096
Goodwill on acquisition	16	11,904
Satisfied by cash		35,000

36. BUSINESS COMBINATIONS – CONTINUED

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to HK$436,000 and HK$211,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$436,000 and HK$211,000, respectively, which were expected to be collectible.

The Group incurred transaction costs of HK$49,000 for the acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

An analysis of the cash flows in respect of the acquisitions of DMC and the Parklane Group is as follows:

	HK$'000
Cash considerations	(35,000)
Cash and cash equivalents acquired	398
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(34,602)
Transaction costs of the acquisition included in cash flows from operating activities	(49)
	(34,651)

Since the acquisitions, DMC and the Parklane Group contributed an aggregate of HK$7,575,000 to the Group's revenue and HK$1,604,000 to the consolidated profit for the year ended 31 March 2016.

Had the combinations taken place at the beginning of the year ended 31 March 2016, the revenue and the profit of the Group for the year ended 31 March 2016 would have been HK$2,407,615,000 and HK$286,312,000, respectively.

37. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2017

On 30 March 2017, the Group entered into an equity transfer agreement with an independent third party to dispose of its 100% equity interest in AMSRL for a consideration of HK$55.3 million, subject to certain adjustments to the audited net assets of AMSRL as at the cutoff date i.e. 31 March 2017. As at the date of these financial statements, the financial statements of AMSRL were under finalisation and the gain on disposal of the subsidiary was estimated to be HK$14.6 million. The transaction was completed on 31 March 2017.

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

	Notes	HK$'000
Net assets disposed of:		
Property, plant and equipment	13	5,938
Passenger service licences	17	22,500
Other intangible assets	18	19,097
Prepayments and other receivables		351
Cash and cash equivalents		229
Accruals and other payables		(3,152)
Tax payable		(37)
Deferred tax liabilities	31	(7,887)
		37,039
Gain on disposal of subsidiary	5	14,559
		51,598
Satisfied by cash*		51,598

* Included estimated negative consideration adjustments of HK$3.7 million.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

	Note	HK$'000
Cash consideration		51,598
Increase in other receivables for unpaid cash consideration	24	(51,598)
Cash and cash equivalents disposed of		(229)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiary		(229)

As at 31 March 2017, the consideration receivable of HK$51.6 million in respect of the disposal of AMSRL was included in other receivables. This consideration receivable to the extent of HK$48.8 million was settled subsequent to the end of the reporting period.

37. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2016

During the year ended 31 March 2016, the Group had the following transactions for disposal of subsidiaries:

(a) The Group disposed of its entire 56% equity interest in Guangzhou New Era Express Bus Co. Ltd. ("GZ New Era") and GFTZ Xing Hua International Transport Ltd. ("GZ Xing Hua") to Guangzhou Anxun Tianyu Asset Management Co. Ltd. 廣州安迅天宇資產管理有限公司 ("GZ Anxun Tianyu"), an independent third party, for an aggregate consideration of RMB28 million (approximately HK$35.0 million). The business of GZ New Era and GZ Xing Hua were included in the Mainland China bus operating segment. The transaction was completed in April 2015.

The aggregate assets and liabilities of GZ New Era and GZ Xing Hua as at the date of disposal were as follows:

	Note	HK$'000
Net assets disposed of:		
Property, plant and equipment		32,079
Goodwill		6,686
Other intangible assets		2,879
Inventories		797
Trade receivables		8,487
Prepayments, deposits and other receivables		8,150
Cash and cash equivalents		10,074
Trade payables		(1,091)
Accruals, other payables and deposits received		(8,123)
Tax payable		(2,597)
Deferred tax liabilities		(787)
Non-controlling interests		(21,942)
		34,612
Exchange equalisation reserve released		(7,872)
Gain on disposal of subsidiaries	5	6,920
		33,660
Satisfied by cash*		33,660

* Cash consideration of HK$33.7 million was net of PRC capital gain tax of HK$1.3 million.

37. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2016 – continued

(a) – continued

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

	HK$'000
Cash consideration	33,660
Decrease in deposits received for disposal of subsidiaries	(11,554)
Cash and cash equivalents disposed of	(10,074)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	12,032

(b) As a part of the Group's restructuring plan of its limousine operation (the "Limousine Restructuring"), the Group entered into various transactions with the non-controlling shareholders of Vigor Airport Shuttle Services Limited and Vigor Tours Limited, together with its subsidiaries (collectively, the "Vigor Entities") to (i) dispose of its entire 75% equity interest in the Vigor Entities; (ii) dispose of its 5% equity interest in ILC; and (iii) acquire a 100% and 98.75% equity interests in Gain Rich Limited ("Gain Rich") and Hi Lee (Hong Kong) Transportation Company Limited ("Hi Lee"), respectively, from one of the 75%-owned Vigor Entities.

(i) Disposal of the Vigor Entities

During the year ended 31 March 2016, the Group disposed of its entire 75% equity interest in the Vigor Entities to the non-controlling shareholders of the Vigor Entities for a cash consideration of HK$6.38 million. The Vigor Entities were engaged, primarily, in tour and shuttle bus operations.

The aggregate assets and liabilities of the Vigor Entities as at the date of disposal were as follows:

	Note	HK$'000
Net assets disposed of:		
Property, plant and equipment	13	774
Trade receivables		14,760
Prepayments, deposits and other receivables		21,526
Tax recoverable		172
Cash and cash equivalents		4,619
Trade payables		(18,990)
Accruals, other payables and deposits received		(11,100)
Interest-bearing bank borrowings		(1,542)
Non-controlling interests		(2,405)
		7,814
Loss on disposal of subsidiaries		(1,439)
		6,375
Satisfied by cash		6,375

37. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2016 – continued

(b) – continued

(i) Disposal of the Vigor Entities – continued

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Vigor Entities was as follows:

	HK$'000
Cash consideration	6,375
Increase in other receivables for unpaid cash consideration	(6,375)
Cash and cash equivalents disposed of	(4,619)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,619)

(ii) Partial disposal of interest in ILC without change of control

During the year ended 31 March 2016, the Group disposed of its 5% equity interest in ILC to the non-controlling shareholders of the Vigor Entities for a cash consideration of HK$5 million. ILC was engaged in operation of limousine services. Upon completion of the transaction, the Group's non-controlling interests increased by HK$1,393,000.

(iii) Acquisition of additional interests in Gain Rich and Hi Lee without change of control

During the year ended 31 March 2016, the Group acquired a 100% and 98.75% equity interest in Gain Rich and Hi Lee, respectively, from one of the former 75%-owned Vigor Entities through ILC for a total cash consideration of HK$12 million. Gain Rich and Hi Lee were investment holding companies. Upon completion of the transaction, the Group's non-controlling interests decreased by HK$262,000.

Upon completion of all of the above transactions on 31 March 2016, the Vigor Entities ceased to be subsidiaries of the Group and ILC, Gain Rich and Hi Lee became 95%, 95% and 93.81%-owned subsidiaries, respectively.

In the opinion of the directors, since the above transactions were part of the Limousine Restructuring and transacted with the same non-controlling shareholders, it was appropriate to account for the above transactions as if they were one single transaction with multiple arrangements and recognised the difference of HK$2,421,000 between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received directly in equity.

As at 31 March 2016, the consideration receivables of HK$11.38 million in respect of disposal of the Vigor Entities and 5% equity interest in ILC were included in other receivables and the consideration payables of HK$12 million in respect of acquisition of Gain Rich and Hi Lee were included in other payables. The respective consideration receivables and payables were fully settled subsequent to 31 March 2016.

38. DISPOSAL GROUP HELD FOR SALE

Year ended 31 March 2017

On 22 January 2017, the Group entered into an equity transfer agreement with an independent third party whereby the Group agreed to dispose of its entire 60% equity interest in CQ Everbright for a consideration of RMB30,000 (approximately HK$34,000). CQ Everbright is principally engaged in the provision of travel agency services in Chongqqing. This transaction is expected to be completed before the end of 2017. Accordingly, the assets and liabilities of CQ Everbright as at 31 March 2017 were classified as a disposal group held for sale.

The major classes of assets and liabilities of CQ Everbright classified as held for sale as at 31 March 2017 were as follows:

	Notes	HK$'000
Assets		
Property, plant and equipment	13	369
Available-for-sale investment	20	217
Trade receivables		310
Prepayments, deposits and other receivables		1,944
Cash and cash equivalents		3,125
Assets classified as held for sale		5,965
Liabilities		
Trade payables		(2,957)
Accruals, other payables and deposits received		(4,420)
Liabilities directly associated with the assets classified as held for sale		(7,377)
Net liabilities directly associated with the disposal group		(1,412)
Exchange equalisation reserve		298

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39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The Group had the following major non-cash transactions:

(a) During the year ended 31 March 2017, a total amount of HK$20.0 million payable to non-controlling shareholders of a 51%-owned subsidiary, including dividends in an aggregate amount of HK$5.6 million payable to the non-controlling shareholders, were offset against the loans made to the non-controlling shareholders.

(b) During the years ended 31 March 2017 and 2016, included in loans receivable were advances of HK$5.9 million and HK$78 million made to non-controlling shareholders of a 51%-owned subsidiary by the non-controlling shareholders assuming a loan due by that subsidiary to the Group. Further details are set out in note 22 to the financial statements.

(c) During the years ended 31 March 2017 and 2016, non-controlling shareholders made additional capital contribution of HK$19.7 million and HK$81 million to a 51%-owned subsidiary by way of capitalisation of shareholders' loans advanced to that subsidiary.

(d) During the year ended 31 March 2016, the Group entered into various transactions with the non-controlling shareholders in respect of the Limousine Restructuring. As at 31 March 2016, total consideration receivables of HK$11.38 million were included in other receivables and total consideration payables of HK$12 million were included in other payables. Details are set out in note 37(b) to the financial statements.

40. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities (2016: Nil).

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment properties, motor buses and vehicles and bus route operating rights under operating lease arrangements, with leases negotiated for terms ranging from 1 to 8 years (2016: 1 to 8 years).

At 31 March 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	8,609	10,688
In the second to fifth years, inclusive	2,184	7,848
	10,793	18,536

(b) As lessee

The Group leases certain of its office properties, ticket counters, bus depots, terminals, car parks and bus route operating rights under operating lease arrangements. Leases for office properties are negotiated for terms ranging from 1 to 5 years (2016: 1 to 5 years) and those for ticket counters, bus depots, terminals, car parks and bus route operating rights are negotiated for terms ranging from 1 to 15 years (2016: 1 to 15 years).

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	72,774	59,917
In the second to fifth years, inclusive	39,956	56,711
After five years	–	446
	112,730	117,074

Notes to Financial Statements

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42. COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	**259,043**	181,190
Capital contribution to a contractual arrangement	**5,000**	5,000
Construction of buildings, bus terminal structures and scenic area establishments	**3,453**	3,378
	267,496	189,568

43. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in note 29 to the financial statements.

44. 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:

	2017 HK$'000	2016 HK$'000
Coach rental income and administrative service income from associates (note)	**101,904**	100,384

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

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

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**52,339**	54,704
Post-employment benefits	**1,377**	1,717
	53,716	56,421

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

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

2017

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Due from an associate	–	–	141	141
Financial assets at fair value through profit or loss	27,669	29,310	–	56,979
Trade receivables	–	–	170,799	170,799
Loans receivable	–	–	63,798	63,798
Financial assets included in prepayments, deposits and other receivables	–	–	220,850	220,850
Pledged time deposits	–	–	14,488	14,488
Cash and cash equivalents	–	–	408,620	408,620
	27,669	29,310	878,696	935,675

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	–	54,319	54,319
Financial liabilities included in accruals, other payables and deposits received	–	154,876	154,876
Derivative financial instruments	14,268	–	14,268
Interest-bearing bank and other borrowings	–	1,275,914	1,275,914
Financial liabilities included in other long term liabilities	–	982	982
	14,268	1,486,091	1,500,359

45. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

2016

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial investments HK$'000	Total HK$'000
Due from an associate	–	–	141	–	141
Available-for-sale investment	–	–	–	232	232
Financial assets at fair value through profit or loss	21,390	26,614	–	–	48,004
Trade receivables	–	–	161,559	–	161,559
Loans receivable	–	–	80,435	–	80,435
Financial assets included in prepayments, deposits and other receivables	–	–	185,146	–	185,146
Pledged time deposits	–	–	12,118	–	12,118
Cash and cash equivalents	–	–	541,740	–	541,740
	21,390	26,614	981,139	232	1,029,375

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	–	57,507	57,507
Financial liabilities included in accruals, other payables and deposits received	–	210,621	210,621
Derivative financial instruments	24,400	–	24,400
Interest-bearing bank and other borrowings	–	1,219,915	1,219,915
Financial liabilities included in other long term liabilities	–	1,226	1,226
	24,400	1,489,269	1,513,669

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the non-current portions of financial assets included in prepayments, deposits and other receivables, loans receivable, an amount due from an associate, interest-bearing bank and other borrowings and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 March 2017 was 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 listed equity investments are based on quoted market prices. The fair values of unlisted investments included in financial assets at fair value through profit or loss have been estimated using a valuation technique which incorporates various market observable inputs including quoted prices. The directors believe that the estimated fair values resulting from the valuation technique, 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.

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

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

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 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**29,310**	**27,669**	**–**	**56,979**

As at 31 March 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	26,614	21,390	–	48,004

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 (2016: Nil).

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

Fair value hierarchy – continued

Liabilities measured at fair value:

As at 31 March 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**–**	**14,268**	**–**	**14,268**

As at 31 March 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	24,400	–	24,400

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 (2016: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Interest rate risk – continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, assuming that the amounts of borrowings outstanding at the end of the reporting period were outstanding for the whole year with all other variables held constant, of the Group's profit before tax through the impact on floating-rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 March 2017		
Hong Kong dollar	**50**	**(3,684)**
United States dollar	**50**	**(2,345)**
Renminbi	**50**	**(289)**
Hong Kong dollar	**(50)**	**3,684**
United States dollar	**(50)**	**2,345**
Renminbi	**(50)**	**289**
31 March 2016		
Hong Kong dollar	50	(5,543)
United States dollar	50	(90)
Renminbi	50	(420)
Hong Kong dollar	(50)	5,543
United States dollar	(50)	90
Renminbi	(50)	420

For the interest rate swap, a 50 basis point increase/decrease in interest rate at 31 March 2017 would have decreased the Group's profit before tax by HK$81,000 (2016: HK$1,170,000) and increased the Group's profit before tax by HK$206,000 (2016: HK$2,028,000), respectively.

47. 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$177,790,000 (2016: HK$265,093,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business under certain circumstances. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2017		
If Hong Kong dollar weakens against RMB	**5%**	**6,458**
If Hong Kong dollar strengthens against RMB	**5%**	**(6,458)**
2016		
If Hong Kong dollar weakens against RMB	5%	6,811
If Hong Kong dollar strengthens against RMB	5%	(6,811)

Credit risk

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

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, pledged time deposits, loans receivable, an amount due from an associate, an available-for-sale investment, financial assets at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk

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

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

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Management reviews 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:

	2017					
	No fixed terms of repayment/ on demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	20,249	34,070	–	–	–	54,319
Financial liabilities included in accruals, other payables and deposits received	68,319	51,264	35,293	–	–	154,876
Derivative financial instruments	–	14,268	–	–	–	14,268
Interest-bearing bank and other borrowings (note)	292,215	84,386	237,050	694,966	6,688	1,315,305
Financial liabilities included in other long term liabilities	–	–	–	982	–	982
	380,783	183,988	272,343	695,948	6,688	1,539,750

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk – continued

	2016					
	No fixed terms of repayment/ on demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	18,754	38,753	–	–	–	57,507
Financial liabilities included in accruals, other payables and deposits received	74,409	110,709	25,503	–	–	210,621
Derivative financial instruments	–	24,400	–	–	–	24,400
Interest-bearing bank and other borrowings (note)	279,118	98,505	276,408	640,340	–	1,294,371
Financial liabilities included in other long term liabilities	–	–	–	1,226	–	1,226
	372,281	272,367	301,911	641,566	–	1,588,125

Note:

Included in the above interest-bearing bank and other borrowings are term loans with an aggregate carrying amount of HK$911,739,000 (2016: HK$1,164,083,000) 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", except for bank loans of HK$419,913,000 (2016: HK$597,429,000) due for repayment after one year which is subject to a repayment on demand condition from 13 months after the end of the reporting period should there be no occurrence of any event of default as stipulated in the bank facility letters. Such bank loans are categorised as repayable in "1 to 5 years".

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

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

	Less than 3 months HK$'000	**3 to less than 12 months** HK$'000	**1 to 5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
As at 31 March 2017	127,313	292,714	896,379	6,688	1,323,094
As at 31 March 2016	105,216	303,978	881,023	7,676	1,297,893

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47. 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 2017 and 31 March 2016.

The Group monitors its capital using a gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. At the end of the reporting period, the gearing ratio was 68.1% (2016: 71.5%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK$1,275,914,000 (2016: HK$1,219,915,000) over the total equity of HK$1,874,670,000 (2016: HK$1,706,770,000).

In addition to the gearing ratio, the Group also monitors its capital with reference to adjusted current assets position of the Group, which is net current liabilities adjusting for certain current liabilities with cash outflows expected to be made after one year or without any expected future cash outflows. As at 31 March 2017, the net current liabilities of the Group of approximately HK$293,911,000 (2016: HK$250,007,000) are largely attributable to (i) portions of bank borrowings due for repayment after one year being classified as current liabilities due to repayment on demand clauses included in bank facility letters; (ii) certain deferred revenue arising from the ordinary course of business of which recognition of revenue was pending for completion of service obligation; and (iii) certain financial obligations with settlement expected to be made after the next 12 months. The directors monitor the cash flow projections of the Group on a regular basis, taking into account the performance of the Group and financial obligations in the foreseeable future. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to settle its financial obligations as and when they fall due.

48. EVENT AFTER THE REPORTING PERIOD

On 20 June 2017, the Group entered into equity transfer agreements to acquire an aggregate of 49.0% equity interest in a non-controlling shareholder (the "Target Company") of a subsidiary of the Group for an aggregate consideration of RMB57.9 million (approximately HK$64.8 million). The Target Company is mainly engaged in travel business. The transaction is expected to be completed before the end of 2017.

49. 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:

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**804,394**	800,086
CURRENT ASSETS		
Prepayments	**221**	221
Cash and cash equivalents	**1,831**	1,375
Total current assets	**2,052**	1,596
CURRENT LIABILITIES		
Accruals and other payables	**373**	330
NET CURRENT ASSETS	**1,679**	1,266
Net assets	**806,073**	801,352
EQUITY		
Issued capital	**46,169**	46,169
Reserves (note)	**759,904**	755,183
Total equity	**806,073**	801,352

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49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	623,066	70,770	104,153	797,989
Profit and total comprehensive income for the year	–	–	151,102	151,102
Final 2015 dividend	–	–	(55,402)	(55,402)
Interim 2016 dividend	–	–	(55,402)	(55,402)
Special 2016 dividend	–	–	(83,104)	(83,104)
At 31 March 2016 and at 1 April 2016	623,066	70,770	61,347	755,183
Profit and total comprehensive income for the year	**–**	**–**	**115,525**	**115,525**
Final 2016 dividend	**–**	**–**	**(55,402)**	**(55,402)**
Interim 2017 dividend	**–**	**–**	**(55,402)**	**(55,402)**
At 31 March 2017	**623,066**	**70,770**	**66,068**	**759,904**

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.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2017.